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SPEAKER

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The Speaker

THE HONOURABLE SYDNEY J. SMITH

The Leader of the Government

THE HONOURABLE JOHN J. CONNOLLY, P.C.

The Leader of the Opposition

THE HONOURABLE ALFRED JOHNSON BROOKS, P.C.

THE SENATE

Thursday, September 1, 1966

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

STANDING COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

TIME OF MEETING CHANGED

Hon. John J. Connolly: Honourable senators, a meeting of the Standing Committee on Public Buildings and Grounds was called for 11 o'clock this morning. On behalf of the Chairman, Senator Dessureault, I would ask all members of that committee to take notice that the committee will meet immediately after we rise this morning.

Hon. Mr. McCutcheon: That will be at 11.15.

DIVORCE

APPOINTMENT OF SUBCOMMITTEE TO HEAR APPEAL

Hon. Arthur W. Roebuck: Honourable senators, I wish to make an informal report on behalf of the Standing Committee on Divorce. We had a meeting this morning and a resolution was passed authorizing the chairman to appoint a committee to hear the appeal that is before us and which was discussed at some length yesterday.

Honourable senators will be interested to know that I have nominated such a committee. I am sure honourable senators also will be interested in the personnel of the subcommittee. The chairman will be Senator J. Campbell Haig, a very experienced and thoroughly competent lawyer who has had nothing whatever to do with this case so far.

The appeal is by a woman. I do not know that that should make much difference but it is a circumstance, however; and one of the members of the subcommittee will be Senator Muriel McQ. Fergusson, a woman and a lawyer by profession. The third member of the subcommittee will be Senator F. W. Gershaw, a medical doctor.

I submit to my fellow members of this chamber that a stronger and more experienced group could scarcely be found if one searched all Canada to find it. I am very pleased indeed that we are able to produce such a subcommittee of talent, of integrity, of knowledge and experience as the three I have just mentioned.

Honourable senators, while I have the floor, may I make an apology to the chamber for a mistake I made yesterday. I was asked whether the evidence in this case had been transcribed and I said I was fairly sure it had not.

It was transcribed, and I think I ordered it to be transcribed. However, I do not know that any significance attaches to this fact, but in the interests of accuracy I would like to correct my statement of yesterday.

Honourable senators will remember that our honourable leader made a suggestion yesterday afternoon with regard to the criticism levelled not only by Senator Walker but by others and which has also been in other minds, my own included, that it was not quite right in principle or in appearance that the body which passes upon a case should also be the body to hear an appeal against its decision. It is fundamental; it is elementary, but it is certainly not applicable in the present instance since the members of the committee just named had nothing to do with the case under discussion; however, for the sake of appearances and principle I think we should make some change. The Leader of the Government, Senator Connolly, suggested that we divide the committee into two sections, one of which will be known as the Appeal Division. This suggestion has met with the unanimous approval of the committee, and we will draft the necessary amendments to the rules of the Senate during the recess and action will be taken as soon as we reassemble in October.

Hon. A. J. Brooks: Honourable senators, may I congratulate the honourable Chairman of the Divorce Committee for his quick action in connection with this matter. I understand that he had a very early morning meeting of the committee and that these matters were determined at that time.

May I also say I agree that his committee has made a very fine selection of a subcommittee to look after this problem. They are all well qualified, and I am sure the selection will meet with the approval of all members of this Senate. I might also say to him that he need not apologize to a body of this kind for his lapse of memory with respect to the transcript having been prepared because all, or at least many of us, are

reaching that stage when a lapse of memory is a very common occurrence. I find I am that way myself.

I also agree with his approach to the appeal matter. I listened to my colleagues Senator Walker and Senator Choquette yesterday, and I wish to commend the Chairman of the Divorce Committee for his quick action in adopting their suggestions which were so well made yesterday afternoon.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, I have been in the other place to see what progress has been made. They sat quite late last night, and resumed again this morning at 10 o'clock. There is little prospect of getting this bill before 2.30 this afternoon at the very earliest. I therefore suggest that it would be appropriate to rise until 3 o'clock this afternoon.

The members of this chamber who have sat in the House of Commons know the old adage that if you begin a week, you finish the week. Very often, if you begin a bill on a day, you finish it on the day. I am hopeful that we will have this bill by 3 o'clock this afternoon.

Hon. Mr. Farris: Would you tell us what is going on in the Commons at the moment?

Hon. Mr. Connolly (Ottawa West): They are dealing with the bill clause by clause in Committee of the Whole. I am not able to say at what stage they have arrived at the moment.

Hon. Mr. Croll: Clause 6.

Hon. Mr. McCutcheon: I take it we will have copies of all the amendments—that we will have a bill we will understand?

Hon. Mr. Connolly (Ottawa West): I am just coming to that, senator. If there are amendments made in committee, we may not have a reprint of the bill. If time permits, I shall try to arrange for it; if time does not permit a reprint of the bill, then I shall endeavour to have a memorandum containing the amended sections. It will be duplicated in some way. In other words, there will be a fair copy of the section as amended and passed.

Hon. Mr. Brooks: We could have typewritten copies at least.

Hon. Mr. Connolly (Ottawa West): It may be in that form.

Hon. Mr. Brooks: There will be copies in some form.

Hon. Mr. Connolly (Ottawa West): Yes.

Honourable Senators, I would suggest that the Senate recess at this time to reassemble at the call of the bell at 3 o'clock this afternoon.

The Senate adjourned during pleasure.

At 3 p.m. the sitting was resumed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, the progress in the other place on the bill we are expecting has been snail-like. I understand that clause 7 of this bill of 11 clauses has passed, but clause 6 stands until after clause 10 is dealt with. If it meets with the convenience of the Senate I suggest that we rise now until approximately 5.30, at which time we may receive the bill. If we do not, then we shall have to adjourn again.

Hon. Mr. Brooks: I take it that if we receive the bill at 5.30 it would mean our sitting right through till we dispose of it.

Hon. Mr. Roebuck: We must do that.

Hon. Mr. Brooks: I was wondering if it would be better to meet after 6 o'clock. Like the honourable Leader of the Government, I have no idea when the other place will complete its deliberations, but an hour is not going to make much difference either way. I suggest we adjourn until 6.30 or 7 o'clock.

Hon. Mr. Connolly (Ottawa West): It was my view that it would be better to assess the situation at 5.30. I am in the hands of the Senate.

Hon. Mr. Roebuck: May I suggest that we stand ready to be called so soon as the bill is received? There will then be no delay whatsoever. We are all present in the building, and when the bell rings we are ready to respond.

Hon. Mr. Brooks: I agree with that.

Hon. Mr. Connolly (Ottawa West): That is substantially what I had in mind, although at 5.30 I would at least be reporting to the Senate on what is the situation. I suggest that we rise until the call of the bell which need not necessarily be at exactly 5.30. If the bill passes the other place before 5.30 then I shall

ask that the bell be rung. I have grave doubt that the bill will be available between now and 4 o'clock. There are still two contentious clauses to be dealt with, according to my information, and then there has to be a third reading upon which there could be debate as well. If the Senate agrees to the suggestion, the bell will ring before six o'clock, and we will know then what is the situation.

Hon. Senators: Agreed.

The Senate adjourned during pleasure.

At 5.45 p.m. the sitting was resumed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, we adjourned until 5.30 not by good management but rather by luck, for precisely at 5.30 the bill passed in the other place.

I promised the Senate we would have the amendments in some clear form. While they are not extensive, it will take a little time to accomplish this. I suggest therefore, if it is agreeable to the Senate, that we adjourn now to reassemble at the call of the bell at 7 p.m. This will give senators an opportunity to have dinner and, of necessity, it will provide an opportunity to have the amendments put into fair form so that they may be readily understood.

The Senate adjourned during pleasure.

At 7 p.m. the sitting was resumed.

MAINTENANCE OF RAILWAY OPERATION BILL, 1966

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-230, to provide for the resumption of operations of railways and for the settlement of the existing dispute with respect to terms and conditions of employment between Railway Companies and their employees.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, my first duty is to thank you all for the wonderful co-operation that you have given not to me personally but to the Senate, and indeed to Parliament, during this week. We have had some measures which perhaps we could have disposed of much more quickly than we did, but I want to express my deep personal appreciation to all honourable senators who have interrupted their time with their families at their homes to come here in this emergency.

You have come here out of a sense of duty and in great numbers, and I want all honourable senators to know how deeply I appreciate this. I am sure you appreciate the fact that your readiness and willingness to come here for this purpose has enhanced the position and the prestige of the Senate.

The bill before us this evening provides basically for resumption of railway services in this country, services which were disrupted by a strike that has paralyzed the railway industry now since Friday noon of last week. The bill also provides for a certain increase in wage rates to be paid to the workers. It establishes procedures whereby all other issues between the railway companies and the trade unions representing the workers can be settled; and I hope that all honourable senators will come to the conclusion that it provides a base for a just and fair settlement, considering the national emergency and the requirements of the times.

I should point out that involved in the dispute which led to the strike are the 13 companies described in Schedule A. The main companies are the Canadian Pacific and the Canadian National Railways. The other companies are all rather familiar to senators; some of them are jointly operated, some are jointly owned by various groups; some are independent. In any event, all are listed in Schedule A.

The other party to the dispute comprises the 19 unions listed in Schedules B and C. These unions represent over 100,000 non-operating employees of the railways and over 15,000 operating employees. The contracts between the unions and the railways expired on December 31, 1965. They were two-year contracts. The issues arising out of renegotiation of those contracts can be described generally as follows: wage increases, shift differentials, sick leave provisions, worker benefit plans,

annual vacations, bereavement leave and statutory holidays. Pre-eminent among the issues raised by the trade unions with the companies was the issue of wages. The shop craft group, for example desired a 23 per cent increase for all employes, plus 30 per cent for mechanics. The residual non-operating group desired a 12.5 per cent increase, plus 27 cents an hour, plus further provision for skill differentials. In the case of the Canadian Brotherhood of Railroad Trainmen the union asked a wage increase amounting to 90 cents an hour. All of these wage demands cover a period of two years.

The negotiations which led to the point at which we have now arrived began before the contracts expired on December 31 last. They began, in fact, in November 1965, and they continued for some time. Obviously, they failed. Therefore requests were made by various unions or groups of unions under the Industrial Relations and Disputes Investigation Act for the establishment of conciliation boards in accordance with the terms of the act. In fact, five such boards were established.

I propose to deal briefly in a moment with the timetable respecting the establishment of the boards, but I should say at this point that despite the fact that for the purposes of conciliation the groups were broken down into five different categories, the unions decided to act together in the event the boards failed to settle the disputes between themselves and the companies. That is why the concerted action which has resulted in this strike took place in the way in which we see it.

May I deal now briefly with the boards? Board No. 1 and Board No. 2 were under the same Chairman, Mr. Justice Munroe of the Supreme Court of British Columbia. He dealt with the demands of 83,000 non-operating and shop craft employees. The applications for these boards, despite the fact that talks began in November, were received in the department on January 27 with respect to the first one, and on March 1 with respect to the second. The boards were established on March 1, 1966, the day on which the second application was received.

Hon. Mr. McCutcheon: If I may interrupt the honourable Leader of the Government, I would ask him if we can put on the record that both management and labour asked that Mr. Justice Munroe be the chairman of the board.

Hon. Mr. Connolly (Ottawa West): Certainly, I would be happy to confirm that statement of Senator McCutcheon. It gives me an opportunity of saying that I think there is no one in Canada whom both the companies and the unions respect more than Mr. Justice Munroe. I know this from personal experience, because many months before this started I had talks with people on both the management and labour sides who confirmed this fact.

The boards were established, as I say, on March 1, 1966. The representatives of the unions and of the companies were appointed between March 10 and March 15, and they were confirmed by the department on St. Patrick's Day, March 17. They notified the minister that they had agreed on Mr. Justice Munroe as chairman on April 19.

This confirms the point that Senator McCutcheon makes.

Mr. Justice Munroe was appointed on the same day, April 19. The board's report was received by the department on July 4. The processes under the act proceeded. Strike action was decided upon on August 22, 1966, the strike to begin on August 26, four days later.

Hon. Mr. McCutcheon: Would the leader make any comment on the progress in negotiations up to the time that the Seaway workers were granted a 30 per cent increase?

Hon. Mr. Connolly (Ottawa West): No. Perhaps I should leave that to my honourable friend to deal with.

Hon. Mr. McCutcheon: I will deal with it.

Hon. Mr. Connolly (Ottawa West): I should like to get the record straight at this stage and then a discussion of this kind can be conducted. I have no objection to the discussion, but if the honourable gentleman would not mind I would prefer to proceed as I have planned. I may save some time for the Senate if I do so.

Board No. 3 sat under the chairmanship of the Honourable Mr. Justice J. C. A. Cameron. It dealt with the non-operating Canadian Brotherhood of Railway Transport and General Workers, numbering some 20,000. I need not go through all of the dates with reference to the establishment of this board. The union application was first received on March 21. The company nominee and the union nominee were unable to agree upon a chairman and notified the department on

April 18 of this fact. On May 13 Mr. Justice Cameron was selected. His board reported on August 10. Again through the normal processes strike action was decided on August 22, to begin on August 26, four days later.

In the case of Board No. 4, Judge Little of the County Court Bench in the Province of Ontario sat on one board which dealt with the Brotherhood of Railway Trainmen in the Canadian National System, numbering some 8,500 members. Again, the union and the railway company nominees were unable to agree on a chairman, and the minister was so advised on May 26. The chairman was appointed by the minister on June 9. He made his report on August 12. Strike action was decided on August 22, and the strike began on August 26.

Roughly, the same schedule applied in connection with the appointment of Judge Little for Board No. 5 which dealt with the problems of the Brotherhood of Railway Trainmen in the Canadian Pacific Railway system, numbering some 6,200 members.

When the Government was informed officially that strike action was decided upon on August 22, the Prime Minister immediately sent a wire to all of the parties concerned. That wire was tabled by me in the house here a few evenings ago. That wire offered whatever services the Government had at its disposal to try to bring about a settlement before the deadline for the strike on August 26 was reached.

Honourable senators, I think it quite proper for me here to speak of my colleague the Minister of Labour, and indeed of the other ministers, and certainly also of the officials of the Department of Labour. All of my colleagues were indefatigable in their efforts to try to avert this strike. If some of them are showing up a little the worse for wear just at this time, honourable senators will understand why. Neither sleeping time nor eating time seemed to matter. They were on call and were at work almost continuously for the purpose of trying to prevent this national emergency from arising.

I think it appropriate for the purpose of the record to give some of the reasons and some of the reasoning of Mr. Justice Munroe. I quote from page 8 of his report with reference to the 55,000 non-operating employees.

> It may be said that the recent wage settlements in the Quebec Longshoring and St. Lawrence Seaway disputes should govern my recommendations as to wage increases. I think not. It should be noted that the employees affected by such settlements are not working in Durable Goods Manufacturing Industries; such settlements are not typical or representative of negotiated wage settlements for 1966 and 1967 in such industries or in industry in general; such settlements involved a relatively small number of employees and arose out of special circumstances and facts which are clearly distinguishable. It would, I think, be no more justifiable to consider such settlements as governing factors in my determination than it would be to say that other wage settlements of amounts less than my recommendation which involve larger numbers of employees, of which many examples could be cited, should govern. In my view, a national standard—not individual settlements or regional standards—is the proper standard to apply to the national railway industry whose employees live in remote hamlets and in metropolitan areas across Canada. The national standard of the earnings of Durable Goods Employees, adjusted for the factors referred to in my 1964 report, remains, I think, as the sensible standard—because those two groups of employees are the most nearly comparable. Such standard has the support of many years of jurisprudence. It would, I think, be unwise to abandon it at this time in the interests of expediency.

He made the same findings on this point with reference to the shop craft employees report in which 2,800 people were involved.

I quote further from the recommendation in the report of Mr. Justice Munroe with reference to the rates of pay on page 9:

> My recommendation is as follows:
>
> To the hourly basic rates of pay in force at December 31, 1965, there shall be added:
>
> (a) effective January 1, 1966, add 4 per cent.
>
> (b) effective July 1, 1966, add a further 4 per cent.
>
> (c) effective January 1, 1967, add a further 4 per cent;
>
> (d) effective July 1, 1967, add a further 6 per cent.
>
> Daily, weekly and monthly rates shall be increased in an equivalent manner.

Hon. Mr. McCutcheon: Would the Leader of the Government tell us what the amount is that will be imposed on the railways this year by that settlement, and next year and in 1968 when the whole thing becomes effective, and then would he tell us where they are going to get the money?

Hon. Mr. Connolly (Ottawa West): I can give an estimate for the year 1966; I think it will be somewhere in the neighbourhood of $35 million to $40 million. I think probably an amount slightly in excess of that, because of the additional 6 per cent factor, will be involved in 1967.

Hon. Mr. McCutcheon: If I said to the leader it will be $48 million, would he contradict me?

Hon. Mr. Connolly (Ottawa West): No. I think the honourable senator has reasons for saying that. However, I made some inquiries about this some time ago, and I do not think he is in a position to contradict me any more than I am in a position to contradict him.

Hon. Mr. McCutcheon: I repeat my figure of $48 million is far more realistic than his.

Hon. Mr. Connolly (Ottawa West): That is the honourable senator's view, and I think he is entitled to his view.

Mr. Justice Munroe also dealt with questions of bereavement leave, annual vacations, statutory holidays, and at page 12 he had something to say about wage stabilization which I think I should read at this point.

> I am of the further opinion that, as stated before the board by the unions, "the railway companies must continue to accept a responsibility for minimizing the adverse effects of changed working conditions upon their employees. In turn, the unions must not try to imprison the railways within a system of obsolete or uneconomic methods and procedures."

And I quote further from Mr. Justice Munroe on page 13:

> The request of the unions that the recommendations contained in the report of the Industrial Enquiry Commission presided over by the Honourable Mr. Justice Samuel Freedman should be included in the new collective agreements has been considered by me. That report is now under study by the Government of Canada. There is nothing in the evidence before the board to indicate that the railway companies are contemplating major changes that will materially affect the job security of the employees represented before this board. In those circumstances and pending completion of such study, it would, I think, be premature to accede at this time to the request of the unions. However, I would expect that good sense will prompt the railway companies not to introduce such changes without first engaging in meaningful discussions with the unions and employees concerned.

I will have something more to say in reference to the Freedman Report at a later point.

Having mentioned Mr. Justice Munroe's recommendations with reference to wage levels and increases, I think it appropriate to put on the record, too, that the nominee of the railways on this same board rejected the increase as being too high for the railways to carry.

His recommendation was as follows: effective January 1, 1966: 3.5 per cent; effective July 1, 1966: an additional 3 per cent; effective January 1, 1967: another 3 per cent; effective July 1, 1967: a further 3 per cent. In other words, it is a total, during the two-year period beginning January 1, 1966, of 12.5 per cent.

I think, too, I should put upon the record what the nominee of the unions, who rejected the chairman's recommendations as being too low, had to say about wage levels. His recommendation was this:

Effective January 1, 1966: 6.5 per cent increase, plus 13 cents an hour; effective January 1, 1967: 6 per cent increase, plus 14 cents per hour.

I am advised that this would average out at about 25 per cent, with provisions for additional increases for certain skilled categories, to which I will refer later.

I have in my hand the report of Mr. Justice J. C. A. Cameron, a retired judge of the Exchequer Court who is chairman of Board No. 2 which heard the dispute between the railway companies and the Canadian Brotherhood of Railway, Transport and General Workers, numbering some 20,000.

Mr. Justice Cameron on the question of wage rates, at page 25 of this report says this:

> My recommendation therefore, after weighing all factors is the same as that made by Mr. Justice Munroe in the two 1966 Conciliation Board Reports. . .

Mr. Justice Cameron had the advantage of seeing Mr. Justice Munroe's report and, I presume, the transcript of the evidence. In other words Mr. Justice Cameron's recommendation, following that of Mr. Justice Munroe, was 4-4-4-6 on the dates to which I have referred. The union representative sitting with Mr. Justice Cameron made these recommendations:

> I recommend that the union be granted a wage increase of 40 cents an hour retroactive to January 1, 1966, and that a further increase of 12 per cent on the wages prevailing on December 31, 1966, go into effect on January 1, 1967.

The company representative sitting on that same board had this to say:

> ...the brotherhood has repudiated the durable goods standards...I have already recommended in my reports as a member of the boards...a wage increase of 12.5 per cent representing an average of 28 cents per hour for all non-operating railway employees. In the absence of any evidence before this board which would justify any departure from the percentage figure of 12.5 and having regard to the evidence contained in the railways' submission,...I recommend that the general wage increase for the employees represented before this board be an average of 12.5 per cent.
>
> ...the employees represented before this board are receiving remuneration much in excess of employees performing the same or very similar duties in outside industry. It would appear desirable that the wage scales of the employees represented before this board should be adjusted so as to reduce inequities that appear now to exist...
>
> I recommend that such a study be now undertaken on this point, but always within the limits of an average increase of 12.5 per cent.

I think honourable senators that I should also refer to one of the reports made by Judge Little and choose his report on the C.N.R. group representing 8,500 operating trainmen. Judge Little was unable to make a firm recommendation but he had some comments to make on the implementation of the Freedman Report which I think the Senate should know about.

Hon. Mr. McCutcheon: Are we implementing that report tonight?

Hon. Mr. Connolly (Ottawa West): No, sir.

Hon. Mr. McCutcheon: Thank you.

Hon. Mr. Connolly (Ottawa West): I quote from pages 7 and 8:

> The Implementation of the Freedman Report:
>
> It was the unanimous view of the members of the board at the conclusion of the formal presentation that if mediation were to resolve the dispute it would be necessary to secure agreement on the manner in which the proposals of Mr. Justice Freedman were to be implemented. In its arguments the union had adopted the said report in its entirety, whereas the Company had accepted it in principle, but varied from it and the union in the manner in which finality should be achieved in its implementation.
>
> Our discussions with the parties satisfied us that the three basic principles with which we had to deal were:
>
> (1) The railway's right to determine and effect technological innovations, both major and minor, where the rights of employees might be adversely affected, on due notice to the union.
>
> (2) The negotiation between the union and the railway of the protective conditions to apply to each and every employee affected in each case.
>
> (3) The *modus operandi* of resolving such protective conditions in the absence of mutual agreement.
>
> We are pleased to report that there was basic agreement between the parties on Item (1) and (2) above, but we were unable to reconcile their differences concerning Item (3).

Finally, the board was aware that the Freedman report was now under study by the Department of Labour. It was also apparent to us that the union does not expect this issue to be resolved by normal process of collective bargaining, including conciliations. The representatives made it quite clear that it is convinced that the only solution was by way of legislation. The railways expressed its readiness to give due notice to the union any technological innovations it has decided upon and to negotiate the protective conditions that apply to employees adversely affected thereby.

It was the railways' position that, if such negotiation failed, the said protective condi-

tions should be determined by an impartial tribunal. It was therefore the board's conclusion that no useful purpose would be served by a specific recommendation from it.

Hon. Mr. McCutcheon: May I ask the honourable Leader of the Government a question? Is it Government policy to put into legislative form—although I am confused as to how you would ever do it—the Freedman Report?

Hon. Mr. Connolly (Ottawa West): I think the answer to that is no.

Hon. Mr. McCutcheon: No.

Hon. Mr. Connolly (Ottawa West): I quote from page 12 of Judge Little's report:

> We accordingly recommend that the parties in conjunction with the Minister of Labour agree upon the appointment of an impartial party qualified in the matter of wage determination to examine into and make recommendations upon a more rational wage pay system.

Honourable senators, throughout this protracted period of negotiation there has been a most strict and faithful observance of the law by the companies, by the unions and, if I may modestly say so, by the Government.

Hon. Mr. McCutcheon: I would withdraw that last statement.

Hon. Mr. Connolly (Ottawa West): I certainly will not withdraw it.

Hon. Mr. Thorvaldson: It certainly did not follow precedent.

Hon. Mr. Connolly (Ottawa West): I thought it did follow the precedents. It certainly followed the precedents that are established under the Industrial Relations and Disputes Investigation Act. I challenge my honourable friend to show how in any particular the Government has strayed from those principles.

Hon. Mr. Thorvaldson: It did not follow the very good precedent of the legislation of 1960.

Hon. Mr. Croll: That was not a precedent.

Hon. Mr. Connolly (Ottawa West): We are talking about something now that the honourable gentleman has strayed from.

In the Industrial Relations and Disputes Investigation Act there is enshrined procedures for collective bargaining. These procedures have been strictly observed. I would be the first to admit, if I were called upon to do so, that the period of these negotiations stretching from November 1965 to August 1966 is too long a period when it affects an industry as vital to this country as the railroad industry. I feel too that the procedures which have grown up through the years have become cumbersome. They may even be described in many respects as outmoded. They need streamlining, and I hope that some action in this direction will soon be undertaken, not only with the co-operation of management but with the co-operation of the trade union movement as well.

For the workers in this dispute I have real sympathy, and I think all honourable senators have sympathy with them. They are faced with rising costs—as, indeed, all of us are. They see better working conditions being established in various industries throughout this country, and they want to have better working conditions in their own industry.

The problem of job security in the face of technological change certainly is a problem for these workers, and we would not be talking about retraining and the more effective use of manpower if we did not intend and hope that technological change and greater productivity could be and would be developed in this country so that our goods which are sold so widely on the markets of the world can be competitive.

I think I can say as well that the pay received for special skills in some branches of the railway industry is out of line. Much attention will still have to be given to this very complicated and difficult area of conciliation, mediation and negotiation.

So much for the workers. I want to say something about the companies. The railway industry in this country has been and still is a controlled industry.

Hon. Mr. Brooks: Before the honourable Leader of the Government leaves the subject of automation, may I ask him if labour is being given the assurance that it will have the opportunity of sitting in on the discussions when such matters are under consideration?

Hon. Mr. Connolly (Ottawa West): I think it flows clearly from the extract I read from the report of Judge Little that this has been agreed to by the railways.

Hon. Mr. Brooks: Well, we know Judge Little made a report, but there did not seem

very much indication that it would be favourably considered.

Hon. Mr. Connolly (Ottawa West): I think that his report was to the effect that the railways said they would be perfectly agreeable to dealing with technological change in conjunction with the workers, and by discussion with their workers.

Hon. Mr. Brooks: It is a very important matter.

Hon. Mr. Connolly (Ottawa West): Yes, it is a very important matter. If I may say so, now that I am talking about the companies, it is also important to understand that the railways cannot really give too much attention to the importance of increased productivity and technological change if we are to remain competitive.

Hon. Mr. Brooks: That is agreed.

Hon. Mr. Connolly (Ottawa West): I come back to my first point and say that these companies, so far as their rate structures are concerned, are, in effect, a controlled industry. They cannot increase their rates, other than perhaps in a few cases of agreed charges, without going before the Board of Transport Commissioners. They went there in 1957 and 1958 and were awarded or authorized an increase of 17 per cent. It was felt that this would damage the economy to an extent that compelled the Government of the day to disallow the increase. In its place the Government awarded the railways a subsidy. From this it follows that the railways are not free agents, and have not been free agents in respect of control of the revenues they earn because they have been required to go before the Board of Transport Commissioners to have rate increases approved.

Hon. Mr. McCutcheon: That is not what the Prime Minister and the Minister of Transport say.

Hon. Mr. Connolly (Ottawa West): I think this is the fact.

Hon. Mr. McCutcheon: I know it is the fact. I am glad that the honourable Leader of the Government says so.

Hon. Mr. Thorvaldson: That is one of the unfortunate things about this situation.

Hon. Mr. Connolly (Ottawa West): I do not think it is too unfortunate.

Hon. Mr. Thorvaldson: It should have been attended to sometime ago.

Hon. Mr. Connolly (Ottawa West): If in the other place there had been an opportunity of considering the new transport legislation much sooner than it is to be considered, then perhaps some of these problems might have been resolved.

Hon. Mr. McCutcheon: Well, there has been three years' opportunity.

Hon. Mr. Connolly (Ottawa West): Yes, and there has been three years of filibuster too, if I may say so.

Hon. Mr. McCutcheon: Last night I noticed the Liberals filibustering their own bill.

Hon. Mr. Hayden: Order, order.

Hon. Mr. Roebuck: The honourable Leader of the Government has the floor and—

Hon. Mr. McCutcheon: I do not have to listen to this nonsense.

Hon. Mr. Roebuck: The honourable gentlemen on the other side who are interrupting have not asked if they might ask a question.

Hon. Mr. Connolly (Ottawa West): The honourable Leader of the Opposition did. I do not mind the questions.

Hon. Mr. Roebuck: I object to this continuous barrage that is coming from the other side.

Hon. Mr. Choquette: But the applause from your side is quite welcome.

Hon. Mr. Connolly (Ottawa West): I think, honourable senators, we might well revert to our normal—

Hon. Mr. McCutcheon: Yes, our normal friendly attitude towards one another.

Hon. Mr. Connolly (Ottawa West: Yes, I think we can do that very readily because we are good at it.

May I deal with the second point I wish to make with respect to the companies? I say that they have been prevented from increasing their revenues through rate increases, even when those increases have been authorized by the Board of Transport Commissioners, and they have been given subsidies amounting to somewhere between $95 million and $100 million a year. The result, in effect, of the rate freeze—I have no hesitation at all in saying this, and I am a member of the Government—is that really meaningful col-

lective bargaining through this period from November 1965 until this date is a very questionable thing.

Hon. Mr. McCutcheon: May I ask the honourable Leader of the Government—

Hon. Mr. Connolly (Ottawa West): May I finish this point, after which I will listen to the honourable gentleman's question.

Hon. Mr. McCutcheon: Yes.

Hon. Mr. Connolly (Ottawa West): I have been greatly impressed, as I am sure all honourable senators have, with the absence of acrimony with which the discussions have been carried on between the companies and the unions, before the boards of conciliation were established and since. Indeed, in some of the confrontations on television between the companies and the unions, I was most impressed by the lack of acrimony in the statements they made. These people seemed to be realistic and reasonable in the way they talked about their problems. I hope that here in Parliament our discussion of this issue may be just as lacking in acrimony as was the discussion by those people so vitally concerned with the decisions that we make.

I hope there will soon be correctives for the company. I hope that the implementation by legislation of the MacPherson Report would be proceeded with and completed at the earliest opportunity, in so far as that can be done in the circumstances of today.

I do not say that the passing of legislation implementing the MacPherson Report will mean an immediate cure-all for the problems of the railways; but it will be a step forward and the country is indeed indebted to Mr. Murdock MacPherson for the leadership he gave in this respect.

Hon. Mr. Choquette: Five years ago.

Hon. Mr. Connolly (Ottawa West): The legislation was on the Order Paper two years ago, too.

For the unions there is the Freedman Report to be considered. The Freedman Report contained some things which are most valuable. From my own point of view there are some questionable items in it. It has made a contribution to the solution of this recurring problem, one which seems to bring crises every four or five years; and I hope that the Freedman Report will eliminate some of those crises. The non-operating crafts and trades must be dealt with in a very special way by specialists in those problems.

For both the railways and trade unions there needs to be a streamlining and a modernization of procedures, so that the problems which face them, when their contracts are to expire, can be solved much more readily and much more effectively than has been possible heretofore.

Honourable senators, may I come to the bill before us. It is not a new type of bill. Parliament is familiar with bills of this kind, having dealt with them on many occasions, certainly back to 1950.

Hon. Mr. Choquette: Four times.

Hon. Mr. Connolly (Ottawa West): Therefore, some of the terms will be familiar to senators who have been here for many years. Section 3 provides that the services given by the railways shall be resumed forthwith and that the employees now on strike shall resume the duties of their employment with the railway companies.

Hon. Mr. Choquette: Forthwith.

Hon. Mr. Connolly (Ottawa West): This is a familiar section, which has been in innumerable bills which Parliament has had before it.

Section 4 provides, as the other bills provided, that no worker shall suffer any punitive action at the hands of his employer as a result of his going on strike.

Section 5 deals with strike notices and requires their cancellation by the trade union officials who issued them. In other words, these sections legislate the ending of the strike and prevent recrimination by the companies against workmen for having gone on strike.

Section 6 deals with the terms of the collective agreement in respect of wage rates. I need not repeat the detail of the section, as it contains precisely the recommendation made by Mr. Justice Munroe and that made by Mr. Justice Cameron. The formula is that every six months, beginning January 1966, the increase will be 4 per cent, until July 1, 1967, when the increase will be 6 per cent.

Section 7 provides that the terms of the collective agreements now in force shall be extended and that they shall be binding and effective for the extended period, subject to the increases provided in section 6.

Section 8 requires the railway companies and the unions to resume negotiations forthwith and to try to resolve all the matters in dispute.

Hon. Mr. McCutcheon: Would the leader tell us what they are going to negotiate?

Hon. Mr. Connolly (Ottawa West): Perhaps I could deal with that in a moment. The list of items of dispute are given in the reports of the conciliation board. They are very long, and at the beginning of this much-too-long speech I indicated the general areas where there continues to be disagreement.

Section 9 provides for the appointment of a mediator, in the event that the companies and the trade unions are unable to reach agreement. That mediator shall be appointed by the Minister of Labour. He shall enter into discussions with the parties and he shall report to the minister not later than November 15, 1966.

Hon. Mr. Roebuck: He must be appointed forthwith and at once.

Hon. Mr. Connolly (Ottawa West): He is to be appointed forthwith and at once and he is to try to assist the unions to carry out the provisions of section 8. The term of his appointment or the duration of his work can be continued under subsection 2 of section 9, if the Governor in Council so decides. Subsection 3 gives the mediator all the powers of a conciliation board that are provided in the Industrial Relations and Disputes Investigation Act.

Section 10 has been patterned on the legislation passed by this Parliament in 1958. It provides for the possibility of arrangements for finality and could lead to compulsory arbitration unless the parties agree otherwise.

I think that the 1958 legislation in this respect was wise legislation. It was supported in this house by the party to which I have the honour to belong. It could have been drafted by my friend Senator Walker, and I am sure that when he was in the Cabinet he had much to say about matters of this kind. It should commend itself, in this emergency, to the approval of this house. It provides also that if the board of conciliation to be appointed, which is to consist of three people, fails to agree, the chairman's decision will be final.

It provides that the wage rate increase set out in section 6 shall be the floor in so far as wage increases are concerned. They shall not go below that figure. It also provides in section 11 that if the executive or the Government makes up its mind, sometime presumably after November 15, it must take its responsibility to appoint the arbitration board; the order in council shall be laid on the table of the House of Commons within five days, and within three days the house, at an appropriate time, must arrange for an opportunity for the issue to be debated if ten members of the House of Commons file a petition to that effect for the purpose of having the order in council negated. I think this further step is a more liberal and a more democratic method of dealing with the establishment of a board which will have compulsory powers.

I should say too that in the course of the discussion of the draftsmanship of this section, the question was raised as to whether or not this right should be extended to the Senate. I am persuaded, honourable senators, that because of the theory in practice and in fact that the executive is responsible to the House of Commons and that only by defeat in the House of Commons can the Government be defeated in Parliament, it is appropriate that this action to annul the order in council should be taken by the House of Commons alone. I think there are practical reasons for adhering to that view.

Honourable senators, I commend the bill to the Senate and I am sorry I have taken so long.

Hon. David Walker: Honourable senators, it is now five minutes after eight, and I shall curtail my remarks because regardless of how we might criticize this bill, we are, on this side, above all else, anxious that the men should get back to work and that the trains should start rolling again, and it cannot be too soon.

Some Hon. Senators: Hear, hear.

Hon. Mr. Walker: After hearing the Leader of the Senate (Hon. Mr. Connolly, Ottawa West), I could not help but remark on the magnificent way in which he has summarized the history of this whole unfortunate affair. How unrealistic the Government has been throughout! From June last, or, as a matter of fact, from the time of the Seaway settlement and from the time of the Longshoremen's settlement, the Government knew there was going to be a rail workers' strike, and that the railworkers would settle for nothing less than 30 per cent. The Government has been warned time after time after time from June up until the strike took place on August 26. It has amassed from some of the best brains in Canada reports so that it could

know what was fair and equitable under the circumstances, and yet, with all that information and with all those reports and with all the warnings the Government has had, and with the broad knowledge of the strangulating effects of a railroad strike, it sat back and waited as if transfixed with fear for the inevitable strike which has certainly taken place. It is a shocking thing to think how idly the members of the Government gazed. It is true the Government sat by, and it is true that on August 22 the official report of the unions was that they would strike on August 26. The Government for weeks ahead knew that this was coming, and it should have had ready, as we had ready in 1960, legislation to nip the strike in the bud, legislation which would have prevented this strike from taking place, legislation which would have sent the workers back again to proper collective bargaining when they knew there would be no nonsense under all the circumstances. Yet they delayed; they did nothing.

Then, even when the strike is on us, on August 26, without any legislation prepared, without any plans made, they still stood dazed, and did nothing except call Parliament for August 29. Then, with all these days, with all this information before them, with all these reports from people whom they had confidence in, all we had from them when the great day came, when Parliament assembled on August 29, was one of the most astonishing bills ever produced. Contrary to all the advice they had received, contrary to all the injunctions that they had heard of, they produced a bill offering 6 per cent for 1966 without any outline of any other plans for the future, and ordering the workers back to work. It was unrealistic, so unrealistic that it shocked the conscience of even the public that was suffering as a result of the strike.

And then we had a third stage; for three days the Government sat and listened to a barrage of effective criticism, of helpful criticism, and stubbornly maintained the position that it took originally, that it would be 6 per cent for 1966 and no further concessions. They heard the Tories in the other place through their great leader make a reasoned speech outlining that the plans, the recommendations in the report of Mr. Justice Munroe as to wages, should be implemented in this bill. They stubbornly refused to do so until in their own Liberal caucus a rebellion broke out that forced them to capitulate and bring about this bill which was finally passed today.

Hon. Mr. Smith (Queens-Shelburne): Were you there?

Hon. Mr. Choquette: He does not have to be there.

Hon. Mr. Walker: There were so many leaks from your own caucus, even from some of my honourable friends on the other side of this house, that I had a full report within an hour of what took place. Obviously my friend was not there or he would not be laughing.

Hon. Mr. Smith (Queens-Shelburne): I was there.

Hon. Mr. Walker: Then there was a fourth stage of this inability to take proper action today when there was a complete volte-face, when the Government could not do enough to solace the Opposition, could not do enough to accept the suggestions of the Opposition. The Government comes out of its reverie at last and at the very last moment, when realism is forced upon it by the argument of the Leader of the Opposition—who, in order to save time, was the only one to speak on behalf of the ninety-five Conservatives—it makes amendments to the bill increasing the 6 per cent for 1966 to 18 per cent for two years. It finally adopted the Munroe formula, and then to save face,—it is an old eastern custom to commit hara-kiri if you cannot save face—it said that the railway workers should have known all along that the government always intended to give them 18 per cent. Did you ever in your life hear such ridiculous nonsense? Even senators on the other side had no idea that they meant 18 per cent when they said 6 per cent, and if they had no knowledge of this, how could the railway workers be apprised of it? Are they supposed to be mind readers?

The harm has been done now; by noon tomorrow the economy will have suffered a week of strangulation. It cannot now be helped; it is all behind us. Most of us on this side, though I think there may be one exception, want the bill to pass. It is not because we are satisfied with the bill, not at all. But we want to get the trains rolling again.

Many of us would like to see spelled out some of the ancillary terms which had been outlined in Mr. Justice Freedman's report, or, at least, to have some guideposts given for those who are going to engage in collective bargaining, as to what the opinion of Parliament is in connection with such matters as pensions, life insurance, holidays, job securi-

ty, and so on. But this has been left out and we must make the best of what we have.

Some good may come of this strike, however. It proved again the folly of strikes. What possible good did it do? But this weak, vacillating Government has become famous around the world for its vacillation, and having acceded to 32 per cent for the longshoremen and 30 per cent for the seaway workers, it has led and encouraged the workers to strike.

One other good thing it might accomplish is to convince the Government that it has four months left in which to act at once on the postal strike that is threatened in the Christmas season. The Government still has time to head that off. All this proves beyond peradventure that the Government must find some substitute for strikes in our essential services in order that such strikes might be outlawed.

Finally, one other benefit—and we have to look if we can on the cheery side of this catastrophe—is that if it affects our Parliament and our Government sufficiently to amend the Railway Act to make it possible for the railways to be unshackled and to look to their own increased revenue rather than to the Government of Canada for any more subsidies, it will be a good thing. I hope the day of increasing subsidies has come to an end. This is the view of some of us on this side of the house.

Honourable senators, I am not going to detain the house further. I congratulate the leader on his speech. He must make the best apology that he can for the Government of which he is a member.

Hon. Mr. Farris: He made no apology.

Hon. Mr. Walker: That is very nice. I am glad to hear that from Senator Farris. We thought it was the best apology that could be made, far better perhaps than Senator Farris could make under similar circumstances.

Hon. Mr. Farris: A much better speech than you are making.

Hon. Mr. Walker: I am glad to hear that. When I have lived as long as the distinguished senator, perhaps I can sit back, too, and make comments like that about other senators, but I do not expect to be here at that time.

Hon. Mr. McCutcheon: Very disrespectful comments.

Hon. Mr. Walker: Well, we always judge the source of these things, and I was going to say that, except for the distinguished and benign appearance of the honourable senator, in the colloquialism of the railways, I don't stop at flag stations and he, in his own time and in his own way, may have an opportunity to toot his own horn.

Hon. David A. Croll: Honourable senators, I regret that my friend who made a good speech should have messed it up at the end by an extraneous comment.

To begin with, let me say that I agree with the purpose of the bill.

Hon. Mr. McCutcheon: I am surprised.

Hon. Mr. Croll: And I will give you the reason why. I support the resumption of railway services at the earliest possible time. I realize that we are doing this in a time of tension and some hostility, with public statements being made here and there. It would appear to be the worst kind of atmosphere. Nevertheless, we have to do it.

I think it is good that there are no sanctions in this bill; and such should not be necessary because through this bill Parliament is speaking. It speaks for all of us, it speaks to all of us, and it must be heeded and observed. We must reiterate for those who have any doubts that Parliament is supreme.

Let me dwell for a moment on something said by Senator Walker. He took the Government to task for not taking action before strike action was taken, as did the Government of which he was a member in 1960. I think the answer to that has been made on many occasions in the other place, namely, that that would have deprived the workers of a basic, fundamental right. It would have deprived them of the right to strike, and this Government was not prepared to do that. Moreover, this is not 1960. No one knows that better than Senator Walker. We are living in an entirely different atmosphere with respect to labour.

Hon. Mr. McCutcheon: And with respect to the Government.

Hon. Mr. Croll: It is a better Government, I suggest, but with respect to labour let me make my point.

In the Province of British Columbia four or five people were put into jail for law breaking over some labour infractions. In Ontario

we had quite a fiasco in Peterborough, as a result of which labour men were prosecuted. In Oshawa I think there was a tearing up of an injunction that was presented there.

Hon. Mr. McCutcheon: Does my honourable friend call it a fiasco to enforce the law in the courts?

Hon. Mr. Croll: I am saying that the law was not enforced.

Hon. Mr. Connolly (Ottawa West): He was saying that the law was not enforced.

Hon. Mr. McCutcheon: He called it a fiasco. The law was enforced in Peterborough and the men were sentenced.

Hon. Mr. Connolly (Ottawa West): He is commenting on the fiasco.

Hon. Mr. Croll: I am saying that the fiasco was as a result of the law being enforced and that the men involved were sentenced.

Hon. Mr. McCutcheon: Now you are explaining it.

Hon. Mr. Croll: They had a strike at International Nickel where the policemen had to obtain permission from the pickets to drive their cars in. You have the same thing happening at Stelco in Hamilton.

Now, in that atmosphere, do you think any Government could have been justified in taking away from the people their rights to strike? What would have been the result? We would have had wildcats all over the place. That is the mood labour is in at the moment. We have to live with it until such time as the mood passes, and in the meantime try to reason with these people.

You cannot beat them on the head. Reasoning with them is one way of indicating to them that the law applies to them and to the Government. The Government has lived by the law, and so they have a right to say to these people, "Now we want you to live by the law also." That, I think, is a very strong argument.

Let me just say this also. My friend keeps talking about the longshoremen and the seamen, and their raise in pay. It was a substantial raise in pay, but no one knows better than he does that these people are seasonal workers and part-time workers; they are not railway workers.

As I recall railway workers—and I have known them all my life—they had tenure, they had pensions, they had comparatively good wages and they were the aristocrats of labour. That is as I remember them and as I have always known them, and they cannot be compared with these part-time, seasonal workers who catch on now and then and earn themselves some money and then go on unemployment insurance for the balance of the time.

Now, as to my friend's remarks about the 6 per cent that appeared to be offered originally, actually the Government was trying not to write a contract. They attempted to leave something to conciliation and arbitration, and not write a contract. Once a government gets into the business of writing labour contracts, then there is no end to it. They try to avoid it as much as they possibly can.

Hon. Mr. Walker: Was not the 6 per cent in the contract?

Hon. Mr. Croll: No. It was put in the 1966 portion, and the arbitration that was provided for November 15 was to deal with the other portion—the 4 per cent and the 6 per cent, which may very well have turned out to be 6 per cent and 8 per cent or 4 per cent and 8 per cent. Who knows? It may yet turn out to be that, if the climate is satisfactory. The Government wanted to leave it that way, but the desire was to put it in the bill, and it was put in by Mr. MacEachen who spoke in the House of Commons. He made it clear, as he was heard by many of us, and there could be no doubt about it. Mr. Marchand and the Prime Minister made statements such as I am making at the present time—I am only repeating them—yet, they appear not to have been heard. Certainly they were entitled to be heard, believed, and to have their statements relied upon.

Hon. Mr. McCutcheon: But they never answered the basic question: Where are the railways going to get the money?

Hon. Mr. Croll: That was not really basic, except from your point of view. The Canadian people have provided money for the Canadian National for a great many years, and if I recall correctly I did not see the President of the C.P.R. making any collection with a cup in his hand. The C.P.R. is quite well to do.

Let me deal with something that concerned me a little. I think the most infuriating words in the English language are, "I told you so." I remind this house that 16 years ago almost to the day a bill providing for compulsory arbitration was introduced, under identical cir-

cumstances, for the same reason and for the same purpose in the other place. I was a member of the other place at that time, and I voted against that section of the bill. Well, here we are again, 16 years later, with the same actors, the same play, the same stage, the same script, the same audience, asking for the very same action.

Hon. Mr. McCutcheon: And you were quoted yesterday.

Hon. Mr. Croll: The point I am making is that it is hard to believe that we have made so little progress in labour-management relations in all these years. I heard the question asked yesterday, and repeated here today: Is there real collective bargaining in the railways? The picturesque phrase used was that in so far as the railways were concerned it was a ritualistic dance.

Hon. Mr. McCutcheon: Are you going to finish Mr. Douglas' statement?

Hon. Mr. Croll: I thought it was a very apt description. I am glad to associate myself with it. From my own point of view I think it is a shambles. It just ain't there! If you want to know my view about it I will say that if that is the way they are going to carry on, and come back to this Parliament every time they are in a bit of trouble, then that is one hell of a way to run a railway. I objected to compulsory arbitration, and I have had no reason to change my mind.

Hon. Mr. Walker: Are you in favour of it?

Hon. Mr. Croll: Of course I am not.

Hon. Mr. Choquette: Are you going to vote against the bill?

Hon. Mr. Croll: That is why I got up. I would have been on my way a long time ago.

Hon. Mr. Choquette: Are you going to vote against the bill?

Hon. Mr. Croll: I voted against it in 1952, and found myself in the position of being the only Liberal who stood up to vote with George Drew. I find myself in the same position so far as compulsory arbitration is concerned. I am opposed to it. I did not think it was necessary then, and I do not think it is necessary now. We can do without it; in fact we won't use it.

The argument by the proponents then was that it was not to be considered a precedent. It was introduced in a limited field for a limited time with a limited objective. Yet, it did harm then, and it does harm now to the concept of collective bargaining, and by its potentialities it has proved through the passage of time to be destructive of the concept.

I believe that the terms "collective bargaining" and "a free society" are synonymous. I believe it is one of our show pieces and one of our great possessions. Once we take pride in our free society we cannot deny collective bargaining.

It was made clear in 1950—those of you who were there will remember it, and those who were not can read the record—that it was not to be a precedent. But, it was employed in 1958 and again in 1960. And now, once again, we are faced with it. It is not a precedent; it has become a habit. If the principle of collective bargaining is on the verge of burial in the railway industry, then I ask: Can trucking and air services be far behind? I said then that it was dangerous—less because of what it attempted to do than of what, in other hands, it might be made to do later. This is later—much later—and we are faced with it once again. At this stage the Government has no alternative, but it does say: In certain circumstances you are no longer free to exercise your rights. I consider it wrong to say to labour: When you jeopardize a large number of your fellow men we will strip you of these rights and privileges. I reiterate, that is destructive of democracy.

I have indicated that it is habit forming. It does harm to the concept of collective bargaining because collective bargaining is an important process and must be preserved to the full. It is the only way yet available to us for the adjustment of the interests of the two great elements of economic strength—capital and labour. We have been operating under procedures and concepts that were adequate 25 years ago. I certainly join with Senator Walker in saying that it is about time we did something towards improving these labour-management procedures. We must realize that what was good 25 years ago does not fit today. Times have changed. We have now automation, technological advances, electronic achievements, and yet our procedures and laws are cumbersome and backward. It is as though they belonged to yesteryear; they are not sufficient for grappling with labour-management problems that are as modern as tomorrow.

It is time we began to think of public protection, governing not only the railways but the much wider field of industry. We must find some other solution, and we must find it very quickly. We need urgently to reappraise social, economic and moral issues that are basic to labour relations. Nothing is gained by shoving something down the throat of labour. We need a new management-labour climate. There should be a constant daily interest in labour relations in every plant in Canada, and there should be no waiting for contract time and the point of no return.

Organized labour must have a voice in the introduction of new procedures made possible by modern technology. That was the recommendation of the Freedman Report. Management's right to introduce changes in working conditions during the lifetime of a collective agreement, when it materially and adversely affects present jobs, has been challenged.

Referring to the present situation in which management under the law may introduce any changes it desires during the no-strike period of the contact, Mr. Justice Freedman said:

> There is a manifest inequity here which clamours for attention and correction.

He went on to recommend that the Industrial Relations and Disputes Investigation Act be amended to give labour a legal voice in the acceptance of automated procedures.

I quote further:

> A technological advance whose benefits accrue to the employer but whose burdens fall on the employee is unacceptable in a society which is concerned about human welfare.

It seems to be a statement with which we might well find ourselves in agreement.

I gather, from speeches made in the other place on behalf of the Government as late as this afternoon, that they were not only sympathetic to the view but they intended to do something about it, and very soon.

At the beginning, I said I was going to support that portion of the bill which will start the railways operating. I am troubled, as most honourable senators are, about the arguments as to wages, that the durable goods formula based on wages in automobiles and steel would give the workers a little something more than is presently offered. The conciliation board recommended 18 per cent, and my leader has already set forth the manner in which that was to be provided. That is for the present, that is what it is, subject to certain negotiations and subject also to fringe benefits.

As a result of all this, we now are faced with having a *fait accompli*. We are on the verge of passing a bill and recognizing certain matters of principle which are fundamental. One is "no compulsion." Individuals are not to be dragooned into doing things, and yet responsibility extends further. The law must be respected and obeyed.

Today our economy is so interdependent and complex that every big strike is a strike against the public.

Hon. Senators: Hear, hear.

Hon. Mr. Croll: To hear reports that those on strike are debating on whether to obey the law is indeed a chilling thought, for I consider the rule of law to be our greatest heritage and our most coveted protection. I hope the railroaders and their leaders realize how tremendous are the stakes involved—and I am not talking about money.

The law passed by Parliament is always debatable, subject to change, but it cannot and it must not be ignored or disobeyed. Civil disobedience is still a dirty word in this country, and it should so remain.

We must all be responsible citizens, some more responsible than others by virtue of the positions we hold, either privately or in public. Railroad men hold a high position in the public esteem.

It is easy enough for me to point and say that some societies respect the rule of law by force. There are examples before you every day, and you had better look quickly, because they are gone the next day. We respect the rule of law. That is our great heritage, and in the context of a free society, democratically organized, with a completely representative Parliament, disregard for the law enacted by that Parliament would not only be disruptive of that society but in my view be inconceivable. Having all the cards is not enough: you have to know how to play them.

On Monday, August 31, there appeared in the Montreal *Gazette* what I consider one of the great editorials of recent years. It spoke for all Canadians. I think it is worthy that I should bring it to your attention, with the

hope that people who are involved may have seen it. It said this:

> The issue now before the country has become one even bigger than the rail strike, big and urgent enough as that is in itself. The issue has developed into the place of Parliament as the ultimate authority in the country, the court of last resort, the final word.
>
> Canada has had troubles over the years, in the breaking of laws and the defiance of orders from the courts. But few indeed have been the times when the possibility—even the likelihood—of defying Parliament has been openly raised. For to speak of defying Parliament is to speak of defying the very basis of authority in Canada: beyond Parliament there is nothing.
>
> Labor leaders among the railway workers may believe that the measures brought down in the House for ending the rail strike are far from satisfactory. They have every right to protest, and every right to keep on protesting. They may clamor outside the House for amendments to the proposed legislation, and lobby for changes, and bring every sort of pressure to bear upon the House.
>
> But there is no defensible right, on anyone's part, to defy Parliament. Parliament is the groundwork, and the only groundwork, for everyone's rights. It is not possible for citizens to pick and choose which laws they will obey and which they will reject.
>
> Citizens may certainly do just that as voters at the polls. But to have groups declaring that Parliament's decisions will not apply to them is more than protest; it is civil disobedience. And what one may do, all may do.
>
> Then it would mean that the will of Parliament, as expressed by its laws, has meaning only if the laws are found acceptable to the particular groups to which they happen to apply. The veto power would be widely distributed. Parliament instead of being the final authority of the people, would become only a body that expresses hopes or wishes, such as may or may not have any effect.

The editorial closes with these words:

> No matter how seriously any group may feel about what Parliament may decide, to undermine Parliament itself, by dragging its authority down, is to destroy whatever protection anyone may hope for in the future. If the traditions of parliamentary democracy in Canada are to be replaced by a system of group vetoes of legislation, then the rule of law has gone with the wind. What would take its place would be nothing new, but something terribly old. It would be either tyranny or anarchy.

It seems to me that that was as well said as any expression I have heard.

We have the conciliation report in the bill and the negotiations will of course continue. It is hopeful that some good will come as a result of them, and I feel therefore that they will reach an understanding. I think that the Freedman formula should be endorsed. I gather, unlike some others in the house here, that the Prime Minister today actually said that they had endorsed it in principle and would take some action about it very quickly and in due course.

Honourable senators, I close with this observation, that compulsory arbitration has had an undistinguished history of non-acceptance. It did not do the job before and that is why we are here today.

There was a long stride taken in 1950 down the road which was neither trade unionism nor democracy. It was not a cure and is a source of conflict; it has multiplied strife rather than preventing it. For that reason, of course, I will vote for the bill, because I want the railroads to get started as quickly as possible—perhaps even tonight, to look after the holiday people who need some form of transportation and will be anxiously looking for it.

I hope that, in the light of what has been said in many responsible places, that the railroad men who must feel the responsibility very heavily will return to work once again.

Hon. M. Grattan O'Leary: Honourable senators, it was said of Mr. Gladstone that he could make a budget speech sound like a sonnet. I thought of that as I listened to the soothing words this evening of the Government Leader in the Senate (Hon. Mr. Connolly, Ottawa West) about this bill. I thought also that if he had not distinguished himself in politics and in law he might have gone into medicine and made a vast reputation for himself on his bedside manner alone. Speaking of bedside manners, I must say I was a bit astonished to find that veteran warrior, Senator Roebuck, objecting to the

comparatively mild questions and interruptions of Senator McCutcheon. And when I heard him rise and make these objections I thought of what was once said by Mr. Churchill: "Let nothing interfere with the rancor and acerbity of public discussion."

Honourable senators, since coming to this chamber I have heard again and again gentlemen arise and emphasize how in this house we must adhere at all times to what I do call "nice Nellyism." I think this is nonsense, utter nonsense. I am a partisan and I hope I shall always have enough integrity not to try to conceal it. I may say I have noticed that those in this house who are most ready to lecture the rest of us on nonpartisanship are the men who, when an opportunity presents itself, are the first to show extreme partisanship.

Now, honourable senators, at this late hour no one should want to delay the lifting of an evil which has been with this country during the past week. I myself have every confidence that the railway unions of this country, with the long tradition of responsibility and Canadianism, will have no hesitation in returning to work when this bill is passed.

Some Hon. Senators: Hear, hear.

Hon. Mr. O'Leary (Carleton): I have no desire, and I confess I doubt if I have the capacity to traverse again the various clauses of this bill, most of which have come to us battle-scarred from the other place; in any event, we in this house are not in a position to dot an "i" or to cross a "t" in this bill. This is a money bill and so it seems to me almost idle to spend time discussing it. Having said that, however, I do not think my position absolves me from the duty of saying that the evil that has been with us this past week may be traced and can only be traced directly to the weakness, to the irresponsibility and to the incompetence of the Government.

Make no mistake about it; that is the verdict of the people of this country at the present time. If you walked up Sparks Street in Ottawa this afternoon and asked the man in the street what he thought about what was happening in Canada this week he would say two things: First, he would say that what has happened in Parliament during this past week has once more succeeded in downgrading Parliament, and, second, he would speak of the incompetence of the Government.

Hon. Mr. Choquette: Hear, hear.

Hon. Mr. O'Leary (Carleton): There is no doubt about this; that is the public thinking and that thought can be documented fairly well.

This is an inflationary bill. It is a child of inflation. It is produced by an inflation which began in a creeping way in this country a year ago and now has almost reached the galloping stage. What has the Government been doing about it in the meantime? This Government has the great advantage and the great privilege of having as advisers two of the most eminent public servants in any democratic country in the world. I speak of Mr. John Deutsch, Chairman of the Economic Council of Canada, and Mr. Louis Rasminsky, Governor of the Bank of Canada. Again and again over the past year these two men have pointed out to the Government the dangers of inflation. Mr. Deutsch did in the first and second reports of the Economic Council of Canada, and Mr. Rasminsky has done it in his various statements on the Bank of Canada. Yet what happened? Every democratic country in the world, and certainly the United Kingdom and the United States, in meeting this same problem—although not in as striking a way as we are meeting it—adopted guidelines for prices and wages; 3½ per cent in the case of the United Kingdom and about the same amount in the case of the United States. It is true that these guidelines can be exceeded, but their very existence at least showed an awareness by the governments of those countries of the problems which they faced, and at least impressed something on labour, on capital and on management of the gravity of the situation which existed.

What have we had in Canada? We have had a budget a few months ago in which the Minister of Finance admitted there was such a problem and said he would keep his eye on it. Well, how has he been keeping his eye on it? Prices have mounted again and again; they are inflicting grievous hardship upon countless thousands of our people, and all that has been heard so far as the minsitry is concerned is the resounding snoring from the treasury benches.

These are facts that can be documented. The failure of this Government to do anything whatsoever about inflation, to try to stem mounting prices, to try to stem inflation so far as deals between management and labour are concerned, is a shocking thing to contemplate.

I know it has been argued in the other place that a 30 per cent increase in the case of the seaway workers and the longshoremen in Montreal were exceptional cases and did not set a pattern or a precedent. If they did not, why did not the Government say so? For weeks and months after these settlements were arrived at it was stated by labour and by the unions, "Here is our pattern." The charge was made again and again, and the other day the Prime Minister in a plaintive note in the House of Commons said it was too bad that somebody had not explained to the country that this was not a precedent at all.

Honourable senators, the Prime Minister spends a great deal of his time on television. In fact we can count that day lost now on which one does not see the Prime Minister or one of his ministers on TV. Why did he not explain this to the country? Why did he not say this: "Two agreements have been made in this country for a 30 per cent increase in wages, but I warn you, and I warn labour and management that these in fact are not to be used as a pattern or as a precedent." Surely that was the least he could have said with responsibility to the nation.

When it comes to inflation the Government itself is one of the chief offenders. You will say that I am guilty of partisanship in saying this. Let me read what was said only this week by the *Times* of London. Incidentally, Mr. Pearson the other night in a television broadcast quoted an unnamed economic journal congratulating the Government upon its fiscal and monetary policies. I have the name here of the paper I shall quote from. It is the *Times* of London, and talking about the strike, it said:

> The main problem, as so often in Canada nowadays, can be traced to weakness of the federal government.

It went on to speak of inflation and it said:

> Various restrictive measures were applied in the budget last March. But they do not appear to have been successful so far.
>
> This is partly because the Government has been less stringent with their own than with private spending and partly because they are in a poor position to guide the economy.

"Less stringent with the spending of their own money." This is true. You can hardly pick up a newspaper in the morning without reading where the Government has spent more money here, more there and more some other place. They have spent more millions for Expo, more millions for the C.B.C., more millions for Mr. Hellyer's policy of the integration of the armed forces.

Hon. Mr. McCutcheon: The unification of the armed forces.

Hon. Mr. O'Leary (Carleton): And so on down the line. This is what has brought about inflation in this country, the Government spending more than anything else.

Honourable senators, there is more. I spoke of the warnings given by Mr. Rasminsky and Mr. Deutsch, but all over Canada people and newspapers of responsibility have been urging the Government again and again in heaven's name to curtail its expenditures, now ranging over the whole area of public activity. Not only are they now concerned with millions for our material needs; they are looking after our cultural needs as well.

It is getting to be now in this country that when some community can afford two supermarkets it comes to the Government and says, "We must have an arts centre as well." This is what is happening.

I have been reading this past week the first volume of the memoirs of Mr. Harold Macmillan, and I would like to think that that volume could be read by every member of the Cabinet, and in fact by every man in public life in this country.

Mr. Macmillan was a Conservative who, like some Conservatives in this country, followed an independent line. He wrote a book called *The Middle Way*. Mr. Macmillan says that after 40 years spent in public life, 40 years in the House of Commons, six or eight of those years as Prime Minister of Great Britain, he has come to the conclusion that under modern circumstances you must have social security, that private business and government, state ownership, must work side by side. However, he went on to give as his final conclusion that the chief problem of a modern democratic society at this time, of a nation like Britain, and the principal thing it must do, is to first find out what are the priorities in the way of public need, and seek finally and most of all to discover, before starting to spend public money, just what the nation can afford.

This Government has been spending money without priority, although priorities have been urged on it. It has been spending money without priorities and without knowing just what the money was being spent for.

Honourable senators, I do not like to say this but I think it is true. I think our public men at the present time have become so obsessed with international affairs, so obsessed with the clichés, the cliché-ridden claims and statements about an affluent society, about what they call the Gross National Product, and so bemused by strutting the international stage, that they are forgetting why they were elected to office. They were elected to office to govern in Canada and not to try to set in order the whole house of the world.

I submit to honourable senators that we in Canada shall make small contribution towards setting the world's house in order unless we can first show capacity to set in order our own, and the events of this week have shown that in this, the Government has failed, and failed in a most melancholy way.

Of course I am supporting this bill. I am going to vote for this bill regardless, but I think that the public must not be permitted to forget what it was in the first place that brought this crisis about. This is the main thing. If we are not going to learn a lesson from what happened in Canada this week, with its peril and its threat of greater peril, then we are not going to learn anything at all.

I am sure that tomorrow or next week the railway unions will return to work, and for that we should all be grateful; but let the gratitude be for the common sense of the Canadian people, for the common sense of the railway unions, and not for the wisdom or the statesmanship of the Government of Canada at this time. This is not the last crisis we shall face. If the present Government of Canada continues—which God forbid—then other crises will follow, and they will not be solved permanently or well by the people who have brought about this present one.

Hon. Arthur W. Roebuck: Honourable senators, I congratulate the honourable speaker who has just sat down for the skill and beauty of language with which he carried out his original principle, which he quoted in favour of rancour and—the word escapes me.

Hon. Mr. Choquette: Say it in French.

Hon. Mr. Roebuck: —and acerbity of political discussion. Certainly, his rancour and acerbity were surely up to his own desire, and I may say that I have no intention of replying in kind.

Hon. Mr. Choquette: You did not say "absurdity"—you said "acerbity"?

Hon. Mr. Roebuck: Yes, acerbity—acidity of meaning.

Were I to indulge in an attack which I could make on the Leader of the Opposition in the House of Commons to match my honourable friend's attack upon the Prime Minister, I submit to you it would be entirely out of place at this moment in this chamber. When the Deputy to His Excellency the Governor General is outside the door waiting to assent to this bill, when the leaders of the labour unions are ready to telegraph the instructions we are giving in this bill to their men to return to work, and when the business interests of Canada are waiting anxiously for the wheels of thousands of cars to start turning, it would be entirely out of place.

Hon. Mr. Walker: Let us not keep them waiting too long.

Hon. Mr. Roebuck: No, let us not keep them waiting too long. My speech will be a short one—much shorter than that of the honourable gentleman who suggested that my speech should be short.

Hon. Mr. Walker: Mine took about eight minutes. You have taken five minutes already.

Hon. Mr. Roebuck: I have not yet taken up more than one minute. At all events, I am not going to compete with the honourable gentleman in the length of my speech.

I have certain things to say, but I do not propose to go through this bill in detail after listening to the eloquent and excellent speeches made by my colleagues, the honourable Leader of the Government, Senator Connolly (Ottawa West), and my honourable friend, Senator Croll. It is unnecessary to do so, but I do think it will serve some purpose if I make some short comments which I hope will be listened to by my friends in the labour unions outside this house.

I am not in favour of everything in this bill. I think that the men have been underpaid for a long time. Were I drawing this bill, I would draw it differently from the way in which the Government has drawn it, and I suppose every other honourable senator would say the same. I would have granted the men very nearly all that they asked, because even at that it would have only brought their wages up to a fair comparison

of those paid in other industries. I speak with some knowledge when I say that. I have represented no less than 17 of the unions that are engaged in this dispute today. I have represented the running trades that are now involved for the past 30 years. Nobody has been appointed by the running trades but myself, until this last occasion, over the last 30 years. So, I think I can speak with some knowledge of the circumstances, the conditions, and the men involved in this dispute.

They are good men. They are law-abiding men. They are wise men too, as a rule. They form one of the finest classes of citizens we have in Canada. I want to make it clear that I am not in favour of only 18 per cent. I would have given them more.

Hon. Mr. McCutcheon: How much?

Hon. Mr. Roebuck: Never mind how much. It would have been very nearly all they asked— very nearly.

Hon. Mr. Walker: What was that?

Hon. Mr. Roebuck: They were asking roughly 30 per cent, and we are offering them 18 per cent. However, that is my own personal view of this matter. I would not have made any reference to arbitration, but let me assure my honourable friend, Senator Croll, this bill does not establish arbitration at the end of the negotiations which will take place immediately following the enactment of the bill into law, and the return of the men to work.

At the present moment the Parliament of Canada has the power to pass a bill establishing arbitration. All this bill does is to transfer that power not from Parliament, but to the Executive. That is all it does. The probabilities are that it will never be acted upon. I have every hope it will never be acted upon, and had I been drawing the bill I would not have mentioned it. I would have simply told the men to go on with the negotiations, and left the future to take care of itself.

But, honourable senators, somebody had to draw this bill, and our constitutional arrangements are such that that duty fell upon the Executive. They have drawn the bill, and I think only the veriest of partisan would assert that they have not done so with every possible care, devotion and bona fide in an attempt to bring this strike to an end, and doing so in a manner that would not cripple too greatly the economy of our country.

We all might say it is a bad bill in some respects, but it is the only bill we have before us. It is the only measure we have for ending this disastrous strike. As such, I intend to support it, and I intend further to ask my friends in the railway unions—and I have many of them—to accept this bill, to return to their posts, and to look to the future for further concessions if that is their desire.

I am confident, honourable senators, that that is what is going to take place. I call your attention to the statement made by Mr. Kelly, the Vice-President of the Brotherhood of Railroad Trainmen, on the air last night to the effect that his union will obey the law. I have other information that leads me to be perfectly confident that immediately after this bill is assented to by the Deputy of His Excellency the Governor General, telegrams will go across the country asking these railway men to return to their work. I am also confident that similar telegrams will go from all other leaders instructing their members to obey the law as we lay it down in this bill, and that by the morning many of the trains will be running, particularly the passenger trains. So, setting aside all comparatively small criticisms, I am prepared to support this bill.

But let me say to my friends outside, who may perhaps hear my voice, that the Parliament of Canada is the citadel of freedom in Canada, and there is no other. We in Canada for the last hundred years have lived happily and peacefully together in probably the freest community in the whole world, and I do not exclude even England from that statement. We have been kind to one another. We have developed rapidly. We are free. Our women and children can walk the streets in peace and security and we have the rights and freedoms of free men. We look the whole world in the face, we bow to nobody, we take our hat off to nobody. That has been accomplished under parliamentary rule.

What is the alternative? If the laws of Canada are not to be observed by those who disagree with them in part or in whole, then what? What follows that? Is it chaos? Is it military rule? Is it a dictatorship? Or what is it?

Hon. Mr. Choquette: Anarchy.

Hon. Mr. Roebuck: Is it just the kind of chaos that would result when the employer goons on the one side and the plug-uglies, the gangsters, work in the ranks of the workers, fighting it out in the streets? I have seen

street battles in the City of Toronto between these classes of people. Are we going back to that kind of life? I hope not.

Honourable senators, I suggest to you that the working men of this country, be they organized or otherwise, are those who would lose most were we to destroy the democratic institutions under which we have lived for the last hundred years. I appeal to all men, not only the leaders but those whom they lead, to think well before they go into wildcat strikes or any other kind of demonstrations contrary to the law that we are passing tonight, and then to take their place in our democratic society to bring about such changes in the law in future as they may think necessary in their own interests.

I appeal to them all—and they probably will listen to my words, if that is necessary, because I have been one of them and one with them for many years—and I commend to my fellow senators here the passage of this bill.

Hon. M. Wallace McCutcheon: Honourable senators, I am in complete agreement with Senator Roebuck, that the members of the railway unions will observe the law, whether it be the law as expressed in the bill in the House of Commons up to about 11 o'clock last night, or whether it be the law as expressed in the bill which we have before us now.

However, I say that we will look back on this day and on yesterday—when history is written—with some shame. We have been faced with naked power, despite Senator Roebuck's reference to his friends for whom he has acted for 30 or 40 years.

I have a copy of a letter in front of me, addressed to the Prime Minister, copies of which were sent to the Leader of the Opposition, to Mr. Douglas, to Mr. Caouette to Mr. Thompson, to Mr. Pickersgill and to Mr. Nicholson. It is on the record in the House of Commons. I will read but one sentence, the last sentence:

> We ask that you and your colleagues give most serious consideration to making amendments which would make this legislation acceptable and avoid putting the railway workers of Canada in a position in which they are likely to ignore parliamentary action.

Let us not hear any more from Senator Roebuck.

Hon. Mr. Roebuck: What is wrong with that?

Hon. Mr. McCutcheon: Are you satisfied that they should avoid Parliament, that they should object to what Parliament has done?

Hon. Mr. Roebuck: Parliament has agreed to amend the bill, as it has done, and has not placed the members of the unions in a difficult position. What is the matter with that ?

Hon. Mr. McCutcheon: I did not say "in a difficult position". They say, "in a position where they will ignore Parliament".

Hon. Mr. Roebuck: That is a statement of fact.

Hon. Mr. McCutcheon: All right, you made it and you accept it? That is fine. I think the time has come when we should put a few facts on the record. We have been hearing for some three days about the railway workers. I am sympathetic to the railway workers and they deserve a wage increase of some kind; but when with bleeding heart the Toronto *Daily Star* says that they must have 25 per cent in order to come up to the standard which the Toronto *Daily Star* says is the right standard, that is, the standard of the durable goods industry, then we should take a look at that.

The fact is that at the end of December 1965 the average hourly earning of employees in the durable goods industry was $2.33. The fact is that at the same date the average hourly earning of the non-operating railway employees— of course, if we brought in the operating employees it would be higher— was $2.23. So they were 10 cents behind. An increase of 4 per cent, which is contemplated, would mean $2.30 and would put them about even, as of January 1, because each increase of one per cent means about 2.2 cents per hour. But then we have gone on, under this threat, and we have 4 per cent on July 1, 1966.

I do not object really to the 1966 proposals, but we have gone on to 4 per cent on January 1, 1967, and to 6 per cent on July 1, 1967. We have set the floor, we have provided for mediation and arbitration over and above the floor. What that means is 43 cents per hour. The expected increase in the durable goods index is 30 cents per hour. I am not going to quarrel particularly with that. That came out of the conciliation board. But I do say that I am getting a little tired sitting and listening about these poor people of whom we are taking advantage, for I say

there is no advantage being taken of them at all. What has really happened, of course, is that the Government has deceived them.

The Prime Minister has been at great pains in the last day or two to say that there is no 30 per cent guideline. As a matter of fact, I agree, because the Prime Minister is not capable of announcing any guideline.

The fact is that on June 14, I think it was, the Prime Minister approved a settlement in which one of the unions represented in the railway dispute received 30 per cent. The Prime Minister is now blaming my friend Senator MacKenzie for that; he says, "The Government did not do it, the mediator did it." I never heard a more unfair statement, because of the Prime Minister did not have to accept the result.

Curiously enough, whether the Prime Minister set a 30 per cent guideline or not, that was the night when the railway unions hardened and when they walked out and said, "We do not need to stay here any more, we know what the Government is going to give us now." That is why we are here tonight. The Prime Minister, who suddenly became bold on August 23 and went on television, says the railways claim that they are in no position to increase wages so long as they are restricted by law from adjusting the charges they make for their services, thereby increasing their earnings. That was not news; most people in this country with any knowledge have known that for some years.

Then he goes on to say:

> Necessary increases in wages for railway workers since 1960 have, on three separate occasions, been met by government subsidies to the railways. Such subsidies are now costing the taxpayers of Canada $100 million a year. The government cannot continue to provide subsidies to pay railway workers without imposing higher taxes. This we are not prepared to ask Parliament to do.

This is the Prime Minister! Well, I do not think that he reached that decision that afternoon. Maybe he did—sometimes he reaches decisions very quickly. And then he goes on:

> We do, however, intend to ask Parliament immediately to pass transportation legislation based broadly—

—that is a nice word. I love adjectives!

Hon. Mr. Hayden: That is an adverb.

Hon. Mr. McCutcheon: Is it?

Hon. Mr. Hayden: Yes.

Hon. Mr. McCutcheon: Well, I like them too.

> —based broadly on recommendations of the Royal Commission on Transportation. This legislation will give the railways greater freedom to adjust their charges to meet competition and increase their earnings. Therefore, it should enable the railways themselves to bear the burden of a legitimate increase in wages.

Now, there is the Prime Minister. He says that the subsidies are $100 million a year.

Now we come to Mr. Pickersgill. Somebody very rudely described Bill C-231, which is the National Transportation Bill, as being "a handy document." I have heard about a handy document in other places.

Hon. Mr. Croll: Soft-covered.

Hon. Mr. McCutcheon: In this handy document Mr. Pickersgill, contrary to what Mr. Justice Spence did, summarized. What he says about the bill is this:

> In place of the three special subsidy funds, it provides for a transitional subsidy to the railways which will start at approximately the present level of railway subsidy payments, namely, one hundred and ten million dollars per year—

Now, Mr. Pearson said it is $100 million and Mr. Pickersgill said it is $110 million. The Ottawa *Citizen* the night before last said it was $125 million.

> —and commencing in 1968 will decline at the rate of twelve and one-half per cent of the present subsidy each year.

I tried to ask a question of the Leader of the Government (Hon. Mr. Connolly, Ottawa West), and it was quite proper for him not to accept my question, and when he finished, and having regard to the high note on which he finished, I felt to ask a vulgar question about money would be highly inappropriate.

Hon. Mr. Connolly (Ottawa West): That will be the day!

Hon. Mr. McCutcheon: But this bill we are considering will cost the railways $48 million this year. My friend Senator Croll, when I asked him the question, said, "Of course we have been paying these deficits all along." All right. And when the full 18 per

cent is in effect—I am sorry, I have to stop to multiply—

Hon. Mr. Hayden: I thought you did it automatically.

Hon. Mr. McCutcheon: It will cost $134 million. The total subsidy is only $110 million and nobody sitting here will contest that that subsidy is necessary, because we have passed it. What is the Government trying to do to the people of Canada? Well, I will tell you what it is trying to do. It is trying, as usual, to deceive them.

Hon. Mr. Choquette: Hear, hear.

Hon. Mr. McCutcheon: And I hope it will not be successful in deceiving them. That is what the Government is trying to do. To say that this National Transportation Bill will enable the railways to get into the position where they have meaningful collective bargaining, is utter nonsense. The Government knew last November, in fact they have known since they came to power that there could never be meaningful collective bargaining between railways and workers as long as they kept a freeze on the freight rates. Now they are saying, "Well, we are going to settle the strike." Of course, they should have intervened long ago or they should have implemented the MacPherson Report long ago. The MacPherson Report came down, or at least the third volume came down in June 1962. The Government of which I had the honour to be a member had the legislation printed. We were defeated in the first week in February 1963. The resolution was on the Order Paper. The bill, of course, never appeared. What did we hear from this great Government? Was there anything in the Speech from the Throne in 1963? Not a word. They were interested in the 60 days of decision; they were waiting for Walter Gordon's budget. In 1964 they made an announcement and brought down a bill which they did not have the courage to present.

Hon. Mr. Connolly (Ottawa West): Or the opportunity.

Hon. Mr. McCutcheon: You had lots of opportunity. I do not know what you were doing if you did not have opportunity.

Hon. Mr. Connolly (Ottawa West): It is not what we were doing.

Hon. Mr. McCutcheon: It was what you caused. In 1965 they made no reference to it, and in 1966 they made no reference to it. The only reason they have for producing the bill now is that they said, "My God, we have to settle this strike and we have to have an answer." And the answer will be this implementation, so-called, of the MacPherson Report. The fact is that the people of Canada should know that even if that bill is passed in this session, and even if this Government—but knowing the Government I doubt it—appoints the 17 commissioners that it contemplates and gets them organized and gets them to work, it will be 1969 before the railways get any benefit, and the people of Canada have to pay in the meantime. I am not saying there is anything wrong with it, but I am saying I want people to understand what the facts are.

The Government knew last November, December, January and February, that there could be no meaningful collective bargaining. There has been no meaningful collective bargaining between the railways and unions since 1960. How could there be? How could there be with the freight rate freeze? Yet the Prime Minister stood up in the House of Commons, according to what I read in the newspapers, and he is asked to intervene. He is asked to do what we did in 1960. He is asked to intervene and prevent the strike and he says, "No, we believe in the principle of collective bargaining." I am very fond of the Prime Minister as an individual, but that is one of the most hypocritical statements I have ever heard, because he knows there can be no meaningful collective bargaining. I am hopeful that if this national transportation legislation, properly amended, goes through, that in about three years we will restore meaningful collective bargaining to the trade unions and the railway field.

I know my colleagues are getting restless, and I have enough material here to speak for another hour and a half.

Hon. Mr. Choquette: Go ahead.

Hon. Mr. McCutcheon: No, I am going to abbreviate it somewhat. My friend Senator O'Leary (Carleton) talked about inflation. I make the simple statement that, despite all the cries that were made, any of my friends who want to check what I am saying can read the Bank of Canada's statistical summary of August 1966, on page 79, and they will find that the consumer price index is galloping ahead today at a rate that was never touched while we were in power.

I can remember in 1962 and 1963 that we "devalued" the dollar. Of course, we never

"devalued" the dollar. Prices were going to go up. "Tragedy" was going to come to Canada. Of course, it never did.

Honourable senators, I am not going to take the time to put this on the record. You can read how that index has gone up, and you can see what is happening today. That, of course, is partly why the labour people are, justifiably, saying, "We must have more." I do not blame them, but I still think that they do not have to follow the non-existent Pearson "guidelines."

Now, there is only one other thing I want to say, honourable senators. We are here because of the complete failure of the Government to face up to a fact and deal with it, a fact that was obvious months ago, but which they tried to talk away—"Collective bargaining. We believe in the principles of collective bargaining. We will not intervene." Nonsense! Nonsense! We are here because the Government failed to do what it should have done.

The railway men are out on strike and losing money because the Government failed to do what it should have done, and the economy is suffering, people tell me, to the extent of $15 million a day. Not being an economist I do not know where they get these figures, but I am sure if it lasts much longer it will be far more than $15 million a day, and all because the Government has failed to do what it should have done.

Tonight we are passing a bill, and I agree with my friend Senator Roebuck that the men will go back to work. We have a high regard for them. As a matter of fact, even if the bill had not been amended in the shameful way that it has been and under these pressures, I think that the men would still have gone back to work. I have great confidence in the members of the railway unions, and while I have not been as familiar with them over as long a period of years as has Senator Roebuck, I have some knowledge of them; they are responsible, law-abiding people.

Had the bill come through yesterday afternoon I would have voted for it because I wanted the men to go back to work, and they wanted to go back to work. However, having said that, I must say one or two other things, address one or two other remarks to the Government. In one sense they do not relate to what we are discussing tonight, but in the broad sense I think they do.

I say to this Government that it cannot continue to allow to essential workers the privilege of striking in areas in which the Government has jurisdiction. When I am here next mid-October or November I have no desire to be faced with a bill to tell the postal workers to go back to work because we are not going to give them a 50 per cent increase in pay.

I deplore the suggestion that the Prime Minister made when he introduced a bill respecting the Civil Service, which in due course no doubt will come before us. The bill provides for collective bargaining for associations of civil servants. With that I am in complete agreement, but then—and I have only the Prime Minister's statement as I read it in the *Globe and Mail*—they are going to go whole hog and give them the right to strike.

The Prime Minister went on to say, as I recall it, and I am sorry I have not got the quotation here, that only the non-essential civil servants would be allowed to strike. Well, I have a view that if we have any non-essential civil servants around here we should fire them. That would be one of the first dampeners on inflation. It would cut our budgetary processes. If it were not so late I would say a great deal about inflation and about the complete failure of this Government to control it.

That failure is inciting labour, and I do not blame labour, not at all. Here you have the consumer price index up by 4.8 points in the last 12 months. Putting it on a percentage basis we are up 2.2 per cent in the first six months of this year. Now, the Economic Council of Canada says that a tolerable increase is 2 per cent a year.

We in this country have rightly boasted—you have read the annual reports of the Economic Council and of the Governor of the Bank of Canada—that our prices have been more stable than in any industrial country in the Western world. However, at the moment we are just going down the toboggan slide and we are so far behind that it is not funny.

The Minister of Finance prepared a budget trying to restrain inflation. Can you convince any provincial government or any municipal government in Canada to exercise restraint, when the budgetary expenses of the Government of Canada in the first four months of the current fiscal year are approximately $300 million more than they were last year?

I could quote you the figures of the Department of Public Works. We were going to cut back on capital expenditures. What has

happened? Expenditures are up. Why would you think that any province or any municipality would pay any attention to a government that says, "Well, do as I say but don't do as I do."

That is the position we are in tonight, gentlemen.

The Hon. the Speaker: I would remind honourable senators that when Senator Connolly speaks it will have the effect of closing the debate.

Hon. John J. Connolly: Honourable senators, let me say at once that this is not an occasion for a long speech in reply. Indeed, it would take a long time to reply adequately because we have had a very wide ranging debate. Tonight we have covered the whole spectrum of the problems that face the Government of Canada and we have had the spectacle of all of the sins and defects and problems that exist in the economy.

Hon. Mr. McCutcheon: Not all.

Hon. Mr. Connolly (Ottawa West): Oh, yes —laid at the door of the Government. This is standard, and I think if we were on the other side perhaps we would be doing the same thing.

Hon. Mr. Flynn: Not perhaps—that would be the case for sure.

Hon. Mr. Connolly (Ottawa West): I do want to say one thing about the 30 per cent guideline. I read earlier what Mr. Justice Munroe said about the 30 per cent increase granted to workers on the St. Lawrence Seaway system. This Government did not appoint Mr. Justice Munroe to the Supreme Court of British Columbia. He was appointed by the Government that preceded this one. Certainly he is an ornament to the bench of that province, and he is an experienced man in the field of conciliation in the industry we are discussing tonight. He made it very clear that this was a local situation, affecting a small number of people employed for a short period of the year. But if he did not do that, then it was done very clearly by a man who does not claim to be an orator, on television a few nights ago. I am referring to the President of the C.P.R., Mr. Ian Sinclair, who agreed thoroughly with what Mr. Justice Munroe said, but he put it in a much better way than I could state it here. I hope I am allowed to refer simply to Mr. Justice Munroe's statement, with which Mr. Sinclair concurred.

Hon. Mr. McCutcheon: Unfortunately the railway men did not believe that.

Hon. Mr. Connolly (Ottawa West): That may be so, and if they misunderstood, that is another problem.

Hon. Mr. McCutcheon: I acquitted the Prime Minister of the 30 per cent guideline.

Hon. Mr. Connolly (Ottawa West): I beg your pardon?

Hon. Mr. McCutcheon: I say I acquitted the Prime Minister of establishing the 30 per cent guideline.

Hon. Mr. Connolly (Ottawa West): Thank you very much for making that statement. I want to say what I said earlier, that I have never claimed that the proposed transport legislation is going to be a cure-all or an end-all of all of the problems. I hope it will be a beginning.

I say to the members of the Opposition who have said that the Government is not and has not been concerned about inflation, that I wish they could sit at the council table and listen to the discussions of this problem, and hear of the attempts that are being made not only to cut government expenditure but to do everything possible to keep down prices in the interests of a sounder economy than the one we have. Inflation is certainly the first problem that faces the Government today, just as unemployment was the problem that faced the late Government. But that problem of unemployment fortunately was solved. I do not claim for this Government the credit for its solution entirely, but I think the steps taken by this Government had much to do with the ending of the unemployment that did exist. I do not blame the other Government for having created it either.

Having seen what was done about unemployment I say now I have confidence that this Government, having dealt strongly with the unemployment problem, will deal effectively and strongly with the problem of inflation.

In the second place, honourable senators, it may be—and I admit it—that collective bargaining in this industry, together with the procedures that have been followed, is outmoded. I do not think there is any question about that in view of the circumstances that exist in respect of the problems of both the trade unions and the companies. But, the law

is on the statute books—the Industrial Relations and Disputes Investigation Act. It was up to the Government to show that it was ready and willing to abide by the provisions of that law, and to respect the positions that were conferred upon both the workers and the companies under that law. I respect this Government for that.

Hon. Mr. McCutcheon: Having continued to keep the handcuffs on one of the parties. I admit the Government of which I was a member put the handcuffs on, but this Government has kept them on and it is now saying there must be free collective bargaining. This is nonsense.

Hon. Mr. Connolly (Ottawa West): I do not think anybody has ever said "free collective bargaining" in the sense my friend says it, without qualification, because I have qualified it here and he has qualified it as well. There is no misunderstanding between us on this point. What is between us is the means of free collective bargaining. The straitjackets in which both parties, labour and management, find themselves have resulted from joint failures in respect of both these procedures. I hope when the time comes for the legislation to be introduced in this house those procedures will be streamlined so that there will not be any fractious political opposition to the attempts that are made towards that end.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

ADJOURNMENT

Leave having been given to revert to motions:

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, October 18, at 8 o'clock in the evening.

This is the date to which we adjourned on July 14 last. As honourable senators know, this adjournment is subject to recall, if necessary.

Motion agreed to.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa
1st September 1966

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 1st September, at 9.45 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier,
Assistant Secretary
to the Governor General.

The Honourable
The Speaker of the Senate,
Ottawa.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bill:

An Act to provide for the resumption of operations of railways and for the settlement of the existing dispute with respect to terms and conditions of employment between Railway Companies and their employees.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, October 18, at 8 p.m.

THE SENATE

Tuesday, September 13, 1966

The Senate met at 8 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

NEW SENATOR

The Hon. the Acting Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk has received a certificate from the Secretary of State of Canada showing that

Chesley William Carter, Esquire

has been summoned to the Senate.

NEW SENATOR INTRODUCED

The Hon. the Acting Speaker having informed the Senate that there was a senator without waiting to be introduced:

The following honourable senator was introduced; presented Her Majesty's writ of summons, which was read by the Clerk Assistant; took the legally prescribed oath, which was administered by the Clerk, and was seated:

Hon. Chesley William Carter, of St. John's, Newfoundland, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Basha.

The Hon. the Acting Speaker informed the Senate that the honourable senator named above had made and subscribed the declaration of qualification required by the British North America Act, 1867, in the presence of the Clerk of the Senate, the Commissioner appointed to receive and witness the said declaration.

Hon. John J. Connolly: Honourable senators, before we proceed with the business of the Senate may I, on your behalf, welcome Senator Carter to this chamber. He is not a stranger to us, having been on Parliament Hill for some seventeen years. I believe he was one of the first members elected from the Province of Newfoundland. He was elected on several occasions by acclamation, which speaks well for the reputation he enjoys among his own people. I know he will be a very valuable addition to the Senate. As a result of having Senator Carter among us, we also get a bonus because there is no more popular person on Parliament Hill today than Mrs. Carter.

Hon. Senators: Hear, hear.

DISTINGUISHED VISITORS IN SENATE GALLERY

Hon. John J. Connolly: Honourable senators, I wish to draw your attention to the fact that in the gallery tonight we have as a very special guest Mr. William Wilberforce Kalema, Minister of Public Works from our sister Commonwealth country Uganda. Mr. Kalema is the Vice-President of the Commonwealth Parliamentary Association and will become President at the meeting which is being held in Canada this year. Next year the meeting of the Association will be held in Uganda, and I can already see the lines forming for those who aspire to go to that meeting.

On your behalf and my own I welcome Mr. Kalema to the Senate of Canada tonight, and I invite all honourable senators who can do so to visit my chambers immediately after the sitting this evening, where they will have an opportunity of meeting Mr. Kalema personally.

I would mention that we also have in the gallery tonight the Secretary General of the Commonwealth Parliamentary Association, Mr. Robin Vanderfelt, and the Editor of Publications, Mr. Ian Grey, both of whom are from London and have already done magnificent work in connection with the opening activities of the Association which were held in Montreal this past weekend.

CONSUMER CREDIT

ENLARGEMENT OF REFERENCE TO JOINT COMMITTEE

The Hon. the Acting Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Ordered: That the Joint Committee of the Senate and House of Commons appointed to inquire into and report upon the problems of consumer credit be instructed also to inquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months;
>
> That the Committee have leave to sit notwithstanding any adjournment of this House; and
>
> That a message be sent to the Senate to acquaint Their Honours thereof and to

request the concurrence of that House thereto.

Attest.

Alistair Fraser, Clerk Assistant
for The Clerk of the House of Commons

Honourable senators, when shall this message be taken into consideration?

Hon. John J. Connolly moved, with leave of the Senate:

That the Senate do agree that the Joint Committee of the Senate and House of Commons appointed to inquire into and report upon the problems of consumer credit be instructed also to inquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months; and

That a message be sent to the House of Commons to inform that house accordingly.

He said: Honourable senators, I think it will be of assistance to remind the Senate that the Joint Committee of the Senate and House of Commons on Consumer Credit was approved originally in this house on November 21, 1963, but the session was prorogued before the committee was able to commence its work.

The committee was reconstituted on March 11, 1964, and during that session held eighteen meetings. On March 23, 1966, the committee was reconstituted again in this house, and I shall read from page 317 of the *Debates of the Senate* the motion which was made at that time.

That the Senate do unite with the House of Commons in the appointment of a Joint Committee of both Houses of Parliament to inquire into and report upon the problem of consumer credit, more particularly, but not so as to restrict the generality of the foregoing, to inquire into and report upon the operation of Canadian legislation in relation thereto;

That twelve members of the Senate to be designated by the Senate at a later date be members of the joint committee;

That the said committee have power to call for persons, papers and records and examine witnesses; to report from time to time and to print such papers and evidence from day to day as may be deemed advisable, and to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary, and to sit during sittings and adjournments of the Senate;

That the minutes of proceedings and evidence given before the joint committee during the Twenty-sixth Parliament be referred to the said committee and be made part of the records thereof; and

That a message be sent to the House of Commons to inform that house accordingly.

That motion was adopted unanimously.

On March 29, 1966 the Senate approved unanimously the following motion:

That the following senators be appointed to act on behalf of the Senate on the Joint Committee of the Senate and House of Commons to inquire into and report upon the problem of consumer credit, more particularly, but not so as to restrict the generality of the foregoing, to inquire into and report upon the operation of Canadian legislation in relation thereto, namely, the honourable Senators Croll, Davey, Deschatelets, Gershaw, Hastings, Hollett, Irvine, McGrand, Smith (Queens-Shelburne), Thorvaldson, Urquhart and Vaillancourt; and

That a message be sent to the House of Commons to inform that house accordingly.

On September 9 last in the House of Commons the following motion was moved:

That the Joint Committee of the Senate and House of Commons appointed by this House on March 15, 1966, to inquire into and report upon the problems of consumer credit, be instructed also to inquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months;

And that a message be sent to the Senate to acquaint Their Honours thereof and to request the concurrence of that House thereto.

The purpose of this motion which we now have before us for consideration is simply to enlarge the terms of reference of that joint committee. The motion is that the Senate do

concur in the action taken by the other house.

I should say in the first place that basically the problem which is to be studied by this committee is inflation. The study of inflation is not new to the Senate, because in 1959 the Finance Committee of this house inquired into the question of inflation, and the report of the committee, under the able chairmanship of the late Senator Emerson, is to be found on page 553p of the *Journals of the Senate* of 1959.

I think it appropriate that I read the seven short sentences which summarize this very valuable report, and to suggest that the report might very well be the subject matter of consideration and study by the members of this committee. The summary reads as follows:

> To summarize, your committee concludes that:
>
> 1. Inflation is not inevitable.
>
> 2. We reject the doctrine of "creeping" inflation as in any way desirable for Canada.
>
> 3. The maintenance of reasonable stability of prices should be a basic aim of our economic policy along with our other aims for the achievement of high levels of employment and an adequate rate of economic growth.
>
> 4. Reasonable stability of prices is entirely compatible with and essential to the attainment of continued economic progress and high levels of employment.
>
> 5. Inflation constitutes a hidden tax which falls inequitably upon the public, with grave injustices upon those least able to protect themselves.
>
> 6. Inflation is harmful to our basic primary producers and weakens the competitive position of both our export and domestic industries.
>
> 7. Tools to contain inflation are available—what is necessary is the will and determination of the people and the authorities to use them.

Honourable senators, in the House of Commons, during the emergency sittings which were held a week ago, the Minister of Finance made a statement in which he indicated some of the steps being taken by the Government to deal with this problem with which everyone is concerned.

One of the steps was a proposal to discontinue the winter house-building incentive program. This program was introduced originally in the budget in 1963 and it was designed to try to relieve the problem of unemployment which was plaguing us at the time, particularly in the winter months.

The second step which he announced was that the Government proposed some restraint on the rate of increase on grants for research. A step of this kind is taken with reluctance, because research is so vital to economic growth. However, in this emergency one looks for programs where one would hope there would be relief without commensurate damage. This was one of the programs which was indicated for treatment.

The third program which was deferred was one which had been long promised by the Government and which because of other commitments it has been unable so far to fulfil, namely, the provision of certain scholarships for university students. This is not cancelled, but the Government proposes at this time that it should be deferred.

There have been in existence agreements between the federal authorities and certain of the provinces with regard to certain forestry programs. These programs are due to expire in March 1967. The Honourable Mr. Sharp announced in the House of Commons the other evening that these agreements would not be immediately renewed.

The minister also announced the hope and the determination of the Government to hold down expenditures in the field of defence. This must be done, of course, in a way which will not interfere with our commitments to the NATO alliance and in other areas where defence commitments are inescapable.

Some restraint has been exercised already by the federal Government on capital expenses particularly in the field of construction. It is hoped that these deferments of such projects can be extended even more, in the hope that much of the heat will be taken out of the pressures which exist in the construction industry.

The other major item, of which honourable senators are quite aware because of the amount of publicity it has received in the press, was a decision that the coming into force of the medicare program would be deferred from July 1, 1967 to July 1, 1968.

When the budget was presented by the Minister of Finance in the spring of this year, it was thought by him and his advisers that certain steps should be taken which were of an anti-inflationary character. One of those steps was to increase the personal income tax

by some nine and a half per cent; another was to reduce temporarily the capital cost allowances theretofore permitted under the tax act. A third step was to provide for a tax in the corporation field which would be refundable—under conditions of which honourable senators are aware.

Honourable senators, the problem of wage control and of price control in a federal state, as opposed to the position which obtains in a unitary state, is one of jurisdiction. During war time the War Measures Act is available and, as a result of the emergency of war, prices and wages were controlled during the Second World War.

Hon. Mr. McCutcheon: Up to a point.

Hon. Mr. Connolly (Ottawa West): Up to a point and as far as was possible.

The honourable senator who has just interjected was one of those who contributed mightily to the success that program enjoyed, and I am glad to mention this here tonight.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): Therefore, it is impossible, without the concurrence of the provinces, to do much in the way of price control and wage control in a legislative way. On the other hand, sometimes the power of persuasion, sometimes the setting of an atmosphere, the creation of a climate, can do much. It is hoped that some of the measures which the Government has proposed will help to create that kind of climate, develop that kind of atmosphere, which might, in the words of the journalists, "cool off the economy".

I think it can be said that we have virtually full employment in Canada now. That does not apply everywhere, as there are always pockets of unemployment; but we virtually have full employment, and in some places over-employment.

With full employment there has come into the economy a number of elements which are difficult to handle and are damaging to the economy and to the people. Wage spirals develop because of the competition for workers. Workers, seeing the kind of prosperity enjoyed in the country, feel that they should get part of that prosperity. What they have to sell is their services and they sell them in the form of wages. Therefore, they try to get higher wages.

Price increases are inevitable, too, first of all because of the increased demand created as a result of full employment. The increases are also attributable to the fact that the costs of the items that go into manufactured products—and, indeed, into all kinds of products, sold both domestically and abroad—are rising as well.

There are profit increases. The profit pictures of the majority of Canadian corporations that have been so important to the economy of our country in the past, in the extensive industrial expansion since 1945, show that those companies have had great profit years more recently.

One should remember that it is highly desirable for these companies to show a good profit record, if they are to attract investment capital in an economy which gives, I hope, more than just lip service to private enterprise. The cost of money is increasing, the cost of food is increasing. These are the two items which more than anything else concern the average citizen. If he has to pay more for a mortgage when building or buying a house, or pay more for food and the other necessities of life and the additional items now considered to be part of our standard of living, then he will feel the pinch of rising prices when his income remains unchanged.

I do not wish to speak at length tonight on the question of productivity, but it is a very important factor in the development of our economy. It is, of course, important to the domestic market that our producers be competitive, but it is particularly important to a country that depends so much for its prosperity upon its sales abroad. Therefore there is a definite relationship between productivity and costs, between productivity and wages, and between productivity and profits.

These are things that concern us all. The idea of having these problems aired before a Joint Committee of the Senate and House of Commons, which I hope will begin its work as soon as possible, certainly during the recess, is very important. I think this will further help to create the kind of climate to which I alluded earlier. Speeches alone will not do it. The committee will have the opportunity of hearing representatives of the consumers, of the producers, of trade unions, economists and industrialists. In the result, I think the public generally will have a better concept of the problem that faces not only the Government and Parliament but the whole of the Canadian people.

It is also expected that some time this fall the result of a special study by the Economic Council of Canada in this field will be available. I am sure this joint committee will have

an opportunity of considering that report, and will find it very valuable to them.

I am sure we all agree, as your attendance here so readily tonight would indicate—having been called back a second time from vacation to deal with public business—that some great good can come from the deliberations of this committee. I commend this motion to the Senate.

Hon. M. Wallace McCutcheon: Honourable senators, once again I rise almost overwhelmed by the authority and the earnestness of the Leader of the Government (Hon. Mr. Connolly, Ottawa West). Before dealing with what he has said, let me also pay my tribute to our friend in the gallery, the Vice-President of the Commonwealth Parliamentary Association. May I remind the Leader of the Government, as I mentioned to him at lunch today, that I am first in line to go to the meeting next year. I do not wish that to be overlooked.

Honourable senators, this is the innocent type of resolution that could possibly be passed without comment or debate, and I must confess that if my honourable friend the Leader of the Government had not become the great apologist for the Minister of Finance I would speak much more briefly than I intend to speak now.

The Leader of the Government took some of my words out of my mouth, because I proposed to refer to the Standing Committee on Finance which was instructed to study the threat of inflation in 1959, and which reported back on July 14 of that year. In the course of its ten sittings it heard Professor Frank Knox of Queen's University, the Governor of the Bank of Canada and many other people. Then it reported, and its conclusions were as read by the Leader of the Government. One item he did not read—this of course was not part of the conclusions, and I am not being critical—but he might have included these words:

> Your committee records its deep appreciation of the invaluable help received from its consultant and adviser, Dr. John J. Deutsch.

As I recall, Dr. Deutsch gave a press release or made a speech or statement about two days after Mr. Sharp made his statement on September 8, in which he suggested that there were certain priorities in this country, and that one of the great priorities was the question of education at the post-secondary school and post-graduate levels. Mr. Sharp, according to the press, when questioned said he did not need Dr. Deutsch to tell him that; on the other hand, that is one of the anti-inflationary measures Mr. Sharp has introduced.

I did not intend to discuss this point tonight, honourable senators, but the Leader of the Government has forced me to do so. Imagine saying, "We are going to slow down research expenditures as an anti-inflationary measure." Mr. Sharp is an economist; I am not. Mr. Sharp knows better. There is no excuse for that at all.

The Leader of the Government, reading the list of conclusions by the earlier committee, read these words:

> Tools to contain inflation are available—what is necessary is the will and determination of the people and the authorities to use them.

That is all we lack today, the will and determination of the authorities.

The so-called anti-inflationary measures brought in in the budget of March of this year were criticized at least by myself as being incapable of accomplishing what they were designed to accomplish. The Minister of Finance now admits that they did not accomplish what he designed them to do, and so now he is standing up and telling us, "Well, I am going to cut back on research. I am not going to go ahead as fast as I would like to; I am going to cut back on winter house-building bonuses." That was announced a long time ago. He also says, "I am not going to go ahead as fast with university grants."

Hon. Mr. Choquette: University scholarships.

Hon. Mr. McCutcheon: Well, so far as university scholarships are concerned, of course he was never going to bring in scholarships anyway. I was in fact thinking of general university grants. These scholarships have been on the books for a number of years, but I would like to see any government of Canada try to grant scholarships in the Province of Quebec.

The Minister of Finance is also going to put medicare back a year. As a matter of fact I am in complete accord with that course. Sometimes wise decisions are made on the wrong basis, because putting medicare back a year is not an anti-inflationary measure. Putting medicare back a year will fortunately give us another year to discuss the matter and to see if we can work out our problems

with the provinces, but to say that it will control inflation is just a sham.

As I have said, honourable senators, I did not intend to take this position until the Leader of the Government became the great apologist for the Minister of Finance, which he so demonstrated in the last few minutes. What the Minister of Finance has given the people of Canada is an amendment to the powers of a committee and a threat which nobody knows in what form or when he will carry it out. Something has been said somewhere about not threshing old straw the second time.

The reference in 1959 to the Standing Committee of the Senate on Finance was a reference designed to embarrass the Government of that day.

Hon. Mr. Connolly (Ottawa West): I am sorry, but I cannot agree with you.

Hon. Mr. McCutcheon: I could read the vote, but I will not embarrass the honourable Leader of the Government. It was designed to embarrass the Government of that day.

I was a little shocked when I listened to the Leader of the Government telling us how long the Joint Committee on Consumer Credit has been going—November 1963, March 1964, March 1965, and March 1966. I can assure honourable senators that if it takes as long to go into this question of rising costs and the increase in the cost of living we will be in either a bust or a new boom, and in either case we shall not have to worry about the report of the committee. All I am saying is that this reference to the committee, and this extension of its powers, is a sham to deceive the people of Canada.

Mr. Sharp has said—he sent me his press release—that this will be educational. We do not need any more educational material than we have already. Has Dr. Deutsch changed his views as to the causes of inflation? He was the adviser to the Senate in 1959, and is now the Chairman of the Economic Council of Canada. He occasionally makes statements which I am afraid may embarrass the Government, but of course that is his privilege.

The reason why we are here tonight, honourable senators, is not to agree to this sham extension of the terms of reference of this committee, but because on amendment in the House of Commons it was moved that this committee have leave to sit notwithstanding any adjournment of this house. I should like to ask my honourable friend Senator Croll, at the conclusion of my remarks, if he will tell me of the plans he as co-chairman of the committee has in this respect, because I read in the press that his co-chairman has said that the committee hopes to get down to work in three or four weeks.

Hon. Mr. Croll: No; in about ten days.

Hon. Mr. McCutcheon: That is what was reported in the press. I read it in a paper that is not very unkind to the Liberals, the *Globe and Mail*. It also implied that Mr. Basford meant after the recess.

Honourable senators, we are not going to oppose this at all, but let us not try to bemuse either ourselves or the public of Canada by thinking that this is making any contribution to the problem that faces us today, because it is not. Anybody who wants to know about the classic causes of inflation can find them all here. Anybody who wants these charts brought up to date can do it for themselves by using the material that is available now. This committee may have served some useful purpose, but I, as a person who thought he kept abreast of what was going on in the country, never heard of it until I did a little research after the Senate was called back. So, when Mr. Sharp says that this will help the public obtain a general understanding and make them save their money instead of spending it, all I say is that I am not convinced.

I shall refrain from trying to review item by item the honourable Leader of the Government's defence of what the Government has done, but I shall ask a few questions. Will he rise and tell me specifically where has been this restraint on capital construction? Where is the evidence of it? It is certainly not in the spending figures. Sure, they have not built a rink in Vancouver, but I do not think they ever intended to. But, where is the item in the estimates that has been thrown out?

The honourable Leader of the Government seemed to imply that the Government would put in price and wage controls but for the fact that this was not a unitary state; it is a federal state. The honourable gentleman knows just as well as I do that price and wage control in a democratic state in peacetime, whether it be a unitary state or a federal state, is impossible.

Hon. Mr. Connolly (Ottawa West): It is done in England.

Hon. Mr. McCutcheon: It is not done in England. There are no controls in that country. There are so-called guidelines, but prices and wages are going up, and there is no law about it. There is only a speech by the Prime Minister of the United Kingdom. I am very sympathetic to the position in which he finds himself, but this is not being done in England and it is not being done anywhere in a democratic state in the Western world.

Hon. Mr. Croll: There is an Act of Parliament.

Hon. Mr. McCutcheon: There is not. Let not the Leader of the Government suggest that if this were a unitary state the Government would put in price and wage control.

Hon. Mr. Connolly (Ottawa West): I did not say anything of the sort at all.

Hon. Mr. McCutcheon: Well, that was the inference. I do not know why the honourable Leader of the Government laboured the fact.

Hon. Mr. Connolly (Ottawa West): I did not labour it. I mentioned it.

Hon. Mr. McCutcheon: It is a matter of degree. What the people of Canada are looking for today is not an extension of the terms of reference of the Joint Committee on Consumer Credit, which has been sitting for three years and has yet to bring in any report. What they are looking for is some leadership and some guidance from the Government of this country, which they have failed absolutely to get, and which the Minister of Finance failed to give them last Thursday night. They have only exhortations. When they look around they say, "That is all very well. That is what he says, but what is he doing?" The answer is "Nothing."

Hon. Arthur W. Roebuck: Honourable senators, in the first instance I should like to join in the welcome to our friends in the gallery, and particularly that to the Vice-President of the Commonwealth Parliamentary Association who will shortly be President. He is a very distinguished member of that organization. I welcome him here and hope to meet him later this evening when I have an opportunity of accepting the kind invitation of the honourable Leader of the Government. As a Past-President of the organization I welcome him as a prospective President.

Let me address myself now to this very serious subject.

Hon. Mr. Connolly (Ottawa West): Would you like to be second in line to Senator McCutcheon?

Hon. Mr. Roebuck: No, I do not think so, although I would certainly like to visit Uganda.

Hon. Mr. McCutcheon: I would too. I am right behind you.

Hon. Mr. Roebuck: I do not like standing in line. Perhaps that is one of my natural characteristics. I do not like being marshalled into line.

In attacking the problem before us I shall express my thoughts in connection with the matter in a humble way, and in doing so I shall not speak politically, but I do think that my honourable friend Senator McCutcheon might have waited until this committee had had an opprtunity of proving itself before accusing it of being a sham and declaring that its work will be valueless.

I hope that in saying that it was a sham, he did not include in his charge my good deskmate Senator Croll, who is joint chairman of that committee and who will be charged, no doubt, with much of its responsibility, and to whom we look hopefully and with some confidence for real results.

In opening, I would like to express my accord with the motion and say to the leader that he was entirely justified in having the Speaker recall us on this occasion to reconsider the wording of the reference to the Special Joint Committee on Consumer Credit, of which my friend Senator Croll is joint chairman.

The purpose of the amendment is to include that very important topic of the day, and of yesterday as well, the problem of inflation. Notwithstanding what the Finance Committee did—its recommendations were very nebulous and little followed from them—and notwithstanding the fact that the Economic Council is studying the question, in my judgment it is high time that a real inquiry were made into this important subject, a subject that seems to be little understood and, although I do not wish to appear egotistical in the matter, frequently misunderstood.

I think it was when that report was made in 1959 that I declared in the debate which followed that I was opposed to unstable money. I said I advocated an honest dollar, and by that I meant a dollar that would buy today what it bought yesterday and would buy tomorrow, that any other currency was dishonest currency, dishonest money.

There is an old saying, as you know, that honesty is the best policy. That is a statement with which I agree, and we have had ample proof in recent years that the monetary dishonesty from which we have suffered has been very bad policy indeed.

I recognize, of course, that the degrading of the currency will relieve the debtor at the expense of the creditor, and thus temporarily stimulate the economy, but it is at the cost of cruelty and injustice to a very large number of people, and I am opposed to it.

There may be some excuse for such a policy in times of depression, although I would not advocate it even then, but now we are in what is generally understood and described as a booming economy. Yet we have been degrading our money in good times and bad from year to year ever since the early stages of the First Great War.

In periods of depression, of course, depreciating or devaluing the dollar can be used in a number of ways. It will moderate rents and land values by lightening the weight of the dollar. It will reduce real wages. It will cut down the weight of bonds and mortgages and notes and debts of every kind, including, by the way, the national debt, the provincial debt and the municipal debt—but at a cost of uncertainty and inequity in business transactions.

It has been a sad policy for those who by industry and frugality have gathered some funds for their declining years. It has been a cruel policy for those who have been obliged to depend upon pensions or, in fact, anybody who has had to depend on fixed incomes payable in dollars. It has been a vitiating policy in industrial relations. Wage rates honestly established and happily accepted have been stealthily disrupted, and employers and employees alike have been forced into industrial warfare.

The employees have been required by such conditions to fight for their standard of living, and the employers have been forced to increase their prices in order to recoup themselves for increased expenditures.

We have recently experienced a national railway crisis caused in the main by this thief in the night who pokes his nose into every pay envelope. This constantly changing measure of values is the prime cause, in my judgment, of the industrial unrest which you will find at the moment, accentuated over previous years, from coast to coast.

And so I say that it is high time that someone with the courage to face the facts inquires into this problem of inflation, what it is, what is its cause and what can be done to counteract it or, shall I say, cure it. I respectfully request, and I shall try to make myself clear, that this committee deal with the whole subject because, as far as I can follow the discussions in the newspapers and in Parliament and on the street, the only complaint that you hear is of rising commodity prices and nothing about its corollary, falling money. Nothing is said about that.

It is elementary, is it not, that in every sale and purchase you have two factors: one, the value of the goods sold and, two, the value of the consideration given in payment. The value of the commodity may be influenced by the cost to produce, and more directly and primarily by supply and demand; that is what you hear discussed, and that only.

Equally, the value of money also will fluctuate. It is not because of the cost of production, because all you need in the matter of folding money is a printing press, but it certainly will vary and fluctuate by the regular principles of supply and demand. Both of these factors control prices and, therefore, control and influence the cost of living.

In my opinion—and I am merely stating a fact as I observe it—commodity values have not altered greatly in Canada in recent years, except as they are measured in money, that constantly shrinking monetary yardstick.

The tractor and the combine and other farm implements have quadrupled the productive power of the farmer, and yet food prices go up. This is not because of any scarcity in the products of the farm. We export wheat by the millions of bushels. Prices of farm products go up because money goes down. No other reason. I sometimes marvel, honourable senators, at the productive capacity of our factories, a marvelous capacity that has increased vastly in recent years. Yet commodity prices are going up at the same time that commodity productivity has vastly increased.

Why do commodity prices go up? I submit to you it is because the purchasing power of the Canadian dollar has gone down and is still going down, although the gross national product of our factories and people of Canada during recent years has increased steadily until today it has reached fantastic figures.

Why, then, does the dollar go down and what can be done to meet the conditions? Why does it go down? That is the $64 question before us right now. It is the riddle of the sphinx which "not to answer is to be destroyed." That is the question which this

committee should answer and must answer if it would fulfil the obligations which we are placing on it.

Honourable senators who have long memories will recollect the reliability of the pound sterling and of the Canadian dollar in the years which preceded the First Great War. I think I will strike a response when I remind you that we used to consider the pound and talk about the pound as being "as sound as the rock of Gibraltar." The Canadian dollar during that period also varied very little. The reason was obvious. It was that the dollar was a governmental promise to pay on demand a dollar's worth of gold, which had a commercial value. So, except that gold might fluctuate slightly, the dollar did not and could not fluctuate very greatly. But during that First World War we were financing our military operations very largely with governmental promises, and so our obligations very soon outran our gold resources and consequently we went off the gold standard.

What is important is this, that ever since that time the Canadian dollar has depended entirely on supply and demand, influenced perhaps slightly by public sentiment as to the value of the dollar. The principle which was behind the level of the purchasing power of the dollar, ever since early in the First Great War, is supply and demand, the good old principle.

Honourable senators may remember that, during that war we appointed committees for the sale of victory bonds, which were governmental promises to pay and which were used much like folding money, notwithstanding that they carried an interest payment. Very shortly, as a result of our effort to sell bonds, the supply became greater than the demand. So drastically did the supply of money become greater than demand, and so fast did money sink in purchasing power that prices went up drastically. Generally speaking, it took a dollar to buy a bushel of wheat at the head of the lakes prior to that time, but a little later, due to changing money values, it took four dollars to buy a bushel of wheat. That was inflation, real inflation. The well-established principle of supply and demand lowered the purchasing power of the Canadian dollar at that time and raised commodity prices to fantastic levels.

That was the situation very nearly half a century ago. What is the situation today? The price of commodities is going up and up, notwithstanding that the supply of commodities is not decreasing but on the contrary has increased very rapidly, even on a per capita basis. What, then, of the supplies of money with which commodities are purchased, thus governing prices and therefore affecting the cost of living?

The most effective of government promises in regard to supply and demand is the currency in circulation. I pause to point out that if there were any doubts with regard to the Canadian dollar, about the soundness of our money, financiers would at once sell Canadian and the supply of Canadian dollars would so exceed the demand for Canadian dollars that Canadian dollars would go down. The exchange rate on the New York world money market would respond immediately and the exchange as against the Canadian dollar would increase. But no one, not even on the lunatic fringe, has any doubt as to soundness of the Canadian dollar. Then, why is the Canadian rate on the world market in New York and elsewhere 10 per cent or thereabouts less than American?

I wonder whether honourable senators ever thought to inquire as to the supply of Canadian dollars in circulation. Will it surprise you to learn that Canadian money in circulation has doubled in the last 20 years. It has increased half as much again in the last 10 years. Will you be surprised if I tell you that the Canadian money—that is, bills, notes, folding money and coin—in circulation as of July 27, 1966, within the last two months, was $2,390,000,000, very nearly $2,400,000,000. That is sufficient to put $120 in the pocket of every man, woman and child of the almost 20,000,000 population in Canada today.

Realizing that tremendous sum, even per capita, will you pause to consider the amount in circulation, say, 20 years ago. I am going D.B.S. figures when I quote that on May 31, 1946, just 20 years ago, the amount was $1,059,000,000, less than half the amount now in circulation—or, on a per capita basis of the then population, about $86 for every man, woman and child in Canada.

I am not relying entirely on theory. Honourable senators have a vivid recollection of what took place in Germany, where an increase in the amount of money in circulation brought about a terrible disaster. By simply keeping the printing presses running, the German authorities depreciated the value of the German mark to zero. We have not done anything so drastic, but I mention the German experience because I want you to

realize that if you increase the amount of money in circulation you depreciate its value. The corollary of that statement is equally true, that is, if you cease to force money into circulation you can increase its value. There is no difficulty about it at all.

Now, you may ask me, "Why this generosity in the supply of Canadian money in circulation?" Do I answer your question when I remind you that money in circulation is in the nature of a loan from the public, engineered by the Finance Department, irrespective of the government in office, without interest? An interest-free loan of $1 billion is something—it is something to the money-conscious people who control our financial affairs, irrespective of the party in office,—if they can get away with it. The Finance Department, with its handmaiden the Bank of Canada, has been pushing money into circulation year by year in amounts so great that supply and demand has lowered its purchasing power. This in turn has raised commodity prices and in consequence has brought disservice to every household in our country.

May I at this stage, honourable senators, place in *Hansard* a D.B.S. statement showing the amount of money in circulation during the last few years?

Hon. Senators: Agreed.

(*The statement follows*)

Currency in circulation in Canada and population at specified dates

Date	Canada Population as at June 1 (thousands)	Currency (notes and coins) in Circulation as at May 31 ($ million)
1946	12,292	1,059
1956	16,081	1,527
1961	18,238	1,825
1962	18,570	1,939
1963	18,896	2,043
1964	19,235	2,128
1965	19,571	2,204
1966	19,919	2,390* (as at July 27)

*Source: Bank of Canada Statistical Summary for August.

Hon. Mr. Roebuck: I have a copy for the Leader of the Government, a copy for the Leader of the Opposition, and one for my deskmate Senator Croll who is joint chairman of the committee.

I am confident, and I have history to support me as well as experience and common logic, that by increasing the amount of money in circulation you depreciate its value, and when you depreciate its value prices rise. True, there are other factors such as the leader has mentioned. If we could increase our productivity more than we have done in the past, although in fact we have increased productivity very considerably, we would counteract to some extent the effect of depreciation of money. Supply and demand would then lower the value of commodities but that in itself would hardly correct the situation we have today, which is due to the drastic reduction in the purchasing power of our dollar. It would only help. I am equally confident that the continuance of the downward trend in the value of Canadian money can be halted and can even be reversed if our financial authorities take the necessary steps which I hope this committee will make clear and force upon the Government.

In my judgment it is within the power of the Minister of Finance to do a great service to the Canadian people by gently reversing this rising cost of living that is bedeviling family life in Canada. I commend this problem to the attention of the committee with every confidence that its chairmen and members have the courage to face the facts. I hope that they will recommend such changes in financial policy, particularly monetary policy, as the situation warrants.

At the same time I insist that they consider both sides of the phenomenon, not merely the value of commodities, not only why prices are going up, but also why the value of money is going down. The committee can render great service to our people by a courageous and intelligent diagnosis of the malady from which we suffer. I am not asking for any drastic changes; all I ask is that the dollar should remain steady and that the present trend should be reversed. If this were achieved the retrenchments recently announced by the Government would become unnecessary.

Honourable senators, I thank you for your attention and I commend this subject to the very serious, intelligent and courageous consideration of honourable senators and of the members of this committee.

Hon. David A. Croll: Honourable senators, I do not wish to detain the house for very long. May I at the outset mention to the new senators that one of the great advantages of being in the Senate is that you can sit back

and listen to knowledge, learning and erudition presented in the manner which we have just heard from the last speaker. One does not have to agree with what my friend has said but one can listen, learn and benefit from it.

One of the reasons I stood up was to add a little to the knowledge of Senator McCutcheon. If we are going to send him to the Commonwealth Parliamentary Association meeting next year, I should say to the outstanding citizen from Uganda, who is here tonight, that we shall be sending a man who is knowledgeable on all things Canadian. I shall take a moment to fill him in, so that he will go first class.

The Joint Committee on Consumer Credit was established a couple of years ago as a result of a bill introduced in this house to make provision for the disclosure of information in respect of finance charges.

Hon. Mr. Choquette: Your bill.

Hon. Mr. Croll: Yes; thank you for mentioning it. After many years of discussion of this bill, I think we can safely say that we are the ancestors of this committee, irrespective of what else has been sent from the House of Commons for this committee to consider.

The point was made that we have been hearing evidence for some years and that the report is not yet ready. That is true. But the report is now being prepared. Let me outline for a moment what has happened. The purpose of the original bill was to require finance companies to disclose in dollars and cents the rates of interest being charged. What has happened in the meantime? The Province of Nova Scotia has passed a bill dealing with this subject. Ontario has done likewise. The Bank Act provides for full disclosure of interest. The Province of Manitoba dealt with the matter, as have both Alberta and Saskatchewan. These bills deal with varying aspects of the subject which was before the committee on Consumer Credit for consideration.

It is true that this question lies within their provincial jurisdiction, but their action has been the direct result of what we undertook here at that time.

I am not going to say anything more about that subject tonight, except to indicate to you the fact that thousands of consumers across this country have benefited already as a result of the work undertaken by the Senate in establishing the Joint Committee on Consumer Credit.

Hon. Mr. Connolly (Ottawa West): By the creation of a favourable climate.

Hon. Mr. Croll: Both the climate and actual results that followed. More will follow, I hope, after the report.

As to the motion now before us, I should mention that notice has already been given to the members of the committee on both sides of the house to meet for discussion after we rise tonight. The members of the Steering Committee have been summoned from British Columbia, Alberta, Ontario, Quebec. They will be here tomorrow for a meeting at 10 o'clock in the morning, when we shall decide what staff we need, and make plans for the hearing of witnesses. My purpose in calling the group together tonight is to obtain some advice as to how we should proceed. It is my hope that we shall be at work within ten days. Every member of the committee wants to get to work as quickly as possible. If we can commence our work and have witnesses appear before the committee within ten days, we shall be doing remarkably well.

Hon. John J. Connolly: Honourable senators, if no other honourable senator wishes to speak I would like, with the consent of the house, to say something more. We are not debating a bill, and in speaking now I do not close the debate.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): Senator McCutcheon—I am sorry he is not in the chamber at the moment, but I would say this in the same way if he were—rather charges me with the offence, if you will—although it is not too heinous—of being an apologist for the Minister of Finance. In the first place I say, and I hope without any bravado, that although there may be many people in public life for whom apologies must be made, none are needed for the Minister of Finance of Canada.

In the second place, I feel it is my duty, because I am bound by the decisions of the Government, to come here and say what the Government has done in respect of these matters. Some of the honourable gentlemen opposite may say: "This is not enough. You do not go far enough. You do not do the right things. You go in the wrong direction." That is their right, but I have the responsibility, as a member of the Government of Canada, of coming here and speaking as frankly and

clearly as I can about programs and projects so that the members of this house, as is their due, will know what the Government is attempting to do.

Senator McCutcheon, in respect of education, complained that the research program is going to be restricted, and said that this is a bad thing. I hope honourable senators will remember the way I discussed the point in connection with research. I said only that plans had been made to increase the amount of money that was going to be made available to the various research institutions in this country, and at no time was there a proposal to reduce the amount. Very soon I hope it will be possible to go on with increases in the allocation of moneys for this very important work.

I point out that there is no intention whatever of cutting down on university grants, which were initiated by the party to which I belong, increased by the party represented by the honourable gentleman opposite, and further increased when our party came back into office. I feel sure that this program, which has had a good deal to do with furthering higher education in this country, is not going to be cut back.

There is no proposal to cut back either in respect of another popular program that has been useful in the field of education, namely, that which is called the Student Loan program, and which is working well.

Senator McCutcheon made a point about the last item in the finding of the 1959 committee of the Senate on finance, and I quote it again:

> Tools to contain inflation are available—what is necessary is the will and determination of the people and the authorities to use them.

It is hoped that as a result of this reference to the committee, and the publicity that will flow from the discussions that go on in the committee on the evidence adduced before it, there will be generated on the part of the people a will and a determination that may very well be helpful in this whole approach to the problem of inflation.

Honourable senators, the list of not only monetary but fiscal and economic policies and projects announced by the Minister of Finance, to which I made reference, and which is by no means complete, indicates a will on the part of the Government—if Senator McCutcheon, when he uses the word "authorities," means the Government—and a determination to do something about this problem. If an apology is necessary, then I make it but I am rather proud of the way in which they have tackled it.

I am particularly proud also of the fact that at this stage, within six months of the time of his budget, Mr. Sharp has said: "Perhaps I did not go far enough at that time. I now feel I have not gone far enough, but the situation then was not the situation now. I want now to go further."

Senator McCutcheon suggests that the postponement of medicare is not going to be anti-inflationary. Tomorrow morning the Tax Structure Committee is going to meet in this chamber. If medicare is going to be started by July 1, 1967 then there will have to be a good deal of spending not only on the part of the Canadian Government but on the part of the provincial governments that are going to participate in the plan. That spending which could have been inflationary has been deferred, and will be deferred. Honourable senators may believe me when I say it took a lot of soul searching for the Government to come to this kind of a decision because of the importance of the program.

I am glad that Senator Macdonald from Brantford is present this evening. He was the Leader of the Government when we were in opposition and when the 1959 Committee on Finance had referred to it the problem of inflation. He was also the Leader of the Government when the Special Committee of the Senate on Manpower and Employment was established, and he gave leadership in the setting up of that committee. All the honourable gentlemen on the front benches of this chamber were here at that time, and honourable senators opposite may take my word for it when I say that those were important and valuable studies. The reports of those committees were invaluable to the Government of the day.

But, let me make this point very clear, because it was clear in my mind and I am sure it was clear in the minds of others, that neither of those studies was undertaken for the purpose of embarrassing the Government of the day. They were undertaken for the purpose of helping the Government of the day to combat the problems that it then faced. First, there was inflation, and, second, there was the constructive use of manpower. My honourable friend will remember the good things that came from those studies. One was the Vocational Training Program, and there were many others.

I do not consider this reference to the committee a sham, in any sense of the word. Perhaps I was wrong when I suggested, as I did in my interjection in Senator McCutcheon's speech, that the British have legislation to control prices and wages. Certainly, if they have not, they do have the power to make regulations, to legislate.

Hon. Mr. Croll: To discipline, too.

Hon. Mr. Connolly (Ottawa West): They can take this step, but it could be that as a result of creating the kind of atmosphere and climate which the British Government has succeeded in creating in an emergency infinitely worse than ours, they may very well not have to take the step.

I do not say that this committee will be able to do that, because the emergency in this country is not of that character. But I think this committee can contribute a great deal towards helping people solve this problem by urging them, as the Senate committee of 1959 suggested, to be determined and to have the will to deal with it.

Senator McCutcheon asks for evidence of restrictions on capital expenditures; he does not see them in the Estimates. One of the reasons one does not see them in the Estimates is because they have been cut out of the Estimates. However, this committee will look at that question and will find out where the Government has decided to defer capital expenditures.

I am always pleased to hear Senator Roebuck talk. He talked almost exclusively on the question of monetary policy. I am one of those who think that perhaps we have relied too much in the past on monetary policy in this country to cure our ills. Perhaps we should be doing more in the fiscal field, and these steps that the Minister of Finance is taking are in this line.

Perhaps we should be relying more and more on economic policy, on fiscal action and on steps such as those which are proposed by many to restrict the amount of spending.

I think the Senate also with its background of experience in studies of this kind can give a real impetus to the work of this committee. Personally, I am sure we all have very great confidence in the co-chairman (Hon. Mr. Croll) and in the initiative that he has shown on other occasions in respect of committee work, the last one being the Committee on Aging. I think we can rely upon his youth as well as his drive to accomplish a great deal through this committee.

Motion agreed to.

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Cameron (Nanaimo-Cowichan-The Islands) has been substituted for that of Mr. Scott (Danforth) on the list of members appointed to serve on the Joint Committee on Consumer Credit.

JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Hon. Mr. Connolly (Ottawa West), with leave of the Senate, moved:

> That the names of the Honourable Senators Carter, McDonald and O'Leary (Antigonish-Guysborough) be substituted for those of the Honourable Senators Gershaw, Smith (Queens-Shelburne) and Irvine on the list of senators serving on the Joint Committee on Consumer Credit; and
>
> That a message be sent to the House of Commons to acquaint that House accordingly.

Hon. Mr. Macdonald (Brantford): May I ask which of the many "Macdonalds" in the house is named on that committee?

Hon. Mr. Connolly (Ottawa West): Senator McDonald (Moosomin).

Motion agreed to.

DOCUMENTS TABLED

Hon. Mr. Connolly (Ottawa West) tabled:

> Report, dated June 27, 1966, of the Restrictive Trade Practices Commission, under the Combines Investigation Act, relating to the distribution and sale of gasoline in the City of Winnipeg and elsewhere in the Province of Manitoba. (English and French texts).
>
> Report of the Superintendent of Insurance for Canada, Volume I—Abstract of Statements of Insurance Companies in Canada for the year ended December 31, 1965, pursuant to section 9 of the Department of Insurance Act, chapter 70, R.S.C., 1952. (English and French texts).

Report of the Eastern Rockies Forest Conservation Board for the fiscal year ended March 31, 1966, pursuant to section 10 of the Eastern Rocky Mountain Forest Conservation Act, Chapter 59, Statutes of Canada, 1947. (English text).

Report on the Government Annuities Act for the fiscal year ended March 31, 1966, pursuant to section 16 of the said Act, chapter 132, R.S.C., 1952. (English and French texts).

Report on the Industrial Relations and Disputes Investigation Act for the fiscal year ended March 31, 1966, pursuant to section 68 of the said Act, chapter 152, R.S.C., 1952. (English and French texts).

Report of the Director of Investigation and Research, Combines Investigation Act, for the fiscal year ended March 31, 1966, pursuant to section 44 of the said Act, chapter 314, R.S.C., 1952. (English and French texts).

Order in Council P.C. 1966-1363, dated July 21, 1966, amending the Bankruptcy Rules made by Order in Council P.C. 1954-1976, dated December 16, 1954, pursuant to section 166 of the Bankruptcy Act, chapter 14, R.S.C., 1952 (English and French texts).

Report respecting the Operation of the Agreements with and Payments made to the Provinces of Manitoba, Saskatchewan and Prince Edward Island under the Crop Insurance Act, for the fiscal year ended March 31, 1966, pursuant to section 10 of the said Act, chapter 42, Statutes of Canada, 1959. (English and French texts).

Report of the Board of Grain Commissioners for Canada for the year ended December 31, 1965. (English and French texts).

ADJOURNMENT

Hon. Mr. Connolly (Ottawa West): Honourable senators, although this is becoming somewhat of a ritual, with leave, I move that when the Senate adjourns today it do stand adjourned until Tuesday, October 18, 1966, at 8 o'clock in the evening. I hope this motion sticks.

Motion agreed to.

The Senate adjourned until Tuesday, October 18, at 8 p.m.

23031—80

THE SENATE

Tuesday, October 18, 1966

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Gray has been substituted for that of Mr. Macdonald (Rosedale), the names of Messrs. Smith, McLelland and Code for those of Messrs. Hees, Coates and Bell (Saint John-Albert), the name of Mr. Scott (Danforth) for that of Mr. Cameron (Nanaimo-Cowichan-The Islands), and the names of Messrs. Whelan and Choquette for those of Messrs. Deachman and Matte on the Joint Committee on Consumer Credit and Cost of Living.

DEPUTY GOVERNMENT LEADER IN THE SENATE

APPOINTMENT OF HON. JEAN-PAUL DESCHATELETS TO SUCCEED HON. CYRILLE VAILLANCOURT

Hon. John J. Connolly: Honourable senators, I am happy to announce that the Honourable Jean-Paul Deschatelets, following discussions with his colleagues from the Province of Quebec and his French-speaking colleagues in the Senate, has agreed to become my deputy in this chamber.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): Senator Deschatelets is relatively new to the Senate, but in the short time he has been here I am sure he has made many friends, and he has demonstrated his great capacity as a parliamentarian. This is not a matter of any surprise, for he has been in Parliament for some 12 years. As a minister of the Crown, he was Minister of Public Works, an honour shared by Senator Walker during a different period. It is a distinction to have both these gentlemen in the Senate with us after their records of achievement in that important department of Government.

In thanking Senator Deschatelets for agreeing to assume these new duties, I should also like to pay a special tribute at this time to the work that has been done through the years by Senator Vaillancourt as Deputy Leader, not only as my able assistant, but also when he acted in a similar capacity for the honourable Senator Ross Macdonald when he was leader. I have expressed my warm appreciation to Senator Vaillancourt on other occasions, but I do want to say to him again, although he is not present tonight, how deep the debt is that I owe him, and what a notable contribution he has made to the work of the Senate.

We have had a problem in that our late, lamented colleague from Quebec, Senator Bouffard, who assumed the deputy leadership at the beginning of the session, suffered a serious failing of health, resulting in his death. Senator Bouffard was an ornament to the Senate and indeed to the post of deputy to the leader.

I have complete confidence, which I am sure is shared by all honourable senators, that Senator Deschatelets will live up to the great traditions of the Senate in carrying his responsibilities which, I warn him, will be much heavier than he may now appreciate.

Hon. A. J. Brooks: Honourable senators, I take this opportunity of congratulating Senator Deschatelets on his appointment.

We on this side of the chamber are very pleased to hear that the honourable Leader of the Government is getting some help, because we have been concerned about the huge amount of work he has had to do. He deserves great credit for carrying on without assistance up to this time.

I wish also to join with Senator Connolly in the remarks he made with respect to Senator Vaillancourt—a quiet, fine, effective gentleman, and one whom all of us in this house respect.

Senator Deschatelets, we congratulate you on your very rapid promotion. I know of few men who have come up as quickly as you have, or who have come along the road so fast. I am not going to wish you a long term of office, because I feel you will not have it. However, for the short time in which you are going to adorn the office of Deputy Leader of the Government, I wish you every success.

[*Translation*]

Hon. Jean-Paul Deschatelets: Honourable senators, I thank the Leader of the Government and the Leader of the Opposition for their kind words, as well as all of you, my

colleagues, for your warm appreciation at the announcement which has just been made.

I must say I am well aware of the responsibilities I assume, and when called upon to act in that capacity, I shall endeavour, above all else, to serve this great institution we cherish, that all important branch of Parliament, the Senate.

[*Text*]

Honourable senators, I thank the Leader of the Government and the Leader of the Opposition for their kind words, and also your warm appreciation at the announcement which was made by the leader. Let us hope that I shall justify and merit the confidence which has been placed in me tonight.

May I say that I intend to serve on behalf of the Senate, this institution we cherish. I think that anything I might add to its prestige would justify in part the duties which will be entrusted to me. To all, I say thank you.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Hopkins has been substituted for that of Mr. Caron, and that the name of Mr. Chatwood has been substituted for that of Mr. Hopkins on the list of members appointed to serve on the Special Joint Committee on the Public Service.

THE LATE SENATOR CHARLES L. BISHOP

TRIBUTES

Hon. John J. Connolly: Honourable senators, before we proceed with the orders of business, I have to announce the death quite recently of our beloved and distinguished colleague, Senator Charles Bishop, whom everyone knew as Charlie Bishop.

It is not my intention, and if it were I am sure I would not succeed, to compete with the eulogistic editorials which appeared in the press throughout Canada at the time of his death.

Charlie Bishop was a distinguished journalist of his time. He was for some 40 years in the Press Gallery, and indeed was its honorary president. He was beloved by his colleagues there for himself, for his humour, for many of his practical jokes upon them, but above all for his capacity and perspicacity as a writer.

There is of course a memorial in stone to Charlie Bishop at the entrance to the House of Commons reading room. He shared that honour with another of our colleagues, Senator O'Leary from Carleton, and with men like Henri Bourassa and others; but I think the enduring monument to Charlie Bishop is the monument that has been erected in the hearts of his friends and colleagues on Parliament Hill over a period of 40 years.

Charlie Bishop was born in Bear River, Nova Scotia, a place that is washed by the waters of Fundy. There, in the early days of this country, the Order of the Good Companions was established at Port Royal, and Charlie Bishop was a Good Companion. That tradition was part of the blood that ran in his veins.

I remember that during the war, I, as a young man, went with the naval minister to look at various possible places for the establishment of an important new naval training base. We came to a place called Deep Brook. At that time, it was nothing but barren fields running down to the tidal waters of Fundy, inside Digby Gut, with wonderful, deep water, with Digby at the head of the bay. I think that over all the world there is no other place which resembles quite so much the beauty of the Bay of Naples.

The fact that the Honourable Angus Macdonald had been there was reported pretty widely in the newspapers, and when I returned to Ottawa one of the first calls I had was from Charlie Bishop, who was then in the Press Gallery and not in the Senate. He said, "You have been at Bear River." I did not know I had been at Bear River: they called it Deep Brook, but for him it was home. He was most interested in the fact that this naval establishment, which meant so much to the training of the young men who served in Canadian ships during the war, was to be located close to where he had been born.

Charlie Bishop, moreover, was a confidant of the great leaders of this country. He knew Laurier and Borden and King and Bennett.

I would not wish to take anything from Nova Scotia's claim to Charlie Bishop, but I think it fair to say that he was indigenous to Ottawa. Senator Choquette will agree with me, if no one else will, that he was indigenous particularly to a very important part of Ottawa called Sandy Hill. It is a part which lies east of the canal and south of Rideau Street. Charlie Bishop lived there and he worked here on the Hill during most of his life. In that area, as indeed in every part of Ottawa, his name was a household word.

I had a particularly deep personal affection for him, as he was a close friend of my father. I need not tell you, of course, that I was born and brought up in Sandy Hill, and I could not help but know all about Charlie Bishop from the time I was a small boy.

When I was appointed to the Senate—now more than 14 years ago—it was not the Prime Minister of the day who told me of the appointment: it was Charlie Bishop. He had been at the press conference where the announcement was made. I was touched at the time that this should have happened.

Later, when the time came for me to be assigned to a room, he and Senator Calvin Pratt and I occupied a room together on the fourth floor. Senator Pratt later moved out and Senator Leonard joined us. I never knew really how fine the companionship was in that room until I moved down to a lonely eminence in another part of the building.

Charlie Bishop was primarily a journalist. I would hope that, some day, some student would take enough interest in his writings, which were voluminous, to edit them. In them I am sure will be found a history of his time, as seen from the vantage point of the capital city, and particularly of Parliament Hill. He reached the great age of 90 years. He died full of years, full of the esteem and affection of all who knew him, and, to mourn him, he leaves a widow and two wonderful daughters. But to mourn him also he leaves colleagues who have known him in the Senate and who will treasure his memory here for many years to come.

Hon. A. J. Brooks: Honourable senators, we have just heard a very splendid tribute to a man whom we all knew well. Charlie Bishop lived to be 90 years of age and was fortunate in retaining his health and remaining active almost up to the very last.

We can all say that Charlie Bishop lived a long, happy and full life. His activities are well known. The leader has mentioned the extensive editorial tributes and press comments all across Canada. Charlie Bishop was successful in all the activities he undertook. He was a Maritimer and was proud of it. We in the Maritimes were proud of him, as we had just reason to be.

When we read of his many activities in his chosen walk of life, we learn that he was one of the youngest reporters, if not the youngest, to enter the Press Gallery. He was the first and only reporter from the Press Gallery to be appointed to the Senate, having been president of the gallery on a number of occasions.

I understand he was the oldest active senator at the time of his death.

I knew him when he was in the Press Gallery 30 years ago. He was one of the first men that I met from there, and I liked him from the very first.

We know that Charlie Bishop was an excellent newspaperman because he was a reporter for most of the leading papers in Canada. I have here a list of some of them: the Toronto *Telegram*, Montreal *Star*, Winnipeg *Tribune*, the Hamilton *Spectator*, the Calgary *Herald*, and others.

Hon. Mr. Connolly (Ottawa West): The Ottawa *Citizen*.

Hon. Mr. Brooks: Yes, the Ottawa *Citizen*. This gives one some idea of the prestige and success that our great departed friend had in his chosen profession.

I have often wondered, as I have met some men from the Press Gallery, where we get the term "the gentlemen of the Press," but when I met Charlie Bishop and followed his activities, I realized to the fullest extent just what a gentleman of the Press, and a gentleman, period, could mean. I noticed him here in the Senate when I first came, and he always gave one a warm welcome. He gave you a warm smile and a warm handshake every time you met him on coming back from a recess or after an absence from the chamber.

I join with the Leader of the Government in extending to the late Senator Bishop's widow and his family my most sincere sympathy and condolence.

Hon. Lionel Choquette: Honourable senators, the late Senator Charles Bishop had one of the shortest biographies in the *Canadian Parliamentary Guide*. This was typical of him, for these are really autobiographies. But the bare statement that he was for 40 years parliamentary correspondent for Canadian newspapers does him much less than justice.

He was a great and respected Canadian journalist whose summons to the Senate did honour to all his colleagues in the profession. I sincerely hope his perceptive vignettes of "Canadian Prime Ministers I Have Known," published by the *Citizen*, will be preserved for posterity.

He was also a great wit and humourist. The halls of this building still echo to the sound of his sallies which were Chaucerian, never bitter, never unkind.

He was an ornament to the Senate, a man beloved by all who knew him. I think of him not so much as a journalist, wit and parliamentarian, but as a dear family friend and next-door neighbour. As I have said before in this chamber, Senator Bishop and I were next-door neighbours for a period of 17 years. I have no wish to expand upon this save to say that on the day of my appointment to this chamber Charles Bishop came over and posed for a picture which included only my immediate family and himself. This picture now adorns the wall of my Senate office.

I shall never forget his many kindnesses to my family. The deepest sympathy of my wife, my children and myself goes out to his widow and daughters.

Hon. John J. Kinley: Honourable senators, there is little I can add to the splendid tributes paid to Charlie Bishop by our leaders in the Senate and by the honourable senator who has just spoken. However, as he came from Nova Scotia, I feel it only right that I should rise and say that we are proud of him as a Nova Scotian who came up to the biggest arena and became so highly esteemed by the people here in central Canada.

Charlie Bishop and I were appointed to the Senate on the same day and our association here was always most cordial. I knew him in the Commons when I went there as a young Liberal. I found in him a congenial spirit because he was a great party man and his advice was something very valuable, particularly to a young member. In the last few years he would call me on the telephone each day to ask what was new and what was going on, and frequently he could give me more news than I could give him. He was an able news-gatherer, a loyal member of this chamber and he came from good stock in the Province of Nova Scotia.

I wish to say as a Nova Scotian that we always feel glad when one from our province is as highly esteemed in this chamber as was Charlie Bishop. The high esteem in which he was held is shown by the tributes paid to his memory this evening.

HON. GEORGE S. WHITE, P.C.

WELCOME ON RETURN TO CHAMBER AFTER ILLNESS

Hon. John J. Connolly: Honourable senators, I am sure I am expressing the feelings of all honourable senators when I say how delighted we are that our former Speaker, the Honourable George White, is back with us again. I did not want him to hear this because the Irish are not given to flattery, and if it were flattery, he being Irish would recognize it at once.

Senator White has been absent much too long. Therefore may I say on behalf of all his colleagues how pleased we are to see him, and to see him look so well.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Auditor General on the Examination of the Accounts and Financial Statements of the National Battlefields Commission for the fiscal year ended March 31, 1966, pursuant to section 12 of An Act respecting the National Battlefields at Quebec, chapter 57, Statutes of Canada 1907-8, and sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Capital Budget of the National Battlefields Commission for the year ending March 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952 (English and French texts), together with copy of Order in Council P.C. 1966-1198, dated June 28, 1966, approving same (English text).

Report of the Economic Council of Canada, including its Accounts and Financial Statements certified by the Auditor General, for the fiscal year ended March 31, 1966, pursuant to section 21(1) of the Economic Council of Canada Act, chapter 11, Statutes of Canada, 1963, and section 85(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children, including the Auditor General's Report on the Financial Statements of the Board, for the fiscal year ended March 31, 1966, pursuant to section 15 of the Queen Elizabeth II Canadian Research Fund Act, chapter 33, Statutes of Canada, 1959. (English and French texts).

Report of the Superintendent of Insurance for Canada—Co-operative Credit Societies, for the year ended December 31, 1965. (English and French texts).

Statutory Orders and Regulations published in the *Canada Gazettte*, Part II, of Wednesday, September 14 and 28, and October 12, 1966, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Consolidated Index and Table of Statutory Orders and Regulations published in the *Canada Gazette*, Part II, for the period January 1, 1955 to June 30, 1966. (English and French texts).

Report of the Unemployment Insurance Commission for the fiscal year ended March 31, 1966, pursuant to section 95(2) of the Unemployment Insurance Act, chapter 50, Statutes of Canada, 1955. (English and French texts).

Order in Council P.C. 1966-1888, dated September 29, 1966, authorizing under section 21 A(2) of the Export Credits, Insurance Act, long-term financing by the Export Credits Insurance Corporation up to U.S. $5 million for the purchase in and export from Canada of goods and services by Canadian suppliers for the 1965/66 phase of the Mexican power sector expansion program financed in trust by the International Bank for Reconstruction and Development, pursuant to Section 21B of the said Act, chapter 105, R.S.C., 1952, as amended 1960-61. (English text).

Copy of Report of the Advisory Commission on the Development of Government in the Northwest Territories, 1966, Volumes I and II (English text), together with Summary of same (English and French texts).

Report of the Superintendent of Insurance for Canada—Small Loans Companies and Money-Lenders licensed under the Small Loans Act, for the year ended December 31, 1965. (English and French texts).

Report of the National Capital Commission, Part I, for the fiscal year ended March 31, 1966, pursuant to section 85(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the National Capital Commission, Part II, being its Accounts and Financial Statements certified by the Auditor General for the fiscal year ended March 31, 1966, pursuant to section 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Copy of the Report on The Cape Breton Coal Problem (J. R. Donald, Esquire), dated May, 1966. (English and French texts).

Report of the Department of National Revenue containing Statements relative to Customs-Excise Revenue and Other Services by Ports; Excise and Income of Canada, for the fiscal year ended March 31, 1966, pursuant to section 5 of the Department of National Revenue Act, chapter 75, R.S.C., 1952. (English and French texts).

Copy of an Agreement between the Government of Canada and the Government of the Province of Manitoba for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Copy of an Agreement between the Government of Canada and the Government of the Province of Saskatchewan for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Reports of the Commissioner of Patents and of the Registrar of Trade Marks, for the fiscal year ended March 31, 1966, pursuant to section 27 of the Patent Act, chapter 203, R.S.C., 1952, as amended by chapters 19 and 40 of the Statutes of Canada, 1953-54. (English and French texts).

White Paper on Canadian Immigration Policy, 1966. (English and French texts).

Report of Commission of Inquiry into Freshwater Fish Marketing (George H. McIvor, C.M.G.—Commissioner). (English and French texts).

COMMONWEALTH PARLIAMENTARY ASSOCIATION

CONFERENCE AT OTTAWA—DEBATE ADJOURNED

Hon. John J. Connolly: Honourable senators, I must apologize for inflicting myself upon you once more. But, with leave, I should like to report on the 12th General Conference of the Commonwealth Parliamentary Association, held in Ottawa from September 28 to October 4. I hope I have the consent of all honourable senators to make some remarks

about this meeting which I consider to have been of some consequence and of some promise for peace, security and understanding not only within the Commonwealth but in the world at large.

When the delegates assembled in Montreal in late September there were 23 independent countries represented; Zambia, the 24th country, could not attend for reasons which are understandable. I refer to the situation which exists in Rhodesia and the fact that Zambia is adjacent to that country.

In addition to the 23 independent countries represented, there were three groups of smaller dependencies and islands whose names were set out in the material available to delegates, and one observer country, the United States of America, represented by two distinguished members of the United States Senate. While the conference was in session, on September 30, Bechuanaland became independent as Botswana, and on October 4 Basutoland became independent as Lesotho. On November 30 Barbados will achieve independence.

There were some 65 branches of the association represented by 133 delegates, including one premier, 15 speakers or deputy speakers, three leaders of opposition, and 14 ministers in various governments. In addition to these delegates, there were 30 individuals who came as secretaries to various delegations. Here I should like to say how invaluable I consider the work done by the secretaries and how much they contributed to the success of the deliberations and of the travel arrangements.

There were four past chairmen of the General Council present on this occasion: Mr. Sangster, the Acting Prime Minister of Jamaica; Mr. Tennent from New Zealand; Sir Alister McMullin, the President of the Senate in Australia; and Dr. Lim of Malaysia. Unfortunately, Dr. Lim had to leave because his parliament reassembled while the delegates were on tour. In fact, he had reached Vancouver with the group and finally had to return to Malaysia.

In addition to the meetings that were held by the delegates there were meetings of the Speakers. As I have said, there were some fifteen Speakers or deputies, and these meetings were convened by our own Speaker, the Honourable Senator Smith, and the Speaker of the House of Commons, the Honourable Lucien Lamoureux. As well, there were meetings of many of the clerks-at-the-table from parliaments of the countries represented here.

I should say at this stage too that the officers of the Commonwealth Parliamentary Association in attendance at the meeting included the Honourable W. W. Kalema, the Minister of Works in Uganda, who was the Vice-President; and the Right Honourable Lord Rowley, the Honorary Treasurer, perhaps better known by his former name of Arthur Henderson. There were also two Clause 24 Councillors, who are the continuing element on the executive of the association: Mr. Bernard Braine, M.P., of the United Kingdom, and the Honourable Dr. Lim from Malaysia.

The Canadian branch was represented by its President, the Honourable John Turner, who made an invaluable contribution to many aspects of the work. Mr. Harold Winch, one of the Vice-Presidents, was also in attendance and did a tremendous job of work with the delegates from so many countries. The other officers of the Association were the two Speakers whom I have already mentioned, and the Honourable Maurice Bourget, who was not available because he was on government business out of the country at the time, but he made a great contribution to the preliminary work that led to the setting up of the conference.

As chairman of the organization I must say that I am particularly indebted to the conference committee which served under the Honourable John Turner. This committee consisted of the Vice-Chairman of the Canadian branch, Mr. Winch, and two of our senators, Senator Grosart, who looked after public relations and publicity, the communications aspect of the conference, and did a magnificent job; and Senator Leonard, who was the custodian of the purse strings, perhaps one of the most difficult of all the jobs.

In addition, I should like to acknowledge the great co-operation of members on this conference committee from the House of Commons: Mr. Gordon Fairweather, Mr. Ron Basford, Mr. Georges Lachance and Mr. James Walker. All these men worked assiduously for the better part of a year to get this meeting set up in a way that would do credit and justice to Canada.

As President of the Association too I should like to pay a special tribute to the Secretary-General of the Commonwealth Parliamentary Association, Mr. Robin Vanderfelt, whose home is in London, and to the very outstanding team of people he had and continues to have with him and who were present at the conference. Without them we really would have been at a loss on many an

occasion. They include Mr. Ian Grey, Mr. Jack Fowler, Miss Betty May and Miss Sheena Geddes. I thank them not only for the work they did, but also for the wonderfully co-operative spirit they showed with the Canadian Secretariat.

I thank too Mr. T. R. Montgomery, the long-time Secretary of the Canadian branch. "Monty", as he is known to everyone in the C.P.A., not only travelled across the country with these delegates, but was also a source of help on every conceivable occasion.

I thank too the Canadian staff through its three chief officers, Mr. Ian Imrie, Colonel T. G. Bowie and Miss Jean Macpherson. This would include not only the staffs that work for them regularly, but a good many foreign service officers who were seconded from the Department of External Affairs to assist.

I regret that right at the beginning of the conference the former Chairman, the Honourable Blair Tennent of New Zealand, was stricken with a heart attack in Toronto. He was brought to Ottawa and hospitalized here. Fortunately, the attack was not as severe as was originally thought, and I am happy to be able to report that through the cardiologist who looked after him, who is one of the outstanding men in this field, Mr. Tennent was able to whip himself into shape soon enough to take a plane back to New Zealand this morning.

When Mr. Tennent was stricken with a heart attack during a meeting of the C.P.A. I could not help but think of my own experience. Perhaps there is an element of occupational hazard involved in being the President.

If I might digress for a moment, there also seems to be another pattern which has developed, because two past presidents have become Prime Ministers: Mr. Harold Holt in Australia; and Mr. Donald Sangster, acting Prime Minister of Jamaica.

There is also another kind of pattern running through the presidency, because two former presidents now occupy important positions in the diplomatic field. Dato' Ong of Malaysia was in fact never President; he would have been, but he entered the diplomatic field while still vice-president, and Dr. Lim succeeded him. Dato' Ong is the Malaysian Ambassador in Washington and came to Ottawa to lead the delegation when Dr. Lim had to leave suddenly. He is a distinguished man and contributed greatly to the success of the conference. The other past president who entered the diplomatic field was Lord Mortonmere, perhaps better known to the members of this chamber as Sir Roland Robinson, the Governor General of Bermuda. Really, the only past president who has not run into some of these hazards—if I may describe them that way; they are in some respects pitfalls—is the charter Past President, Senator Roebuck. He has been able to maintain his integrity, dignity and health.

Delegates arrived in Montreal on September 8, and they were welcomed extremely well. The welcome they received from the mayor and officials of that city and that province was tremendous. Then they began a visit to all of the provinces of Canada, and veritably what we had was a Commonwealth airlift. They were the guests of the provinces and municipalities, as they moved first from Montreal east to the Maritimes and then finally to the west coast.

I must express on behalf of the Canadian branch, and indeed on behalf of the C. P. A., appreciation to the provincial authorities in every province who made it possible not only for the delegates to see these provinces and to see Canada, but also to meet so many of the people who live in these provinces.

The press at one stage said the program was too elaborate. I want to make one comment about that. I thought at one stage that perhaps too much was being undertaken.

How can anybody see a country that occupies half a continent in two weeks? But the committee responsible for making the arrangements found that when they suggested to a province that it might join with another province and thus avoid a visit from only a portion of the delegation, they were met with righteous indignation. The result was that there were parties of delegates to every province, and there was not one complaint about anything that happened in any one of those provinces. So, we are indebted to the provinces for the co-operation they gave the Canadian branch, and for the hospitality they showed to so many people from so many parts of the world.

Then followed the meetings. They were held in Ottawa—plenary sessions, meetings of the General Council, meetings of the subcommittees, and meetings of the Steering Committee, which committee had a very difficult task to perform.

In Ottawa there occurred something quite new to the annual meetings of the Commonwealth Parliamentary Association. We had the privilege of being addressed by the

Commonwealth Secretary General, Mr. Arnold Smith. Mr. Smith, as all honourable senators know, is a Canadian. He was trained in our Department of External Affairs. He addressed the delegates in the House of Commons on Friday, September 30, and I should like to express to him the deep appreciation of the Commonwealth Parliamentary Association for the way in which he approached that task and for the manner in which he discharged it. I was very proud of him, as I am sure all the delegates were, for what he is doing in the discharge of his heavy responsibilities at a time of great difficulty for the Commonwealth.

I should like to touch upon some of the events of the meetings, both the plenary sessions and the committee meetings, which took place in Ottawa. They began on September 28. Before I do so I want to say that because of the persistence and the insistence of Senator Grosart the proceedings were reported in the way the proceedings of Parliament are reported, by *Hansard*. This *Hansard* type of report is an invaluable document. It was most helpful to the delegates at the time of the conference, and I commend a reading of it to all honourable senators.

In referring to some special parts of this report I am perhaps undertaking an invidious exercise, because it is difficult to select one person and comment upon his remarks without selecting a good many more. But, at the risk of offending some, I think it might be of value if I say something of the discussions which took place.

The important debate was that on international affairs, and one can understand the great interest in it in view of the fact that some 27 countries from every continent of the world were represented. This debate was opened by the Canadian Minister of External Affairs, Honourable Paul Martin. His contribution was both valuable and helpful. The delegates certainly appreciated it, and said so. As soon as the debate began, it was clear that within the Commonwealth, and between the countries of the Commonwealth, all is not sweetness and light. The Kashmir situation, for example, was one upon which there was some comment, although I must say that the key of the debate was very low, mainly because of the tentative agreements that were reached at Tashkent, Russia, a little less than a year ago. I regretted, as I think a great many of us did, the fact that the settlement between India and Pakistan reached on that occasion was not an intra-commonwealth settlement. It is correct to say that there was disappointment expressed in the fact that there is not a Commonwealth agency to deal with intra-commonwealth disputes. Mr. Bhargava of India referred to this question. Mr. Pannell of the British House of Commons referred to it at page 91 of the proceedings, as did Mr. Soomro of Pakistan at page 67. The debate on this issue was not as hot or difficult as the one that took place in New Zealand a year ago.

The debate on Rhodesia was another matter, but it was somewhat overshadowed by the fact that the Prime Ministers had recently come to certain conclusions about the problem there. I think many of the delegates questioned whether Rhodesia is in fact a microcosm of the Commonwealth, and whether there will always be in the Commonwealth antipathies between blacks and whites, between race and race, and between creed and creed. I am bound to say that there was condemnation on the part of some delegates for the way the Rhodesian situation is being handled. The leader of the debate, the Honourable J. S. M. Ochola from Uganda, made a speech in which he expressed very strongly-held views that force should be used. His criticisms were pungent, and he had the support of speakers from southeast Asia, Africa and the Caribbean area. His speech appears at page 45 of the report.

But there were other views expressed, and I think this was partly due to the influence that emanated from the meeting of the prime ministers which had concluded shortly before the conference began. I was particularly impressed by the moderation of the speeches of the delegates from Malawi.

I was impressed also, as I think all delegates were, by the responsible way in which the leader of the British delegation, the Right Honourable Arthur Bottomley, the Minister of Overseas Development, discussed this issue. He did it objectively, calmly, and very effectively. Mr. Bottomley brought distinction to both the meeting and the debate. I was delighted that the British Government had seen fit to send a minister of his rank to this meeting, especially in view of the situation in Rhodesia.

South Africa was discussed. Southwest Africa was mentioned, and the conditions there deplored. The situations in Ghana and Nigeria, and the military dictatorships that have been established in those countries were commented upon, particularly at the council

meeting at Montreal. There being no parliaments in those countries, there were no representatives from them.

There was a view taken also about the position of Gibraltar, and I commend the reasonable words of the representative from Gibraltar, Mr. Seruya, on the position that Gibraltar occupies in respect of the Spanish development, because this affects Gibraltar very much.

Then, of course, Vietnam came up for discussion, and in this we were most indebted to the members of the United States Senate who were present for the contributions they made. Senator Fulbright is well known to almost every member of this chamber. His remarks begin at page 50 of the Official Report. He spoke of the need for compromise in the situation out there, and of all the dangers that are inherent in it. He spoke from a full mind, and I believe from a heart full of compassion and concern.

Senator Edmund Muskie from Maine, taking a different line, as I thought, gave a particularly objective description of the American position in Vietnam, which the President has made so forcefully and so often and is making now in the Pacific—I believe tonight he is in Hawaii.

It was not only the Americans who spoke of Vietnam. New Zealand has troops there. Mr. Gordon, the leader of the New Zealand delegation said that they were there to help re-establish peace.

The Australians talked about Vietnam. Senator Davis of Australia said that the United States has taken a stand in Vietnam "on the highest level of morality." One can understand the concern of people in the Far East about the danger, the explosiveness that exists in Vietnam. Senator Davis said that it was a stand against communism, and communism has its expansionist philosophy.

I think there were other delegates too who felt that there might be a great element also of Chinese nationalism that was creating some of the problems out there. Peter Howson, the distinguished young leader of the Australian delegation, strongly supported the United States position.

Other delegates said that a United Nations force should be sent there and should try and solve the problems. These views were put forward by Mr. Pandya of Kenya, Mr. Cheeks of Guyana, and by others. Dato'Ong, the distinguished member of the Parliament of Malaysia, thought that an Asian solution was perhaps the only one to look for.

This was the kind of debate that we had on external affairs, and you can see what a wide ranging thing it was, how varying the points of view were, and how difficult it is to try to put them down into some neat formula that will result in solutions for these complex problems.

I was also impressed with the fact that so many of these views were expressed not by ministers but by back benchers, who spoke out of minds that were well informed and cultivated and with the experience of minds accustomed to making good judgments.

On the problem of Commonwealth self help, particularly in the field of trade and aid, notable speeches were made. I think one of the best was by the deputy leader of the British delegation, the Whip of the House of Lords, Lord Shepherd. At page 275 of the Official Report he described the quantum of aid given by the United Kingdom, and it is worthy of reading by all honourable senators. He also talked about the importance of international liquidity, as well as about some of the British problems connected with this problem of liquidity and the level of aid.

Mr. Neville Hewitt of Australia, at page 279, said the Australians were second as donor countries in the amount of aid given in the Commonwealth.

There were also views expressed by donee countries, and this was particularly sought and welcomed, because the giving of aid is one thing, but the usefulness of the aid, its value to the country receiving it, and the manner in which it is given are most important.

Mr. Ahmad of Pakistan made an acknowledgement of the value of this aid. He praised particularly the work of the Colombo Plan.

Shri Veerappa of India spoke about the Kennedy idea of freer trade, as also did Mr. Refalo of Malta. They talked too about the difficulties some of the developing countries have because of the tariff walls that exclude their products from so many of the developed countries.

Mr. Tuan Tiah Eng Bee of Malaysia, at page 287, talked about the difficulties of marketing products like rubber and tin from his country.

There was discussion about commodity price stablization. The plea and the call there was for the abolition of tariffs, for the increase in consumption among developing countries of some of these products that are indigenous to the countries of the southern hemisphere—sugar and cocoa.

The questions arising out of food resources and the population explosion in the world were also debated with knowledge and authority by many of the delegates.

Honourable senators, I am speaking too lengthily, but there are some things that need to be said if we are to have an appreciation in this country and in this Parliament of some of the problems that exist in the Commonwealth which, if solved even in part, can mean so much to peace and security in the world.

This year we tried an innovation, a Canadian initiative. Instead of having speeches made only in plenary session, we resorted to the device used in the I.P.U. and the NATO Parliamentarians organization, of breaking up into committees. One committee, dealing with parliamentary institutions in the modern world, sat in this chamber under the chairmanship of the Honourable C.A. Thomasos, of Trinidad and Tobago. It was an interesting discussion, and you will find it throughout the debate in various places. I hope to assist honourable senators who might be interested in reading the part of the committee work, dealing with second chambers by referring to some of the people and mentioning the pages where their speeches appear.

The references to a second chamber at page 109 by Mr. Rowe of Australia, and at page 112 by Sir William McDonald of Australia, describe the elective upper house or second chamber in their country.

I am indebted to our colleague Senator Hugessen, because he undertook the task at my instance, for a most enlightening speech in this particular committee on the work and functioning of the Senate of Canada. If I may say so, it was one of the best contributions to the work of that committee. Senator Hugessen's remarks are reported at page 118.

At page 122, Mr. Cheeks of Guyana told why there is not a Senate in his country.

At page 126, Mr. Gordon, the leader of the New Zealand delegation, told why they abolished the Senate there in 1950.

At page 128 Mr. Durga Das Khanna of India emphasized the importance of the second chamber and why in his view the Indian system of electing the members was desirable.

Senator Machio of Kenya said that in his country, a small country, they will probably abolish the Senate some day.

Finally, although he was not expected to appear, and normally does not appear, everyone was delighted with the fact that Senator Fulbright took enough interest in this debate to go to this committee and talk about the working of the United States Senate. This was a gesture that was received with warmth by the members of the committee; his contribution was a very good one indeed. This was the first time that a United States delegate—and they only attend as observers—has ever been permitted to participate in the debate, except on international affairs. The larger countries—and those countries which, like ours, are federal states—generally feel that second chambers are of immense importance and value. There are various ways in which second chambers are constituted.

In the smaller countries the experience is somewhat analogous to the experience of the provinces of Canada, which abolished their legislative chambers, one by one, Quebec now being the only province which has retained a second chamber.

Considerable discussion arose also on the problems of the lower house, on the procedures of the lower house, and on the work of committees. Speeches were made on the importance and value of Parliament, on the sacredness of this institution.

The conclusions of that committee, as given in its report, are to be found at page 307 of the Official Report:

Consensus

> A United Kingdom delegate, in closing the debate, remarked that three threads have run through the discussion:
>
> 1. Some modification or reform is needed to bring parliamentary institutions up-to-date;
>
> 2. A pattern suitable for one part of the Commonwealth would not necessarily be suitable for another part; each country must, while maintaining fundamental democratic principles, evolve its own parliamentary methods;
>
> 3. The committee system offers many advantages in meeting present-day demands of Legislatures and consideration could be given in many countries to developing it further.

I am particularly pleased at the reception which the committee received at the hands of delegates and at the enthusiasm with which they praised this Canadian initiative. It gave an opportunity for an exchange and inter-

change of views, immediately upon statements being made. There were questions and answers; and it provided a lively debate, an opportunity of which the parliamentarians took advantage.

Honourable senators, the other committee dealt with external aid, primarily the sector concerning education and training. It was an outstanding committee, under the chairmanship of Mr. Bernard Braine of the United Kingdom delegation. It is clear from the debates in that committee that modern political, economic and social development can come, provided the educational opportunities are available to the people who are to shape and form those institutions. There were excellent contributions by donor countries; Senator Grosart and Mr. Turner made valuable speeches on that part of the work in which Canada's participation was particularly discussed. Donee countries appraised the programs and there was criticism in some quarters of the way in which this work is handled.

In the General Council we first of all arranged for general data papers which could be used for any debate. From Canada, we circulated a paper from the external aid office on the work of Canada in the field of external aid in the Commonwealth, relating to education and training.

Honourable senators, we succeeded in doing another valuable piece of work, which should have been done earlier and should have been thought of much more on other occasions. For this I am particularly indebted to the Reverend Mr. Bennett of the World Council of Churches, Canadian branch, in Toronto; and to Father Gordon George, S. J., of the Canadian Catholic Conference. They sent me material which made it possible to produce a paper on the missionary work, outside of the religious field, done by Canadian churches of all denominations, in the underdeveloped parts of the Commonwealth. This material was taken by Senator Bourque and was put into an excellent speech, which you will find at page 168 of the Official Report.

You might be interested in reading what Mr. Kalema, the new President of the C.P.A., said about the work done by these Canadian missionaries in Commonwealth countries in the field of education. I refer to work they do in hospitals, in schools, in clinics, in social service establishments. I am not referring to their evangelical work.

Usually we do not think about this as part of the external aid which Canada is giving to developing countries, but some of it has been in operation for a hundred years. There were delegates here, men who had achieved prominence in their own countries—whites and blacks and reds, and yellows and tans—who got their education, and who would not have had it, were it not for some of the missionary schools established generations ago.

These are things we seldom think of in this country but these are things which Canadians have done abroad and continue to do.

Honourable senators, may I refer briefly to the conclusions of that committee, which will be found at page 305 of the Official Report of the conference:

> The consensus of the Committee may be summarized as follows:
>
> (1) Developing countries appreciate the educational and technical aid they are receiving, but in most cases this is inadequate to meet real needs, nor is it sufficiently co-ordinated.
>
> (2) While there is a division of views as to whether the multilateral or bilateral method of providing aid is to be preferred, there is general agreement that under either system aid should be more closely geared to the needs of developing countries.
>
> (3) To ensure more effective mobilization and use of available resources expert surveys of the needs of each developing country and the means of meeting them should be made and then co-ordinated through some centralized Commonwealth agency.
>
> (4) Arrangements should be made to ensure that persons sent to developed countries for training as teachers or technicians should return home to utilize their newly acquired skills in the service of their own people.
>
> (5) To facilitate better understanding and co-operation there should be many more direct links between educational establishments in Commonwealth countries and more exchanges of teachers and students.

Honourable senators, I am delighted that we made the delegates feel they could speak frankly and fearlessly about the aid and the way it is given. Furthermore, this matter might be a very valuable type of study for a committee of this house.

There are challenges within the Commonwealth and there are diverse opportunities for a far-ranging worldwide organization. The parliamentarians of its countries are anxious for solutions based on firm foundations. They believe they can succeed in achieving this through the parliamentary institutions. I share that belief and anyone who followed those proceedings would be moved deeply by the sincerity which delegates showed.

Honourable senators, when the conference was opened, His Excellency the Governor General, in a notable speech, said things which are worth recording. He said:

> Man has been created a free person, with a free will and the power to choose for himself. If this be so, then democracy is the only political expression in which these rights can be respected. Any dictatorship, by definition, is a denial of freedoms.

Later he said that "democracy is based upon the conviction that there are extraordinary possibilities in ordinary people." That is what we had at this conference. Everyone of the delegates considered himself to be an ordinary man or woman.

Finally, the Governor General concluded by quoting from a speech made by Her Majesty at the time of her Coronation, and appropriate it was that he should quote Her Majesty, because she is the head of the Commonwealth. She said this on that occasion:

> Parliamentary institutions, with their free speech and respect for the rights of minorities, and the inspiration of a broad tolerance in thought and expression—all this we conceive to be a precious part of our way of life and outlook.

But there are deeper things involved in understanding and solving Commonwealth problems; things deeper than politics or economics or social action. I believe, having been in rather intimate contact with these people now for some time, that there is a great deal to be said for some appreciation of the role which the spirit and the mind play in this work.

Mr. Speaker, east may be east and west may be west, and at one time it was thought that the twain never could meet. But the twain can meet if an effort at understanding will persist on the part of east and west. I think Barbara Ward, whom I admire greatly, has perhaps put her finger on this concept in a book which she wrote some years ago, entitled *Faith and Freedom*. I think it expresses better than I can what I would like to leave as my finishing words in connection with this great meeting. At page 140 of that book she said this:

> This failure of Western culture to communicate itself in depth arose in part from a narrowness of vision among Christians themselves, in part from the decline of religion as a force in Western life. In India and the Far East—

and indeed she might have said, too, "in Africa", had she been writing this today—

> the Westerners were brought into contact with civilizations more ancient and continuous than their own and with a religious and social outlook of immense traditional force. To suggest in such a situation that faith in Christ could be achieved only by those who were prepared to renounce totally five thousand years of Hindu or two thousand years of Buddhist or Confucian experience was the equivalent of rendering certain the rejection of Christ. In a similar debate, at the origins of the Christian Church, some of Christ's first followers believed that unless Christianity was presented in the ritual form of Jewish religion—with circumcision and all the minutiae of the Law—it would not be the true and saving word of God. But the force of St. Paul's conviction that a Hellenic world would not receive the truth wrapped in a Jewish envelope decided the issue. Paul was free to express the Christian gospel of redemption in terms by which the prophet and the philosopher, Isaiah and Socrates, the worshipers of the Messiah and of the Logos, could give their differing yet complementary witness to the same salvation.

Honourable senators, basic to every Commonwealth undertaking is an understanding of this passage and of the will on the part of people of the Commonwealth to recognize it.

Hon. A. K. Hugessen: Honourable senators, as one of the delegates of this Chamber to the recent meeting of the Commonwealth Parliamentary Association, and after listening to the magnificent explanation by our leader of the meetings that have just been held by the Association, there are two things that I want to say. In the first place I was a very recent delegate. I was appointed only a few days

before the meeting was held, and, frankly, I did not do nearly as much work, or as effective work, as two of our colleagues who were also members, Senator Grosart and Senator Leonard, both of whom contributed immensely to the success of the meetings.

I wish to thank my honourable Leader for his over-kind reference to the small part I played in the committee on Parliamentary Institutions in the Modern World. I think he was bound more or less to say what he did because it was at his request that I did it. And. however bad I might have been, he at least will have to cover his own mistake in asking me to undertake it.

Hon. Mr. Connolly: Nobody could have done it as well.

Hon. Mr. Hugessen: I could add a little to what he said about the debate on parliamentary institutions which took place in this Chamber. It was, I think, his own responsibility that that meeting took the form of a committee rather than of a plenary session. It did give a number of interesting views of Parliament in general and of the functions of second chambers, and I think it was of some use because, as you could well realize, many of these new countries, particularly in Africa and Asia, are struggling to develop a proper system of parliamentary government, and any advice or experience that we in the older parts of the Commonwealth can give may be of some use to them. So I thank my honourable friend for his kindly, if undeserved, references to me.

I have one thing more to say about his speech. If you were to read his speech tomorrow, as being a complete reference to what actually took place in the Conference, and all his complimentary references to the various people who took part in it, and if you were to consider that as being in itself a true picture of the Conference, you would be getting a most misleading picture, because one of the important, one of the really vital parts of the Conference and of the proceedings leading up to the Conference, about which my honourable friend said not one word, was his own most distinguished share in that Conference.

Those of you who know what a vast amount of detailed work was involved—and there are some of you who do—will realize what a tremendous strain was imposed upon our Leader by the fact of his becoming chairman of this most important meeting.

I think the only thing one can say is that, from every indication that I have had from the delegates that I have met from all over the world, it was perhaps the most successful Commonwealth Parliamentary Conference that has ever been held; and I say that that is largely due to the initiative of our own leader. I am simply trying to fill in the gap, which my leader left in his speech, in the general impression that this house and the country as a whole should get of the way in which this Association meeting took place.

There was a Labour Member of the House of Commons in England who rather questioned the value of these conferences. He said, "What is the use of our coming here thousands of miles, just to speak?" Of course it is perfectly true that at a conference of this kind you cannot pass any laws. At times it is even difficult to pass resolutions. What we are trying to do is what people at other levels of Government are constantly doing; premiers of different parts of the world are meeting regularly, as are foreign ministers and ministers of every kind, chancellors of the exchequer and ministers of justice. Even in the business world there are regular international meetings of like-minded people dealing with like-minded subjects. At this Commonwealth Parliamentary Association meeting we had members of parliaments of different parts of the Commonwealth come together to share their common experiences. I must say I found great satisfaction in being present, listening to members outline the problems with which they are faced and the manner in which we possibly can help them.

With regard to travel arrangements, I have heard my honourable friend say that there had been some criticism. For my part, I heard nothing but the highest commendations from every non-Canadian delegate I met concerning the travel arrangements. They were delighted to get a chance to see as much of Canada as they did see as a result of the arrangements made. My honourable friend was quite right in complimenting the provinces on doing their share very well indeed in seeing that the members of this conference got a fair knowledge of every part of the country.

Honourable senators, I had not intended to speak on this subject tonight. My purpose in rising was to fill in the gap left by my honourable friend, and to tell the Senate once again that much of the success of the conference was due to my honourable friend the Leader of the Government.

Hon. Allister Grosart: Honourable senators, it is my intention, with your permission, to adjourn the debate on Senator Connolly's very able report. I am very glad that Senator Hugessen rose as he did to fill in the gap left by Senator Connolly. I feel it would be ungracious if we did not also acknowledge the very kind references made to various members of the Canadian delegation, including Senator Leonard, Senator Hugessen, and Senator Roebuck. If our team had some success, it was due to the usual reason for the success of any team effort—it had a very great leader.

I would like to make a few more elaborate comments at a more convenient time; therefore, with your permission I move the adjournment of the debate.

On motion of Hon. Mr. Grosart, debate adjourned.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Hon. John J. Connolly, with leave of the Senate, moved:

That the name of the Honourable Senator Inman be substituted for that of the Honourable Senator Davey on the list of senators serving on the Special Joint Committee on Consumer Credit and Cost of Living; and

That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Hon. John J. Connolly, with leave of the Senate, moved:

That the names of the Honourable Senators Denis and MacKenzie be substituted for those of the Honourable Senators Croll and Roebuck on the list of senators serving on the Special Joint Committee on the Public Service; and

That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

IMMIGRATION

APPOINTMENT OF JOINT COMMITTEE

Hon. John J. Connolly, with leave of the Senate moved:

That a Special Joint Committee of the Senate and House of Commons be appointed to examine and report upon the White Paper on Immigration tabled in the House of Commons by the Minister of Manpower and Immigration on 14th October, 1966, and tabled in the Senate this day, and also to examine the Reports on immigration matters made to the Government of Canada by Mr. Joseph Sedgwick, Q.C., in 1964 and 1966;

That the following senators be appointed to act on behalf of the Senate on the Special Joint Committee:—Honourable Senators Baird, Cameron, Croll, Desruisseaux, Fournier (Madawaska-Restigouche), Hastings, Hnatyshyn, Langlois, Macnaughton, Nichol, Pearson and Willis;

That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee, and to sit during sittings and adjournments of the Senate; and

That a message be sent to the House of Commons requesting that house to unite with the Senate for the above purpose, and to select, if the House of Commons deem advisable, some of its members to act on the proposed Special Joint Committee.

The Hon. the Speaker: Honourable senators, it is moved by honourable Senator Connolly, seconded by honourable Senator Deschatelets—

Hon. Senators: Dispense.

Hon. Jean-François Pouliot: Honourable senators, I move the adjournment of the debate because I want to read the White Paper before expressing an opinion.

Hon. Mr. Connolly (Ottawa West): I wonder if the honourable senator will allow me to say a word of explanation.

This is the first time that a joint committee of both houses has been proposed in the Senate. The purpose of the committee would be to do precisely what my honourable friend proposes to do, namely, to examine and study the report. This would be the only purpose of

the committee. I am rather anxious to have this motion agreed to tonight for the simple reason that I think it would be a futile exercise to recall the Senate again tomorrow for the purpose of doing what I think we will inevitably do anyway, namely, agree to join with the Commons to set up a joint committee.

In view of the fact that honourable Senator Pouliot has raised an objection, I cannot proceed without unanimous consent. Frankly, I have not read the White Paper myself; I have a general idea of its contents but I am not familiar with the details. I have been busy with the Commonwealth Parliamentary Association meetings and other matters and have not had time to study it. All honourable senators are in the same position. The purpose of the committee is to find out what is in the report. It is only for the establishment of the committee that I seek unanimous consent tonight.

Hon. Mr. Pouliot: I am the most obliging member when it comes to requests like that, especially when it is made by my leader. He says nobody knows about it. At least I can spend the night reading it and should be able to express an opinion tomorrow. It will take two or three hours to read it. I never expected such a motion to be brought forward and passed tonight. Is the Senate sitting tomorrow?

Hon. Mr. Connolly (Ottawa West): I hope not. We hope to adjourn tonight.

Hon. Mr. Pouliot: I close my eyes and I shut my ears at the request of my leader, and that makes everybody happy.

Hon. Mr. Connolly (Ottawa West): I thank honourable Senator Pouliot for his co-operation.

Hon. Mr. Pouliot: It is a great proof of friendship.

Hon. Mr. Connolly (Ottawa West): It reminds me of the cartoon, "See no evil, hear no evil, speak no evil."

Hon. Mr. Pouliot: Monkeys.

Hon. Mr. Connolly (Ottawa West): Oh, no!

Motion agreed to.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, November 8, 1966, at 8 o'clock in the evening.

Hon. Mr. Pouliot: Before that motion is adopted, honourable senators, I want to know about the Inquiries. There is an inquiry in my name, and I do not know if it has been answered or not.

Hon. Mr. Connolly (Ottawa West): We have not reached Inquiries yet, senator; we are coming to them.

Before the motion is put, I would like to say that while it is proposed to adjourn until the date specified in the motion, I expect it will be necessary to recall the Senate before that date. Interim supply runs out on October 31. I hope that by that time, in addition to interim supply legislation, there will be other legislation that I will have available for the consideration of honourable senators.

In the meantime may I also, as a matter of record, now bespeak the co-operation of honourable senators particularly in the work of the joint committees, which is so important, and commend those who have been particularly faithful in their attendance over the past few weeks.

Motion agreed to.

CENTENNIAL PERFORMING ARTS

ALLOCATION OF GRANTS—INQUIRY ANSWERED

Hon. Donald Cameron inquired of the Government, pursuant to notice:

1. What is the total amount of money allocated by the Government of Canada for the Centennial Performing Arts grants?

2. What is the allocation by provinces?

3. What portion of the total amount available has been allocated to institutions and organizations within the provinces?

4. What institutions have received grants and in what amounts?

5. What criteria has been used for the allocation of grants? Was it by population, and if not, what basis was used as a determining factor in the allocating of grants?

6. What are the names and positions of the people responsible for the allocations?

7. Is there a distinction between what might be called pre-production grants for the writing of plays, ballets, symphonies or musical works and the necessary pre-production costs for assembling casts and rehearsals, and the grants made to professional companies?

8. How much money has been distributed to professional companies and how much to amateur companies?

9. What are the amounts of the allocations by provinces of the grants that have been made to date?

For text of answer, see Appendix "A", pp. 1069-71.

Hon. Mr. Cameron: Honourable senators, may I thank the Leader for his courtesy in providing a very detailed reply to the series of questions I asked some time ago and say that the answers raise some further questions which I will not go into tonight.

CENTENARY OF CONFEDERATION

CONDUCT OF NON-ESSENTIAL BUSINESS—INQUIRY ANSWERED

Hon. Keith Davey inquired of the Government, pursuant to notice:

What steps will the Government and or the Centennial Commission take to prevent non-essential business establishments from doing business on July 1st, 1967, the Centenary of Confederation?

For text of answer, see Appendix "B", p. 1072.

GOVERNMENT COMMISSIONS

NAME, NATURE, PERSONNEL AND DATE OF EACH—INQUIRY ANSWERED

Hon. Jean-François Pouliot inquired of the Government, pursuant to notice:

What Commisions (other than Political Partisanship Commissions) were issued under the Great Seal from January 1, 1961, to June 30, 1966; who were the Commissioners therein named; what was the nature of each of the said Commissions; and what was the date of each of the said Commissions?

For text of answers, see Appendix "C" pp. 1073-4.

Hon. Mr. Pouliot: Honourable senators, if I am permitted, I thank the Leader of the Government for answering this inquiry. I know my honourable colleagues are surprised sometimes over my insistence upon getting some information.

I am particularly pleased to tell you that following the interventions that have been made in the Senate concerning commissions, the Minister of Justice has written a letter to the Chief Justice of the Province of Quebec and to all chief justices. It is in French, and if it is agreed, I could place it on *Hansard*, and then honourable senators would be able to read it tomorrow in both French and English.

Hon. Senators: Agreed.

Text of letter follows:

DEPARTMENT OF JUSTICE

Ottawa, June 27, 1966

The Hon. Frederic Dorion
Chief Justice
Quebec Superior Court
The Court House
Quebec City, Quebec.

Mr. Chief Justice,

It has been brought to my attention that certain judges of the Quebec Superior Court act at times as arbitrators or mediators in labour disputes on the invitation of employers or labour organizations.

Under section 37 of the Judges Act, a judge must devote himself exclusively to his judicial duties. Section 38 further provides that no judge shall act as commissioner or arbitrator on any commission or inquiry without the consent of the governor in council, unless appointed by the governor in council or the lieutenant-governor in council.

I would kindly ask you to call the attention of the Superior Court judges of your district to those provisions, and to remind them that every time they intend to assume extra-judicial duties in labour matters on the invitation of private individuals, they must obtain the consent of the governor in council. You may add that I would not willingly recommend to the governor in council that he give his consent without your assurance that the acceptance of such duties would in no way prejudice the proper administration of justice.

Yours very truly,
Lucien Cardin.

Hon. Mr. Pouliot: I must add that it is not only in the Province of Quebec but also in the Province of Ontario that the number of judges sitting on commissions or as referees in labour matters has been so considerable that the intervention of the Minister of Justice was required to put a stop to it. According to the letter that you will read tomorrow in *Hansard*, the minister has now pointed out to the Chief Justice that the judges have been appointed to judge in virtue of the Judges Act.

I thought that the letter from the present Minister of Justice to the Chief Justices was called for and was timely; and this is why I have taken the first opportunity, which was a Liberal caucus, to congratulate the minister on this.

The Chief Justice of the Province of Quebec, the Honourable Lucien Tremblay, gave a thunderous echo to the letter from the Minister of Justice, and at a meeting of the Bar he said that the judges who sit on commissions do not have the same privileges they have when they sit in their capacity as judges on the Bench, and that what they say may be taken with a grain of salt. This is not exactly what he said, but this is its meaning. I will come to it in due course. I have the greatest respect for the Chief Justice of the Province of Quebec, and I may say that some of the commissions on which judges have sat have been very useful—and some others quite different.

In the first place, I thank the Leader of the Government again for supplying me with the list of commissions presided over by judges during a certain period of time. But I may add to that that when the Honourable Norman Rogers was Minister of Labour in the Mackenzie King Government he gave me in 1935 a list of the commissions that had been appointed. He had it in front of him on his desk, and each minister of the Mackenzie King Government at that time had information of that kind in front of him on his desk, and when it was asked for we got it at once; it was there.

How many times have I had to fight to get some information? I gather that the Leader of the Government has been very insistent on getting it, and this is why I am thankful to him. It is no more a matter of course for cabinet ministers to have all the required information before them, with a few exceptions, but it should be the general rule that information of the kind asked for in this question be before the cabinet, in the first place, and be supplied to us upon request.

With regard to the other questions, I hope that the Leader of the Government will be kind enough to remember the service that I rendered him tonight by not insisting upon the adjournment of the motion to another date, so that I will have an answer to the other two questions when we meet together, whether it be in October or November.

Hon. Mr. Connolly (Ottawa West): I shall certainly do my best.

Hon. Mr. Pouliot: And I will never cease to pray.

The Senate adjourned until Tuesday, November 8, at 8 p.m.

APPENDIX "A"

(*See p. 1067.*)

CENTENNIAL PERFORMING ARTS
ALLOCATION OF GRANTS

Answer to Inquiry by Hon. Donald Cameron:

1. What is the total amount of money allocated by the Government of Canada for the Centennial Performing Arts grants?

Three million eight hundred thousand dollars ($3,800,000.00).

2 and 3. What is the allocation by provinces?

The budget is not apportioned by provinces, but it is hoped that when all the money is finally allocated, it will somewhat relate to proportionate distributions by provincial population. At the present time the budget is broadly divided as follows:

(a) Canada Festival Agency	$ 380,000
(b) Pre-production grants	1,471,250
(c) Transportation	748,105
(d) National capital festivities	227,750
(e) Centennial Music Festivals/ Festivals de musique du Centenaire	91,000
(f) Assistance to Provinces (ticket price)	181,895
(g) Contingencies	200,000
	3,300,000
For amateur and light entertainment	500,000
	3,800,000

Item B, C, and F could be divided on a regional basis at the present time, the distribution is as follows:

Province	Pre-production	Transportation	Price Assistance	Other Expenses	Total
1. British Columbia	175,500	47,600	17,232	3,315	243,647
2. Alberta	20,000	....	17,714	3,409	41,123
3. Saskatchewan	12,500	....	28,700	5,523	46,723
4. Manitoba	144,500	45,900	8,033	1,547	199,980
5. Ontario	345,500	181,885	49,701	9,562	586,648
6. Ottawa	....	....	5,526	1,064	6,590
7. Quebec	395,700	158,350	15,740	3,028	572,818
8. New Brunswick	5,000	....	14,966	2,880	22,846
9. Nova Scotia	55,000	23,190	5,942	1,144	85,276
10. Prince Edward Island	30,000	66,180	8,713	1,677	106,570
11. Newfoundland	5,000	....	9,628	1,851	16,479
Total	1,188,700	523,105	181,895	35,000	1,928,700

Negotiations are currently going on with the provinces and amendments to the above distributions may result from such negotiations. It should be noted that in addition to the provincial distributions indicated above, there are additional amateur programs; the present list is as follows:

Les jeunesses musicales competition, $100,000; Canadian Universities Centennial Program—Theatre Project, $50,000; Canadian Folk Arts Council (a) Administration, $190,000, (b) Programmes, $230,000; Dominion Drama Festival, $35,000; Spectacle on Parliament Hill (Amateur show directed by profes-

sionals), $350,000; Participation by some 500 young people from 10 provinces and the Territories, Province of Saskatchewan—Gala Night under the Stars, $20,000; P.E.I. (for amateur program not yet decided), $5,000; Newfoundland (for amateur program not yet decided), $5,000; Canadian Music Educators Association, $2,550.

4. What institutions have received grants and in what amounts?

British Columbia: Holiday Theatre, $19,400; Vancouver Opera Association, $51,000; Vancouver Playhouse, $45,100; Vancouver Symphony Society, $55,000; Victoria Symphony Society, $5,000.

Alberta: Edmonton Professional Opera Association, $5,000; Edmonton Symphony Society, $5,000; MAC 14 Society, $10,000; Commissions, $3,525.

Saskatchewan: Regina Orchestral Society, $5,000; University of Saskatchewan, $7,500.

Manitoba: Manitoba Theatre Centre, $50,000; Royal Winnipeg Ballet, $50,000; Winnipeg Symphony Orchestra, $44,500.

Ontario: Canadian Opera Company, $75,000; Museum Childrens Theatre (not confirmed), $12,000; National Ballet Guild, $75,000; National Youth Orchestra, $28,500; Stratford Shakespearean Festival, $100,000; Toronto Symphony Orchestra, $55,000.

Quebec: Le Théâtre du Nouveau Monde, $50,000; La Comédie Canadienne, $30,000; Feux Follets, $45,000; Quebec Symphony Orchestra, $45,000; Les Grands Ballets Canadiens, $70,700; Montreal Symphony, $50,000; Le Théâtre du Rideau Vert, $50,000; Le Théâtre flottant, $25,000; Théâtre Lyrique de Nouvelle-France, $30,000.

New Brunswick: New Brunswick Symphony, $5,000.

Nova Scotia: Halifax Symphony Society, $5,000; Neptune Theatre Foundation, $50,000; Don Messer Jubilee Show, $5,000.

Prince Edward Island: Project not yet decided, $5,000; Confederation Centre Theatre, (Anne of Green Gables), $20,000.

Newfoundland: For a project to be decided fall 1966, $5,000.

Others: Centenary Festivals of Music, $91,000; Centennial Plays, $40,000; to be recommended for try-out performances, $5,000; Les Jeunesses Musicales, $100,000; Canadian Universities Centennial Program—Theatre Project, $50,000; Canadian Folk Arts Council, (A) $190,000; (B) $230,000; Second Century Week Arts Program (Alta), a portion thereof, $83,000; Dominion Drama Festival, $35,000; Spectacle on Parliament Hill (All Amateur Show), participation by some 500 youngsters from 10 provinces and the Territories, $350,000; Province of Saskatchewan for Gala Night under the Stars, $20,000; P.E.I. (for amateur program not yet decided), $5,000; Newfoundland (for amateur program not yet decided), $5,000; Canadian Music Educators Association, $2,550; Canadian Music Centre, (including Alta Commissions), $60,000; Canadian Theater Centre, $35,000.

5. What criteria has been used for the allocation of grants? Was it by population, and if not, what basis was used as a determining factor in the allocating of grants?

The allocation is not made on the basis of provincial population only, other determinants have been used. The amounts of allocations have been considered in the light of the budget of the organization concerned, the artistic attainment, the categories such as ballet, theatre, symphonies, etc... together with other factors such as professional or amateur organization series, popular or light entertainment.

6. What are the names and positions of the people responsible for the allocations?

The budget was prepared on the recommendation of the Program Development Committee to the Centennial Commission which in turn submitted a proposal to Treasury Board. A selection of the organizations and the determination of each amount was primarily the responsibility of the Program Development Committee. The members of this committee are as follows:

Georges E. Gauthier: Chairman of the Program Development Committee and Associate Commissioner, Centennial Commission. Jean-Marie Beaudet: Assistant Vice-President, Programming, C.B.C. Peter Dwyer: Associate Director, Canada Council. Robbins Elliott: Director, Planning Branch, Centennial Commission. Claude Gauthier: Assistant to Commissioners and Secretary, Centennial Commission. Mrs. Esther Genser: Member Board of Directors, Winnipeg Symphony Orchestra. Nicholas Goldschmidt: Chief, Performing Arts Division, Centennial Commission. Gordon

Hilker: Head, Master Programming Division EXPO'67. Henry Hindley: Department of Secretary of State. Walter Kaasa: Chairman, Centennial Performing and Expressive Arts Committee, Province of Alberta. Gilles Lefebevre: Head, Cultural Section, EXPO'67. Carl Lochnan: Department of Secretary of State. Mavor Moore: Director, St. Lawrence Arts Centre. John Pratt: Producer of Entertainment EXPO'67. Hamilton Southam: Coordinator, National Arts Centre. Donald Wetmore: Arts Supervisor, Arts Service, Halifax. Henry Wrong: Director, Festival Canada Agency. Alcide Saumure: Secretary, Assistant Secretary, Centennial Commission.

7. Is there a distinction between what might be called pre-production grants for the writing of plays, ballets, symphonies or musical works and the necessary pre-production costs for assembling casts and rehearsals, and the grants made to professional companies?

For the purpose of the responsibility of the Centennial Commission and the Program Development Committee, the following definitions are being used:

"Operating costs" mean costs incurred by actual performances be they in the homebase or on tour, including such costs as local theatre rentals, stage hands, promotion, ticket selling, etc., etc.

"Pre-production costs" encompass: (1) the commissioning of the composer or playwright; (2) costs for designing sets and costumes; (3) printing and duplicating of orchestral parts and scripts; (4) the construction of scenery, the making of costumes; (5) all rehearsal expenses including salaries for all performers and technical personnel (including stage hands); (6) administrative costs as applied to preparation of new productions; and, (7) all salaries and expenditures relating to the preparation of productions in the homebase such as conductors, directors, assistants to these and to the producer, as well as secretarial help.

In summary, pre-production costs involve all expenditures made necessary to bring a performance to the stage of its première performance. With the première performance, the operating expenses start.

8. How much money has been distributed to professional companies and how much to amateur companies?

As indicated in answers 2 and 3 a sum of $500,000 has been reserved for amateur and light entertainment, it might be pointed out, however, that the amateurs are receiving additional funds under other programs:

Centenary Festivals of Music, $91,000; Centennial Plays—Scripts and Try-out Performances, $45,000; Les jeunesses musicales Competition, $100,000; Canadian Universities Centennial Program—Theatre Project, $50,000; Canadian Folk Arts Council, $190,000; $230,000; Second Century Week Arts Program (Alta), (a portion thereof), $83,000 Dominion Drama Festival, $35,000; Spectacle on Parliament Hill (All-Amateur Show—participation by some 500 youngsters from 10 provinces and the Territories; $350,000; Province of Saskatchewan for Gala Night under the stars, $20,000; P.E.I. (For amateur program not yet decided), $5,000; Newfoundland (for amateur program not yet decided), $5,000; Canadian Music Educators Assoc., $2,550.

9. What are the amounts of the allocations by provinces of the grants that have been made to date?

Answered by question number 4.

APPENDIX "B"

(*See p. 1067.*)

CENTENARY OF CONFEDERATION
CONDUCT OF NON-ESSENTIAL BUSINESS

Answer to Inquiry by Hon. Keith Davey:

What steps will the Government and or the Centennial Commission take to prevent non-essential business establishments from doing business on July 1st, 1967, the Centenary of Confederation?

Answer in so far as the Privy Council Office is concerned:

The Government is not planning to take steps to prevent non-essential business establishments from doing business on July 1, 1967, the Centenary of Confederation, as the observance of this and other similar holidays is a matter which is within the exclusive jurisdiction of the provinces. However, the Government earnestly hopes that the full significance of this important occasion will be recognized and observed accordingly.

Answered by the Hon. Judy LaMarsh, Secretary of State of Canada in so far as the Centennial Commission is concerned:

July 1st being a statutory holiday, the Centennial Commission is developing a program of special events for that day in the national capital and is encouraging provincial and local Centennial Committees to do likewise to prepare to mark the 100th Anniversary of Confederation in a fitting manner by special celebrations of interest to the largest public. The Centennial Commission does not, however, consider that it is within its authority or power to prevent non-essential business establishments from doing business on that date.

APPENDIX "C"

(*See p. 1072.*)

GOVERNMENT COMMISSIONS

NAME, NATURE, PERSONNEL AND DATE OF EACH

Inquiry by Hon. Jean-François Pouliot:

What Commissions (other than Political Partisanship Commissions) were issued under the Great Seal from January 1, 1961, to June 30, 1966; who were the Commissioners therein named; what was the nature of each of the said Commissions; and what was the date of each of the said Commissions?

Answer:

COMMISSION UNDER PART I OF THE INQUIRIES ACT

Hall, Chief Justice Emmett M. Chairman
Girard, R. N., Miss Alice
Baltzan, Dr. David M.
Firestone, Professor O. J.
McCutcheon, Mr. M. Wallace
Strachan, Dr. C. L.
Van Wart, Dr. Arthur F.

Commissioners to investigate the future needs of health services.

Dated July 24, 1961.

Porter, The Honourable Dana Harris, Chairman
Brown, M.B.E., Mr. W. Thomas
Gibson, O.B.E., Mr. James Douglas
Harrold, Mr. Gordon L.
Leman, Mr. Paul H.
MacKeen, Mr. John C.
Mackintosh, Dr. W. A.

Commissioners to inquire into and report upon the structures and methods of operation of the Canadian financial system.

Dated October 18, 1961.

Carter, Mr. Kenneth LeM., Chairman.
Perry, Mr. J. Harvey
Beauvais, Mr. A. Emile
Grant, Mr. Donald G.
Milne, Mrs. S. M.
Walls, Mr. Charles E. S.

Commissioners under Part 1 of the Inquiries Act to inquire into and report upon the incidence and effects of taxation imposed by Parliament.

Dated October 18, 1962.

Bernier, The Honourable Yves, Chairman
Smith, Esq., Robert Knoulton
Renwick, Esq., Harold Alexander

To inquire into the problems relating to marine pilotage provided in Canada.

Dated November 30, 1962.

Mr. André Laurendeau—Mr. Davidson Dunton, joint presidents
Mr. André Laurendeau—chief administrator
Rev. Father Clément Cormier
Mr. Royce Frith
Mr. Jean Louis Gagnon
Mrs. Stanley Laing
Mr. Jean Marchand
Mr. Jaroslaw Bohdan Rudnyckyj
Mr. Frank Scott
Mr. Paul Wyczynski

Commissioners appointed to inquire and report on the present status of bilinguism and biculturalism in Canada.

Dated August 21, 1963.

Pope, His Honour Judge Harold Walpole

A Commissioner to inquire into and report on dismissal of Mr. George Walker from position of District Supervisor of Prairie Farm Assistance Administration.

Dated January 13, 1964.

Thompson, Donald Alexander

A Commissioner to inquire into the future of the aircraft overhaul base at Winnipeg maintained by Trans-Canada Air Lines at Winnipeg International Airport.

Dated July 6, 1964.

Challies, The Honourable George Simon

A Commissioner to inquire into the circumstances surrounding the crash of a DC-8F Aircraft at Ste Thérèse, Quebec on November 29, 1963.

Dated November 10, 1964.

Finn, Doctor Donavon Bartley

A Commissioner to inquire into and report upon the export marketing problems of the salt fish Industry, in the Atlantic Provinces.

Dated December 4, 1964.

Hon. Frederic Dorion

Commissioner to inquire into certain allegations concerning the offer of a bribe to, or pressures brought to bear on, the lawyer retained to take action for the extradition of a certain Lucien Rivard.

Dated December 1964.

Nemetz, Hon. Nathaniel Theodore

Commissioner to investigate the charges of irregularities in the federal election of 1963.

Dated April 1, 1965.

Anderson, His Honour Judge Jacob Carroll

Commissioner to inquire into the increases of pay for civil servants in "Group D".

Dated July 23, 1965.

McIvor, George H.

Commissioner to inquire into the marketing problems of the fresh water fish industry in Ontario, Manitoba, Saskatchewan, Alberta & Northwest Territories.

Dated August 9, 1965.

Montpetit, His Honour Judge André

Commissioner to inquire in the Post Office Department on complaints respecting work rules, codes of discipline, etc.

Dated September 1, 1965.

Rand, Honourable Ivan Cleveland

To inquire into dealings of Justice Landreville with Ontario Natural Gas Limited.

Dated March 2, 1966.

Wells, Hon. Justice Dalton Courtwright

To investigate into the complaints made by George Victor Spencer.

Dated March 17, 1966.

Spence, Hon. Justice Wishart Fleet

To inquire fully into a statement by the Minister of Justice, etc., concerning the case involving one Gerda Munsinger.

Dated March 17, 1966.

Barber, Clarence Lyle

To inquire into the costs of farm machinery and repair parts.

Dated June 8, 1966.

THE SENATE

Monday, November 7, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Berger has been substituted for that of Mr. Faulkner and the name of Mr. Rochon for that of Mr. Orange on the Joint Committee on the Public Service.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Horner (Acadia) has been substituted for that of Mr. Nasserden, the name of Mr. Lachance for that of Mr. Gray, and the name of Mrs. MacInnis for that of Mr. Saltsman on the Joint Committee on Consumer Credit and Cost of Living.

IMMIGRATION

APPOINTMENT OF JOINT COMMITTEE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Resolved: That this House do unite with the Senate in the appointment of a Special Joint Committee to examine and report upon the White Paper on Immigration tabled in the House of Commons by the Minister of Manpower and Immigration on October 14, 1966, and tabled in the Senate on October 18, 1966, and also to examine the Reports on immigration matters made to the Government of Canada by Mr. Joseph Sedgwick, Q.C., in 1964 and 1966:
>
> That twenty-four Members of the House of Commons, to be designated by this House at a later date, be members of the said Committee, and that Standing Order 67 (1) be suspended in relation thereto;
>
> That the said Committee have power to call for persons, papers and records; to examine witnesses; to report from time to time; and to print such papers and evidence from day to day as may be ordered by the Committee, and that Standing Order 66 be suspended in relation thereto; and to sit during sittings and adjournments of the House.
>
> Ordered: That a Message be sent to the Senate informing that House that the House of Commons do unite with the Senate for the above purposes.
>
> Attest
>
> Léon J. Raymond
> The Clerk of the House of Commons

JOINT COMMITTEE—COMMONS MEMBERS

The Hon. the Speaker: Honourable senators, a further message has been received from the House of Commons, as follows:

> Ordered: That a Message be sent to the Senate to acquaint Their Honours that, having united with them in the formation of a Special Joint Committee to examine and report upon the White Paper on Immigration tabled in the House of Commons by the Minister of Manpower and Immigration on October 14, 1966, the Members to serve on this Committee for the House of Commons will be Messrs. Aiken, Badanai, Baldwin, Bell (Carleton), Brewin, Crossman, Deachman, Dinsdale, Enns, Haidasz, Klein, Laprise, Macaluso, Munro, Nasserden, Orlikow, Pelletier, Prud'homme, Reid, Régimbal, Skoreyko, Tremblay, Wahn and Watson (Châteauguay-Huntingdon-Laprairie).
>
> Attest
>
> Léon J. Raymond
> The Clerk of the House of Commons

PENITENTIARIES

JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Orlikow has been substituted for that of Mr. Winch and the name of Mrs. MacInnis for that of Mr. Orlikow on the Joint Committee on Penitentiaires.

LIVESTOCK FEED ASSISTANCE BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Bill read first time.

Hon. John J. Connolly, with leave, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

NATO PARLIAMENTARIANS MEETING

Hon. John J. Connolly: Honourable senators, I am informed that this evening the honourable Senators Brooks, Lefrançois and Aird will leave Ottawa with a parliamentary delegation to attend the NATO parliamentarians' meeting in Paris, and that they will visit Canadian air force and army establishments in northern Europe.

I am sure I bespeak the good wishes and pleasure of all honourable senators at knowing that such a distinguished group of senators will represent us at that meeting. On behalf of the Senate, I wish them a happy and successful trip.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copy of amendments made by the President and Puisne Judges of the Exchequer Court of Canada to the General Rules and Orders of the Exchequer Court of Canada, dated October 15, 1965, pursuant to section 88(2) of the Exchequer Court Act, chapter 98, R.S.C., 1952. (English and French texts).

Copy of amendments made February 1, and February 7, 1966, by the President and Puisne Judges of the Exchequer Court of Canada to the General Rules and Orders regulating the Practice and Procedure in Admiralty cases in the Exchequer Court of Canada, pursuant to section 31(4) of the Admiralty Act, chapter 1, R.S.C., 1952. (English and French texts).

General Order of the Judges of the Supreme Court of Canada, dated September 8, 1966, amending the Rules of the Supreme Court of Canada, pursuant to section 103(4) of the Supreme Court Act, chapter 259, R.S.C., 1952. (English and French texts).

Report of the National Film Board of Canada, including its Accounts and Financial Statements certified by the Auditor General, for the fiscal year ended March 31, 1966, pursuant to section 20(2) of the National Film Act, chapter 185, R.S.C., 1952. (English and French texts).

Report of the Department of National Health and Welfare for the fiscal year ended March 31, 1965, pursuant to section 10 of the Department of National Health and Welfare Act, chapter 74, R.S.C., 1952. (English and French texts).

Revised Capital Budget of Central Mortgage and Housing Corporation for the year ending December 31, 1966, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French tetxs).

Report of the National Research Council, including the Report of the Medical Research Council, for the fiscal year ended March 31, 1966, pursuant to section 16(3) of the Research Council Act, chapter 239, R.S.C., 1952, and also the Report of Canadian Patents and Development Limited for the same period, certified by the Auditor General, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the Superintendent of Insurance for Canada—Loan and Trust Companies, for the year ended December 31, 1965, pursuant to section 9 of the Department of Insurance Act, chapter 70, R.S.C., 1952. (English and French texts).

Revised Capital Budget of the National Harbours Board for the year ending December 31, 1966, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with a copy of Order in Council P.C. 1966-1838, dated September 27, 1966, approving same. (English text).

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, October 26, 1966, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Report of Operations under the Farm Improvement Loans Act for the year

ended December 31, 1965, pursuant to section 13 of the said Act, chapter 110, R.S.C., 1952. (English and French texts).

Report of the Department of Public Printing and Stationery for the fiscal year ended March 31, 1966, pursuant to section 36 of the Public Printing and Stationery Act, chapter 226, R.S.C., 1952. (English and French texts).

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—FIRST READING

Hon. John J. Connolly presented Bill S-49, to amend the Criminal Code.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for second reading on Wednesday next.

Motion agreed to.

VISITING FORCES BILL

FIRST READING

Hon. John J. Connolly presented Bill S-50, respecting the armed forces of countries visiting Canada.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for second reading on Wednesday next.

Motion agreed to.

CANADA CORPORATIONS ACT

BILL TO AMEND—FIRST READING

Hon. John J. Connolly presented Bill S-51, to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

PRIVATE BILL

RAINBOW PIPE LINE COMPANY LIMITED—FIRST READING

Hon. Earl A. Hastings presented Bill S-52, to incorporate Rainbow Pipe Line Company Limited.

Bill read first time.

Hon. Mr. Hastings moved, with leave, that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DIVORCE

THIRD REPORT OF JOINT COMMITTEE ADOPTED

Hon. Arthur W. Roebuck, Joint Chairman of the Special Joint Committee of the Senate and House of Commons on Divorce, presented the third report of the committee:

> Your committee recommends that its quorum be fixed at seven (7) members, provided that both Houses are represented.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Roebuck: Honourable senators, I move, with leave of the Senate, that the report be adopted now.

Hon. Jean-François Pouliot: Honourable senators, I have one or two remarks to make on this report. The Rules of the House of Commons have been changed, supposedly for the better. The number of committees has been increased, and their memberships reduced. The result is that there are now so many committees that hardly a quorum is available for any one of them. We have today an example of what is going on.

What I am saying is no reflection on Senator Roebuck, who is one of the most assiduous of our colleagues. But it is a physical impossibility for the Members of the House of Commons to attend regularly the committees of which they are members. When we go to the House of Commons we see very few members, and we wonder where they are. We are told that they are attending sittings of the committees. When we go to the committees we are surprised to find that they do not have a quorum.

I heard Mr. Stanley Knowles, who was instrumental in changing the rules, say on television that he did not understand why the attendance was so small in the house and in the committees, now that the new rules were in effect. Members of the House of Commons have met together to improve conditions, but it is evident that the committees are too numerous.

It is absurd to have a Special Joint Committee on Divorce. We already have our Standing Committee on Divorce, and the

House of Commons have their Private Bills Committee which attends to such matters for that house.

We are now being asked to reduce the quorum of this committee from nine to seven. Why? It is because physically the members cannot attend the sittings of all the committees. It is an absurdity. I regret it, and I express my regret to those who were instrumental in redrafting the rules and Standing Orders for the House of Commons. They will have to meet again in order to improve conditions and to make sure that a satisfactory number of committee members attend the sittings of the various committees.

I rely on the fairness of Senator Roebuck. I would be satisfied to have the quorum of this committee reduced to one, if he were the only member of the committee able to attend its sittings. That would be an easy thing to do, and perhaps we will come to that.

Hon. Mr. Isnor: With both houses represented?

Hon. Mr. Pouliot: He will represent both houses, and he will do it very well and in fairness to all.

Honourable senators, this is a sad picture. I am sorry for having to draw the sadness of it to your attention, but I have done so. I have done my duty in that regard. Once more we must remind the Canadian people that the members of this chamber are much more assiduous in their duties than are the members of the other place.

Hon. Arthur W. Roebuck: Honourable senators, I thank my colleague Senator Pouliot for the very kind remarks he has made. I would point out that the quorum requested for this committee is the same as that granted the Special Joint Committee of the Senate and House of Commons on Consumer Credit (Cost of Living).

The reason for my asking that this report be considered now is that the committee is meeting tomorrow. As honourable senators have just heard, this house will be in session at the same time. The Special Joint Committee of the Senate and the House of Commons on Consumer Credit (Cost of Living) will also be sitting tomorrow. We have had some difficulty in meeting so far because we have been meeting while the Senate has not been in session. I have been here, as have two or three other honourable senators, but only because the committee was sitting. However, we have managed one way or another.

Tomorrow the committee will hear a very distinguished witness who has already prepared a magnificent brief to present to us. It would be a great pity if by any chance we were not able to hear what he has to say because of a lack of quorum. That situation would be almost unthinkable, and that is my only reason for asking that this report be considered now. I am rather apprehensive as to what may happen tomorrow if we do not reduce the quorum.

Hon. Malcolm Hollett: Honourable senators, I do not always agree with the honourable Senator Pouliot, but I think he has spoken very wisely. I have a notice today to appear before the Consumer Credit Committee at three o'clock, and I also had a summons to appear here in the Senate chamber at three o'clock. What a painful decision to have to make! I do not think it is right that one should have to serve in the Senate or in the House of Commons when committees are meeting at the same time.

Furthermore, the Consumer Credit Committee was meeting all the while we were in recess, and unfortunately many of us who live a long distance away could not very well attend. Again, I do not think that is fair. Let us all be here together, or let us have no one here. To have a summons to appear before the Consumer Credit Committee this afternoon at three o'clock while the Senate is sitting does not seem right.

I think an effort has to be made to correct this matter, and I am sure the Chairman of the Joint Committee on Divorce will do all he can so far as this is concerned. I think it is time for us in the Senate to step in and declare ourselves. If committees are going to take place at the same time as the Senate sittings, let us abolish the Senate, as some people in the other place want to do, and just set up some committees. I repeat, I agree with what the honourable Senator Pouliot said on this occasion.

Hon. John J. Connolly: Honourable senators, perhaps I should say a word about this matter.

There is no doubt that there can be a conflict between the sittings of the houses and the sittings of committees. A number of joint committees are being set up, and I agree with this because in my view they render very great service to Parliament. However, I do realize that the effect of this at times is to put a greater load upon senators who live closer to Ottawa than upon others. There are

those from very distant parts who do stay in Ottawa during the adjournments of the Senate and do attend these joint committee meetings very faithfully, and I should like to commend them for what they do.

Moreover, I think there is something to be said too for the Senate being in recess when there is no legislation for us to deal with. I see no reason why we should summon 102 ladies and gentlemen here to Ottawa to sit simply for the purpose of adjourning so that a few or a small number can attend committees. That is the difficulty. I am not complaining, but I do think an explanation should be on the record. This is a difficulty with which the leader and indeed the entire Senate are confronted. In commending those who have attended the meetings, I would urge others to do all they can to come here and give their attendance so that the Senate will be adequately represented, and so that when certain bills are considered in this chamber we will have here persons who are well informed as to what happened in committee.

As I have said, I realize there can be conflicts. However, I think I am correct in saying that all these joint committees have permission to sit while the houses are sitting, and for this reason I ask for the co-operation of the members of committees to try to pace themselves so that they will be able to do as much as possible to assist the work not only of the Senate but of the joint committees.

Hon. Mr. Davies: Honourable senators, arising out of what has been said, I have a question. If a senator who is a member of one of the committees which is meeting at the same time as the Senate attends the committee meeting, does he get credit for having attended a Senate sitting?

Hon. Mr. Connolly (Ottawa West): I think the matter of attendance is easily settled. There is no difficulty about that matter. Appearance in the Senate is considered as an attendance.

Hon. Mr. Macdonald (Brantford): I think the act provides that if a member of the Senate is absent on account of Government business he is exempt from being here.

Hon. Mr. Connolly (Ottawa West): Honourable Senator Macdonald is quite right, but there have been occasions when the question was raised whether or not an attendance in committee in the morning counts as an attendance in the Senate in the afternoon. This is a technical point, and I think it is not one that we should delve into at this time.

I think the answer I gave to Senator Davies' question, plus the supplementary explanation given by Senator Macdonald (Brantford), will be a clear guide in this situation. It may be what I might call a starry guide as to how we should conduct ourselves.

The Hon. the Speaker: Honourable senators, it has been moved by honourable Senator Roebuck, seconded by honourable Senator Fergusson, that the report be now adopted.

Report adopted.

CONSTITUENCIES OF CANADA

POPULATION—INQUIRY ANSWERED

Hon. Jean-François Pouliot inquired of the Government pursuant to notice:

> What is the population of each of the constituencies of Canada, as described in Part II of the *Canada Gazette* of June 20, 1966?

Hon. John J. Connolly: Honourable senators, I have the answer to this question.

(For text of answer see Appendix, pp. 1093-5.)

I would ask that Inquiries No. 2 and No. 3 stand.

Hon. Mr. Pouliot: Honourable senators, I thank the honourable leader for answering Inquiry No. 1. I should, however, point out that it has been on the Order Paper since June 29, and the answer has been prepared by one who had nothing else to do than add the population of the various parts of the new constituencies. If he did that with an adding machine it would take him no more than one day. I wonder what he has done besides that since June 29, and if he has taken holidays. Moreover, I must also point out that the information that I have requested should have been on the desk of every cabinet minister a long time before it was asked for here in the Senate.

As to Inquiry No. 2, it too has been on the Order Paper since June 29. It concerns the amounts of money that have been paid by the Government to the solicitors, lawyers and notaries public and others who work for the Government. I am anxious to have that information, and there is no reason to delay the answer. It is in the public accounts, and it is very easy for the Treasury Branch of the Department of Justice and other departments to make that calculation. When we think that in the Province of Quebec there was the case of one Mordecai, the adviser to King

Ahasuerus, who was paid $75,000 per year for three years—a quarter of a million dollars in three years—for legal services, I would like to know if the same thing is happening here in Ottawa, and if this is the rate paid to solicitors in Government service. I do not object because of the money paid to them, but my contention is that those who receive emoluments from the federal Government or from any provincial Government should be debarred from sitting on the executive councils of the provincial bars and the Canadian Bar Association, so that those Bar associations can be independent. At the present time, when so many lawyers are paid high fees by any Government and when there are so many of them on the executives of the Bar associations, I do not see how the Bar can be called independent.

I thank the honourable leader for providing the information as soon as possible as to the two previous inquiries.

COMMONWEALTH PARLIAMENTARY ASSOCIATION

CONFERENCE AT OTTAWA

The Senate resumed from Tuesday, October 18, the debate on the inquiry of honourable Senator Connolly (Ottawa West), calling the attention of the Senate to the 12th General Conference of the Commonwealth Parliamentary Association, held in Ottawa from September 28 to October 4, 1966, and the participation therein of the delegation from Canada.

Hon. Allister Grosart: Honourable senators, there is always a danger when we report on these assignments—as it is my duty to do now on the 12th Commonwealth Parliamentary Association Conference—that we begin to sound a little like a mutual admiration society. I want to avoid that danger, but as one who had the opportunity to observe the planning and organization of the conference from beginning to end, there are a few things that should be said, a few credits given to those who made the conference a success, without which any report would, in my view, be incomplete.

I was very glad that after Senator Connolly (Ottawa West) made the main report, Senator Hugessen took the opportunity to fill in some of the gaps that Senator Connolly had left in respect to his own very important role in the conference. In spite of the fact that Senator Connolly himself has asked me to say no more about that, I feel I should add something of my own knowledge.

Senator Connolly was of course the second Canadian to hold the highest office in the Association, the other being Senator Roebuck, who was the chairman 15 years ago and served with great distinction. On Senator Connolly's tenure I report to the Senate only what I heard many delegates from many countries say; that, in effect, he had brought great distinction to himself, to Canada and the Commonwealth by his usual skill in such matters, by an expenditure of energy that some of us would like to see him conserve rather more than he does, and by his usual charm of manner, to which we have become so accustomed in this chamber.

A very characteristic anecdote, if I may call it that, is that when he went over to London last May to attend the General Council meeting he went first, I am told, to Lincoln's Inn to refresh his memory on that great man of the Renaissance, Sir Thomas More, the author of *Utopia* and, later, a martyr and saint of his church. I was told that Senator Connolly made one of the most inspiring speeches ever made before the General Council, in which he related the humanism of Sir Thomas More in his time to the human problems of the underprivileged peoples of our Commonwealth in our time.

When I heard that, I recalled some lines that I had heard spoken at our Stratford this summer which would seem appropriate. Honourable senators may remember the occasion when the Archbishop of Canterbury was contrasting the new-found kingly qualities of Henry V with his riotous youth as Prince Hal. I cannot suggest any such comparison in the case of Senator Connolly, because I never knew him in his youth, but I make bold to suggest that Shakespeare's words do apply to that amazing facility he has in mastering any new subject that is put before him; and Shakespeare put it this way:

> Hear him but reason in divinity
> You would desire that he were made a prelate
> Hear him debate on Commonwealth affairs
> You would say it hath been all in all his study
> Turn him to any cause of policy
> The Gordian knot of it he will unloose
> Familiar as his garter—

As I go along I will be pointing out that Senator Connolly had a few Gordian knots to unloose during the conference.

I should also pay tribute to the leader of the Canadian delegation, the Honourable

John Turner. He very quickly made himself one of the outstanding figures at the conference. It was the first time in years—if not ever—that Canada had appointed a cabinet minister to lead the Canadian delegation, and there were many who felt that this was a long overdue tribute to the other Commonwealth countries who have, over the years, almost invariably appointed members of their cabinets to lead their delegations. Mr. Turner more than justified the principle, and one would hope that he has established a precedent which will not be departed from in the future.

Senator Connolly has also referred to the contributions of Senator Leonard and Senator Hugessen to the success of the conference, and I am in the fullest agreement with him.

I think some of us rather enjoyed that brief experience of having seats in the House of Commons; and, speaking personally, when one of the sessions was held in this chamber I thought it was a good omen of better times ahead that I found myself once again sitting on the right of the presiding officer.

There are many others to whom congratulations are due. Senator Connolly has mentioned all of them, and I join with what he said about Mr. Vanderfelt, Mr. Grey and others of the London office; and Mr. Imrie, Colonel Bowie, Miss Macpherson and others of our own secretariat; and of course the invaluable Mr. Montgomery.

In that connection I think it is a real sign of progress that we have in Canada now established a parliamentary conference secretariat under Mr. Imrie. It may not generally be known that his office handles all the arrangements for all parliamentary conferences and, naturally, that office is developing experience and skills which I think are adding greatly to the success of delegations coming and going to these conferences.

I said that Senator Connolly had some Gordian knots to unloose. That, I suppose, is to be expected when 170 or more politicians from various countries meet in legislative chambers. It should be said that these conferences are anything but a joy-ride for those who attend them. The discussions are factual, down-to-earth, penetrating and at times heated, but always, I think, instructive. I cannot but believe that the *Hansard* of the proceedings—which, as Senator Connolly said, we produced for the first time in Canada this year—will be both useful and influential at the decision-making levels of the governments of the countries represented.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Grosart: The sessions on Rhodesia, for example, were often of the "gloves off" variety, although as far as I could see there were no blows below the belt. There was a detailed statement from the Right Honourable Gordon Bottomly, who was the leader of the United Kingdom delegation, on the constitutional aspects of the Rhodesian crisis from the British point of view. It is recorded in the conference *Hansard*, and I suggest it is well worth reading, regardless of what one's views may be on the solution of this problem. I know some delegates—particularly from the western countries—were surprised to find not all the African delegates in favour of immediate military sanctions; some of course were. There was certainly no unanimity among the Africans and Asians on this subject or, indeed, on the status of Nigeria or Ghana, who are having their growing pains at the moment.

The subject of trade and aid was prominent on the agenda of this conference, as I think it will be in many conferences in the future. This is so because of the very startling facts that were put before us in the debates and in the data papers prepared by the London secretariat and by our own.

The most startling fact of all—and I have referred to it before—is that the gap between individual standards of living and national productivity of the developed nations and the developing nations is still widening after a quarter of a century of aid. Of all the aid that will be given by all aid-giving countries this year to developing countries, at least one-half will have to be paid back to the donors in principal or interest on previous loans. This, to me, is appalling.

The situation facing us is that the total level of international aid has not increased in the last few years. I am happy to be able to report that Canada is an exception to this, both in the quantity—which is probably just as important, if not more so—and the quality of our aid.

When I reported to this chamber on the Commonwealth Parliamentary Association's Conference in Jamaica two years ago I said that our total aid in 1965 would reach $190 million. Actually, it was a little more than that, being just over $200 million. This year it will be $300 million. If all the developed countries were to make a similar increase in

their aid, then it is almost certain that for the first time in this long haul of years that gap would begin to narrow.

This of course is a matter of the greatest importance to the nations of the Commonwealth, because in this respect we are about the poorest of all the international organizations. Of our 25 member nations, only four are in a position to grant aid without also being the recipients of aid. These are the United Kingdom, Canada, Australia and New Zealand. All the authorities I have consulted are agreed that it is only with a program of aid first, and then trade, that we will be able to solve this world-wide problem which many think constitutes a greater danger to the peace of the world than Red Guards, Vietnam, the population explosion, or even the proliferation of nuclear weapons. Our world can handle these, but only if and when we are able to assure the peoples of these undeveloped countries that their standards of living are going to begin at once to rise a little bit every year.

They are not asking for the moon and sixpence; they are asking only for the sixpence. If we do not collectively find ways and means of giving it to them soon, then we may find as Rome did—and I do not think I am exaggerating—that we are not safe behind all the legions on the frontier.

I simply cannot believe, honourable senators, that we of the developed affluent nations can keep on adding to our affluence every year, and boasting about it—as of course we do—while half of the world starves. That is a fact, and it has been verified before the United Nations. Half the peoples of the world are starving, or are living at slightly below subsistence level, while ours is an affluent society.

There is a realistic target. Nobody is suggesting we just keep on pouring out money and hoping. Studies have made it clear that if all the nations in a position to give aid were to give one per cent of their gross national income, then the gap would immediately start to close; not only that, but many nations would within a year or so reach that take-off point where their economies would become self-propelled and they would need very little aid in the future.

The Secretary of State for External Affairs has predicted that by 1970 the total level of Canadian aid should reach that figure of one per cent of gross national income. At the present time the average amount given by all the aid-giving nations is about half of one per cent of their gross national incomes. Canada's giving is probably 0.6 per cent, or just over half of one per cent.

Not having all the facts, and not wishing to suggest that I know more than those who have responsibility in this matter, I wonder if it might not make a tremendous contribution to the solution of this problem if Canada were to announce now that somehow we will find the extra money to bring our contributions up to one per cent, if other aid-giving nations will do the same.

Another matter that arose out of the conference discussion—and honourable senators may have read something of it in the papers —was the suggestion that these conferences cost too much money. I think it is fair to say in respect of this conference that any such comment was almost entirely due to a lack of knowledge of the facts. It should be remembered that the C.P.A. is an association of branches attached to some 90 legislatures around the world. Of these, no fewer that 11 are Canadian. Both federal and provincial Canadian representatives have for 15 years been guests of other countries at these conferences. All 11 Canadian branches were joint hosts at this last conference, and Senator Leonard, the Chairman of the Standing Committee on Finance, would be the first to agree, I think, that the provinces were generous in their co-operation with us.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Grosart: So, to get an estimate of the weight of expense we have to divide the total by 11, and remember that our branches were 11 members who took responsibility for this conference.

Of course, a most unique feature of the C.P.A. conferences are the tours across the country. Some have said they are unnecessary. I spoke to many delegates about this, and I would say the opinion was unanimous that these tours are just as important, if not more important, than the conference itself. As far as Canada is concerned, I am convinced that the value to us of these important leaders from all over the world getting to know Canada, and not just Ottawa, is inestimable. The same applies when our delegates go abroad. There are ties that bind us together as a Commonwealth, and they are ties that need constant renewal. I would say, of course, that it is not necessary for any tour in a smaller country to be as expansive as was necessary in Canada.

It is my opinion that we could do with considerably fewer official dinners. As a matter of fact, my own feeling, which I think is the feeling of others, is that the best hospitality is often the least expensive. I am glad to say that it is becoming a standard feature of C.P.A. conferences for small groups of delegates to be invited into private homes.

Another of Senator Connolly's Gordian knots, and something that I thought he handled extremely well, was the implied criticism of the activities of the Commonwealth Secretary-General, Mr. Arnold Smith, formerly of our Department of External Affairs. While it could not be described as serious, and while it came from only one or two delegates from older countries, it did suggest that the Secretary-General should in future confine himself merely to secretarial duties. I found myself on Mr. Smith's side, not because he is a Canadian but because, in my opinion, he was right. He was right, and is right, to speak up about Commonwealth affairs, and certainly when he does it within the scope of policies laid down by the Prime Ministers' meeting, which, so far as I have read, is what he has done.

It may be hard for some of us older Commonwealth countries to swallow the fact that the Secretary-General of the Commonwealth represents equally all its members, and not merely the members of the old club. This is particularly so because it must be remembered that the older countries—the United Kingdom, Canada, Australia, New Zealand, and South Africa at one time—opposed the institution of the Secretariat. It was the newer nations that insisted on its being formed.

The United Nations would be a poorer place today were it not for men like U Thant speaking out, even though at times they are critical of the greater and middle powers. NATO, it seems to me, was a stronger alliance when General Eisenhower and others were speaking their minds. The European Common Market was more viable before its secretary was muzzled. Who speaks for SEATO now? This great international organization might have headed off the whole trouble in Vietnam if there had been such a thing as the voice of SEATO. For such reasons, honourable senators, I hope that Mr. Smith will not take this recent sniping too seriously and will not allow himself to be muzzled.

Some Hon. Senators: Hear, hear.

Hon. Mr. Grosart: These are days when we need men with the ability and experience to rise above their own national backgrounds, just as in our own country we need men who can rise above regional backgrounds and see the nation as a whole. We need more, not less, of these men of international vision to show the rest of us how we can direct our nationalism into channels more conducive to the peace of the world than it has been in the past. I believe there is room in the world for both nationalism and internationalism.

Certainly we hear enough of the voice of nationalism, and we can stand a lot more of the voice of internationalism from men like Mr. Arnold Smith.

Such, honourable senators, are some of the thoughts I brought away from what I am sure was for the vast majority of delegates a very successful 12th Commonwealth Parliamentary Association Conference. As host country, I think we can allow ourselves some small measure of satisfaction in its success.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly, with leave of the Senate, moved the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

He said: Honourable senators, I approach the matter of explaining this bill with some trepidation because I am neither a farmer nor a farmer's son. I hope that if there are people who are more aware, and I am sure there are, of some of the problems that face the farming community in this country, and if they find that as I move along I stumble or fall on my face, they will either put out a hand to help me or will stand me up. Perhaps I should begin by giving the background to this legislation.

Honourable senators will remember that in 1941 a transportation subsidy was granted by Parliament and the Government of the day because of the increased domestic, foreign and, in particular, American demand for beef, pork, lamb, poultry and products of that kind. The food supply for these products in western Canada was very great or potentially so, but it was closer to the United States border than it was to Canadian breeders on the west coast of British Columbia, in eastern Canada, in central Canada and the Maritimes. Furthermore, this feed grain was cheaper to European breeders than it was to breeders in eastern Canada and British Columbia because

of the cheaper export rates which then prevailed. This transportation subsidy was granted for the purpose of attempting to encourage the breeding of livestock and poultry in parts of Canada where the feed was not grown in sufficient quantities to allow the industry to develop. Since the war the position is relatively unchanged. There have been controls on feed importation to encourage the development of feeds in Canada. Not all have been under control. Corn has been under the control of the wheat board, and I understand the vegetable protein sources like soya beans and soya bean meal have been under import control.

As I said a little earlier before the doors were opened, I have placed before honourable senators a group of statistical tables entitled "Statistical Information with regard to the Livestock Feed Assistance Bill." I may say that these tables, which I am not going to table, will be referred to in the order in which they appear in the document placed in the hands of all honourable senators.

Table No. 1, on page 1 of the document, indicates the need in tons of feed grains in central and eastern Canada. The figures were given for the year 1964 for the provinces from Ontario eastward to Newfoundland, and the quantities are significant. On table 5 at page 2 is shown the transportation subsidy which has been paid in the form of freight rate assistance for western grains to British Columbia and to the eastern Canadian provinces, with prices fixed at the Lakehead. The totals are not given. Perhaps it would be of interest to know that in the peak year in which the subsidy was paid, which was the crop year 1958-59, over $22 million in assistance was expended by the federal authority. The low year was the crop year 1962-63 in which some $15½ million subsidy was paid, and I think the average seems to run pretty close to $17 million a year. This was approximately the amount paid in the crop year 1964-65. The amount of shipments of western grain will be found on page 3 of the documents which I have supplied, which indicates the shipments of western grains and feeds into eastern Canada and British Columbia for the crop years 1949-50 to 1964-65. These reached a total of 2½ million tons in the crop year 1955-56, and a low—and not very much of a low at that—in the crop year of 1961-62 of 1,900,000 tons. In addition to the matter of the transportation subsidy for the shipment of grains, it was found too that the problem of storage costs was increasing the problem for the breeders.

On page 5 of the document supplied, honourable senators will see an indication of where in eastern Canada—east of the Lakehead, that is—the storage facilities are provided, and the total licensed capacity at these points for the storage of grain outside the navigation season, namely, during the winter months.

I would also direct honourable senators' attention to page 6 of the document supplied, in which an indication is given of the stocks of western wheat, oats and barley in storage in eastern Canada in terms of thousands of bushels. This is given for the crop years 1961-62 through the crop year 1965-66.

Perhaps I could point out one or two figures on this table which would be of interest to honourable senators. In the crop year 1961-62, in the first week in December there were over 20 million bushels of wheat, oats and barley in storage. In the following April over 9 million bushels were still in storage. The holdover in the crop year 1963-64 was 7¾ million bushels. So honourable senators will see—and this is one of the first problems that has to be dealt with by the department in this exercise—that while storage was essential in order to stabilize price and to make feed available to eastern and western breeders, there were still some discrepancies in the way the storage facilities were handled, and there was a great supply of grain in storage at the time the new navigation season opened in the Great Lakes.

One of the complaints made is that there have been price variations, and rather wide price variations, between the cost of feed grains to the breeder in mid-winter and in mid-summer. Table 20 on page 7 is helpful in this respect. This page contains an index guide—not a price guide—highlighting the higher unit prices at various times both for feed and animals from the calendar year 1963 through the calendar year 1965. I may say, and the table so indicates, that the index numbers of feed prices and prices of farm animals and farm animal products by months in this period are based on a figure of 100 for the crop years 1935-1939.

Some figures shown here are perhaps indicative of the problem too. In the year 1964, in the feed column, honourable senators will see that the feed index in October was 218.6. The following April, 1965, that index had risen—which means that the price had risen in accordance with the index—from 218.6 to 248.5. I cannot translate this in terms of price, but it is an indication of the extent to

which prices varied over the winter months. There are other figures which indicate variations, if honourable senators care to look at this table carefully. The high for feed seems to have been in 1965, in April, 248.5. The high for animals seems to have been in 1965, in December, when the index was 320.3.

I know this makes a tedious speech, but I am putting these figures on record so they can be of value to honourable senators at committee stage.

Hon. Mr. Burchill: Were those market variations?

Hon. Mr. Connolly (Ottawa West): They were market variations, variations in the price reduced to 100 for the crop years 1935-1939. So, it indicates, first of all, the increases in price from 1935 to 1939 to the years in question, and the variation in the index reflects simply the increases or decreases in prices, depending on the season, both for feed and animals.

Hon. Mr. Burchill: That is the market variation?

Hon. Mr. Connolly (Ottawa West): Yes, that is right. There has been a debate in the industry, in the farming community, and indeed in the trade, as to whether or not the storage assistance which began in 1963—and which, I should inform the Senate, now has been dropped for this year—should be continued as a public or private venture. It has cost approximately $1.2 million per annum to provide the subsidies required for storage during the winter months.

There was an excellent debate on this subject in the other place, a debate in which very useful and informative speeches were made by farmers from Ontario, if I may say so, on the opposition side of the house, who knew the problem. In particular, one of them said that some consideration should be given to the encouragement of private enterprise to provide the storage which is required by allowing special rates of depreciation. That was one of the practical suggestions—and a very good one, I thought—made on the other side during the debate.

However, as honourable senators will see, even from a casual inspection of these tables, the big problem has been first that of coordinating the work of government agencies and the trade, and also trying to eliminate the huge carryovers after the winter months have passed and navigation is opened in the Seaway.

In addition to the transportation subsidy of approximately $17 million a year, and the subsidy for feed storage, which was approximately $1 million a year in the last three years only, there have been certain other facilities provided, particularly in specified zones in eastern Canada, for the subsidization of the distribution of feed grains from central points by the trucking industry. This has proved to be a successful venture. It has encouraged lower-cost movement of these feed grains within the specified areas, within the zones. It has provided increased competition for the shorter hauls; and I am told that it has reduced the cost of this shorter haul transportation by as much as $4 a ton.

There has been criticism too that this many-pronged program has been one which has helped the big feeders rather than the small family farm feeder or breeder. The trade, in fact, has been buying the bulk of the grain, particularly in western Canada, and the trade has been making arrangements for the distribution and sale to the breeders. It has been done mainly by private agencies with the subsidies to which I have referred. This in turn has led to complaints that there has been too much in the way of middlemen's profit, too much in the way of opportunities for speculators. Honourable senators can see by simply looking at page 7 the rise and fall in prices, and obtain an indication of the opportunity for the speculator to buy when the grain is cheap, and to hold and to sell when the grain is more expensive.

There was some criticism also of the fact that there has been a good deal of price fluctuation. This is hard on the farmer-breeder in Eastern Canada, including the Maritimes, and on the west coast. The table on page 7 indicates that the feed costs and the animal costs are up and down seasonally.

I refer honourable senators to Table 25 on page 8, which is entitled: "Canadian Wheat Board Prices to Producers for Western Canadian Oats, Basis in Store Fort William-Port Arthur, Crop Years 1962-63 to 1964-65". The second table on that page indicates the same figures for barley. I do not purport to discuss these tables; I simply draw them to the attention of this house for the purpose of indicating what the prices to producers of these feed grains are at the Lakehead.

There is a good deal of development in the feed grain growing business in eastern Canada, particularly in Ontario, and on that account it is important to know something of

what the prices are that the farmer-grower commands in the Province of Ontario. Those are given in Table 26, which is to be found on page 9 of the documents filed.

Perhaps I can summarize this table by saying first of all that it contains the daily quotations and the monthly averages of Ontario Corn, No. 2 Yellow, for the crop year 1964-65. In August and September of 1964 it will be seen that the average for the month was high. For October and November it was low. From December through to April it was rising, and in May, June and July it became high again. In other words, the seasonal variation in the price is indicated in this table.

The variations in commercial prices are indicated on Table 29, which is found on page 10 of the material supplied. Perhaps I should simply indicate that the important line of Table 29 is the last one, which shows the range per ton over the period from 1961 to 1965. For No. 5 wheat in store at Fort William during this five-year period the price was $12.24 per ton. For No. 1 feed barley the price was $19.00; for Ontario corn the price was $21.07; for soybeans at Toronto it was $60.00; for fish meal it was $30.20, and for meat meal, $30.00. The last three columns, I may say, do not relate to feed grains, but to the ingredients that are included in the feed grain mix, and they do, in fact, advance the price of the feed grain to the breeder.

I would ask honourable senators to look also at Table 33 on page 11, because they will see there the value of the grain crop at the farm in each province for 1963. The figures are in millions of dollars. Those prices range from a high in Saskatchewan of $1,012 million, to a low in the province of Nova Scotia of $1.7 million. The value of the crop in 1963 in Ontario was $220 million. This indicates that there is a good deal of feed grain grown in central Canada, and much less in the Maritimes, with, of course, the bulk being grown in western Canada.

I should say here, honourable senators, that the freight assistance to subsidize transportation—the $17 million that is paid—is paid for the subsidization of the movement of grains from Fort William eastward through to the easternmost provinces of Canada. But there is no subsidy paid on feed grains grown in central Canada if those grains move from central Canada eastward to the Maritimes.

Hon. Mr. Benidickson: And there is no subsidy if it goes to the Rainy River or Dryden districts.

Hon. Mr. Connolly (Ottawa West): That is right. I thank the honourable senator for his interjection.

I would draw the Senate's attention also to Table 34 on page 12, because it gives comparative figures on prairie production, prairie utilization, total producers marketings, exports of wheat, oats and barley grains in the prairie region, and the quantity which is freight assisted for livestock consumption in eastern Canada and British Columbia.

I have not very much comment to make upon this table, but it does indicate in the first column what the prairie provinces produced from the crop year 1958-59 to the crop year 1965-66. In the second column is shown the utilization that was made of those feed grains—wheat, oats and barley—in western Canada. The third column shows the total producers marketings outside of the prairie provinces. The fourth column shows the amount of the exports made, and the last column the amount that was freight-assisted.

These figures do not add up mathematically to an exact figure of production. I am informed that that is because it is difficult to estimate the actual amount used on the prairies for feed purposes.

Table 4 on page 13 gives some idea, particularly in the last column, of the eastern feed grain production in Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island. I should comment that the third column indicates the amount of western feed received in each of those provinces, and this is the subsidized grain. The next column shows the acreage in feed grains in each of the provinces, and the last shows the feed grain production in thousands of tons for each of these provinces.

Hon. Mr. Burchill: May I ask the honourable Leader of the Government a question? I am not clear with respect to the information in Table 34 on page 12. The export figure given for 1964-65 in respect of oats is 17.5. I take that to be millions of bushels.

Hon. Mr. Connolly (Ottawa West): All of these figures are given in millions of bushels.

Hon. Mr. Burchill: Then, under the heading "Freight Assisted" there is the figure 35.2. Does that mean 35.2 million bushels?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Burchill: But only 17.5 million bushels were exported?

Hon. Mr. Connolly (Ottawa West): I think these exports are the exports overseas. It will be seen that the total marketings of oats in that year amounted to 49.7 million bushels. I have said that these figures do not add up mathematically because they are estimates, but there were 49.7 million bushels marketed outside of western Canada in 1963-64, after deducting the feed needed there. The figure of 17.5 million bushels probably relates to overseas exports. However, this will have to be verified in committee. The figure of 35.2 million bushels relates to the freight-assisted exports from western Canada to eastern Canada. I should add that the cost of shipping feed grains out of Canada from western Canada is done at a very special rate, as the hon. senator undoubtedly knows.

Now, I am not completely away from the tables but very nearly so. At this stage I should say something about the effect of the subsidy both for transportation and for storage of western feeds on the position in central and eastern Canada.

Generally speaking, I think it fair to say that the subsidy program has been depressing on prices for these feeds. One of the reasons is the fact that even if in central Canada they grow surplus to their requirements, there is no subsidy from central Canada to the Maritimes for feed grains. So the effect seems to have been, and the Ontario farmers have indicated this a number of times, that both the transportation and storage subsidy has inhibited the development of the feed grain industry in central Canada, although perhaps not in the Maritimes.

The Maritime problem in feed production is indicated in Table 33 on page 11. There honourable senators will see that the production of feed grain in the Maritimes is small. Some of the representatives in the other place from the Maritimes speaking to that point gave the reasons for this: farm units are smaller, there is less mechanization on the smaller units than on the bigger farms in western Canada, and the capital requirements to mechanize and enlarge the units are not as readily available as they should be. Here it seems to me that the terms in the bill dealing with farm machinery last session, which originated in the fertile mind of the senator from Calgary Senator Hays, might very well contain a solution to the problem in the Maritimes with respect to the growing of feed grain. If I remember, the honourable senator in explaining the bill in cabinet and elsewhere felt it might he helpful to the man on the smaller unit or family farm.

There are, of course, in Canada great developments in the areas of crop rotation and fertilization. Climate also has much to do with this, as it affects the length of the growing season. The problem is storage and the kind of storage that must be provided; and I am told that the drying of grain is an important aspect of the marketing process.

I suppose the ideal situation would be that each section, whether it be the Atlantic area or central Canada or the prairies or British Columbia, should be self-sufficient in feeds, capable of supplying the local needs of the breeders in the area, and exporting the surplus, and that the breeders in turn would be able to sell locally and export their surplus. Whether that can ever come about will, I suppose, depend on the development of the country and to some extent on foreign markets.

I think I should refer now to future prospects. In this regard there is on page 14 of the material supplied a table which should purport to be something of a crystal ball. This indicates that by 1980—and I am only going to refer to two figures from this table—an additional 31,000 million pounds of feeds will be required in this country, and about an additional 5,780,000 acres of land will have to be devoted to the production of feed grains. So, the opportunity for markets for feed grains on the basis of this estimate is very great indeed.

I should say that on March 22, 1965 the Agriculture Committee of the House of Commons made a report in which it described the existing domestic situation in respect of feed grains in Canada and called for a remedy. I arranged this afternoon for honourable senators who were interested to receive a copy of this report on entering the chamber. I think it is a very interesting report and bears reading.

I want to say something in passing about the situation that goes beyond our Canadian borders. Senator Grosart earlier this afternoon exhorted us to consider situations other than the Canadian situation, and in this regard I quote from the Winnipeg *Free Press* of October 21 under the heading "Food Shortages":

> Canada had a bumper crop. Russia had a bumper crop. The world food situation is worse this year than it was last year.
>
> Food production dropped back in this past year to its pre-World-War II level in the poorer regions of the world. In

Africa, Asia and Latin America production dropped 4 to 5 per cent. In these regions population rose most.

Food output per person fell by about two per cent around the world. The general director of the Food and Agricultural Organization, B. F. Sen, issued these figures in the organization's annual report. He says: "Any remaining complacency...must surely have been dispelled by the events of the past year."

On page 15 you will see a table which indicates the livestock on farms in central and eastern Canada from June 1, 1941 through to the year 1964, and the increases and decreases per province for Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island. The figures there are rather startling. Perhaps the big decrease in every province for horses is to be understood as a result of mechanization, but you will see that cattle in Ontario have increased some 58 per cent, with smaller increases in the other provinces until we get to Prince Edward Island, where there has been an increase of up to 81 per cent. In sheep and lambs there was a falling off of 62 per cent in New Brunswick, 66 per cent in Nova Scotia and 59 per cent in Prince Edward Island.

I would also draw the attention of honourable senators to the note at the bottom of that table, because there are references in the last two columns to the letters g.c.a.u. which mean grain consuming animal units. A horse is one unit; a dairy cow is one unit; other cattle constitute .51 of a unit; hogs, .87 of a unit; sheep, .04, and poultry .045 of a unit.

On page 16 you will see a table showing the livestock on farms in the prairie provinces for the years 1951, 1956, 1961 and 1964; and the changes which have occurred in dairy cattle, hogs, sheep and lambs, and poultry.

There are details in the remaining tables with which I will not weary the Senate. I come now to the bill.

Hon. Mr. Isnor: I wonder if the honourable leader would be good enough to turn to Table 5 on page 2 and note that the figures for the provinces of Ontario, Quebec, Newfoundland and British Columbia are all given individually; and once again the D.B.S.—I suppose these figures are from D.B.S.?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Isnor: They lump the Maritimes together, which does not give us a clear picture with regard to Nova Scotia, New Brunswick and Prince Edward Island. In future I think all tables should be divided into individual provinces in order to give us a clear picture with regard to those provinces as well.

Hon. Mr. Connolly (Ottawa West): I certainly agree. That is not so with regard to the other tables. Perhaps the honourable senator who has asked the question would be satisfied with my assurance that when the bill goes to committee I will ask for a breakdown by provinces, including each of the Maritime provinces.

Hon. Mr. Isnor: That will be fine.

Hon. Mr. Connolly (Ottawa West): The House of Commons debated this measure on October 6, 7, 11 and 21; and I must say that this was an excellent, far-ranging and long debate, but one in which there was not much information supplied.

The purpose of the bill, first of all, is to establish the Canadian Livestock Feed Board as a crown corporation, which will consist of three to five members appointed by order in council. They will serve during good behaviour, and out of their number the Governor in Council will appoint a chairman and vice-chairman. The chairman is going to be its chief executive officer. Salaries will be authorized by orders in council, and there will be provision for expenses incurred by board members. The board itself will determine its quorum, and there is provision in the bill for the filling of vacancies. The board will also have authority, subject to Treasury Board approval, to appoint officers, employees and staff.

In addition to the board, the bill also provides for the establishment of the Canadian Livestock Feed Board Advisory Committee. This committee will consist of from five to seven members appointed by order in council for a period of five years. No more than two will be allowed to vacate their position on the committee in any one year, in so far as that is possible. There will be allowances and travelling expenses provided for the members of this committee by order in council. The committee will be required to hold a meeting at least once every year, and more meetings per year will be held as determined either by the committee itself, or the minister, or by the board to which it reports. The committee will make its own rules to govern its proceedings.

Its duties—and I shall quote the words of section 15 (6)—will be:

> to study and review all matters relating to feed grain transportation, storage, prices and consumption that it may deem necessary, together with those that are referred to it either by the Minister or by the Board.

In addition to that, the committee will have the duty of reporting to the minister and to the board, of which it is the servant.

Now may I return to the board itself. The objects, powers and duties of the board are set out in sections 5 to 8 of the bill. In these sections is prescribed the proposed basic policy for the approach to the feed grain problem in Canada.

These sections indicate the objects of the board are to ensure a number of things: first, the availability of feed grain to meet the needs of the feeders; second, the adequacy of storage space, particularly in eastern Canada; third, reasonable stability in prices, both in eastern Canada and in British Columbia; and, fourth, the fair equalization of these prices in these two extreme areas of Canada, namely, eastern Canada and British Columbia.

I think it reasonable to conclude from this, honourable senators, that the basic source of supply of feed grains would continue to be the prairies. This, of course, does not preclude the production of feed grain in other parts of the country; and there is obviously room for development on the west coast, in the central provinces and the Maritime provinces. Indeed, if the foreseeable needs of 1980 are to be met, as indicated by what I have placed before the Senate this afternoon, there must be development; and I, for one, hope there can be great expansion in production.

Section 6 of the bill deals with the duties of the board. It authorizes the board to subsidize storage and transportation to further its objectives; to negotiate for storage or handling in the interests of reducing and stabilizing the costs of storage and handling in eastern Canada; to allocate space for storage facilities in eastern Canada; to negotiate import permits and licenses, when required—and sometimes they are required when you have crop failures or short supply in certain areas for certain ingredients of feeds. And the board has the usual powers to acquire, hold or dispose of real property; to carry out studies relating to feed grain prices; to require information from feeders and persons engaged in the business in all its ramifications; to establish branches of the board or employ agents of the board in Canada or elsewhere; to act as agent for Her Majesty in respect of its operations; and generally to do whatever is required to meet its purposes and functions.

Section 7 of the bill fixes certain duties of the board. They include, first, the study of the requirements for feed grain in eastern Canada and on the west coast, and its availability and storage needs.

Hon. Mr. Isnor: I wonder if the honourable senator would define the term "eastern". What is the western boundary of eastern Canada?

Hon. Mr. Benidickson: The Lakehead—and I object to that.

Hon. Mr. Connolly (Ottawa West): As a matter of fact, the Lakehead is the quick answer. I will come to that, if I may, in just a moment. Generally speaking, it is the Lakehead.

Its other duties are: to make recommendations to the minister on storage facilities; generally, to advise the government on questions of stabilization in respect of the equalization of feed grain prices to feeders; and to consult with other appropriate departments and agencies of government.

In addition, the Government, by order in council, may empower the board to investigate certain problems relating to the transportation, storage and handling of feed grains in eastern Canada and British Columbia; the supplies and prices of feed grain in these areas; and payments related to the cost of feed grains, storage and transportation made under the act.

In addition to these broad powers given to try to cope with this problem that is before the Canadian people and the Canadian farm community, the board is empowered to purchase feed grains in eastern Canada, British Columbia and in the west, provided the latter purchases are made through the Canadian Wheat Board.

The board is empowered to import feed grain and pay the cost thereof for resale in Canada; and to acquire, ship, store and handle feed grain for the same purposes.

In the selling of feed grain the board is directed by the bill to do so in accordance with sound commercial business practice. This practice will apply not only to purchases, but as well to the cost of handling, storage and transporting feed products, and the administration cost of this activity; and it must recover the administrative and other costs it incurs in the exercise of its powers.

Hon. Mr. Macdonald (Cape Breton): Might I ask the honourable leader a question? Under section 8 the board can only do these things by order in council. The bill itself does not give the board the authority to do so, does it?

Hon. Mr. Connolly (Ottawa West): As section 8 is a long section, I wonder if the honourable senator would mind if I took that under advisement?

Hon. Mr. Macdonald (Cape Breton): My point is that section 8 says:

> The board may, in furtherance of its objects, at any time when it is so authorized by regulation—

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Macdonald (Cape Breton): In other words, the board has not that power, but it can be given that power by regulation. Is that not correct?

Hon. Mr. Connolly (Ottawa West): That is right. There is power to make regulations in the bill before the house.

Hon. Mr. Macdonald (Cape Breton): No. That refers to the making of regulations by order in council.

Hon. Mr. Connolly (Ottawa West): The regulations will be made by order in council on the advice of the board. That is how it will work in practice, as I understand it.

Sections 16 to 18 of the bill deal with financial matters. Section 16 (1) provides that all expenditures under this act, including the amounts required for the payment of the cost of feed grain transportation and storage, and the payment of salaries and other administrative costs, shall be appropriated by Parliament. In other words, the amounts required will be provided for in the Estimates.

The board is authorized to make expenditures for the purchase of feed grain under section 16 (2), and these costs shall be paid out of the Consolidated Revenue Fund. There will be, in the Consolidated Revenue Fund, a special account set up for expenditures on the purchase of feed grains and receipts from the sale of the grain so purchased. The expectation is that the turnover of purchases and sales will be very rapid, so that the entries will be in and out entries.

Section 16 (4) contains a limitation on the financial activity of the board, in that the amount that can be expended from the account in the Consolidated Revenue Fund is limited to the credits which the board has in the account, plus $10 million which it can be granted, plus the amount of any loans which are made to the board by the Government under section 17. Section 17, as would be expected, provides that the Crown may lend money to the board, but that the amount of the loans may not exceed $50 million without further authorization of Parliament. An audit of the board's accounts and affairs is to be conducted by the Auditor General, who reports to Parliament.

Section 19 provides for the making of regulations dealing with such matters as the cost of storage and transportation, the classes of persons to whom payments may be made, and the period during which feed grains can be purchased. This section also may define where eastern Canada begins.

The regulations will also be with respect to the grades of wheat not considered to be feed grains, and those which are considered to be feed grains.

They will define "livestock" for the purposes of the act, and they will determine the location of the head office. The board will have authority also to make such other general regulations as it sees fit.

Section 21 provides for the probative value for court purposes of orders of the board, and by section 22 the board must report to Parliament annually by March 31 for the crop year ending the preceding July 31.

Honourable senators, I apologize for the length of my explanation. It seemed to me, after a long recess, that my introduction of this bill should be as complete as possible, so that those desiring to speak to it would have the information readily available. It may also be helpful to the work done in committee.

Perhaps my conclusion may be an oversimplification of the bill, but I would point out that the transportation subsidy, which is a large one, has been favourable to the western grain producer and to the eastern livestock producer, but it has not been as fair to the eastern grain producer and the western livestock producer. The problem, in any event, is a big one, and it is hoped, by the establishment of this board and this committee, that equitable solutions can be found, and also that encouragement will be given to this very important aspect of our national life.

On motion of Hon. Mr. Flynn, debate adjourned.

PRIVATE BILL

RAINBOW PIPELINE COMPANY LIMITED—SECOND READING

Hon. Earl A. Hastings moved the second reading Bill S-52, to incorporate Rainbow Pipe Line Company Limited.

He said: Honourable senators, this bill, which I recommend to you for second reading, provides for the incorporation of a pipe line company under the name of Rainbow Pipe Line Company Limited.

In my remarks today I propose to sketch briefly the background of the project, the sponsors, and the reasons why this bill is being presented now, because I believe the Senate will wish to be assured of the integrity of the sponsors and the legitimacy of the project.

As background, may I state that Canada's petroleum industry had its birth about 100 years ago, in 1858, when James Williams began producing oil from Canada's first well at Oil Springs, Ontario, near Sarnia. However, the present Canadian petroleum producing industry did not get rolling until major oil and gas discoveries were made in the western provinces after World War II, commencing with Imperial Oil's first major discovery at Leduc in 1947. Since 1947 many significant oil and gas fields have been discovered in rapid succession, and brought into production as transportation facilities were constructed and markets established.

These fields are located in the central part of Alberta, in southern Saskatchewan and in southern Manitoba. The Alberta fields developed subsequent to Leduc, and to which I refer, are Red Water, Pembina and Swan Hills. In northeastern British Columbia large discoveries of gas have been made in the last decade. It is to be noted that these plays, or discoveries, have progressed westward and northward as technology has met and solved the challenges of remoteness, terrain and climate—indeed these challenges have been met in this particular area of Alberta and the Northwest Territories.

During 1965 oil discoveries and development on the exploration front were probably the most significant of any in the past seven years, with the Rainbow Lake oil play opening a whole new exploration front. This particular area is situated approximately 100 miles south of the boundary of the Northwest Territories and northwest Alberta. The outcome of Rainbow Lake has seen exciting exploration developments north in the Zama Lake and Bitcho Lake areas of Alberta, extending into the Northwest Territories. Because the same sedimentary conditions are found to exist there, there is every geological reason for believing that the same productive horizons which exist in the prolific Rainbow Lake area will indeed extend into the Northwest Territories. The Rainbow Lake discoveries in 1965 will be an added incentive to exploration ventures in the offshore area and the Arctic.

The companies principally concerned with the discovery and development of this field were Banff Oil Ltd., Aquitaine Co. of Canada Ltd., Secony Mobil of Canada Ltd., and Imperial Oil Ltd. In order to bring this valuable production to market, these companies formed Rainbow Pipeline Co. Ltd., an Alberta corporation, in September 1965. Under a permit from the Alberta Government, Rainbow Pipeline Co. Ltd. has constructed a pipe line from the Rainbow field at a cost of approximately $27 million to connect with the existing pipe line systems in Alberta.

Honourable senators will appreciate that the most important means of transportation in the oil industry is by far the pipe line. The result is that this oil from the Rainbow Lake field can now be transported to major Canadian markets in eastern Canada and the Pacific coast.

The whole area northward from the present Rainbow field is considered by the industry to be very favourable for further exploration for the next several years. Tremendous exploration activity has been carried on this past year. New findings of oil have occurred in the area almost to the boundary of the Northwest Territories. Vigorous exploration is now being undertaken just north of the border and everyone is extremely hopeful of the results. I understand that over 200 development and wildcat wells are scheduled to be drilled throughout this exploration area during the coming drilling season, which in essence is the winter months.

It may be of interest to note that at a recent Crown Reserve sale conducted by the Province of Alberta one company paid $13½ million for petroleum and natural gas rights in the Zama Lake area. This last sale was one of the largest Crown Reserve sales in the Province of Alberta since the inception of exploration in 1947.

Rainbow Pipeline Co. Ltd. has already obtained from the Province of Alberta a permit to extend its existing line to the northern

boundary of the province and will be in a position to offer transportation to these areas as soon as sufficient production develops.

Exploration and drilling in these far northern areas present many difficult problems. One well in this particular area could cost $1½ million or more to drill. There are no roads, and the country generally consists of muskeg. Therefore all major activities, including drilling and pipeline construction, have to be undertaken in winter when materials can be brought in by tractor train over the frozen terrain. It is expected, as I have already indicated, that there will be excellent results from exploration carried out this past summer, and more particularly from the drilling to be undertaken this coming winter. It is in anticipation of these developments that the Rainbow company is seeking permission to incorporate, so that it will be able to extend its line, if permission is granted by the National Energy Board, to serve production in the Northwest Territories as quickly as possible and without needless delay.

It will be appreciated by honourable senators that a federal charter is required for this purpose because a purely provincial company cannot extend its line over a provincial boundary and into the Northwest Territories. If, as is confidently expected, significant oil discoveries occur in the Northwest Territories during this coming winter, it will be important to have a competent, well-financed organization ready to construct a pipe line to transport that oil to market. The reason for the request for incorporation this year is to put the Rainbow company in a position to serve this important need as it arises.

From what I have said, honourable senators will appreciate that because of the limited construction season, confined as it is to the winter months, perhaps a year or more of valuable time could be lost if pipe line companies were not ready to request authorization from the National Energy Board and to proceed with construction if and when these discoveries are made.

The grant of a charter by Parliament is merely the first step. It is the responsibility of the National Energy Board to determine whether a given pipe line should be built and, more importantly, by what company it should be constructed. I am sure the Senate would agree that the Rainbow group, which has already spent so much money in exploration and development of these northern fields and in providing a pipe line connection between Rainbow Lake and Edmonton, should be in a position where it can apply to the National Energy Board when and if conditions justify the construction of a pipe line to the Northwest Territories.

The Parliament of Canada has a special responsibility for the development of the resources of the Northwest Territories. It is agreed by all that one of the greatest unexploited resources of the territories is petroleum. The key to the development of this important resource is the pursuit of a vigorous exploration program by oil companies. This exploration can and will be undertaken only if there is assurance that the oil, when discovered, can be brought to market. For this reason, I suggest that the passage of this bill is in the national interest. The assurance that a competent, well-financed group is ready to provide pipe line transportation of oil in this area will surely stimulate the development of petroleum resources.

In accordance with usual practice, the sponsors of this bill will be ready to appear before a Senate committee and explain its detailed provisions and full particulars of their plans. It is not appropriate for me to go into these details now, but I wish to make two specific comments. First, in order to avoid confusion between the existing provincial company, Rainbow Pipeline Company Ltd., and the federal company which is being incorporated, the sponsors will ask the Senate committee to consider a change of name of the proposed federal company to Rainbow Pipe Line Corporation. Secondly, the sponsors desire that it be made clear that this proposed federal pipe line, as is the case with the existing Alberta pipe line, will serve all producers in the area without discrimination. These lines will not be limited to the carriage of oil belonging to the four companies which are sponsoring this application.

Honourable senators, if second reading is given this bill, I propose to move that it be referred to the Standing Committee on Transport and Communications. The applicants have assured me their legal counsel and technical experts are prepared to appear before the committee to answer any questions which honourable senators may have in connection with this application and project.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Hastings, bill referred to the Standing Committee on Transport and Communications.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*See p. 1079.*)

CONSTITUENCIES OF CANADA

POPULATION—INQUIRY ANSWERED

Answer to inquiry by Hon. Jean-François Pouliot:

What is the population of each of the constituencies of Canada, as described in Part II of the *Canada Gazette* of June 20, 1966?

Population, according to the 1961 census, of the electoral districts as established by the Representation Order proclaimed on June 16, 1966.

ONTARIO (88)

Algoma	56,823
Brant	84,585
Bruce	57,080
Cochrane	53,427
Elgin	62,862
Essex	68,493
Fort William	54,185
Frontenac—Lennox and Addington	55,638
Glengarry—Prescott	61,857
Grenville—Carleton	64,408
Grey—Simcoe	60,681
Halton	72,524
Halton—Wentworth	75,467
Hamilton East	79,862
Hamilton Mountain	79,174
Hamilton—Wentworth	78,311
Hamilton West	79,720
Hastings	60,454
Huron	59,001
Kenora—Rainy River	55,345
Kent—Essex	72,168
Kingston and the Islands	71,427
Kitchener	74,535
Lambton—Kent	64,696
Lanark and Renfrew	55,418
Leeds	62,656
Lincoln	69,552
London East	78,465
London West	83,933
Middlesex	65,603
Niagara Falls	78,010
Nickel Belt	64,242
Nipissing	58,587
Norfolk—Haldimand	68,041
Northumberland—Durham	62,912
Ontario	56,143
Oshawa	79,276

ONTARIO—Con.

Ottawa—Carleton	74,393
Ottawa Centre	80,278
Ottawa East	81,958
Ottawa West	81,302
Oxford	71,169
Parry Sound—Muskoka	56,337
Peel—Dufferin	65,050
Peel South	74,875
Perth	64,677
Peterborough	73,804
Port Arthur	54,185
Prince Edward—Hastings	69,692
Renfrew North	60,313
Sarnia	72,534
Sault Ste. Marie	65,560
St. Catharines	79,689
Simcoe North	77,595
Stormont—Dundas	68,233
Sudbury	83,820
Thunder Bay	53,932
Timiskaming	55,083
Timmins	55,352
Victoria—Haliburton	54,595
Waterloo	80,329
Welland	74,049
Wellington	57,183
Wellington—Grey	63,988
Windsor—Walkerville	80,337
Windsor West	79,773
York North	77,007
York—Simcoe	72,281

METROPOLITAN TORONTO—RÉGION MÉTROPOLITAINE DE TORONTO

Broadview	76,419
Davenport	82,477
Don Valley	80,925
Eglinton	79,415
Etobicoke	79,350
Greenwood	82,099
High Park	82,129
Lakeshore	77,873
Parkdale	79,452
Rosedale	77,814
St. Paul's	70,092
Scarborough East	79,426
Scarborough West	80,018
Spadina	83,801
Trinity	80,208
York Centre	78,342

ONTARIO—Con.

York East	79,741
York—Scarborough	80,916
York South	81,250
York West	79,411
	6,236,092

QUÉBEC (74)

Abitibi	55,733
Argenteuil	66,734
Beauce	68,654
Beauharnois	70,017
Bellechasse	69,075
Berthier	62,256
Bonaventure	55,441
Chambly	71,714
Champlain	69,014
Charlevoix	57,393
Chicoutimi	76,974
Compton	67,152
Drummond	69,837
Frontenac	68,382
Gaspé	57,095
Gatineau	64,232
Hull	75,968
Joliette	70,660
Kamouraska	67,668
Labelle	69,120
Lac-Saint-Jean	57,754
Langelier	76,916
Lapointe	71,464
Laprairie	73,867
Lévis	69,997
Longueuil	75,922
Lotbinière	67,334
Louis-Hébert	76,714
Manicouagan	56,001
Matane	58,202
Missisquoi	69,188
Montmorency	75,568
Pontiac	59,874
Portneuf	76,208
Québec-Est	78,802
Richelieu	69,413
Richmond	66,946
Rimouski	71,614
Roberval	56,234
Saint-Hyacinthe	71,014
Saint-Jean	71,817
Saint-Maurice	75,279
Shefford	69,551
Sherbrooke	77,885
Témiscamingue	59,794
Témiscouata	67,187
Terrebonne	70,270
Trois-Rivières	87,432
Villeneuve	56,652

ISLAND OF MONTREAL AND ÎLE JESUS —ÎLE DE MONTRÉAL ET ÎLE JESUS

Ahuntsic	77,791
Bourassa	77,316
Dollard	77,966
Duvernay	60,355
Gamelin	77,750
Hochelaga	76,765
Lachine	79,933
Lafontaine	77,098
LaSalle	78,804
Laurier	76,915
Laval	64,386
Maisonneuve	76,479
Mercier	74,204
Mount Royal	77,800
Notre-Dame-de-Grâce	79,605
Outremont	78,950
Papineau	78,573
Saint-Denis	77,856
Saint-Henri	81,690
Saint-Jacques	77,594
Sainte-Marie	76,240
Saint-Michel	78,811
Vaudreuil	71,599
Verdun	78,317
Westmount	78,396
	5,259,211

NOVA SCOTIA—NOUVELLE-ÉCOSSE (11)

Annapolis Valley	70,340
Cape Breton—East Richmond	66,826
Cape Breton Highlands—Canso	57,816
Cape Breton—The Sydneys	68,112
Central Nova	60,097
Cumberland—Colchester North	65,734
Dartmouth—Halifax East	75,050
Halifax	78,344
Halifax—East Hants	73,366
South Shore	61,185
South Western Nova	60,137
	737,007

NEW BRUNSWICK—

NOUVEAU-BRUNSWICK (10)

Carleton—Charlotte	56,554
Fundy—Royal	58,160
Gloucester	57,076
Madawaska—Victoria	58,695
Moncton	69,806
Northumberland—Miramichi	53,055
Restigouche	50,240
Saint John—Lancaster	73,467

NEW BRUNSWICK—Con.	
Westmorland—Kent	54,363
York—Sunbury	66,520
	597,936

NEWFOUNDLAND—TERRE-NEUVE (7)	
Bonavista—Trinity—Conception	67,599
Burin—Burgeo	51,019
Gander—Twillingate	68,181
Grand Falls—White Bay—Labrador	52,787
Humber—St. George's—St. Barbe	72,218
St. John's East	76,970
St. John's West	69,079
	457,853

PRINCE EDWARD ISLAND—ÎLE DU PRINCE-ÉDOUARD (4)	
Cardigan	23,081
Egmont	29,672
Hillsborough	30,050
Malpeque	21,826
	104,629

MANITOBA (13)	
Brandon—Souris	62,224
Churchill	55,542
Dauphin	59,657
Lisgar	63,138
Marquette	62,258
Portage	53,720
Provencher	61,482
St. Boniface	80,491
Selkirk	84,764
Winnipeg North	83,594
Winnipeg North Centre	88,381
Winnipeg South	84,011
Winnipeg South Centre	82,424
	921,686

BRITISH COLUMBIA—COLOMBIE-BRITANNIQUE (23)	
Burnaby-Richmond	72,742
Burnaby-Seymour	74,677
Capilano	78,059
Coast Chilcotin	54,189
Comox-Alberni	64,723
Esquimalt-Saanich	76,789
Fraser Valley East	65,950
Fraser Valley West	69,680
Kamloops-Cariboo	64,095
Kootenay West	64,458
Nanaimo-Cowichan-The Islands	70,246
New Westminster	75,637

BRITISH COLUMBIA—Con.	
Okanagan Boundary	69,112
Okanagan-Kootenay	67,183
Prince George-Peace River	63,092
Skeena	59,020
Surrey	73,468
Vancouver Centre	78,665
Vancouver East	77,780
Vancouver Kingsway	76,658
Vancouver Quadra	77,038
Vancouver South	77,900
Victoria	77,921
	1,629,082

SASKATCHEWAN (13)	
Assiniboia	66,326
Battleford-Kindersley	69,170
Mackenzie	54,598
Meadow Lake	54,695
Moose Jaw	71,452
Prince Albert	72,142
Qu'Appelle-Moose Mountain	66,998
Regina East	82,571
Regina-Lake Centre	83,574
Saskatoon-Biggar	82,472
Saskatoon-Humboldt	83,536
Swift Current-Maple Creek	66,514
Yorkton-Melville	71,133
	925,181

ALBERTA (19)	
Athabasca	54,336
Battle River	61,553
Calgary Centre	81,724
Calgary North	82,611
Calgary South	82,671
Crowfoot	59,100
Edmonton Centre	82,836
Edmonton East	82,727
Edmonton-Strathcona	82,145
Edmonton West	82,420
Lethbridge	70,786
Medicine Hat	65,288
Palliser	65,652
Peace River	54,169
Pembina	67,306
Red Deer	68,737
Rocky Mountain	57,810
Vegreville	65,012
Wetaskiwin	65,061
	1,331,944

YUKON TERRITORY—TERRITOIRE DU YUKON (1)	
Yukon	

NORTHWEST TERRITORIES—TERRITOIRES DU NORD-OUEST (1)	
Northwest Territories	

THE SENATE

Tuesday, November 8, 1966

The Senate met at 3 p.m., Hon. George S. White, P.C., Acting Speaker, in the Chair.

Prayers.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 817 to 847, inclusive, and moved that the said reports be taken into consideration on Thursday next.

Motion agreed to.

THREAT OF POSTAL STRIKE

CHRISTMAS AND NEW YEAR'S GREETINGS

On the Orders of the Day:

Hon. Jean-François Pouliot: Honourable senators, on October 13 last I received a very pretty Christmas card which reads as follows:

Hope Christmastime leaves you
A house full of cheer—
To start you off right
On a Happy New Year!

And in French:

Joyeux Noël
La grève des postes bientôt.
Un postier

In English, that is:

Merry Christmas—
The postal strike soon.
A mailman

This is the time of the year when we buy Christmas cards, and I have always bought a certain quantity to send in answer to those that I have received. However, as the newspapers have announced that the difficulties of the Post Office Department have not yet been settled, and that a strike may occur on the 15th day of this month, I have made a sacrifice and decided not to buy any Christmas cards this year.

During the yuletide—on Christmas day and on New Year's day—my heart will overflow with gratitude, while remembering all the kindnesses that I received from everybody during the year. May I take this opportunity to wish you all a Merry Christmas and a Happy New Year.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. John J. Connolly: Honourable senators, with Senator Flynn's permission, may I intervene to reply to a request by the honourable senator from Halifax-Dartmouth (Hon. Mr. Isnor) for a revision of page 2 of the material that was circulated yesterday. Page 2 contains Table 5, which shows a breakdown between the various provinces in the maritime region. I have had that revision prepared and circulated to all honourable senators.

Hon. Mr. Aseltine: Should the table not be printed in *Hansard* as an appendix?

Hon. Mr. Connolly (Ottawa West): Honourable senators, we did not print the material in *Hansard* yesterday because it was circulated to all honourable senators as they entered the chamber. If in the course of the debate it is found desirable to print those tables, I would have no objection. When Senator Aseltine looks at the material, I think he will be just as happy not to have it printed.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, when I moved the adjournment of the debate yesterday, I was not convinced I would not ask someone else to take my place today to discuss this bill on an agricultural problem which is far remote in character from those things I usually deal with. This oratorical precaution or excuse is similar to the one expressed by the Leader of the Government yesterday. I thought it might be amusing to give the following quotation. I shall not reveal its origin as that may be against the rules of the Senate. I quote:

> Mr. Speaker, when workers have problems, they go to a labour leader; when we have problems with the mail, we automatically go to someone who was practically born in a post office. Similarly, when we have legal problems, we

> go to a man of law. We therefore wonder why, when it comes to as important a matter as feed, we must go to a minister who does not know the difference between barley and oats, or the difference between wheat flour and buckwheat flour.

I presume that applies somewhat to the Leader of the Senate, as at any rate it does to me. However, I know something about the problem this bill seeks to solve. But I shall take up only a few minutes of the time of the house, knowing that other senators, on this side of the house, who are familiar with agricultural problems, will have the opportunity of expressing their views.

The problem of feed grain in not a new one to livestock feeders in the East. As it has already been pointed out here, since 1941 the transport of feed grain has been subsidized to help eastern feeders. But this policy which was limited to granting transport subsidies did not give satisfactory results. That is why eastern livestock producers had for many years urged the government to do something about it, such as setting up an agency which would see to it that eastern feeders would be adequately supplied with feed grain, at a reasonable price. The main problem facing livestock feeders in eastern Canada was that the scarcity of feed grain during certain periods of the year pushed up prices. Such market fluctuations, especially during winter months, prevented the feeder from assessing with any degree of accuracy what his returns would be. Price stability would put the feeder in a better position to determine the price at which he could sell his livestock. We know that this matter of supplying eastern feeders with feed grain at adequate prices was the pet subject of Mr. Clément Vincent, who was federal Member of Parliament for Nicolet-Yamaska from 1962 to 1965 and who today is the Minister of Agriculture in the Quebec government. I think his untiring efforts most certainly helped to bring about the piece of legislation now before us.

Hon. Mr. Denis: He was not the only one.

Hon. Mr. Flynn: I quite agree with Senator Denis that he was not the only one, but at the beginning he was practically preaching in the wilderness. I know that today certain people belonging to the same political group as my honourable friend, Senator Denis, would like to have initiated this policy. However, I think Mr. Vincent should not be denied the credit he deserves, but at the same time the work done by Senator Denis' friends in promoting this legislation should not be overlooked.

Hon. Mr. Denis: The wilderness was from 1958 to 1962.

Hon. Mr. Flynn: My honourable friend was at the time sitting opposite me on the other side of the house, and I became dizzy when I used to gaze at the wilderness surrounding Senator Denis.

The obvious purpose of this legislation is to create a body known as the Canadian Livestock Feed Board. I quote the objects of section 5 without discussing them in detail, as follows:

> (a) the availability of feed grain to meet the needs of livestock feeders;
>
> (b) the availability of adequate storage space in Eastern Canada for feed grain to meet the needs of livestock feeders;
>
> (c) reasonable stability in the price of feed grain in Eastern Canada and in British Columbia; and
>
> (d) fair equalization of feed grain prices in Eastern Canada and in British Columbia.

It seems, incidentally, that the problem is almost the same in British Columbia as in eastern Canada. In short, this legislation guarantees supplies and firm prices of feed grain for livestock feeders of eastern Canada and British Columbia.

For those purposes, the Board is granted every useful power; it is allowed to continue subsidizing transportation costs and to buy in any manner, even abroad, some feed grain to be stored so as to provide livestock feeders during periods of shortage, especially during the winter, with the feed grain which they would need, and once more at a reasonable price.

Of course, the Board will be faced with numerous problems. It has been pointed out, for instance, that if the Board bought feed grain outside Canada, it would enter into competition with the Canadian Wheat Board and with western wheat growers. It is obvious that the Board will only make use of this provision or power in extreme cases. This is one of the theoretical problems which have been emphasized.

It may also be asked whether the Board will not enter into unfair competition with

the wheat growers of eastern Canada proper, or of part of Ontario.

In other words, there is no doubt that, at first, the Board will have to make many adjustments in its operational methods so as to take into account the rightful interest of all those people it could prejudice in seeking to achieve its aims.

An attempt will have to be made to balance various and often conflicting interests and to find equitable solutions for everyone.

The government leader gave us yesterday a great deal of information which we shall have an opportunity to discuss in the Committee on Banking and Commerce.

The purpose of this legislation is surely worthwhile. It is undoubtedly designed to carry out a long-standing request made by a large group of people.

I am sure that eventually the Board will be able to achieve the purpose for which it is established under the present legislation.

[*Text*]

Hon. W. M. Benidickson: Honourable senators, I listened with great interest to the remarks of the Leader of the Government and Senator Flynn. In this bill there is a definition as to the line between western and eastern Canada. It rather affects the area in which both Senator Paterson and myself have an interest, namely, that between Winnipeg and the Lakehead.

I have spoken to the Leader of the Government and have been assured that during committee stage in this house there will be an opportunity for all members of the committee and other senators to examine whether or not it is necessary to have this territorial definition in the area of Kenora-Rainy River included. I think this subject was brought up earlier by my predecessor the late Senator John A. Robertson. It is a territory where grain is not grown in any quantity, but where it is just as important to have feeder cattle as it is in any other part of eastern Canada, the Maritimes or British Columbia. I would like to be assured that the definition of eastern Canada would be examined by the committee.

Since the introduction of this measure yesterday I have again taken some steps concerning this problem. I understand from the officials of the departments concerned that there is a clause in the bill which provides that the Governor in Council can re-define what is eastern Canada. I hope this is so, but if it is not, I hope that my colleagues in the Senate, in examining this bill, will at long last give an opportunity for residents from the area between Winnipeg and the Lakehead to look at this definition.

I think this definition is linked improperly with freight rates, and has resulted in discrimination in the agricultural areas near Dryden and in the Rainy River district in a very disadvantageous way.

I hope that my colleagues in the committee will be sympathetic when this is considered. I know very well that Senator Grosart, Senator Pearson and Senator Irvine have links with this area, and I think they with others will join Senator Paterson and myself in giving very sympathetic attention to this particular problem when the bill is sent to committee.

Hon. John J. Connolly: Honourable senators, may I just answer the honourable senator by referring him, perhaps unnecessarily, first to section 2(f) of the bill, which does define "eastern Canada," as he has indicated. I should also refer him to section 19(c)(i) which does permit any area in Ontario lying west of the meridian passing through the eastern boundary of the City of Port Arthur to be part of eastern Canada.

Hon. Mr. Benidickson: I referred to that, but we have to go to Cabinet to get it.

Hon. Mr. Connolly (Ottawa West): The authority is given to make regulations to accomplish this end. I simply want those sections put on record. Perhaps we can all well understand the desire of people in many parts of Canada wanting to be considered as eastern Canadians.

Hon. James Gladstone: Honourable senators, I am glad to hear the honourable senator from Kenora-Rainy River—successor to the late Senator John A. Robertson who so ably represented that area—finally make the Government acknowledge where east is east and west is west. We always had the impression that Port Arthur was the division point. Then again, Kenora and Rainy River and parts west of that area are in the Province of Ontario. Ontario seems to feel that Ontario is east, and the rest of Canada is west.

I am glad that this distinction has been clearly made today, and I thank the senator from Kenora-Rainy River for bringing this about.

On motion of Hon. Mr. Blois, debate adjourned.

DIVORCE

MEETING OF JOINT COMMITTEE

Hon. Arthur W. Roebuck: If honourable senators will permit me, might I point out that the Joint Committee on Divorce is sitting at 3.30 p.m. today, and it is now a few moments past that hour. Speaking yesterday on the subject of attendances, the Leader of the Government stated that it was no discourtesy to the house for committee members to leave in order to attend a committee meeting. The Senate members are: Senators Gershaw, Haig, Aseltine, Baird, Belisle, Bourget, Burchill, Connolly (Halifax North), Croll, Fergusson and Blois.

With your permission, honourable senators, as co-chairman of that committee, I must leave, and I hope that some others, and perhaps all other senators concerned, will attend that meeting too.

CANADA CORPORATIONS ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. W. Ross Macdonald moved the second reading of Bill S-51, to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain.

He said: Honourable senators, this bill amends the Canada Corporations Act and relates to certain corporations under Part II and Part II(A) of the act, namely, corporations without objects of pecuniary gain.

The purpose of the bill is twofold: in the first instance, it enables certain organizations to be incorporated by letters patent rather than coming to Parliament with a bill; and, in the second place, it makes it possible for organizations which have already been incorporated by special act to have their charters amended by going directly to the Registrar General without coming to Parliament.

Perhaps the purpose of the bill can best be explained if I read section 144 as it presently stands. It is set forth in the explanatory notes in the bill.

Section 144(1) reads:

> The Registrar General of Canada may by letters patent under his seal of office grant a charter to any number of persons, not being fewer than three, who apply therefor, constituting the applicants and any other persons who thereafter become members of the corporation thereby created, a body corporate and politic, without share capital, for the purpose of carrying on in more than one province of Canada without pecuniary gain to its members, objects of a national, patriotic, religious, philanthropic, charitable, scientific, artistic, social, professional or sporting character, or like objects.

Honourable senators, this bill amends that clause in one respect. The following words are eliminated: "in more than one province of Canada", and the words "objects, to which the legislative authority of the Parliament of Canada extends" are substituted for them.

Prior to 1953 there was some doubt as to the power of the federal Parliament to legislate with respect to religious institutions which were not operating or carrying on their services in more than one province. There was no doubt that if they carried on their services in many provinces, then it would be a national matter and would come within the jurisdiction of the federal Parliament. But, if they carried on their religious observances in one province only there was some doubt as to whether the Parliament of Canada had jurisdiction to legislate in respect to them.

In 1953 the matter went to the Supreme Court of Canada in the form of a case, which all honourable senators will recall, affecting the Jehovah's Witnesses. That case held that the freedom of worship and of the press are not civil rights or matters of a local or private nature in the province. If they are not of a local or private nature in the province they are, therefore, within the jurisdiction of the federal Government.

This bill would give the Registrar General the power to incorporate religious denominations, whether they are provincial or operate over the whole dominion, and it provides, therefore, that such organizations—they are all mentioned in section 144—have the right to be incorporated by letters patent rather than by a bill, as has been the custom.

Clause 2 of the bill provides for allowing these organizations to have both an English and a French name.

Clause 3 contains a consequential amendment. It amends section 147A and adds a new section 147B which provides for the amend-

ment of the charters of existing organizations incorporated by Parliament, by application to the Registrar General.

Honourable senators, this does does not appear to be a very complicated bill, but for several reasons I feel it should be referred to a committee. In the first place, it is a public bill which, when passed by this house, will be sent to the other place. It should, therefore, receive careful clause-by-clause study in the presence of officials of the department. In the second place, clause 2 should be considered carefully because it amends a number of sections.

Another reason why I feel this bill should go to a committee is that some honourable senators may want to ask about the legislative authority of the Parliament of Canada in this respect and how far it extends.

My fourth reason is that at present one of our committees is sitting, and a number of honourable senators have left the chamber in order to attend the meeting. Among them are some very prominent corporation lawyers. I know that a number of members of the legal profession are still in the chamber, but I do feel that those who have gone to attend the sitting of the Special Joint Committee on Divorce might want to examine this bill carefully in committee.

Therefore, if the bill does receive second reading I shall move that it be sent to the Standing Committee on Banking and Commerce.

On motion of Hon. Mr. Flynn, debate adjourned.

RICHELIEU BRIDGE COMPANY ACT

BILL TO AMEND—SECOND READING

Hon. Jean-Paul Deschatelets moved the second reading of Bill S-44 to amend an act to incorporate the Richelieu Bridge Company.

[*Translation*]

He said: Honourable senators, if you have examined Bill No. S-44, you will have noticed that it contains only one clause. However, one must sometimes be wary of these bills consisting of a single clause. I do not hesitate to tell you that this one contains certain legal or constitutional implications which the proposed amendment does not define clearly.

First, what are the facts? In 1882, a company was granted a federal charter under the Companies Act, enabling it to build a wooden bridge over the Richelieu river between Noyan and Cantic and, when that wooden bridge was completed, a toll was required; this toll is still in effect today.

Three sections of the charter granted to this company are directly connected with the bill before us. I will outline them to you, as briefly as possible.

First, section 10—I will quote the section in English, since the copy I have of the charter is written in the English language.

[*Text*]

Section 10 of the Richelieu Bridge Company Act reads as follows:

> The Company are hereby authorized to build, erect, construct, work, maintain and manage a solid and sufficient toll-bridge for ordinary traffic purposes, over the Richelieu River near the mouth of the Lacolle River from the Parish of St. Thomas, in the County of Missisquoi, to Ash Island; thence westerly to the Parish of Lacolle or St. Valentine, in the County of St. John's, Province of Quebec, and to erect, make and sink all piers—

In other words, under section 10 of the act this company has received the right to proceed with the erection of this bridge.

Section 12 reads as follows:

> After the said bridge is open to the public, and while it remains fit for traffic, no person or company, other than the Company hereby incorporated, shall construct or cause to be constructed any bridge or bridges, or shall use as a ferry any boat, scow or vessel of any kind, for the purpose of conveying any person, animal or vehicle whatsoever, for hire or reward, across the said river, for a distance of three miles on the north of the said bridge and to the Province line of the south of the same—

which is the American border.

Let us now examine the article which is the basis of the bill before us, namely, section 18, which reads as follows:

> The bridge of the Richelieu Bridge Company, hereby incorporated, is declared to be a work for the general advantage of Canada.

[*Translation*]

I said a little earlier that this bridge is still operated by the Richelieu company. It is a toll bridge.

A few months ago, the former Quebec government made representations to the federal Government so that the words which appear in section 18 of that company's charter —"that this bridge is for the general advantage of Canada"—be deleted from the charter to allow the province to build a new modern bridge approximately 300 feet from the present bridge.

Since 1882, various amendments have been made to the company's charter. New letters patent have been issued. A new incorporation has been approved. But for the purpose of the discussion, I think we can admit that all the rights and privileges granted to that company in 1882 are extant, namely, the right to operate that bridge and collect charges as well as the right to forbid any other person or company to build another bridge within 3,000 feet from that one. That is why the authorities of the present Quebec government want to proceed with the construction of a new bridge, as the former government had proposed to do.

I submit therefore, honourable senators, that our problem with regard to second reading of that bill is first of all a matter of public interest. You might say: How can you prove the public interest in this case by deleting from a company's charter a statement to the effect that the bridge is for the advantage of Canada?

I see at least two reasons why we can at this stage go ahead and approve that bill. In the first place, the Province of Quebec wants to build a modern toll-free bridge quite near to that which belongs to the Richelieu company, which means that the users will have nothing to pay. That is a rather important factor as far as the public interest is concerned.

In the second place, the bridge that the Province of Quebec wants to build will link the provincial roads at both ends and, if we do not approve this bill, the province might be prevented from proceeding with the construction of a new bridge, which would upset rather seriously the planning of roads under construction right now.

Honourable senators, I do not know if I should stress several other points. But I can say this: section 12 of the company's charter states that no other company or person can build a bridge less than 3,000 feet from the present bridge, but the opinion that this restriction does not apply to the province is but the opinion of government legal advisers acting on behalf of the province. Furthermore, honourable senators will recall that section 12 of this charter states that no person and no company may build a bridge less than 3,000 feet away, and legal advisers suggest that this does not bind, in law, the province to build there, because section 7(33) of the Interpretation Act, Victoria 31, chap. 1, states, I believe, that no province, acting as a province, nor the federal Government, can be subject to any restriction under a statute, unless it is specifically so stated.

Hon. Mr. Choquette: Nevertheless, will some kind of compensation be given shareholders of this company which, after all, will fold up because of the action taken by the provincial government?

Hon. Mr. Deschatelets: That is an excellent question, Mr. Speaker. Unfortunately, I cannot answer yes or no. I must say in that connection—and I cannot vouch for this information—that the chairman of that company is supposed to hold the majority of shares but that, in fact, several shareholders have shares in the company. However, I say to Senator Choquette that the immediate result of the passing of this bill would be to put back this bridge under the aegis of the Quebec provincial legislation. Moreover, it would have the effect of withdrawing only that statement from the 1892 charter to the effect that it is for the advantage of Canada—and this prevents, it seems, the province from proceeding with the construction of the bridge.

But to reply to Senator Choquette's question, I think all these obligations could very well be defined before a committee of the house because I hope, if honourable senators agree to the principle of the bill, that the committee will hear the various witnesses concerned in that legislation. I hope that all those who have, directly or indirectly, an interest will be summoned, so that honourable senators will realize, first, that it is a case where the public interest is well established and, second, that the shareholders perhaps will not have to suffer any prejudice. But I do not want to say more at this stage.

Now, according to the power given in section 92 (10) of the British North America Act, the provinces have the right to erect works, local structures, as is the case here. However, the main reason why, in my opinion, the province of Quebec must appeal to the feder-

al government, is that—and I think this is recognized by the provincial authorities—the Richelieu waters are navigable.

Even if this legislation is adopted, before construction of the new bridge can proceed, the Province of Quebec should, according to its legal advisers, appeal to the federal Government for permission under the Navigable Waters Protection Act.

If honourable senators have other questions to put, I will be happy to answer. However, I would like to come back to what I said before concerning consideration of this bill by a committee of the house. We are used to sending our bills to a committee and I think this is a case where perhaps more caution should be shown; I hope all those interested will be called, so that when the bill comes back for third reading honourable senators will be sure that this is a case where public interest transcends any other.

If some honourable senators would like to ask questions, I shall be delighted to answer.

Hon. Mr. Fournier (Madawaska-Restigouche): I should like to put a question to the honourable senator. Could he tell us in what year the bridge was built? Was it built immediately after the charter was granted?

Hon. Mr. Deschatelets: I may tell Senator Fournier that the charter was granted in 1882, and the bridge was built in 1883.

Hon. Mr. Fournier (Madawaska-Restigouche): I should like to ask another question. Do you know what tolls are being charged to users of this bridge?

Hon. Mr. Deschatelets: With reservation, I would say it is $1—with all due reservation.

Hon. Mr. Fournier (Madawaska-Restigouche): Is the traffic fairly heavy?

Hon. Mr. Deschatelets: I must say—again with all due reserve—that I do not have the official figures, but I believe the gross revenue for last year reached some $55,000.

Hon. Mr. Fournier (Madawaska-Restigouche): One last question. Are the shareholders of the company against this bill?

Hon. Mr. Deschatelets: I say to the honourable senator that the president of the company and the company itself are against this bill; they want to stay under the protection of the federal law.

Hon. Mr. Fournier (Madawaska-Restigouche): Thank you.

Hon. Mr. Dessureault: Are you aware of similar cases in the Province of Quebec, that is, cases where bridges would have been built under the authority of a federal charter and would enjoy a privileged right as the Richelieu bridge does? Are there still other similar cases?

Hon. Mr. Deschatelets: There are surely other wooden bridges, not many but some, I am sure. However, I do not know if these other bridges give rise to the kind of legal other problem that we now have.

In this case, the problem results from the fact that in the original charter of 1882 it was stated that the bridge was to the general advantage of Canada while in fact, today with technical advances, with the road projects of the Quebec government, needless to say this bridge is no longer considered to be in the general interest of Canada.

Hon. Mr. Dessureault: Could the province still decide to build bridges on other improved roads in the province? The same thing could happen somewhere else in the province.

Hon. Mr. Fournier (Madawaska-Restigouche): If the bridge was built in 1883, would there not be a matter of security involved, since it is made of wood?

Hon. Mr. Deschatelets: Maybe. I am quite reluctant to talk about security. However, there is no doubt that if this problem does not arise at the present time, it could arise within five or ten years, there is no doubt about it.

[*Text*]

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Deschatelets, bill referred to the Standing Committee on Transport and Communications.

STANDING COMMITTEE ON FINANCE

NOTICE OF MEETING

Hon. John J. Connolly: Honourable senators, before I move the adjournment of the Senate, I would draw honourable senators'

attention to the fact that there will be a meeting of the Standing Committee on Finance in room 263-S immediately after the Senate rises. The committee will continue the study of the Estimates, perhaps I could say, in anticipation of interim supply coming to us, because that bill is now public, although it is not before us. Despite the fact that Senator Roebuck has perhaps drawn off much of the support Senator Leonard requires, I do bespeak your attendance at the hearing of the Committee on Finance.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, November 9, 1966

The Senate met at 3 p.m., Hon. George S. White, P.C., Acting Speaker, in the Chair.

Prayers.

THE LATE MRS. SYDNEY J. SMITH

EXPRESSIONS OF SYMPATHY TO HIS HONOUR THE SPEAKER ON THE SUDDEN PASSING OF HIS WIFE

Hon. John J. Connolly: Honourable senators, I am sure that everyone was deeply shocked after the sitting yesterday to learn of the sudden and tragic death of the wife of our Speaker.

Mrs. Smith was a dedicated lady who was extremely popular among parliamentarians in both houses and in every quarter of each house. I can think of no wife who was of greater help at all times to her husband than was Mrs. Smith to our Speaker in the discharge of his duties. It can be said that she performed services on behalf of the Senate, the Office of the Speaker, and indeed, Parliament, in a manner beyond the call of duty.

The shock of the suddenness of her passing was such that we do not realize the full implications of it. If these are our feelings, then our sympathy must go out to His Honour the Speaker, who must feel the shock so much more.

All honourable senators, I know, will want me to record in *Hansard* this expression of our deep sympathy for Senator Smith in his tremendous loss. Our sympathy is extended also to his daughter and two sons, and the other members of the family who have been bereaved.

This record in *Hansard* will speak for itself. In the circumstances it is only appropriate that we pay this tribute to a wonderful woman who was active, energetic and enthusiastic, and who seldom thought of herself. Mrs. Smith was dedicated to the work that her husband was doing, not only as Speaker of the Senate but for the many years before.

Hon. Lionel Choquette: Honourable senators, I wish to associate myself and the members of the Opposition with the remarks of the honourable Leader of the Government. The sudden and unexpected passing of the wife of our distinguished Speaker comes as a sad shock.

Mrs. Smith was a charming and gracious chatelaine and hostess whose unfailing kindness and hospitality will be greatly missed by all honourable senators.

Our sympathy must be reserved for those whose loss is the greatest in the passing of a devoted wife and mother. Our sincerest sympathies and expressions of regret go out to our respected Speaker and his sons and daughter in their bereavement.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Order in Council P.C. 1966-2079, dated November 3, 1966, authorizing under section 21A(2) of the Export Credits Insurance Act, long-term financing by the Export Credits Insurance Corporation for the sale by Automatic Electric (Canada) Limited, Brockville, Ontario, of capital equipment and services to the Philippine Long Distance Telephone Company, Manila, Philippines, pursuant to section 21B of the said Act, chapter 105, R.S.C., 1952, as amended 1960-61. (English text).

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. Fred M. Blois: Honourable senators, it is my intention to speak briefly in connection with Bill C-218. I think we all agree with the setting up of this board to regulate the matters of payments that have been made for the moving of western grain to Eastern Canada and to British Columbia. As far as I am personally concerned, my interest is in the Atlantic provinces, and more particularly in my own Province of Nova Scotia.

I think most of us, in studying the bill and listening to remarks that have been made, realize that after a trial certain changes and amendments may be necessary. However, I think all agree that the operations of the board should be given a fair trial. It will no doubt be a strong board, and we expect that the persons who serve on it will be competent to study and determine what is in the best interests of Canada as a whole.

As far as the Atlantic provinces are concerned, we have been receiving subsidies in this connection for the past 25 years, not necessarily in the manner in which they are now being proposed. These have been of considerable help. Unfortunately, even with this help, the cattle population of the Atlantic provinces—and more particularly of Nova Scotia—has decreased by almost 20 per cent.

That may not be as bad as it sounds, because while the size of the cattle herd has decreased, other things have taken place. For instance, the raising of hogs in Nova Scotia has increased considerably, and the quality has been such within recent years that a large proportion of the hogs going to abattoirs have been of the highest grade. Furthermore, there has been considerable growth in the poultry, egg and chicken industries, and perhaps to a lesser extent in the turkey industry, and all this has had quite an influence on the economy of our province.

In addition, another situation has developed under which our farmers, in conjunction with the provincial government, have been improving their herds.

Not many years ago the farmers had a lot of other than purebred stock, which some referred to as scrub cattle. The farmers have found that to get the best results they must have better stock. It became necessary to cull out those cattle which were not paying and endeavour to raise purebred stock. The farmers of my province are not as well off financially as some of those in other sections of Canada. The first thing they had to do was to sell off some of their so-called cull stock in order to raise money to buy purebred stock.

Those senators who know something about farming realize that a farmer would have to sell from three to five head of ordinary stock in order to buy one purebred animal. If as an alternative, he bought purebred calves at a low price, it would be a couple of years before there would be any return.

I am pleased to say that this change is going ahead now reasonably well. Last week one of the prominent farmers of Nova Scotia told me about what he had been doing on his farm. He had taken it over from his father and had bought additional land to go with it. He cleared out all the old stock which was not purebred and started out with purebred stock. Today he has a herd of 200 purebred Herefords, and he is beginning to operate on a paying basis. He informed me that at the Atlantic Purebred Fair in Halifax last week, and in the year before, he had several cattle which took first prize. He was also proud of the fact that one of his animals sold at auction at $14 a pound live weight, and quite a few averaged out at $8 a pound. So you can see that he is raising high quality cattle. When I asked him a few more questions I learned that most of the cattle they were selling were running in the vicinity of 1,000 pounds. This is a marked change in my province in the last ten years.

The problem always has been, and probably will continue to be, that the cost of bringing feed grain in has been excessive. Even last year, 1964-65, arrangements were being made to bring western feed grain by sea into the Port of Halifax, but they found the elevators were not sufficiently large to store it. As a result, later in the season this western feed grain had to be purchased from storage places in Quebec and Ontario and landed in Nova Scotia at a much higher cost.

As I understand it, the idea of this legislation is to provide the necessary arrangements for storage, so as to have grain available to the farmers at a reasonable price. This has been, and probably will continue to be, quite a serious problem for them.

I referred a few moments ago to the poultry industry. Last summer I visited one of the poultry farms in my constituency. The owner of that farm told me that he was grading at that time between 30,000 and 50,000 eggs a day. Now, he is not the largest producer in the province, but that will give you some idea of what can happen if we can get proper feeds.

This man also informed me that he found it necessary to haul about two truckloads of feed a day over a distance of approximately 40 miles. He said it was difficult but that he was still making a small profit. As has happened, there were times when this feed grain was not available and he had to buy grain where he could at much higher prices.

This bears out the statement that I made that we do need the facilities of this board so that grain will be available when it is needed.

I would suggest that there is another problem developing as to whether or not something can be done so that the farmers in the Province of Nova Scotia, and no doubt elsewhere in the Atlantic provinces, can raise a certain amount of feed grain themselves on their own farms.

In going about the province this summer I was very much encouraged to see that a large acreage had been cultivated and planted to

grain. In fact, one farmer in my own constituency planted a 12-acre field to barley and his results were most amazing. Even some of my friends from western Canada and Ontario might doubt my accuracy when I say that his yield was an average of 117 bushels per acre. I know that this is well above the average, but, to be fair, the man told me that in the previous fall he fertilized this field very heavily. He had plowed it under and the soil was in excellent condition. He had an early season this spring, and when planting his barley he also put on more commercial fertilizer. We were fortunate in having a reasonably wet spring—not too wet to get onto the land but wet enough for good growing—and that accounted for his tremendous crop.

I spoke with other farmers in various parts of the province and they were also getting good results, though not equal to the one I first referred to. However, some of the farmers with whom I spoke are endeavouring now to raise grain for feed, and they were wondering if it would not be possible to adopt some system whereby payments would be made to them along the lines of those which are now being made to bring the western grain to the Atlantic provinces. This would assist them in raising much larger crops and would assist them in buying fertilizer, which is very expensive.

By doing this they would improve the lot of the farmers in the community; moreover, they would improve the economy of the province, and I think we will all agree that if the economy of any one of the provinces can be enhanced, it is bound to affect the economy of Canada as a whole. I think it is something well worth considering.

I was interested in the discussion on this matter in the other place, particularly in view of the fact that I had talked with quite a number of the farmers myself.

I realize also that there are many honourable senators, as well as many people in other walks of life, who do not realize that farming can be successful in Nova Scotia. It is true that we do not have large level fields, as is the case in western Canada or even in Ontario and Quebec. However, our temperature is conducive to fast growth and we have to use, as I mentioned previously, a lot of fertilizer.

As I understand it, in the Prairie provinces there is plenty of potash in all the fields, and while they use certain types of fertilizers they do not have to use those which are blended with potash. That again cuts down the cost.

Moreover, our provincial government along with our provincial agricultural college and federal institutions, which are endeavouring to assist the farmers in the Maritime provinces, are all doing good work. The various farm associations are reasonably effective and are trying hard to be successful.

Perhaps it would not be out of place if I mentioned one factor that I think is doing much to improve our farms and to keep our young people on the farms. I refer to the 4H Clubs. Most of you know that these clubs are endeavouring to instruct both young boys and girls, the teenagers, on improved methods of farming. These growing people are taking an interest. If you go to any of the local fairs now you will find both boys and girls showing cattle and stock of various kinds. They take care of them on the farms from the time they are young animals and they bring them along and show them. Interest is really building up and these clubs are most worthwhile.

In the Province of Nova Scotia, as is the case in other places, one of the big problems has been to keep young people on the farms. Nowadays, however, I can see quite an improvement. There seems to be quite a difference of feeling, and if we can get a little help in the growing of grain I am sure that too will help solve this problem.

It may be said that we are always asking for something, and I suppose it is true, but I do not feel that the people of the Atlantic provinces or of British Columbia are asking for any help in this industry which is not being granted to people in other places and in connection with other industries. While we may have important industries, such as the paper industry, I think we all have to admit that agriculture in its various forms is the backbone of a country like Canada. Therefore we should not hesitate in asking for and urging that very careful consideration be given to any measure which would tend to help these people. Above all it is important that we should help them to help themselves.

I was interested to read today an editorial from the Halifax *Chronicle-Herald* dealing with this problem. It is under the heading "Strong Board", and while I do not intend to quote it in full, it does mention many points which I have brought forward this afternoon. In that editorial the following sentence appears:

> Nova Scotia farmers have relied too heavily on subsidized western feed grain. They have had too little incentive to use suitable land in this province for the cultivation of home-grown feed grains.

Then it goes on to adduce some of the ideas which I mentioned a few moments ago, and to examine the situation in detail.

I am not making any apology for suggesting to this house that when this bill comes before the committee we should give it approval. I realize that at the moment few changes can be made and I question the wisdom of making amendments at the present time, but I think if the members of this honourable house keep in mind that in one or two years' time changes can be made if necessary, the passage of this bill will help the situation not only in my own province and all the Atlantic provinces but in Canada as a whole.

On motion of Hon. Mr. Pearson, debate adjourned.

CANADA CORPORATIONS ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. W. Ross Macdonald for the second reading of Bill S-51, to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain.

Hon. Jacques Flynn: Honourable senators, we are all indebted to honourable Senator Ross Macdonald for the clarity of his explanation in connection with Bill S-51, which suggests some amendments to the Canada Corporations Act relating to corporations without share capital.

As the honourable sponsor has said, the purpose of this bill is rather simple. It derives from the fact that the provisions concerning the incorporation of corporations without share capital are restrictive in the words "in more than one province of Canada" and have led to the conclusion that a corporation which did not operate and/or did not intend to operate in more than one province could not be incorporated under the then Companies Act and had to secure incorporation through a special act of Parliament. Section 1 of the bill deals with this matter in removing these words and substituting the words "to which the legislative authority of the Parliament of Canada extends..."

The occasion has been taken to apply to these corporations without share capital some provisions which apply to corporations with share capital concerning the use of the English and French versions of their names; and, at the same time—this is the third purpose of this bill—to allow the continuation by letters patent under Part II of the act for corporations without share capital which were incorporated by special act of Parliament.

The mechanism of the amendments will be studied in committee, and this is a good thing, but may I make this one comment, that I am interested in the principle that is embodied in section 147B, which allows the continuation by letters patent or provides the application of the Corporations Act to corporations without share capital which have been incorporated by special act of Parliament.

It seems to me this is a good idea, and one that possibly should be studied further and applied in many more cases to corporations with share capital which have been incorporated by special act of Parliament. I have in mind, for instance, the special case we studied earlier this year, the act respecting the Interprovincial Pipe Line Company. This is a corporation which has been incorporated by special act of Parliament. It had to come to us merely to change its capital structure. I do not see why, once Parliament has incorporated a company for specific purposes, this company would have to come back to Parliament to change, for instance, its name or its capital structure. In my view it should be sufficient in a case like this for the corporation to seek permission to split its capital structure, after having first obtained the concurrence of the Superintendent of Insurance or whatever other body might be concerned with it, through supplementary letters patent.

Therefore, when this bill goes to committee, I intend to inquire of the officials of the department regarding this suggestion that an amendment could be brought into the Corporations Act embodying the same principle and applying it to some other corporations incorporated by special act of Parliament with share capital.

This bill seeks to remedy an omission that occurred when we reviewed the Companies Act two years ago, because at that time the problem existed. It was simply omitted; but at the same time I suggest that maybe this other problem I have underlined was also omitted and may be remedied in the future.

Hon. A. K. Hugessen: Honourable senators, I think the principle of this bill is one which deserves our support, because what it really will do, if it is brought into effect, will be to

take away from Parliament certain obligations, certain duties in respect of private bills which now take up a good deal of time.

The effect of section 1 of this bill will be that, in the case of religious organizations, they will have to apply to the Registrar General of Canada for letters patent incorporating them, rather than to the Parliament of Canada.

Honourable senators who have been members of the Miscellaneous Private Bills Committee, as I have for quite a number of years, will realize that that sort of work, incorporating a religious organization, is a thing that can just as well be done by the civil servants in the Secretary of State Department as by Parliament itself.

As far as I recall, the only question that has ever arisen in connection with any of these religious organizations has been as to the use of the name. In one or two cases that has arisen. In the case of names, the Department of the Secretary of State—now the Department of the Registrar General—has a tremendous body of experience in connection with the granting of names to companies and making sure they do not conflict with the names of other companies, and I am quite sure that department could do likewise with regard to religious organizations.

I support the principle of this bill, because it will relieve Parliament of an obligation which I do not think it necessary for Parliament to take and because, in these days of enormous masses of important legislation, it is a good thing for us to reduce the parliamentary load.

I would draw the attention of the house to the fact that this seems to be a trend developing at the present time. In connection with the new Bank Act, which is to come to us after it has passed the House of Commons, as I recall it there are provisions which would allow a new bank to be established by letters patent without having to go through this long and complicated business of a parliamentary bill. I would suggest, along that line of thought, that it would be wise if proper action could be taken to allow pipe line companies to do the same thing. As honourable senators who are members of the Standing Committee on Transport and Communications know, we have a series of pipe line bills coming before us, and we are always told that the only purpose of such a bill is to give corporate form to the organization, because when the organization wishes to build a pipe line or an extension, or anything of that kind, it has to go before the National Energy Board. It has seemed to me for some years that this business of bringing these pipe line bills before us is really a waste of the time of Parliament.

I was much interested in my honourable friend Senator Flynn's suggestion as to a further extension of this bill, for instance, in the case of a company which has been organized by special act of Parliament and which wishes to increase its capital or change its name or its head office, or any of these things, and which has now to come before Parliament and go to all the trouble and expense of getting an amending parliamentary act—to see if we could devise some scheme by which it could go through the Registrar General and get supplementary letters patent, or some such procedure. I think that would be a proper amendment and would support what I consider to be the merit of the bill, the divorcing from Parliament of much unnecessary work.

Hon. Mr. Choquette: May I ask the honourable senator a question? Is it not possible in this bill to include, by way of amendment, a clause enabling a company with share capital to change its name or adopt a French name, or do things of that sort which now come before us? Could that be done in this bill by way of amendment?

Hon. Mr. Connolly (Ottawa West): That has already been done; that is already in the act; we did this last year. However, you are quite right, it is the kind of thing it could do.

Hon. Salter A. Hayden: Honourable senators, may I add a word?

The companies that are intended to be covered by section 1 of this bill are companies which may have national connotations in the area of patriotic, religious, philanthropic, charitable, or like objects, and which, while they might be confined to a province, feel and have found it necessary to go to the Parliament of Canada rather than seek incorporation by letters patent.

One advantage in having a company with objects of this kind come to Parliament is that their efforts and what they are seeking are spotlighted, because they must advertise preceding the introduction of their bill, and in that way there is an opportunity for a more searching inquiry, if necessary; and the purpose, the objects, plans and intentions of the persons behind this sort of company which is espousing patriotic, charitable or educational objects, come to the attention of a larger body of people. Therefore, you can be

sure that when the matter has gone through Parliament, the public and those who may have viewpoints for or against, have had more notice and more opportunity to express themselves. I do not say that is a reason for not doing this, but I think it is reason for providing for some measure of publicity akin to that which it would receive were it introduced in the form of a private bill.

It is true that under the Corporations Act the Director of the Corporations Branch can, in a proper case and if he feels it necessary, take evidence, but that is all done within the scope of the department. I think possibly it would be well to consider in committee what features of publicity should be added as a requirement if you are going to proceed by way of letters patent rather than by way of private bill.

I agree with the suggestion made by Senator Flynn. I am a little concerned about the connotation of the word "national" in section 1. The word "national" in that section is associated with patriotic, religious, philanthropic and charitable objects. As I read it in its present form, it means that any company without share capital and without profit motive, being incorporated and having a national objective, may seek incorporation by way of letters patent instead of by private bill. I am wondering whether what was meant here was something of religious or educational concern national in scope, or corporations having objects of that kind which were of a national character. A very interesting question might be presented if you had a mutual insurance company—and insurance companies must be incorporated by act of Parliament, in virtue of the provisions of the Canadian and British Insurance Companies Act—which presumably has no share capital and which is operated for the policy holders and which, therefore, has no profit motive. We might well say it has that feature of national character or objectivity, and as such it might well be able to apply for incorporation by letters patent. I am not sure that that was intended, and some slight revision of the language of this section might be required in order for it to accomplish its purpose.

Motion agreed to, and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. W. Ross Macdonald: Honourable senators, I had the honour of introducing this bill yesterday, and at the close of my remarks I suggested that it should be referred to a committee for four reasons. A fifth reason has been added by the suggestions of Senator Flynn and other honourable senators who have spoken. There is a general feeling in the house, I think, that this bill should be referred to the Standing Committee on Banking and Commerce, and I so move.

Motion agreed to.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Arthur W. Roebuck moved the second reading of Bill S-49, to amend the Criminal Code.

He said: Honourable senators, may I commence my remarks in support of this bill this afternoon by saying how much I appreciate the honour of sponsoring a ban on the demon of hate. It is not only something that appeals very strongly to my own moral feelings and hopes, but this is a government bill designed to carry out the policy of the government of the day.

As mercy blesses him that gives as well as him that receives, so hate is destructive not only to the hater but also to the hated. It is the very antithesis of the Christian injuction to love thy neighbour as thyself.

Canadians, according to my understanding, knowledge and experience, are a kindly and tolerant people. As a nation we have friends in every country of the world, and I hope we have no enemies. We have good will for all mankind, irrespective of colour, race or ethnic origin. Domestically, our people, with very few exceptions I think, are good natured, kindly and hospitable. We have freedom, and we have learned by experience to preserve our ways of life by a scrupulous regard for the ways of life and freedom of our neighbours; and, honourable senators, we wish that kind of thing to continue.

However, the world at large, I am sorry to say, is not so fortunate. We have seen people, no less virtuous than ourselves, driven to deeds of fiendish cruelty by the merchants of hate. Human emotions stirred to fever heat seem to overpower reason, and mob fury begets savagery.

In my lifetime I have seen hate progaganda lead to barbarities that shocked the conscience of the world. We want no such insanity in this country—in this Christian country.

I hasten to say, lest my words by misunderstood, or lest the object of this bill be misinterpreted, that there is no such prospect at present in this country—in this well-fed community. Lest somebody misunderstands what we are doing, let me say that there is now no such crisis in Canada. But, on the other hand, I pause to remind honourable senators that great oaks from little acorns grow. If the cloud on the horizon at the present time is no bigger than a man's hand, it is still there. There are people in Canada who do offend in this matter of hate propaganda, and who do offend against certain groups in the community. I suggest that every group in this community is interested in this matter, for every group is open to attack and the possibility of attack, both by way of insult and the actual dangers of such propaganda.

While these purveyors of hate are few in number, and perhaps unimportant from some points of view, their potential for mischief is very great. At present, honourable senators, there is no prohibition in law—in the Criminal Code or elsewhere—against their poisonous appeal. There are thousands of law-abiding citizens in this country who have already experienced the bitter fruits of hate progaganda. Some have lost mothers and fathers, brothers and sisters and cousins in gas chambers. These people now look to us for protection against the insult as well as the dangers of hate propaganda directed against identifiable groups to which they belong. Honourable senators, that is the purpose of this bill.

Before discussing the bill itself may I refer briefly to such protection as is now afforded by the Criminal Code. While I cannot, of course, give a complete reference, I can point out some of the outstanding features, such as section 153 that prohibits the use of the mails for the transmission of scurrilous material.

Mr. Justice Dalton Wells, a member of the Appeal Division of the Supreme Court of Ontario, has defined "scrurrilous" as "grossly offensive and abusive", which I suggest would certainly include hate propaganda.

Section 160 of the Criminal Code prohibits disorderly conduct in a public place, and there are other sections such as those dealing with riots, unlawful assemblies, blasphemous and defamatory libels, murder, forcible entry, assault, and so on. I could mention very many others.

These are valuable and really necessary provisions for the protection of the individual. However, there is nothing in the Code for the protection of groups as such. There is also no mention of hate propaganda. We must realize, of course, that our Criminal Code was drawn long before the Nazi tragedy. Our radio and television regulations have been much more modern in draftsmanship because they are, comparatively speaking, quite recent. The radio regulations prohibit the broadcasting of:

> Any abusive comment on any race or religion.

Our television regulations prohibit:

> Any abusive comment or abusive pictorial representation of any race, religion or creed.

Hon. Mr. Choquette: Is religion included?

Hon. Mr. Roebuck: It is not; but I will discuss that later.

Hon. Mr. Choquette: It is not?

Hon. Mr. Roebuck: No, not directly.

Hon. Mr. Choquette: I do not want to interrupt you, but I heard you say "religion," and I note its absence from the act.

Hon. Mr. Roebuck: It is not referred to directly but it is covered. I will discuss that later.

What I have mentioned is all that there is in the present law, and the failure of our criminal law to suppress these mongers of hate and to protect the public from such propaganda has been the cause of very serious concern by the public at large and in Parliament. For instance, a private bill was introduced in the House of Commons on February 20, 1964 dealing with genocide and hate propaganda. It was introduced by Milton Klein, M.P., Q.C., of Montreal, and seconded by Mr. James Walker, M.P., of Toronto, the then chief whip of the Liberal administration. I think these men are entitled to a good deal of credit, because they broke the ice, as it were, in parliamentary circles. They initiated the parliamentary procedures which followed and culminated in the bill I now have the honour to sponsor. I congratulate them because it is not often that those who advocate public reforms live to see the fruits of their enterprise.

The matter has been discussed no less than three times in the Commons. I noted that on one occasion Mr. Larry Pennell, M.P., now the Solicitor General, referred to a measure such as this, as "expressing the conscience of Canada."

Following the introduction of that bill and the discussion on it in the Commons in 1964, after February 20, the present Government authorized the consideration of the subject by the Commons Committee on External Affairs. The committee sat through the sessions of 1964 and 1965. Special studies were made by Professor Mark R. MacGuigan of Toronto, and a member of the committee, and also by professor Harry Kaufman, Associate Professor of Psychology of the University of Toronto. Then Mr. Klein reintroduced his bill in 1965. This in turn was supplemented by an extensive analysis of hate propaganda as distributed through the mails. That was done by a committee chaired by Mr. Justice Dalton Wells, of the appeal division of the Supreme Court of Ontario, to whom I have already referred.

These activities, while they were most useful and very important in my judgment, were nevertheless somewhat desultory and incomplete, and the Government was desirous of practical and positive action. Accordingly, in January 1965, the then Minister of Justice, Mr. Favreau, appointed a committee under the chairmanship of Dean Maxwell Cohen, of the Faculty of Law of McGill University, Montreal, to study and report on the subject. That report is now promptly to hand. It is a masterly report, and this government bill which I am now sponsoring is designed to carry out almost to the letter the recommendations of the learned chairman and his exceedingly able and capable committee.

The committee made an intensive study of the subject, and it found that hate propaganda, which it said had not reached crisis proportions, is nevertheless so serious in Canada as to require legislative action. The committee therefore recommended prohibitions in the Code in three great divisions which you will find set out, in almost the same terms as the committee's recommendations, in the bill now under consideration.

The first of the prohibitions is against genocide, to be found in section 267A, subsection 1 of the bill, which reads as follows:

> Every one who advocates or promotes genocide is guilty of an indictable offence and is liable to imprisonment for five years.

As a matter of fact, the penalty is not quite as drastic as it would appear to be in the bill, because the Code under these precise circumstances permits a fine to be levied at the discretion of the court in addition to or in the alternative for the penalty prescribed in the act. However, no more than the same penalty of five years may be levied for non-payment of the fine.

The dictionary definition of genocide, to take Funk and Wagnall first, is:

> The systematic extermination of racial, national, cultural or religious groups.

Webster's Third International Dictionary gives this definition:

> The use of deliberate, systematic measures calculated to bring about the extermination of a racial, religious or cultural group.

The bill retains the ordinary meaning of genocide which is indicated at least by these two definitions, and it widens the meaning ordinarily given to the word to include a number of specific offences. The section includes the following:

> (a) killing members of the group;
>
> (b) causing serious bodily or mental harm to members of the group;
>
> (c) deliberately inflicting on the group conditions of life calculated to bring about its physical destruction;
>
> (d) deliberately imposing measures intended to prevent births within the group; or
>
> (e) forcibly transferring children of the group to another group.

May I emphasize that these specific provisions are in addition to the ordinary natural meaning of the word "genocide".

This series of special descriptions of offences is copied from the United Nations Convention, Article II, adopted in 1948, which was signed by Canada in 1949. It was ratified by the Parliament of Canada, including this chamber in which we are speaking today, in 1952. It was ratified unanimously at that time. It has now been ratified by no less than 66 states of the world, as of 1965.

Most European nations, including Great Britain, have adopted legislation of a somewhat similar character, the detail of which would be rather too great for me to attempt to describe at this moment.

Honourable senators, the odious deviltry of such acts needs no elaboration from me, except

to say that they have been actually used in this world of ours for the wholesale destruction of certain groups—elsewhere, not in Canada. I am sorry to say that there may be those in Canada who would practise them here, in whole or in part. The Maxwell Cohen committee found no less than 14 organizations in Canada engaged in hate propaganda. While they say that the persons involved are few in numbers, and they suggest unimportant from some points of view, to ignore the potential injury and the prejudice developed by their activities in the distribution of hate literature would be a mistake.

Because most of the acts defined as genocide are clearly prohibited in the Criminal Code—such as murder, assault and a few more such acts—this bill is confined to the advocacy and promotion of genocide. This is clearly not forbidden by our Code as it stands today. While mass murder of any group in Canada distinguished by colour, race or ethnic origin is unthinkable, at least at the present time, and is certainly very remote, the awful consequences of racism and prejudice are such as to warrant a repudiation by the Parliament of Canada.

The groups against whom it may be levied—and that perhaps applies to us all—are entitled to protection from its advocacy—and, I might add, from the insult of such attack.

Honourable senators, I turn again to the bill. I would like to mention the second great division of prohibition. It reads as follows:

> Every one who, by communicating statements in any public place, incites hatred or contempt against any identifiable group where such incitement is likely to lead to a breach of the peace, is guilty of
>
> (a) an indictable offence and is liable to imprisonment for two years; or
>
> (b) an offence punishable on summary conviction.

Two years may seem to some as being severe, but section 622 of the Code permits a fine in lieu of or in addition to, the specified penalty set out in the act. It limits the imprisonment for non-payment to the penalty set forth in the act, in this case two years. The penalty on summary conviction may be a fine as high as $500 or six months' imprisonment, or both.

That section which I have read requires some definition. "Public place" is defined to include any place to which the public has access, as of right or by invitation, expressed or implied.

"Statements" which are prohibited, as you have noted, include words, either spoken or written, gestures, signs, or other visible representations.

Then comes the very important definition of "identifiable group". It means "any section of the public distinguished by colour, race or ethnic origin."

"Ethnology" is defined in Webster as "the science dealing with the races of man, their origin, distribution, peculiar characteristics, et cetera."

Hon. Mr. Choquette: Is my question again timely?

Hon. Mr. Roebuck: It is not timely quite yet.

Hon. Mr. Choquette: I hope it will come.

Hon. Mr. Roebuck: It will come in a moment. May I say to my good friend that the committee's recommendations included religion, language and nationality. They are not in the bill, and I will tell you why. "Colour, race and ethnic origin" is broader in its scope, as it includes all of a group, whether or not they adhere to the religion of the group and whether or not they speak the language of the group.

Hon. Mr. Choquette: Yet their religion could be maligned and insulted, and you could have all colours belonging to that religion and it would be all right.

Hon. Mr. Roebuck: I do not think it goes that far.

Hon. Mr. Choquette: That is the explanation you are giving.

Hon. Mr. Roebuck: The ethnic definition would cover what you say.

Hon. Mr. Walker: How?

Hon. Mr. Roebuck: At all events, that is something for more thorough discussion in committee. If religion is not covered, we may amend the bill. At the same time, I submit now that the addition of adjectives or words to a simple sentence usually restricts the meaning rather than enlarges it. That is the argument at least with regard to the present phraseology. To add religion, language and even nationality would narrow rather than widen the definition. Moreover, religion is pretty well protected, as my friend will see, under section 161 of the Code. "Nationality"

and "ethnic group", for the purposes of this bill, mean about the same thing.

The third division of the prohibitions which you will find in the bill and also in the report, affects anyone anywhere who, either orally or in writing, wilfully promotes hatred or contempt against any identifiable group, and provides for a penalty of two years' imprisonment or for summary conviction.

The Cohen committee points out that the prohibitions such as last mentioned, in this last group only, are a limitation on free speech and expression. On the other hand, I point out that statements in the public place which are likely to lead to a breach of the peace cannot be allowed to continue on any ground of freedom of speech. The public order is paramount. Statements not in a public place and not likely to lead to a breach of the peace are quite a different matter. I personally, and I am sure all members of this house, will agree with their concern for freedom of speech in Canada. Our governmental system depends on freedom of speech. It is a key freedom upon which all liberties depend.

Honourable senators will remember this quotation:

> I disapprove of what you say, but I will defend to the death your right to say it.

Thus the bill provides certain defences under this third section, under which, as I have said, the offence is not committed in a public place and is not liable to lead to a breach of the peace and does not include the advocacy or the promotion of genocide.

The bill then provides that the accused is not guilty, if he establishes that the statements communicated are true.

There was and still is a very well-known phrase: "The greater the truth the greater the libel." That never was the law of Canada or of Great Britain and is not now. In defamation, in libel, and in matters of that kind, the truth has for many years been considered in this country a complete defence, even when the truth has been spoken for not the best of motives.

Now, in addition to that right to plead the truth of the statements complained of there is this: that "they were relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds the accused believed them to be true." This excludes, of course, a bona fide discussion of political, economical and social problems as outside of the prohibition, and it seems to me that that should be sufficient.

Lovers of free speech should find little cause for complaint at the prohibition of words of hate and contempt, when the speaker or writer does not believe them on reasonable grounds to be true. We are not in the habit in this or the other chamber of protecting spiteful liars.

It follows of course that the means by which the offence was committed should be forfeited to the Crown to be disposed of as the Attorney General may direct. You will find that in the bill. The means would include pamphlets and books, newspapers and magazines and so on and so forth. For example, if it were the actual commission of genocide, I suppose it would be arms of some kind.

The seizure provisions which you will find in the bill are identical with those in connection with obscene publications and crime comics as set out in section 151A of the Criminal Code.

Further, when the judge is satisfied that any publication kept for sale or distribution is hate propaganda, he may issue a warrant of seizure, but, within seven days after the seizure, he must summon the occupier of the premises where the offensive articles were found—and I suppose, if he knew to whom they belonged, he would certainly include that person—and ask him to show cause why the copy or copies should not be forfeited. Should the defence succeed in showing why they should not be forfeited, they must be restored, when the time for appeal has elapsed. And, fortunately, there is to be an appeal, though it is under the third division of the prohibition only, and of course under the Code in the other divisions.

The appeal is by any person who appears in the proceedings. It is the widest possible classification of who may appeal. The appeal may be on both questions of law and questions of fact, and on questions of mixed law and fact. The appeal is as provided for in the Code as respects indictable offences. You will find, too that the Attorney General has also an appeal, which is given under section 584, subsection 1A, of the Code.

The bill has a still further precaution against what might be described as police persecution, in that on conviction with respect to material seized that has come before the judge, the proceedings cannot be instituted or continued against copies not seized,

without the consent of the Attorney General. This is to prevent a multiplicity of proceedings, and also to prevent the harassing of periodical publications.

May I conclude, honourable senators, by saying that the conditions which this bill is designed to correct have received a most intensive study by many competent persons over a very considerable period of time since the present Government took office. The substance of the bill is recommended after thoughtful investigation by a highly competent committee under the chairmanship of the Dean of the Faculty of Law of the University of McGill.

The bill itself has been drawn, to my personal knowledge, in all its detail with the greatest of care by the Department of Justice of our own Parliament, and may I say again that hate propaganda is so odious and so dangerous in its effect on the groups against which it is directed that it is cruelly unjust and should be prohibited.

I congratulate the Government on the production of this bill and I recommend its passage by this house. I confidently suggest that it will, after some discussion of detail, receive the unanimous approval of this house. I hope it will.

I understand, honourable senators, that there will be proposed a joint committee of both houses of Parliament appointed to consider in detail the report which I have mentioned, together with this bill and as well the purposes of this measure.

That is all that I can say at the moment in description of the bill, its need and its possible beneficial effect in our community.

Hon. Edgar Fournier: Honourable senators, I am not a member of the legal profession, but after hearing the honourable Senator Roebuck give such a fine description of this bill, I surely endorse all his words and all his wisdom. I believe this bill is long overdue and will serve a very good purpose.

While I listened very attentively to the honourable senator's explanation, and he mentioned many of the groups that will be affected, I was wondering whether some of the cartoonists we have in Canada would not fall under these categories. This is just my own personal opinion, but sometimes I wonder if some of these public demonstrations—and they do not have to be written, as far as I am concerned—are not in the category of hate literature. Some of these demonstrations are carried too far; some day they may result in a great deal of trouble.

When I mention cartoonists, what I have in mind is the type of thing that is intended to destroy somebody, the sort of caricatures that are repeated in newspapers day after day. Is this freedom? Sometimes we have a tendency to hide too many things behind "freedom" and "liberty".

Just a few days ago there was a demonstration here in front of Parliament: two young men burned the Canadian flag, although less than six months ago there was an act passed here demanding respect for the flag. These two young men that I refer to came here and burned the flag deliberately, knowing very well what they were doing. They challenged the protective staff and the R.C.M.P. They challenged the Government as a whole, and their action was an insult to the Canadian people. It took place in front of the veterans of our country who gave everything they had so that we might have a Canadian flag which would fly with pride. In my view it was an act of savagery of the lowest level. But, honourable senators, somewhere along the line these people can hide behind freedom. I believe the time has come when we should do something about this type of demonstration. I have no objection to the displaying of banners or flags, but when it comes to the burning of the Canadian flag in front of the Canadian Parliament, that is another matter. This is going too far and I object strongly.

I know this bill has nothing in it which will prevent this sort of thing, but I hope it is a first step and that at a later stage some regulations may be made to prevent repetitions of this act.

I believe this bill will do much good and I hope it will have an early passage. We will give it all the support we can and we hope it will serve the purpose for which it is intended.

Hon. Mr. Roebuck: Perhaps I should state in the public interest that according to my information those young men have been arrested. In those circumstances, and according to the law, we should not discuss the matter here, because it is *sub judice*.

Hon. Mr. Fournier (Madawaska-Restigouche): I am very glad to hear they have been arrested.

Hon. Mr. Roebuck: That is my information.

On motion of Hon. Mr. Croll, debate adjourned.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, November 10, 1966

The Senate met at 3 p.m., Hon. George S. White, P.C., Acting Speaker, in the chair.

Prayers.

IMMIGRATION

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the names of Messrs. Clermont, Roxburgh, and Blouin have been substituted for those of Messrs. Macaluso, Reid and Tremblay on the Special Joint Committee on Immigration.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report on Prairie Farm Rehabilitation and Related Activities for the fiscal year ended March 31, 1966, pursuant to section 12 of the Prairie Farm Rehabilitation Act, chapter 214, R.S.C., 1952. (English and French texts.)

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, November 9, 1966, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Statements showing Classification of Loans and Deposit Liabilities in Canadian Currency of the Chartered Banks of Canada as at September 30, 1966, pursuant to section 119(1) of the Bank Act, chapter 48, Statutes of Canada 1953-54. (English and French texts).

INTERNAL ECONOMY

SECOND REPORT OF COMMITTEE ADOPTED

Hon. Donald Smith, Chairman of the Standing Committee on Internal Economy and Contingent Accounts, presented the committee's second report:

Your committee recommends:

That, during a recess of Parliament the Leader of the Government in the Senate and on behalf of the Senate in all matters from time to time be authorized to act for and on behalf of the Senate in all matters relating to the internal economy of the Senate.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Smith (Queens-Shelburne): Honourable senators, with leave of the Senate, I move that this report be adopted now.

Honourable senators, perhaps I should explain that this is the usual motion which is made from time to time to establish some body of authority to conduct any business with regard to the functioning of the Senate at any time when the Senate is not in session.

I understand the practice for a long time past has been that during recesses of Parliament of say, a week, two weeks, or two months duration, the Leader of the Government in the Senate has been empowered to name two other senators to act with him in matters relating to the internal economy of the Senate. I also understand that as a matter of courtesy he always includes the name of a representative of the Opposition in the Senate.

As we have no indication as to when the Committee on Internal Economy and Contigent Accounts will meet again, this motion was passed at our meeting earlier this afternoon in order to have on the record authority for the leader and two other senators to act in this capacity, should the occasion arise, before the next meeting of the committee.

I commend the passage of this motion to the house.

Hon. Mr. Isnor: May I inquire from the chairman of the committee if the two members will be chosen from the senators at large?

Hon. Mr. Smith (Queens-Shelburne): I do not have a copy of the motion before me, but my understanding is that the two members are appointed by the Leader of the Government in the Senate.

Report adopted.

IMMIGRATION

JOINT COMMITTEE—FIRST REPORT ADOPTED

Hon. Leopold Langlois, Joint Chairman of the Special Joint Committee of the Senate and House of Commons on Immigration, presented the first report of the committee:

Your committee recommends that its quorum be fixed at twelve (12) members,

provided that both Houses are represented.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Langlois: Honourable senators, I move, with leave of the Senate, that the report be adopted now.

Report adopted.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

That the name of the honourable Senator Cook be substituted for that of the honourable Senator Deschatelets on the list of senators serving on the Special Joint Committee on Consumer Credit (Cost of Living); and

That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

LEGAL SERVICES

FEES PAID BY GOVERNMENT TO MEMBERS OF QUEBEC BAR—INQUIRY STANDS

On the Notice of Inquiry of Hon. Mr. Pouliot that he will inquire of the Government:

Who were the solicitors, lawyers, counsel and notaries public, of the Province of Quebec, who reecived fees or payments for travelling expenses from the Government of Canada or its agencies during the three years ending June 30, 1966, and how much was paid to each one?

Hon. John J. Connolly: Stand.

Hon. Mr. Pouliot: Honourable senators, this inquiry has been on the Order Paper for four months and twelve days. I wonder when the Government will be in a position to answer it.

Hon. Mr. Connolly (Ottawa West): All I can tell the honourable senator is that the material is in preparation, and that there is a large volume of it. Some technical problems arose, which I dealt with the other day. I had thought the reply would be available by this time. However, I expect to have it very shortly.

Hon. Mr. Pouliot: Will you have it on Monday next?

Hon. Mr. Connolly (Ottawa West): I cannot promise that to the honourable senator, but I will have it, if possible.

Hon. Mr. Pouliot: They are very slow.

Order stands.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. Arthur M. Pearson: Honourable senators, first, I would like to congratulate the Leader of Government and the other members who spoke on this bill, C-218. So far three lawyers and one businessman have taken part in the debate. This shows considerable cooperation on the part of the legal fraternity and business people, and I am pleased to see that they are taking such interest in this matter.

I am in favour of Bill C-218 with regard to assisting farmers in the east and in British Columbia so that they may make a good living from their farms.

The Leader of the Government has said quite correctly that freight assistance on feed grain was started in 1941. It was a war measures act. However, over the years it has been shown that there are several problems in that sort of program.

On reading the reports of the debates in the other place, I have come to the conclusion that there are a number of conflicts of interest in this bill, even though it will give new help in several ways. There is a conflict of interest between the Wheat Board in western Canada and this livestock agency which is being set up in eastern Canada. One, I would judge, would try to obtain the best price it can; and the other would try to obtain as low a price as possible.

As to the eastern coarse grain producers versus the western coarse grain producers, with low freight rates, there is a conflict of interest there, and the west has an advantage. The western coarse grain will go down to Nova Scotia apparently at a lower rate than that at which it can be shipped from Ontario.

Consequently, there is conflict of interest between the western agricultural lands and the eastern agricultural lands.

Again, there are the western grain producers versus the western beef cattle producers. There are many farmers in western Canada who produce nothing but grain, and all they are anxious about is to get markets and to get rid of this grain. On the other hand, there are stock producers in the west, and these are growing very rapidly, who are looking for feed themselves. They see that the setting up of this freight rate assistance and storage assistance in eastern Canada puts them in direct competition with the stock producers in eastern Canada, and in British Columbia, who, in a sense, are closer to the market than they are in western Canada, and they are hurt by such competition.

Consequently, one sees a number of problems in this bill that will have to be rectified as time goes along, and I hope that the Government will take that into account when they appoint this agency and that they will look into this matter.

The cost of feed in the years gone by has gone up and down in relation to whether grain has been scarce or plentiful.

There was apparently no stability in the program that was originated during the war. The small farmer was particularly vulnerable to this type of marketing and supply. My colleague Senator Blois gave a good report on the raising of stock in Nova Scotia. He did a good job on his report, and I would agree with him on it. Yet it is well known that there is a tremendous shortage of beef, pork and other meats in the Maritime provinces. So that actually he was just giving you a rough outline of what is happening to certain small areas and not to the whole of the province. It is hoped that with stability of price and supply of coarse grains, you will be able to build up a greater population of beef cattle and hogs.

After some long delay, the Government has finally brought in this bill C-218. The resolution was placed on the Order Paper in April 5 of this year, introduced into the house on June 30 and finally passed on October 21. We are now at the 10th day of November, and it should be passed very shortly.

I would say: first, support this bill wholeheartedly, if it means more and cheaper meat for the consumer in those have-not areas; second, support it wholeheartedly, if it means better living for the eastern farmer and the farmer in British Columbia; third, support it if it means a definite move to increase production on farms; and fourth, if it means more and better use of lands.

In checking through the ARDA catalogue for 1965-66, which sets out the projects to be undertaken jointly by the provincial and federal governments during that period of 1965-66, I was amazed to find that in the projects to be undertaken in the Maritimes and in Quebec there was very little provision allowed for the establishment of community pastures. There was only a total of 2,724 acres. Of course in Nova Scotia approximately $3,332,000 is being spent to build what you might call viable farms. This lack of effort to build community pastures does not seem to indicate—at least not to me—any determined effort to increase beef production in eastern Canada.

The advantages in this bill are a steady supply of feed grains and a stable price. These are the two most important features of the bill.

I hope the farmers in eastern Canada are going to make full use of this measure of assistance. If in the result we get only a continued reduction of farm lands and a continued reduction of beef cattle production, then our efforts will have been wasted.

In this regard I would like to refer to a report brought out by the Department of Finance. This report gives some indication of what is happening in the various provinces. This is the Annual Report of Farm Improvement Loans Act, 1965. I might say that I referred to the same report for 1964 and found it to be roughly the same as this one.

Referring to loans taken from the Government to purchase livestock, by provinces, the report shows:

British Columbia	370
Alberta	2,886
Saskatchewan	1,627
Manitoba	972
Ontario	1,598
Quebec	245
New Brunswick	23
Nova Scotia	67
Prince Edward Island	83

Hon. Mr. Aseltine: Those figures are all in thousands of dollars, are they?

Hon. Mr. Pearson: No. Those are the number of loans applied for.

Hon. Mr. Connolly (Ottawa West): In thousands?

Hon. Mr. Pearson: I would say they are the number of loans.

Now, the report deals with the matter of hay balers, which is one of the main items needed in the production of cattle, as follows:

British Columbia	96
Alberta	1,328
Saskatchewan	1,134
Manitoba	535
Ontario	591
Quebec	90
New Brunswick	46
Nova Scotia	67
Prince Edward Island	100

Hon. Mr. Burchill: May I ask my honourable friend what those last figures are.

Hon. Mr. Pearson: Those are the number of loans that were asked for.

Now, in regard to buildings which have something to do with the raising of stock, the number of loans asked for were as follows:

British Columbia	188
Alberta	1,207
Saskatchewan	896
Manitoba	536
Ontario	2,124
Quebec	134
New Brunswick	43
Nova Scotia	22
Prince Edward Island	60

Hon. Mr. Connolly (Ottawa West): Does the honourable senator mind if I ask him a question? Am I to understand that the figures he is quoting deal with applications to the Canadian Farm Board for loans for improvement to farms?

Hon. Mr. Pearson: Yes. I am just giving those figures in order to give an idea of stock decreases or increases in the different provinces.

Hon. Mr. Connolly (Ottawa West): It seems to me, from the way the honourable senator mentioned them, that those figures indicate rather that it is the intention of the farmers in those areas to try to increase their production by having better facilities, and that their intention is to do that very thing.

Hon. Mr. Pearson: Exactly. I am suggesting that those figures show that where you have a large community pasture, such as you have in Saskatchewan and Alberta, the farmers have more land for producing hay and grains and, consequently, they put their cattle into the community pasture and use the extra land to plant; for that reason they need more hay balers and more buildings for stock in the winter. This is an indication that they are developing faster in the west than in eastern Canada.

Hon. Mr. Kinley: Borrowing money has many implications.

Hon. Mr. Pearson: Quite so.

According to an article by W. W. MacDonald in the *Family Herald* of May 12, 1966, farmers in Nova Scotia have reduced grain acreage by 65,700 acres in the past 25 years. Yet they have increased their hog and poultry production. The whole Maritime area has reduced oat seeding by 185,000 acres, and cattle population of Nova Scotia and New Brunswick dropped 63,000; Quebec dropped oat seeding by 400,000 acres. Oats are part of the main diet for cattle.

If this area is going to build up herds of cattle, hogs and poultry only on imported western grain and Ontario grain, then there will be very little improvement to livestock industry and it will largely be at the expense of the taxpayer.

It seems to me, honourable senators, that there is need for a great educational program in the Maritime areas, rather than just enacting a bill and setting up a number of warehouses full of feed for the farmers. There are a great many farmers in those areas who do not know what this is all about. They do not take advantage of this sort of program.

It is a well known fact that a farmer who raises his own grain and processes that feed through his livestock will make a great deal more money than buying feed, even with all this proposed assistance. Assistance must be given now; but with all our knowledge today, our main effort must be to get livestock farmers on their feet by making arrangements to settle each man on a viable farm and build large community pastures to take care of the stock during the summer season. We must also make a special effort to encourage and assist the grain producer in the east. Every effort must be put forward to assist him to compete with imported grain.

One thing which seemed to scare some members of the other house was that western grain would flood the market and that the grain producer in the Maritimes, particularly Prince Edward Island, would drop out of the business of growing grain.

During the summer season community pastures relieve the farm of the need of private pastures and leave more land for hay and coarse grains. We must face facts, and make each part of this dominion self supporting in the matter of raising livestock. With the

burgeoning of world population we in Canada, although relatively small in population, must all work together to help feed other peoples. We must not expect one part of this country to feed any other part. Agricultural land is too scarce and too valuable to allow it to be wasted because of indifferent cultural practices.

Hon. Mr. Roebuck: Honourable senators, I am a farmer myself, and I have a great deal to learn about modern farming. The honourable senator spoke of community pastures, and I would like some information about them. Are they anything like the commons of ancient times in England, the enclosure of which caused so much social distress in times gone by? I would like to know a little more about what he means by community pastures.

Hon. Mr. Pearson: In the thirties in Saskatchewan, for instance, there were particularly large areas where the land was rather poor and unproductive, and farmers who lived in those areas abandoned the land and went north or elsewhere. Consequently, large blocks of land were left vacant. The odd farmer remained in those areas, but because schools were distant and there were no accessible roads, the Government of Saskatchewan stepped in and bought them out through the Land Utilization Board. Then they fenced the land in, put in wells, or erected dams or dug-outs to supply water. This land is becoming more and more valuable because it can now support more stock per acre than in the past. They say that whereas in the past they could take in 20 head of cattle per farmer, they can now take in 40 head.

Hon. Mr. Roebuck: At a price?

Hon. Mr. Pearson: Yes, at a price—a rental. I understand there is a great deal of land in Quebec and Nova Scotia in the same position, which should now be used.

Hon. G. Percival Burchill: Honourable senators, I had not intended to say anything in this debate, but after listening with pleasure to the excellent speech from the west, which gave a worthy viewpoint of the west, I would like very much to adjourn the debate.

On motion of Hon. Mr. Burchill, debate adjourned.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Daniel A. Lang: Honourable senators, with the kind permission of Senator Croll I would like to take the opportunity this afternoon of addressing a few remarks in connection with this bill on hate propaganda, being an act to amend the Criminal Code.

Firstly, I wish to pay tribute to Senator Roebuck for his erudite observations on this bill before the Senate yesterday. As usual, he brought not only mind and thought to the subject matter, but also a very great heart. I think he spoke for all of us when he said how he detested the things against which this bill is directed.

I know that we all, honourable senators, can only laud the objectives of this piece of legislation and we can only give our support to the achievement of what it hopes to eradicate. Yet, frankly, after listening to Senator Roebuck yesterday, and considering the bill myself thereafter, I had to admit that I became more concerned and distressed about what lies behind it. I felt that today I would not be discharging my duty in this chamber if I did not express to all of you some of my concern. I suspect that this concern I feel arises from the fact that I am a lawyer by profession and I recognize the great difficulty any legislature is faced with in attempting to codify and define an offence as nebulous as the one contemplated in this act. I also know that very often by attempts to codify, define and pin down we can create, albeit unwittingly sometimes, an instrument which will perhaps turn against us because we do place in the hands of the state a power which was not readily available to them before. In a country such as ours this is basically of no immediate concern, so we must assume a continuity of the state we now enjoy and know that this legislation will be effective.

I was pleased to hear Senator Roebuck say that this bill will be sent to a joint committee for study. I hope that there it will receive a thorough examination and that all the best minds, not only of the legal profession in both houses but of all Members of Parliament, will be brought to bear on the problems it raises.

First of all, recognizing that this bill is basically a restriction on freedom, I think we have got to ensure that it does not restrict and cannot restrict freedoms that we do not immediately contemplate being effective. Secondly, we must ensure and write into this proposed legislation every safeguard we are capable of putting into it to ensure that we

are not placing in the hands of the state some instrument of power which may be turned against freedom in its broadest sense. Indeed, this proposed legislation is to ensure a very basic freedom and to try to put into statutory form a freedom that I for one feel is now implicit in our constitution and in our way of life in Canada.

We must avoid creating inadvertently through legislation such as this a Frankenstein monster which could—I say "could" —possibly some day destroy what it attempts to do by definition.

Honourable senators, looking at the bill itself, I notice in subsection 2 of section 267A the definition of "genocide", and I note that this bill contains no definition of the word "group". I submit that a definition of the word "group" is essential to ensure that this section does what it sets out to do. I notice, for instance, that in section 267B, the words "identifiable group" are used and are defined, but that definition is applicable only to section 267B and not to 267A.

I put to honourable senators the hypothetical question: Does a person who advocates the mercy killing of the incurably insane, commit an offence under section 267A? I am not so sure that the incurably insane may not be a "group" because the word "group" is not defined as it is used in that section.

Of necessity, I must reach for far-fetched examples. In so doing, I am relying on experience in the practice of law. Some far-fetched situations come under the ambit of definitions in legislation which were never contemplated originally to fall within their scope. Honourable senators examining the situation and thinking of those who may inadvertently come within the meaning referred to, may come upon other examples.

In the following section "identifiable group" is defined to mean "any section of the public distinguished by colour, race or ethnic origin." I submit that definition may be quite inadequate for the purpose intended herein. I do not know where the borderline of that definition may be. I do not know whether "identifiable group" extends to include a group of German Nazis with a race or ethnic background. I do not know whether Gypsy fortune tellers would fall within the meaning of those two words "identifiable group".

Would the members of the Royal Family who are of Germanic origin fall within the meaning of "identifiable group"? Perhaps honourable senators of Scottish ancestry would form identifiable groups under that definition.

Honourable senators, I submit that this vagueness is of real concern to us, in a piece of legislation as sweeping in its effect as this one is.

In the first part of that section, honourable senators will notice that an offence under it is the communicating of statements in a public place, inciting contempt of an identifiable group. It goes further to define that the incitement is to be such as would be likely to lead to a breach of the peace.

I suggest that the determination of what may or may not lead to a breach of the peace is almost a subjective determination and may very well vary from case to case, depending on the length of the judge's foot, or on his predilections, or on his own prejudices, emotions or fears.

Hon. Mr. Choquette: We have precedents for that. We have the Munsinger inquiry and the Landreville inquiry.

Hon. Mr. Lang: I would scarcely draw an analogy between the two instances.

Honourable senators, I am somewhat more concerned when we come to the second subsection of this section, where the offence is not one committed in a public place but is committed in other than a public place. Here I ask myself: In a private place, where someone may be communicating statements, wilfully promoting contempt against an identifiable group, who is going to lay information about that conversation? Who will go to the State to lay a charge? Are we not injecting something here which goes to the very root of our society, our privacy and our freedoms?

May someone some day who may be promoting contempt of, let us say, the identifiable group known as the Spanish Loyalists, come under fire or commit an offence under this section?

Again, my examples may be far-fetched, and I draw them broadly to try to bring home my point.

I notice that that section goes on to shift the onus to the accused to prove that the statements communicated were true, or that they were relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds he believed them to be true.

I do not have to say that to shift the onus from the Crown to that of the accused, on an

indictable offence, crosses some long-established lines in our legal jurisprudence.

Honourable senators, I do not want you to feel from my remarks today that I am not completely in accord with the objectives of this piece of legislation. I am sorry if it is true that we in this country today need legislation like that. I do not think that Hyde Park in London, with all it means, with the way it builds up the great British traditions of freedom, would survive very long if legislation of this nature were introduced and enforced in Great Britain. I do not think it necessary to say that the great traditions of freedom and tolerance which we have inherited from our Mother Country are just as fresh in the minds and hearts of the Canadian people.

If and when this piece of legislation is placed on our statute books, I hope and trust it will rest there, as a section of the Criminal Code which will never be required to be enforced by criminal prosecution.

On motion of Hon. Mr. Walker, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of reports of the Standing Committee on Divorce Nos. 817 to 847, inclusive, which were presented on November 8.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Comittee on Divorce, reports adopted.

RESOLUTIONS PRESENTED

Leave having been given to revert to presentation of petitions:

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 801, for the relief of Anke Leib Auer.

Resolution 802, for the relief of Lorna Evelyn Le Marquand Barrett.

Resolution 803, for the relief of Joseph Gerald Belliveau.

Resolution 804, for the relief of Gilles Bidal.

Resolution 805, for the relief of Kornel (Cornel) Daniel Balthazar (Baltazar) Bibor.

Resolution 806, for the relief of Huguette Denise Joly Casavant.

Resolution 807, for the relief of Helen Elizabeth Paget Chapman.

Resolution 808, for the relief of Remi Emile Curotte.

Resolution 809, for the relief of David Davies.

Resolution 810, for the relief of Joseph Yvon Romeo Dubuc.

Resolution 811, for the relief of Rejean Descoteaux.

Resolution 812, for the relief of Gloria Cecere Di Re.

Resolution 813, for the relief of Joseph Eugene Bernard Dupuis.

Resolution 814, for the relief of Miklos Gadanyi.

Resolution 815, for the relief of Mary Ethel Craig Gilliland.

Resolution 816, for the relief of Marie Roberte Rolande Francoise Beauregard Keller.

Resolution 817, for the relief of Marlene Florence Gunn Langdon.

Resolution 818, for the relief of Alberta (Bertha) Lemay Langis.

Resolution 819, for the relief of Jean Guy Lareau.

Resolution 820, for the relief of Andre Legris.

Resolution 821, for the relief of Kitty Miriam Kirschner Malumed.

Resolution 822, for the relief of Elmeria Jutras Marchand.

Resolution 823, for the relief of Berek Nussenbaum.

Resolution 824, for the relief of Robert Arnold Noseworthy.

Resolution 825, for the relief of Maureen Andreanne O'Brien Panneton.

Resolution 826, for the relief of Richards Arturs Tuters.

Resolution 827, for the relief of Elizabeth (Elisabeth) Morin Tremblay.

Resolution 828, for the relief of Mary Linda Jill Grant Welage Van Bakergem.

Resolution 829, for the relief of Joseph Alphonse Claude Vasseur.

Resolution 830, for the relief of Ethel Ann (Anne) Bacal Wilner.

The Hon. the Acting Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck: Honourable senators, I move that these resolutions be considered on Monday next.

Motion agreed to.

ADDITION TO MEMBERSHIP OF SUBCOMMITTEE TO HEAR APPEAL

Hon. Mr. Roebuck: With honourable Senator Connolly's permission, concerning the matters that I have just moved, I would like to take advantage of the occasion to announce that, in connection with the subcommittee of the Standing Committee on Divorce appointed to hear the evidence in regard to the private bill on the petition of one Mrs. Biega, the committee has added to that subcommittee Senator Hugessen and Senator Aseltine. The present committee, prior to the addition of these gentlemen, consisted of Senator Haig, Chairman, Senator Fergusson and Senator Gershaw; the subcommittee now includes the two additional names, making a committee of five.

VISITING FORCES BILL

SECOND READING—DEBATE ADJOURNED

Hon. Leopold Langlois moved the second reading of Bill S-50, respecting the Armed Forces of Countries Visiting Canada.

He said: Honourable senators, the main purpose of the bill entitled the Visiting Forces Act is to repeal the Visiting Forces (North Atlantic Treaty) Act, the Visiting Forces (British Commonwealth) Act, and the Visiting Forces (United States of America) Act, and to replace them by one act which will prescribe the rights, privileges and duties of the armed forces of any other nation when in Canada.

For the information of honourable senators, I wish to add at this stage that the Visiting Forces (British Commonwealth) Act was enacted in 1932, as a result of the Statute of Westminster. It provides for the privileges, immunities and duties of British forces from other parts of the Commonwealth when in Canada. Reciprocal legislation was enacted by other nations of the Commonwealth to provide for Canadian forces visiting those countries.

On the other hand, the Visiting Forces (United States of America) Act was enacted in 1947 to provide for the privileges, immunities and duties of United States forces in Canada. However, no reciprocal legislation was enacted in the United States, as under the law of that country a visiting force automatically carries with it rights to hold courts martial, administer discipline, etcetera.

The privileges and immunities granted by the Visiting Forces (British Commonwealth) Act and the Visiting Forces (United States of America) Act are not as extensive as those granted by the Visiting Forces (North Atlantic Treaty) Act, and in fact since the latter act was enacted in 1951 the privileges and immunities of British and United States forces in Canada have been and still are governed by it.

The Visiting Forces (North Atlantic Treaty) Act was enacted primarily to implement Canada's obligations under the "Agreement between the Parties to the North Atlantic Treaty regarding the Status of their Forces," commonly referred to as the NATO Agreement. The act was so framed, however, that its provisions could be extended to such non-NATO countries as might be designated as "Associated States" by the Governor in Council. It is considered that it is not desirable to have the privileges and immunities of friendly visiting forces of non-NATO states in Canada governed by an act, the name and terms of which appear to apply only to members of NATO. It is therefore proposed that this act be repealed and replaced by the new act.

The new act is in effect a revision of the Visiting Forces (North Atlantic Treaty) Act, omitting therefrom, however, all references to the North Atlantic Treaty. The only portions of the Visiting Forces (British Commonwealth) Act that have been used in recent years are the provisions relating to the mutual attachment of personnel and to forces serving together and acting in combination. These provisions have been inserted in the new act under section 27 thereof.

There are certain provisions in the Visiting Forces (NATO) Act that are not entirely satisfactory or do not comply completely with the NATO Status of Forces Agreement. The opportunity has been taken to correct these unsatisfactory provisions in the new act.

Honourable senators, as I have said, the Visiting Forces Act, 1966, would in effect be a re-enactment of the Visiting Forces (North Atlantic Treaty) Act but with the following significant amendments.

All references to the North Atlantic Treaty are deleted from the act.

Part II of the act deals with the disciplinary jurisdiction of visiting forces. As presently framed, it does not give a visiting force jurisdiction over the dependants of its members and in this sense does not fully implement the NATO Agreement. The proposed amendments would extend the provisions of this part to dependents accompanying a visiting force.

The only other important amendment to Part II would be to section 13, which now gives authority to members of a visiting force

to exercise police functions, but implies that such functions may not be exercised in respect of any person who is not a member of the visiting force. This section could be interpreted as depriving members of a visiting force of the powers of arrest which every person in Canada, whether citizen or visitor, has under sections 434, 436 and 437 of the Criminal Code. These sections, as honourable senators may recall, have to do with the right of arrest without warrant when, for example, a person is found committing a criminal offence.

For the information of honourable senators, I must add that in the final drafting of the bill it was omitted to add sections 38 and 41 of the Criminal Code, which have to do with the defence of property and which empower a person to defend property, prevent trespassing and so forth. It is the intention that when the bill is referred to and discussed in committee an appropriate amendment to that effect will be moved.

Part III deals with claims for personal injuries and property damage. It provides that a claim against a visiting force shall be dealt with as a claim against Canada. The present drafting of section 16 is faulty and requires amendment to make it clear that the whole of the Crown Liability Act applies to claims arising out of the activities of visiting forces in Canada.

A new section 16A is required to ensure that a member of a visiting force would be in the same legal position as a member of the Canadian Forces in respect of an injury or death occurring in Canada for which a pension is payable; that is, a claim would not lie against Canada if a pension is payable by the sending state in respect of such injury or death.

Section 18 requires amendment to enable Canada to deal with claims arising out of the navigation or operation of a ship belonging to a visiting force in accordance with any agreement Canada may make with a sending state concerning the handling of such claims.

Section 19 requires amendment to remove the present absolute requirement to submit certain questions to arbitration. It should be possible to settle such questions by negotiation and only refer to arbitration if negotiation is not successful.

The NATO Agreement is attached to the Visiting Forces (North Atlantic Treaty) Act as a schedule. The whole of the Agreement would be removed from the act but its continued validity would be assured by section 29(2).

The proposed act will, in my opinion, be a much more effective legislative vehicle for regulating the activities of visiting forces in Canada than are the acts which it is proposed should be repealed.

On motion of Hon. Mr. Macdonald (Cape Breton), for Hon. Mr. White, debate adjourned.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, I have received no further word with reference to the progress of supply in the other place. In the circumstances, and after conferring with the Acting Leader of the Opposition (Hon. Mr. Choquette), I suggest that the Senate do now adjourn, to reassemble at the call of the bell at approximately 9.15 this evening.

The Senate adjourned during pleasure.

At 10.05 p.m. the sitting was resumed, Hon. Maurice Bourget, Acting Speaker, in the Chair.

Hon. Mr. Connolly (Ottawa West): First, may I thank honourable senators for their patience in waiting this evening. We really did not know until 10 o'clock whether there was any possibility of our considering the interim supply bill tonight. However, it is quite clear now that there is no such possibility.

I therefore move, with leave, that when the Senate adjourns tonight it do stand adjourned until Monday, November 14, 1966, at 8 o'clock in the evening.

The Senate adjourned until Monday, November 14, at 8 p.m.

THE SENATE

Monday, November 14, 1966

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the names of Messrs. Sherman and Madill have been substituted for those of Messrs. Keays and Ricard on the list of members appointed to serve on the Special Joint Committee on the Public Service of Canada.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 848 to 909 inclusive, and moved that the said reports be taken into consideration on Wednesday next.

Motion agreed to.

LABOUR CONDITIONS

AIR CANADA MACHINISTS STRIKE AND POSTAL WORKERS THREATENED STRIKE—INQUIRY

Hon. Donald Cameron: Honourable senators, I would like to ask the Leader of the Government (Honourable Mr. Connolly) if he can give us any information as to what action is contemplated or likely to be taken with respect to the current strike situation which affects transportation in Canada. I refer particularly to the fact that 5,200 members of the International Association of Machinists are tying up our major air line, and that there is a likelihood within a few hours of postal workers going on strike and disrupting communication between the various parts of the country.

I have heard the statements made from time to time by Mr. Kay, the President of the Canadian Union of Postal Workers, and by Mr. Decarie, representing another group of postal workers, and I have heard and seen on television Mr. Rygus, the Vice-President of the International Association of Machinists.

These gentlemen claim that their members are being unjustly dealt with. Anyone who has read the Montpetit Report, as I am sure all honourable senators have, will realize that there is injustice in the postal service and that there has been a quality of low-grade administration—

Hon. Mr. Connolly (Ottawa West): What is your question?

Hon. Mr. Cameron: I asked what action has been taken or is likely to be taken by the Government to deal with the situation; and, by way of explanation—

Some Hon. Senators: Order.

Hon. Mr. Cameron: Just a minute. If I am not in order, Mr. Speaker, I will find another occasion, but my observations will take only a minute.

The Hon. the Speaker: I do not wish to interrupt the honourable senator. I think it would be more fitting if he would reserve his comments to a later point in the debate. The honourable senator has put his question.

An Hon. Senator: There is no debate on a question.

Hon. John J. Connolly: Honourable senators, may I intervene at this point, now that the honourable Senator Cameron has asked his question? I must say that I have had no notice of it, and therefore I take it under advisement. But let me make a comment by way of preliminary answer.

He has raised a question about two strikes. One of these has started, that in respect of Air Canada. In the first place, I should say that Air Canada is—

Hon. Mr. McCutcheon: Struck.

Hon. Mr. Connolly (Ottawa West): —is a Crown Corporation, and the officials of that corporation are dealing with the union officials. They have been negotiating and the negotiations have broken down. A strike has begun. This matter has been engaging the very earnest attention of the Government for some time.

I am not in a position tonight to say what precise action the Government proposes to take, as negotiation is primarily the responsibility of the parties. However, I understand that an offer will be made—if it has not been made already—to appoint a mediator to deal with the situation as it exists.

With respect to the other matter which the senator from Banff raises, namely, the possibility of a postal strike, this too is subject to negotiation between the officials of the department and the union. In respect of the Montpetit Report to which he referred, I may say that most of the recommendations which were made—and they were very numerous indeed; I think they ran to 87—have already been dealt with. I understand that others are part of the negotiations between the parties.

I would have been in a much better position to deal with these two questions upon notice. Perhaps I could defer further comment until a later time.

Hon. Mr. McCutcheon: Honourable senators, if I might interject for a moment, Senator Cameron might better have made this speech sometime in June or July when we had some strikes.

Hon. Mr. Croll: You made the speech that time yourself. We did not want two of them.

Hon. Mr. McCutcheon: I know, Senator Croll, but what I have said is correct.

DIVORCE

APPOINTMENT OF SPECIAL COMMITTEE TO HEAR APPEAL

Hon. John J. Connolly with leave of the Senate, moved:

That a Special Committee of the Senate be appointed to examine and report upon the Petition of Joyce Regina Nagine Biega, of the village of Vaudreuil, in the District of Montreal, in the Province of Quebec, praying that the Resolution numbered 738, adopted by the Senate of Canada on 11th July, 1966, dissolving the marriage between the said Joyce Regina Nagine Biega and Alexander Biega, be annulled, which petition was filed with the Clerk of the Parliaments in accordance with subsection (2) of section 2 of "An Act authorizing the Senate of Canada to Dissolve and Annul Marriages", 1963, chapter 10, on 5th August, 1966;

That the Committee be composed of the following Senators, namely Senators Aseltine, Hugessen, Haig, Fergusson and Gershaw; and

That the Committee have the power to send for persons, papers and records, to examine witnesses, to print such papers and evidence as may be ordered by the Committee, and to sit during sittings and adjournments of the Senate.

Hon. Arthur W. Roebuck: Honourable senators, perhaps a brief explanation is owing to the Senate by the Chairman of the Standing Committee on Divorce.

This bill was in the ordinary course referred to the Standing Committee on Divorce, and that committee appointed, as was its right, three members from its membership. Later, I was asked to supplement the membership by two others and, perhaps a little thoughtlessly, we appointed two Senators who were however not members of the Divorce Committee.

This resolution does not change in any way the substance of what we did on that occasion, but it does regularize it and, in that way, it is satisfactory.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Carried.

Hon. Mr. Pouliot: No, sir. I think that resolution should wait until tomorrow.

The Hon. the Speaker: With due respect, honourable senators, the question was put and, in my opinion, the motion was passed.

Motion agreed to.

HON. C. G. POWER, P.C.

PUBLICATION OF MEMOIRS

On the Orders of the Day:

Hon. John J. Connolly: Honourable senators, before the Orders of the Day are proceeded with, I am sure all honourable senators will be glad to know, and I believe it worthy of mention in the Senate, that the Macmillan Company of Canada has published a book called *A Party Politician—The Memoirs of Chubby Power.*

It so happens that I have not read the entire book, but I have read enough of it to know that it is a most engaging and interesting piece of work, and I commend it to all honourable senators. However, I want to make clear to the honourable senator involved and to all honourable senators that I am not doing this in order to "plug" the book. As a matter of fact, when I heard about the book and went to him about it, he said, "I have come to the conclusion that the booksellers have made up their minds that they want as few people as possible to read it, because it costs $8.75 a copy and it is not worth that much." I can only say he is much too modest.

But I think the book is important in that this kind of work by experienced parliamentarians—and there are many in this house though I am not one—is a great contribution to the public life of this country.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I am delighted not only that this book has been written by the father of the Parliament of Canada but also because it was through the good offices of Queen's University in Kingston that it has been made possible.

Hon. M. Wallace McCutcheon: In the light of what the Leader of the Government has said, I should say that I am more indebted to Senator Willis than I ever thought I would be because today he presented me with a copy of the book, and I did not know it cost $8.50.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—
DEBATE CONTINUED

The Senate resumed from Thursday, November 10, the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. John J. Connolly: Honourable senators, I have taken the liberty of asking the Clerk Assistant to call item No. 2 on the Order Paper first rather than item No. 1, so that Senator Walker may proceed with his speech. I do this because there are certain senators who perhaps feel that their services are urgently required elsewhere in the City of Ottawa this evening.

Hon. Senators: Agreed.

Hon. David Walker: Honourable senators, may I join in saying that if we had more broadminded people such as honourable Senator Power in this country we would not have the necessity of considering a bill such as we have before us tonight.

I listened with interest to the very able introduction of this bill by Senator Roebuck, and to the thoughtful address by my colleague Senator Fournier (Madawaska-Restigouche), and to the excellent criticism by Senator Lang. It is a fine thing to see on the Government side an occasional difference of opinion, and it would be even finer if some day they could vote that way. But after all the smoke is cleared away they usually line up and vote with the Government. That may be because of the powerful leader they have on the other side. In any event, it is refreshing to see that there is a difference of opinion.

Hon. Mr. Connolly (Ottawa West): We are not unique in having differences in our ranks.

Hon. Mr. Walker: Touché. That is why we are going elsewhere tonight.

Many years ago when I was very small my mother used to tell me that every Jewish child born into the world was apt at some time to face hatred and prejudice. I have remembered this throughout my life, but since the war I thought this feeling had almost disappeared. I thought there was an end to prejudice against Jewish people or against people of any racial origin.

Senator Croll will recall that for 25 years the Lawyers' Club in Toronto, which numbered 600 members, and tried to get rid of that part of the constitution which said that a member had to be white and Christian. After a great struggle, in 1950 when I was president I was able to direct the minds of the members so that this offending clause was finally struck out. We now have 1,000 members of which 300, I am happy to say, are Jewish.

Looking back from 1966 to 1950, I cannot conceive how in those days people could have been so prejudiced, because in the last decade this prejudice seems to have completely disappeared. With the exception of a few crackpot groups such as the alleged Nazi group in Toronto, I had not heard of any of this. I thought it was almost gone, and I was hoping it had. I say, therefore, if it has almost disappeared, why press this very stringent, very exceptional, very harsh legislation at this time? Why did we not do this 50 years ago when there was widespread hate and prejudice against certain races? Why did we not do it even 25 years ago? To bring up this matter now at a time when hate is almost extinct is wrong.

I believe that in its enlightenment the public has substituted love for hate, and tolerance for prejudice. I for one cannot believe that this very harsh legislation is going to control the minds of men any more than any other legislation has ever controlled the minds of men. Certainly it is not going to lessen any hate, if there is such hatred left about which we have heard so much from Senator Roebuck.

However, to be fair, even Senator Roebuck, in his speech introducing the bill, admitted that there is no prospect at the present time

in this country of any of the instances such as he described as having originated, I presume, in Europe. There is no crisis in Canada at the present time, and even Senator Roebuck admits that. Then why, in the name of heaven, introduce such a bill now, knowing as we do that there are a few crackpots who have been very successfully kept under control by the present provisions of the Criminal Code?

Senator Roebuck was fair enough to point out that section 153 does prohibit the use of the mails for the transmission of scurrilous material; that section 160 prohibits disorderly conduct in a public place; and that there are other sections dealing with riots, unlawful assemblies, blasphemous, and defamatory libels, and other offences. There are in the Criminal Code many checkmates to meet any problem I could foresee arising under the circumstances; and the radio and television regulations are stringent and prohibit any abusive comment.

Senator Roebuck says, "But we have no group protection." After all, groups are made up of individuals, of persons, and there are many provisions in the Criminal Code under which action can be taken by such persons. I think particularly of the situation of a person belonging to one of these groups and feeling that he has been offended or has suffered as a result, can lay a prosecution under the criminal libel sections and, I suggest it, would be very successful.

Bill S-49, this hate propaganda bill which we have before us, is a radical cure—and I put quotation marks around the word "cure"—for hate in Canada. Even Senator Roebuck's newspaper titled the Toronto *Daily Star*—

Hon. Mr. Benidickson: What is that?

Hon. Mr. Walker: You need not have asked that question.

Hon. Mr. Benidickson: I am from too far away.

Hon. Mr. Walker: I think even you have heard of the Toronto *Daily Star*. If you have not, speak to Senator Croll on your left, and he will tell you about it.

Even the Toronto *Daily Star,* in its leading editorial of November 12, under the heading, "The hate law: well-meant but perilous," analyses the bill and ends up with these words, which I think are words of wisdom:

> The experience of centuries in the English-speaking world has shown that free speech, within traditional limits, is the best guarantee of all the other rights, including the security of minorities.
>
> Parliament should hesitate a long time before abridging it merely because it has been abused by a few crackpots.

Then last week, on November 9, the Brantford *Expositor*—most senators in this chamber have heard of the *Expositor,* and Brantford is the home of our distinguished former Leader of the Government in the Senate and former Speaker of the House of Commons. To him I will read the Brantford *Expositor* which, in summing up a very careful analysis of the proposed bill, says:

> The measures proposed are grossly out of proportion to the need for them.

May I analyse the bill to indicate briefly why this is so? Will you examine Bill S-49 with me and look at the first page? Under the heading "Hate Propaganda", proposed section 267A reads as follows:

> (1) Every one who advocates or promotes genocide is guilty of an indictable offence and is liable to imprisonment for five years.

Five years is a long time.

What does "genocide" mean? This section contains a detailed description. Ordinarily, the word means the systematic extermination of racial, national, cultural or religious groups. That is a dictionary definition. But the definition contained in this section includes the killing of members of a group, and other things. According to subsection 2(d), at the bottom of the page, it means deliberately imposing measures intended to prevent births within a group. The dissemination of birth control literature could be attacked under that definition. Is anybody going to lay a charge against a person who attempts to control births by the dissemination of knowledge? Even the Roman Catholic Church is seriously considering this problem, and at the present time public health nurses are disseminating not only the literature but the pill as well.

Another astonishing definition of "genocide" is contained in subsection 2(e), which reads:

> forcibly transferring children of the group to another group.

Under this bill the Attorney General of British Columbia would be liable to prosecution, and to imprisonment for five years, because he forcibly took a large group of Doukhobor children away from their parents and put them with another group. Why did he

do that? He did it because they were being brought up without any education and were being encouraged to become outlaws. This statement indicates how far this legislation can be made to go.

Hon. Mr. Thorvaldson: May I ask the honourable senator a question?

Hon. Mr. Walker: Yes.

Hon. Mr. Thorvaldson: While he is on the subject would he care to comment on the situation in the United States today where negro children have been transported to other schools, and vice versa.

Hon. Mr. Walker: I know that my honourable friend, who is a skilful debater, is going to discuss this subject. I will reserve that matter to him. I will sit at his feet and listen to him. I have not given the matter any consideration. I appreciate, however, that the question was asked with the best of intentions.

Hon. Mr. Thorvaldson: I am asking merely whether that would not also be an offence against this proposed section.

Hon. Mr. Walker: I would certainly think so, and knowing that the honourable senator is on my side I know also that there is no brickbat in his question.

Hon. Mr. Connolly (Ottawa West): There is no jurisdiction either.

Hon. Mr. Walker: That is right, there is no jurisdiction. Thank you for allowing me to discuss that matter briefly.

On page 2 of the bill is the proposed section 267B(1) which reads:

> Every one who, by communicating statements in any public place, incites hatred or contempt against any identifiable group where such incitement is likely to lead to a breach of the peace, is guilty of
>
> (a) an indictable offence and is liable to imprisonment for two years—

The word "statements", honourable senators, is defined in subsection 5 (c) as follows:

> "statements" includes words either spoken or written, gestures, signs or other visible representations.

If this sections means what it says—and in strictly intrepreting a section we have to assume that it does—then a person who thumbs his nose in certain circumstances in a public place could be hauled up, particularly if he does it as a sign of contempt of an identifiable group. He would be liable to two years in jail. I point out that we have all the other sections of the Criminal Code with respect to sedition, unlawful assembly, disorderly conduct in a public place, and other offences, to protect the public against that sort of thing, and in most circumstances, I submit with the greatest of deference, section 267B (1) is redundant.

Then section 267B (2) reads:

> Everyone one who, by communicating statements, wilfully promotes hatred or contempt against any identifiable group is guilty of
>
> (a) an indictable offence and is liable to imprisonment for two years—

Here we are going a very long way. This is a very risky precedent. It has the potentiality of being mischievous. We find that "identifiable group" means any section of the public distinguished by colour, race or ethnic origin. This subsection will mean that from now on the banter and criticism that has taken place between the French and English can no longer take place. Of course, if we say such things in this house we are protected, but if we attempt outside to bring ridicule upon, for instance, the French-Canadian separatists—which are surely an identifiable group within the given meaning of "any section of the public distinguished by colour, race or ethnic origin," and certainly their race is French—then we are liable to prosecution. Or, if they in turn attack us English—well, perhaps, they would not be able to say that we are an identifiable group because we are a little more mixed up than they.

However, it can be seen to what lengths this legislation can be taken. For instance, a person may condemn, as is sometimes done in the mornings when alighting from a train, the Pullman porters. They are an identifiable group; they can be identified by their colour. Is that person who does so open to a charge and liable to two years in prison? What about the laundrymen? They form an identifiable group—the Chinese race.

Hon. Mr. Croll: No, no.

Hon. Mr. Walker: Do you see to what extent this legislation can be carried? The draftsmen of this measure have attempted to cover every little nook and cranny in order to eradicate hatred in every possible way. Nobody believes in eradicating hatred more than I, but let us not make our efforts to eradicate it appear ridiculous.

I suggest, with the greatest of respect, that this bill should be withdrawn. It should be withdrawn for many reasons, the first and foremost of which is that it is contrary to our conception of what is proper, in that it blocks free speech, and puts it in a straightjacket. We do not believe in limiting the freedom of discussion and the freedom of debate.

If this proposed legislation is passed we shall have to be very careful in what we say outside Parliament in, say, an election campaign. My honourable friend Senator Croll is an expert in saying certain things in election campaigns, but if this bill passes into law he will have to look over his shoulder all the time to make sure that no one is listening to what he says with the idea of laying a charge against him.

This measure can be an instrument of oppression. It could be used to silence opposition, to still legitimate criticism, by alleging an attack on some group or other.

I ask you, honourable senators, in all seriousness to take my remarks into consideration. Nobody has the interests of the oppressed races more at heart than I. I have given you the background of my feeling in this respect, but I say in all seriousness, with the Toronto *Star* and other thoughtful newspapers across Canada, that this legislation is so radically drawn that in unscrupulous or ignorant hands it can be used as an instrument to smother free speech. It could be used also on occasion as an instrument of tyranny, and it is my respectful suggestion that it should be withdrawn.

On motion of Hon. Mr. Croll, debate adjourned.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, November 10, the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. Mr. Connolly (Ottawa West): Honourable senators, on behalf of Senator Burchill, I would ask, with the unanimous consent of the house, and reserving Senator Burchill's rights, that Senator Argue be permitted to speak on this bill at this time.

Hon. Hazen Argue: Honourable senators, I have a few brief remarks I would like to make on this bill.

This is one of those rather non-controversial bills which in another place often take a long time to pass, but nevertheless after a long debate, as I read it, this bill received unanimous consent there.

This is important and far-reaching legislation which has arrived at this stage only after a very long and hard campaign by feeders and farmers in eastern Canada and in British Columbia, who felt that this kind of legislation was required. Feeders in eastern Canada and British Columbia have for years felt they had a serious grievance.

Over the years I have had the opportunity to sit on the Agricultural Committee of the House of Commons, and I have heard eastern members, both elected members and representatives of farm working organizations, complain very bitterly of the high prices they have had to pay from time to time for western feed grains. They have complained not only of the high prices but of the quality. Some of the samples of grain which have been brought to that committee from time to time would shock a western grain farmer, because some of it was the kind of stuff they would discard and even hesitate to feed to livestock because of the danger of contaminating the land with weeds. Therefore, this measure has come about because of a grievance that has been felt over a long period of time as to price, quality and availability of supply of feed grains for feeders in eastern Canada and in British Columbia.

This measure, I think, has received favourable consideration by people in eastern Canada and western Canada because of the very good experience of western farmers in marketing their grain through the Canadian Wheat Board.

The Canadian Wheat Board is defined as an agency of the producers, but in a real sense it is a government board; it is a government board that sets itself up between the producer and the consumer. Those of us who support a free enterprise system—and I think that includes everybody in this chamber—are naturally reluctant to see the Government propelled into greater and greater control in many areas of the economic life of this country. However, as far as the western producers and the Canadian Wheat Board are concerned, it has the near unanimous support of the producers.

A vote taken in Manitoba some years ago on the question of the Canadian Wheat Board handling feed grain received some 85 per cent support. However, the Canadian Wheat Board

itself is not substantially engaged in either the direct buying or storage, or indeed the sale of grain. The board operates through private agencies—either private agencies as we normally know them or through agencies which are in fact co-operatives. Even in selling on the world market, the board operates largely through the private grain trade, and in some instances, of course, such as the Iron Curtain countries, with other agencies of the federal Government.

This system has worked well. It is a kind of combination between normal free enterprise and Government activity, and has seemed to recommend itself to farmers and feeders in eastern Canada as the kind of principle that could be adapted to meet the needs of the eastern feed producer. I think it has a good deal of merit because of the highly successful experience we have had in western Canada in the operation of the Canadian Wheat Board.

When this measure was introduced in this house, the Leader of the Government (Hon. Mr. Connolly) made a very adequate, comprehensive—

Hon. Mr. Connolly (Ottawa West): Too comprehensive.

Hon. Mr. Argue: —and factual statement on this whole question. I am sure that anyone interested in the facts as they relate to this subject could learn much by referring to that statement. However, if one wants to go back some years and find out the main parts of this bill, all he has to do is read the submissions of the Canadian Federation of Agriculture made over a number of years to the Government and to agricultural committees. One who has certainly been extremely active in the preparation of those statements is the Secretary of the Canadian Federation of Agriculture, Mr. David Kirk. I think the Government and Parliament have been well advised to take the advice given in such large measure by the Canadian Federation of Agriculture through its spokesman, David Kirk, when presenting the kind of legislation which is now before us.

This bill is comprehensive. It establishes a board which has highly important and widespread objectives. The objects of the board are to ensure the availability of feed grain, the availability of adequate storage, stability in the price of feed grain, and equalization of feed grain prices.

The board may, in furtherance of its objects, make payments for storage, payments for transportation, payments for the purpose of reducing or stabilizing the cost of storage.

The board may licence for the importation of feed grains coming into the country from outside Canada; may make studies relating to feed grains; and the Government may authorize the board to exercise additional powers for the purchase of feed grain in eastern Canada, for the purchase by this board from the Canadian Wheat Board of feed grain; to purchase feed grain outside of Canada; to take delivery of, ship, store, handle and, subject to subsection 2, sell or otherwise dispose of feed grain in eastern Canada or British Columbia and enter into contracts for the delivery, shipping, storage, handling, insurance and sale or other disposition of such feed grain.

This is a powerful and comprehensive piece of legislation. I would suggest that it go all the way in prices suggested by the Canadian Federation of Agriculture. One might even say that it makes in a more comprehensive and exact form the kind of recommendations that had been made by the Canadian Federation of Agriculture.

It has sometimes been said by western producers, even by some western farm leaders, that this kind of measure in some way or another is a threat to the stability of the Canadian Wheat Board or is an economic threat for the producers of feed grain in Western Canada. I do not think that is true at all. This board may negotiate from time to time for the purchase of grain from the Canadian Wheat Board, but in so far as it is able to bring about stability of supply and suitability of price, I am certain that it is going to help western farmers to get reasonable and steady prices and eastern farmers to get reasonable and steady sources of feed grain.

By this legislation we are implementing in statute form a freight rate subsidy on feed grain that has been paid on a kind of a continuing *ad hoc* basis, if those words are not contradictory, since about 1941. It was a kind of permanent policy, put on a temporary year-to-year basis. If we are to have a permanent policy, it would be far better for us to face it and put it in statutory form than to have it done in a slipshod year-to-year method.

Sometimes it has been inferred that the producers in western Canada want this freight subsidy. It is probably beneficial to both the feeders in eastern Canada and to the producers in western Canada. I cannot see how, if you reduce the freight cost, it can be anything but of benefit to both of them. However, I think it is a fair interpretation—

and others in this chamber would know better than I—to say that the western grain producers and the western feeders really do not care whether or not this subsidy is maintained. They do not think it is directly for their benefit; they feel it is a subsidy for the benefit of eastern Canada and British Columbia.

We are somewhat disturbed, therefore, to read that Ontario members have said that this kind of subsidy in some way or another discriminates against the producers of feed grain in Ontario or in parts of eastern Canada. I think they should settle that argument themselves.

If one may speak rather parochially, as a person from the Prairies, we are not primarily interested in whether this subsidy is maintained, except that we feel, as good Canadian citizens and as members of farm organizations, that if this is considered a good policy in the interests of Canada, we are certainly very pleased and proud to support it.

I should make the point that the farmers in the Prairies are not holding up the producers of eastern Canada for big prices for oats and barley that they produce. If you take the initial price for oats on the Prairies, and add the final payment, which means the total price that the farmer receives for oats—I am no great authority on this, as my production of oats is comparatively small—I would say that the western producer of oats would be lucky if he gets 70 cents a bushel or $2.00 a hundredweight for the best oats produced in the world. That is what the western producer obtains for the best quality, that is, No. 1 feed oats—about $2 a hundredweight. If the prairie producers get 96 cents a bushel for barley, or $1 a bushel when the total payments are in, this is about all that they can expect—again, about $2 per hundredweight.

Those who are knowledgeable about eastern feed costs will agree with me when I say that, for the producer of oats and barley, a return of around $2 a hundredweight is not a exorbitant price to receive.

I checked in Ottawa today the price of feed grains. I made two telephone calls and the prices were the same. The price of feed oats is $3.45 a hundredweight, and of feed barley $3.50 a hundredweight. This means that beyond the price paid to the western producer, of some $2 a hundredweight, there is $1.50 a hundredweight dissipated for other costs and other items, and this is over and above the feed grain freight assistance paid by the national treasury.

I am no authority to say whether or not this is exorbitant, but it is clear, from stating those two prices, that the western grain producer is not holding up the eastern feeder for exorbitantly high prices for feed that he produces.

Honourable senators, that is the main reason behind this measure. The feeders in eastern Canada fear that there is somebody other than the Prairie grain producer who has been getting perhaps too large a slice, certainly a slice at some times of the year that was far too large. They have other complaints about quality and availability of feed grain from time to time. That, in my opinion, is why they are supporting this measure.

There is one other point I would like to make as to the difference between the Canadian Wheat Board and the eastern wheat board. Some of us who come from the Prairies get a little impatient at times from the feeling which is prevalent that every payment made to the western grain producers somehow or other is a payment out of the federal treasury, and when the final payment is announced for grain, whatever it is—I am sure it will not be announced until the new year—there will be hundreds of millions of dollars paid out of the Wheat Board, from the surplus belonging to producers, to the western grain producers. Some people may think this is another instance of the federal Government paying some money to western farmers, but senators will understand and know of course that this is not true. Not only is it not true but, with one or two exceptions, in the main, all costs incurred by the Canadian Wheat Board are paid by the producers of grain—even the salaries and the pensions, the travelling expenses, postage, head office buildings, all of the administrative costs—they are paid by the western grain producer himself and are not a charge on the federal treasury. We like it that way, because we think it makes us more independent as producers to be able to pay ourselves the administrative and other costs of this board out of the proceeds of the grain that we sell, than to have the Government make these payments.

I quite realize that circumstances are not the same when you come to eastern Canada. However, just to make the point, let it be perfectly clear that section 16, or some part of this measure, provides that all of the expenses, the storage, the freight—and you would expect this—as well as the salaries and all other normal expenses, are to be paid by the Government of Canada. We make no

objection, and I make no objection whatsoever to this. But let it be clear that the producers of western Canada, in the handling of their grains—as I say, with some exceptions —as far as administrative costs are concerned, pay the whole shot themselves.

At the Leader of the Government pointed out, this is a very serious problem facing the country, to provide stable quantities and ever-increasing quantities of feed grains at reasonable prices to a very rapidly growing livestock industry in eastern Canada and British Columbia. Nevertheless, the statistics show that the increase in livestock production over the last few years has been even greater on the Prairies than it has been in general in other parts of Canada. So the prairie farmers are producing livestock in accelerated quantities, even more accelerated than the quantities being produced in other parts of Canada. However, as the Government Leader pointed out, the figures that he put on the record show that by 1980 we will need to increase our production of feed grains in eastern Canada threefold, and this would mean more than doubling our acreage, if we take into account a projected increase and improvement in efficiency.

Honourable senators, I suggest that the important problem for the future is not only to provide the stable supplies at reasonable prices, but to bring about an increasing production of feed grains in eastern Canada and in western Canada to take care of the very rapidly increasing livestock industry.

There is one positive suggestion I have which I would like the Senate and the Government to take into consideration. A couple of years ago, on an emergency basis I think, the Government decided to provide accelerated depreciation for storage facilities for grain, both on farms and for larger storage facilities provided for elevator companies. At that particular moment I belive it was brought about because of a serious lack of storage in the corn-producing area of Canada. If one has seen the present Minister for External Affairs in operation in years gone by as the Liberal party's chief agricultural spokesman, one can understand how his words would carry very great weight, as they should with the Government. I am sure that this gentleman, the honourable Minister for External Affairs, made very appropriate recommendations to government that were listened to most carefully. When he made those recommendations, the good legislation applied to all of the country, as it should. But this legislation expires at the end of this calendar year, so the Ontario farmer and the Saskatchewan farmer, or the farmers in any other place who provide storage on a straight-line method of depreciation have to take 20 years to depreciate that storage facility. That is not much of an incentive to provide good storage.

I can tell you that a substantial proportion of the farm grain storage of this country is in an abominable state. Some of it is kept in rat-infested, weather-beaten old buildings, 30, 40 and 50 years of age.

If you wish to see the truth of what I am saying, drive down a road in western Canada any time in July when the farmers are hauling out their grain. There is always a certain percentage that cannot be hauled out because it is spoiled.

Grain producers should be encouraged to provide good storage facilities, and I can think of no better encouragement than to continue the legislation that is now in effect but which ordinarily will expire by the end of this year. What I propose would be for the good of the people in eastern Canada as well as for those in western Canada, because, if oats and barley are going to be produced for eastern Canada, obviously these bulky commodities will take a great deal more storage than the equivalent in wheat.

It would be reasonable for the Government to encourage farmers to have a better quality and a larger quantity of storage in order that the wheat going onto the markets of the world might be in better condition than some of it now is, and so that farmers might have an incentive to produce the feed grains required in eastern Canada as well as for the purposes of this legislation. I would like to bring that especially to the attention of the Leader of the Government. It is sensible; it is reasonable. To ask a producer to wait 20 years to depreciate storage facilities which are just as much in the interests of the country generally as in the individual producers' interests, is to ask him to wait far too long.

Honourable senators, as I said when I began my remarks, this is an intrusion, by unanimous consent, of the House of Commons and of this chamber, by Government, into the question of the handling of feed grains for eastern Canada. We may not like to do it, but we are doing it because the eastern feeders have felt that their prices have fluctuated far too violently, and that there have been people who have taken advantage of them and charged them exhorbitant prices from time to time.

Is this not just another indication of the kind of world we are in and the kind of situation we have in this country, when a joint committee of the two houses is dealing generally with prices of many commodities? I do not know what action this committee will take, but it certainly is exposing some things that should be exposed. It may be that the committee will make recommendations, and that the Government and Parliament will act on them to establish a Prices Review Board so that when the Parliament of this country thinks that some private corporation is charging exorbitant prices, then this public body will at least have the authority to use public scrutiny to expose the practices of the particular corporation, and if those practices are against the public interests, to see that they are corrected.

There has been an outcry that feed grain prices are too high in eastern Canada. There has been an outcry that other prices are too high as well. I want to say that there is going to be another great outcry, as there should be, as I have read there is going to be a move by the farm implement companies of this country to charge higher prices for farm implements.

This is a measure, honourable senators, that has been undertaken after a long campaign, the Government providing a public board to deal with this problem. I suggest that the problem of farm machinery prices across this nation is every bit as important as the feed grain prices problem, and perhaps more urgent, and I would like to use my position here to voice a warning to the farm machinery companies of this country not to increase their prices. Their prices have gone up threefold in the last 20 years while the prices of farm commodities, especially grain commodities, have scarcely increased at all.

There is going to be a public outcry as well as an outcry from the farmers from one end of this country to the other, if there is an increase in farm implement prices. I would forecast that, if such an increase takes place, there will be a hue and cry to have a Farm Machinery Board to deal with that urgent question, just as we have a Feed Grain Board to deal with this question of feed grain prices.

I have said that I do not want to see the Government intruding itself into a larger and larger segment of the economy of this country. Therefore, I support this measure only as a last resort. However, I think the facts are that the public, in this instance the eastern producers, will not tolerate what they consider to be an injustice and inequity, and are prepared to ask Parliament to pass this kind of legislation in the hope that there may be a redress of their grievances; and that this board will have the opportunity to provide some regulations so that the producers of eastern Canada and British Columbia will have a chance to increase their production of foods, buy their grain at stable prices and receive a reasonable return for their efforts.

On motion of Hon. Mr. Beaubien (Provencher), for Hon. Mr. Burchill, debate adjourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 801 to 830, inclusive, which were presented on Thursday, November 10.

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 801, for the relief of Anke Leib Auer.

Resolution 802, for the relief of Lorna Evelyn Le Marquand Barrett.

Resolution 803, for the relief of Joseph Gerald Belliveau.

Resolution 804, for the relief of Gilles Bidal.

Resolution 805, for the relief of Kornel (Cornel) Daniel Balthazar (Baltazar) Bibor.

Resolution 806, for the relief of Huguette Denise Joly Casavant.

Resolution 807, for the relief of Helen Elizabeth Paget Chapman.

Resolution 808, for the relief of Remi Emile Curotte.

Resolution 809, for the relief of David Davies.

Resolution 810, for the relief of Joseph Yvon Romeo Dubuc.

Resolution 811, for the relief of Rejean Descoteaux.

Resolution 812, for the relief of Gloria Cecere Di Re.

Resolution 813, for the relief of Joseph Eugene Bernard Dupuis.

Resolution 814, for the relief of Miklos Gadanyi.

Resolution 815, for the relief of Mary Ethel Craig Gilliland.

Resolution 816, for the relief of Marie Roberte Rolande Francoise Beauregard Keller.

Resolution 817, for the relief of Marlene Florence Gunn Langdon.

Resolution 818, for the relief of Alberta (Bertha) Lemay Langis.

Resolution 819, for the relief of Jean Guy Lareau.

Resolution 820, for the relief of Andre Legris.

Resolution 821, for the relief of Kitty Miriam Kirschner Malumed.

Resolution 822, for the relief of Elmeria Jutras Marchand.

Resolution 823, for the relief of Berek Nussenbaum

Resolution 824, for the relief of Robert Arnold Noseworthy.

Resolution 825, for the relief of Maureen Andreanne O'Brien Panneton.

Resolution 826, for the relief of Richards Artures Tuters.

Resolution 827, for the relief of Elizabeth (Elisabeth) Morin Tremblay.

Resolution 828, for the relief of Mary Linda Jill Grant Welage Van Bakergem.

Resolution 829, for the relief of Joseph Alphonse Claude Vasseur.

Resolution 830, for the relief of Ethel Ann (Anne) Bacal Wilner.

Resolutions adopted, on division.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Tuesday, November 15, 1966

The Senate met at 3. p.m., the Speaker in the Chair.

Prayers.

NEW SENATOR

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk has received a certificate from the Secretary of State of Canada showing that

Douglas Donald Everett, Esquire

has been summoned to the Senate.

NEW SENATOR INTRODUCED

The Hon. the Speaker having informed the Senate that there was a senator without, waiting to be introduced:

The following honourable senator was introduced; presented Her Majesty's writ of summons, which was read by the Clerk Assistant; took the legally prescribed oath, which was administered by the Clerk, and was seated:

Hon. Douglas Donald Everett, of Winnipeg, Manitoba, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Beaubien (Provencher).

The Hon. the Speaker informed the Senate that the honourable senator named above had made and subscribed the declaration of qualification required by the British North America Act, 1867, in the presence of the Clerk of the Senate, the Commissioner appointed to receive and witness the said declaration.

Hon. John J. Connolly: I am sure that all honourable senators would wish me on their behalf to express to Senator Everett a very warm welcome to the Senate and to the work of this chamber. It is our hope that he will play an important part in our deliberations and work.

Hon. Gunnar S. Thorvaldson: Honourable senators, being one of the members of the Senate from the Province of Manitoba, I would like to join with the Leader of the Government in the expression of welcome to the new senator from Manitoba. We on this side of the house welcome him most warmly.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Copy of Order in Council P.C. 1966-2099, dated November 3, 1966, transferring from the Minister of Finance to the Minister of Trade and Commerce the powers, duties or functions under the Canadian Wheat Board Act. (English and French texts).

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Eric Cook: Mr. Speaker, this order stands in the name of Senator Croll. With leave, I should like to speak now.

Hon. Senators: Agreed.

Hon. Mr. Cook: Honourable senators, I agree with the principle of this bill, and I further agree that after careful study it may well be improved in committee.

To many there may not appear any great need or urgency for this law at this particular time. If present affluent times continue, perhaps there may be even less need for this law in the future. Hatred may well indeed be limited to a few crackpots who are obviously warped and unsound even to those who do not bother to think very deeply. However, evil persons like Hitler and his crew do not flourish when people are reasonably happy and content; they flourish when people for one reason or another feel hurt, oppressed or exploited, or, above all, when they are insecure and are ready to blame others for their unsatisfactory condition.

With improvements in all forms of communication it becomes easier and easier to reach a larger and larger audience. For these and other reasons I think that now is the time to improve and strengthen the law, so that if a real need ever arises, the statute law will be adequate to meet that need.

It may indeed be that the present bill, even if improved upon in committee, will not be perfect. It should not, however, be forgotten that Parliament enacts laws, while the courts interpret them. As we all well know, many acts have been amended again and again. No doubt the present bill if enacted can also be amended in the light of experience and of judicial comment.

However, I suggest the drafting of the bill does not warrant some of the criticisms which have been made. It has been suggested that the Attorney General of British Columbia could go to prison for five years under the provisions of section 267A, subsection 2(e). Subsection 2 (e) reads:

> forcibly transferring children of the group to another group.

However, the important element in the alleged offence is not the transferring of children from one group to another, but rather why was it done. If the Attorney General ordered the transfer of children "with intent to destroy in whole or in part any group of persons"—for example, to destroy the fathers and mothers of the children, or the children themselves—then and in that event he should be given the full five years.

We all know this is nonsense, and that the Attorney General had no such evil intention. My point is that in order to secure conviction, the Crown must establish not only that the act complained of was in fact committed but must also establish that it was committed with some evil purpose in mind, with the intent, for example, of destroying a group in whole or part.

It seems to me therefore to be somewhat misleading to criticize the bill by isolating one part of the offence without at the same time pointing out that there must also be present an evil intention before there is an offence under this bill. In other words, if some disgruntled person swears aloud or even under his breath at a careless porter, in my opinion the Crown would have a very difficult time obtaining a conviction on a charge of "public incitement of hatred" or on a charge of "wilful promotion of hatred."

Finally, as the sponsor pointed out in his most learned and excellent address, the accused person always has a right of appeal.

For my part, I have complete confidence in our judicial system, and I am sure the possibility of any innocent party being wrongly convicted under the provisions of the bill are very slight indeed. On the other hand, the bill can afford great protection to the victims of wicked persons who should be stopped and punished before they become a threat to our ordinary, decent Canadian way of life.

Hon. Norman A. MacKenzie: Honourable senators, I had not intended making a speech on this subject, but it is a matter in which I am deeply interested. I like to think of myself as one of those who are opposed to discrimination of any kind, and who dislike and detest actions or writings, words or deeds, that reflect upon any individuals or groups or classes of citizens in this country; and I am thoroughly in favour of anything that can be done to ensure that this kind of objective be achieved. However, at the same time I am concerned about the freedom and the liberty of the citizen and of the individual, and I tend to have a native, inborn distaste for and almost a fear of punitive legislation that does interfere with that freedom.

We have here two objectives, two goals, that are both good; and to achieve them it may be necessary to surrender part of one in order to attain at least part of the other. It is my hope that this bill will go to committee and that in committee very great care will be given to the achievement of the protection that seems to be desirable and necessary and, at the same time, the preservation of the freedom and liberty of the individual. This is important, and is becoming increasingly so in the world in which we live, and it is something that I am sure we all cherish.

My concern, honourable senators, is that this bill will go to a committee, and that in committee a full debate will take place, and careful consideration will be given to these most important and desirable objectives which appear in some cases to be contradictory and opposed to each other.

On motion of Hon. Mr. Beaubien (Provencher), for Hon. Mr. Croll, debate adjourned.

DIVORCE

MEETING OF JOINT COMMITTEE

Hon. Arthur W. Roebuck: Honourable senators, may I, with your kind permission, draw to your attention the fact that the Joint Committee on Divorce has a meeting scheduled for 3.30 o'clock. It is most necessary that as many honourable senators as possible attend that meeting in order that we may have a quorum to hear two distinguished delegations.

The Senate members of the committee are Senators Gershaw, Haig, Aseltine, Baird, Belisle, Bourget, Burchill, Connolly (Halifax North), Croll, Flynn, Fergusson, Blois and myself. With the permission of the house, I would urge these senators to attend this meeting.

I must now leave the chamber, but I assure you that I do so with no discourtesy to the honourable senator who will speak when the next Order is called.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. G. Percival Burchill: Honourable senators, while I cannot claim to be a farmer I do claim that my experience as an agriculturalist entitles me to make a few remarks on this bill. Before I go further I should like to give you the New Brunswick distinction between a farmer and an agriculturalist. A farmer is a man who makes his living on the farm and spends his money in the town, while an agriculturalist is a man who makes his living in the town and spends his money in the country. Having paid for the luxury of maintaining a herd of dairy cattle in the Province of New Brunswick over some years, I feel I have some excuse for saying a few words in respect of this bill.

First, I should like to point out that dairy farming in the Province of New Brunswick is a very unprofitable business. Some have survived, and I pay tribute to them. They have survived because of a love of the soil, or a love of livestock, and a willingness to work 18 hours a day, along with much fortitude and, I might add, a frugal wife.

The main reason why dairy farming in New Brunswick is not profitable—in fact, by any standard it would be called highly unprofitable—is the cost of feed for the cattle. From the amount of every cheque that a man receives from the sale of his milk he has to deduct 35 to 40 per cent for the cost of feed, and that is exclusive of fodder or hay.

I want to pay tribute to the people who raise dairy cattle in New Brunswick, because they have bred some of the finest cattle in the Dominion of Canada. The Jersey cattle, which were promoted by community effort over some years in Harvey, which is not far from Fredericton, are acknowledged to be among the best in the whole dominion. In fact, wherever the best Jersey cattle are on exhibition you will find the Harvey strain, and it is sought not only in all parts of Canada but even in the United States.

We have also in New Brunswick some splendid breeders of Holstein and Ayrshire cattle. The showing of cattle at the Provincial Exhibition in Fredericton this year was outstanding.

In paying tribute to the breeders of New Brunswick I want to include those from Nova Scotia and Prince Edward Island. Cattle which were on exhibition at the Winter Fair in Halifax recently were, in the opinion of the judges from Ontario, as good specimens as any that could be produced in the land. So I take my hat off and pay tribute to the dairy cattle producers of the Atlantic provinces.

Breeders from the Maritimes, I might add, exhibit at the Royal Winter Fair in Toronto, and have won many awards there.

Eminent agricultural authorities tell us that the soil, climatic conditions, and the seasonal condition in the Atlantic provinces are such that the land is better suited to the growing of grass than grain. We have had that practice tested on many occasions, and a leading agricultural authority from Nova Scotia told me not long ago that land growing hay in that province—and I will associate Nova Scotia with other provinces in the Atlantic region —would produce a land value of $100 per acre as compared with $40 per acre if the crop were grain. In spite of that fact, New Brunswick produced last year 40 per cent of the grain used in that province, Prince Edward Island produced 70 per cent, while Nova Scotia produced only 17 per cent. The figure in respect of Nova Scotia is accounted for by the fact that in that province the hog and poultry industry is of large proportions.

I should mention also the beef production in New Brunswick. Many farmers in the province have gone into beef production, and have produced wonderful specimens of animals. But in this area, too, the profit is very meagre, because the breeders are caught in the squeeze between the high price of grain and what they are able to get for the beef.

This feed grain assistance plan was started in 1941 because there was a surplus of grain in the West at that time, which we in the Atlantic provinces needed. Since that year there have been three consecutive surveys or polls taken by economists in each of the three western provinces—one in Alberta, one in Manitoba and one in Saskatchewan—the results of which have pointed out that this policy is sound, and that it is equitable for both eastern Canada and western Canada. It has been in existence since 1941, but in the intervening years the machinery for carrying it out has not been too efficient. There has been difficulty in getting supplies of grain. There has been difficulty in transportation. There has been difficulty in securing vessels for the shipment of the grain, and great difficulty in respect of storage facilities. There are not

adequate storage facilities in Halifax, for instance, for holding supplies of grain over the winter months.

To add to the difficulties, four different departments of government are involved—the Canadian Wheat Board, the Department of Trade and Commerce, the Department of Transport, and the Department of Forestry which now comes into the picture. Honourable senators can imagine the red tape encountered in endeavouring to secure deliveries of the necessary quantities of grain at the time it is required when all of these various departments are involved. It has been a headache and a work of frustration. Finally, after many discussions, the National Federation of Agriculture presented a brief to the Government outlining what has been happening and asking for relief. They asked for the appointment of a board to take over the complete administration of the movement of this grain from the western producers, including the buying and selling. The bill presented to this Parliament at this time is an answer, and in my view a pretty complete answer, to the brief of the Federation of Agriculture. I can only add that the agricultural community of the Atlantic provinces is very much concerned about this whole matter, and they look forward with great anticipation to the establishment of this board and to the better functioning of the facilities for the transportation of grain to the east when and where it is required.

I do not intend going into the details of the bill because the leader has done that very well and other speakers have pointed out the various aspects of the bill. I simply want to repeat that this bill is of paramount importance to the agricultural community throughout the Atlantic provinces, and the people in these communities are looking forward with anticipation to the establishment of this board. I trust the bill will receive unanimous approval in this house.

Hon. Mr. Paterson: Before my honourable friend sits down may I ask him a question? There are many types of grain—wheat, oats, barley, flax, rye and corn. What do the feeders find to be the best feed for milk cows and beef cattle? I am in the grain business and I am curious to know this.

Hon. Mr. Burchill: We feed our dairy cattle a mixture of oats, bran and middlings, together with other ingredients and minerals, known as Dairy Ration, which go to make up the proper feed for cattle. When this is compounded it is sold in bags, and I would say about 75 per cent of the content of each bag is eligible for the subsidy. That subsidy varies in the different sections and areas of the province, because the areas which are farther away from the railway points or from ports where the grain is brought in by vessel have to pay increased transportation charges. The bonus averages from $15 to $17 a ton. It is paid to the wholesale manufacturer by the Government and he in turn deducts it from the invoice when he distributes the grain or sells it to the retailer or feeder. As to the feed used for beef cattle, I am afraid I cannot answer that.

On motion of Hon. Mr. Cameron, for Hon. Mr. Gershaw, debate adjourned.

UNIVERSITY FINANCES

Hon. Norman A. MacKenzie rose pursuant to notice:

> That he will call the attention of the Senate to the question of university finances.

He said: Honourable senators, I had intended to make this statement some six months ago but circumstances, and particularly the postponement of the Government conference on university education, seemed to make its postponement both necessary and desirable.

A little more than two weeks ago a conference of the Prime Minister and his colleagues with the premiers of the various provinces on the financing of post-high school education, including university education, was held here in Ottawa and the conclusions reached by that conference may seem to make this speech of mine somewhat unnecessary. However, for the record there are a few things I would like to say.

As most of you know, my lifelong interest in and concern for education, and more particularly for higher education, grows out of my interest in the welfare of our young people and the welfare of our country and all of its provinces and territories. I have no particular concern as to who should finance our universities, provided they are adequately financed and have the freedom from Government and other intervention and interference in their affairs which is so necessary if they are to achieve the maximum results in this most important and desirable area of life and affairs.

However, in passing, there are two or three comments of a general nature which I wish to make. The first of these concerns Government responsibility for universities and some of the constitutional aspects of this. As a former professor of Canadian constitutional

law, I am well aware that the British North America Act by section 93 allocates, in general terms, education to the provinces.

To the best of my knowledge, however, universities were not even discussed or mentioned by those meeting in the conferences which preceded Confederation and out of which our present Constitution emerged. In fact, universities, in what was to become Canada in 1867, had been created long before that date. The University of King's College in Nova Scotia and the University of New Brunswick date back to 1780 in their origins. Laval has two charters, one a Royal Charter granted by Queen Victoria and the other a Papal Charter granted by the Vatican. In its earliest origins, Laval goes back to the 1600's —long before provinces were thought of.

Nearly all of these colleges and universities, apart from Dalhousie and McGill, were church-related institutions, influenced or controlled by the various denominations which had shared in their establishment, and they were supported by these denominations in financial and other ways. Historically, universities are among the most ancient of our institutions that have survived and continue to serve the societies and nations in which they are located.

Bologna in Italy dates back, I believe, to the 800's and Paris, Oxford and Cambridge to the Middle Ages. Apart from the Roman Catholic and Greek Orthodox churches, there are probably no other institutions in what we call the Western World which have had a longer or more continuous existence than our universities. Certainly, there are no governments presently in existence that are as old as our universities. Their nature, function and services were and are, as their name suggests, universal rather than national or provincial. Their students and professors were and are drawn from many lands and their graduates went off and go off to serve not only their own communities and nations but to serve other countries in distant places.

This general fact that our universities were not thought of or not provided for in the British North America Act is borne out, it seems to me, by two other facts. First, the descriptive sections of section 92 have reference to schools, and I suggest that it was education at the level of the schools that our founders were thinking about and legislating for. My second point is that education in its general sense is a word or term with a very wide possible meaning.

Nearly everything and every experience that happens to a human being throughout his lifetime has some influence upon him and, in this sense, is part of his education. In our modern world, our churches, religious denominations, clubs and organizations, our financial and industrial institutions and, more specifically, what we call the mass media, the newspapers, radio, television, films, books and periodicals, are all part of the education of every human being. These are part of the whole general area of one's education. In addition, in specific ways, the federal Government and Parliament have direct responsibility for certain areas of education. Among them are national defence, aspects of agriculture and certain fields of research.

As I stated at the outset, I am not concerned to argue the issue of our constitutional limitations, but rather to consider how best we can provide university education for those young men and women who want it and who, by virtue of their temperament and talents, are entitled to it. In addition, I am concerned as to how best the needs of our country and its various organizations and institutions of a national kind, including our Government and Parliament centred here in Ottawa, can best be served.

If university education is left with the provinces in their individual capacities, then I suggest that neither the universities nor the provinces will necessarily have a concern for the national interest, but will concern themselves more legitimately with the welfare and needs of provinces and of the people who live in the individual provinces.

My concern about the newly announced arrangements is that as far as I can judge or understand no one in Canada has or will have any formal responsibility for what I term the national interest, or in providing those special services at the highest levels which every country must have if it is not to become and remain a second- or third-rate nation or power.

In this connection I give you here a quotation from a speech made by Dr. Eli Ginzberg, Professor of Economics at Columbia University and an adviser on Manpower Utilization to President Johnson. Speaking to the Canadian Guidance and Counselling Association, he said this:

> Canada has been grossly negligent and deficient in the provision of secondary and higher education, and its underinvestment...will hurt the country and cause a serious educational crisis.

Hon. Mr. Connolly (Ottawa West): Would the honourable senator mind answering a

question at this point? I did not hear the name of the person who made the observation.

Hon. Mr. MacKenzie: The person is Dr. Eli Ginzberg, Professor of Economics at Columbia University and an adviser on Manpower Utilization to President Johnson.

Hon. Mr. Connolly (Ottawa West): Thank you very much.

Hon. Mr. MacKenzie: This was a statement he made in a speech delivered to a body here in Canada.

It seems obvious to me that no province need concern itself about these matters of national interest, and it might well be argued that the expenditure of moneys under the control of the provinces, for other than provincial needs and purposes within the province, could be legally or constitutionally questionable.

My hope at the moment is that the universities themselves, regardless of where their moneys come from, will continue to think of themselves as being national and international in scope and function and will individually and collectively, through their association of Canadian universities and colleges, try to fill this gap and cover this grey area which all of our governments seem to be in the process of ignoring.

Then, too, there is the magnitude of the problem and the very real question as to whether some of the small provinces with limited resources can afford to provide high-level education for their young people, and will in this respect be at a serious disadvantage as compared to the larger and wealthier provinces such as Ontario, Quebec, Alberta and British Columbia.

Due to the increase in our birth rate, which for Canada has been a most fortunate circumstance, the numbers of those entitled to university education has increased and will continue to increase very greatly. As recently as 1950, there were only about 50,000 students attending universities and colleges in the whole of Canada. By 1976, only ten years away, it is estimated that this number will have grown to about 560,000. In addition, because of the increasing complexity of modern life, the costs of higher education—and here I mean university education—have increased, and will increase to an even greater extent than indicated by the increase in numbers of students. But even this great increase in student members leaves us far behind the United States in terms of the percentage of young men and women in the relevant age groups 18 to 24 who are enrolled or will be enrolled in our institutions.

Our distinguished colleague, Senator McCutcheon, was a member of a very important university commission, the Bladen Commission, which two years ago made a study of this whole question of university finances, which was presented as the Bladen Report just a year ago. The Commission stated that operating expenditures will increase from $284 millions in 1963-64 to $924 millions in 1970-71, and $1,675 millions in 1975-76, while the total of capital and operating expenditures for our universities will rise from $429 millions in 1963-64 to $1,314 millions in 1970-71 and to $2,032 millions in 1975-76.

Personally, I believe that because of inflation and the increasing costs of university education, these estimates are too conservative and too low. In the light of this, I am wondering what the peoples, the governments and the universities in Nova Scotia and New Brunswick, for instance, can do to ensure that their young people are properly and adequately cared for, so that they will be able to compete with their fellows in other parts of Canada and, more important, in other parts of the world. In contrast, the federal Government of the United States has been and is pouring ever-increasing amounts into higher education—hundreds of millions of dollars—despite the fact that there too education is primarily thought of as being a state responsibility.

Personally, I believe that there is a case for leaving "school education" with the provinces, and I would be prepared to agree that undergraduate training in the liberal arts and the basic sciences and teacher training might also be reserved for the provinces. When we get into the fields of professional training, particularly in the health science, into graduate work at the Ph.D. levels, and into high level research work, I claim, even though I may be a voice crying in the wilderness, that these are and must be matters of national concern and can only be dealt with and financed on a national basis and at the national level.

May I digress for a moment about medical education, which is a special problem because of our Medicare program now pending. Here I quote from a distinguished medical friend of mine Dr. John F. McCreary, who was, and I believe still is, chairman of important medical committees and Dean of the Medical Faculty at the University of British Columbia.

He writes:

> Canada had one doctor for each 859 of its population in 1961. No one knows what the proper ratio of physicians to population is. Obviously it will vary from country to country depending upon the manner in which health services are provided. We do know that there are 20 countries in the world today that have a more favourable physician-population ratio than does Canada and we know that a very large number of our physicians are over-worked and do not have time to keep themselves up to date. We also know that there are rural areas in Canada in which health services are not provided because there are insufficient physicians.
>
> In order to maintain the physician-population ratio as it is, Canada must register 1,300 new physicians each year. Our own 12 medical schools only produce 850 new physicians each year. Had it not been for the fact that we have enjoyed an immigration of between 400 and 600 physicians per year during the past 15 years Canada would have been seriously short of physicians at this time.

Again, on the basis of information that I have, this fortuitous source of supply is drying up, and is not likely to be available to us much longer.

> Members of the Association of Canadian Medical Colleges, representing those responsible for the education of physicians in Canada, have been seriously concerned about this matter for some years. They are more particularly concerned at this moment because the advent of universal health insurance is now imminent.

I should like to read one other paragraph from Dean McCreary's memorandum:

> In Canada we have over 300 institutions which provide credit courses towards degrees. We have 59 full degree granting colleges and universities. Of this large number of teaching institutions there are only 12 with medical schools and only 7 with a combination of medical and dental schools. It is on this small handful of Canada's institutions of higher learning that the responsibility for preparing the prime purveyors of health services to Canada's 20 million people must fall.

Under the circumstances, it seems reasonable to suggest that funds associated with medical and hospital care insurance surely must come from the Department of National Health and Welfare, or some other national source.

If what I have been suggesting, namely, that federal participation in universty education is politically impossible, then I am sure that my former colleagues in the universities, as I have already stated, will do their best to meet this need and to fill this gap. But I do not believe that with the best will in the world, they can deal with the problem, and provide the services in an adequate and satisfactory fashion, if they are dependent upon their own provincial resources alone.

I made mention earlier of the importance of freedom to the universities. I stress this because in the area of ideas and creative activity, freedom to investigate, to explore creatively, to discuss, to argue and to debate is not only necessary, but vital. I am not suggesting that provincial governments will deny this freedom to our universities, but I do know from my own experience that a variety of sources of support is a better safeguard of this freedom than total dependence upon one source alone.

Then, too, there is the problem of a considerable number of church-related institutions which I know under existing legislation or provincial government policies, are denied support from provincial funds. No doubt this situation can be corrected if provincial governments wish to do this. But this will take time and will confront provincial governments with other serious problems. The result may be that they will delay doing anything about it, or will do nothing at all.

In conclusion, honourable senators, I would urge every one of you to give continuing and

serious thought to these matters, and to contribute, as best you can, to the solution of the problems I have raised and which I know exist, and which, in terms of the future of our nation, are among the most important that we have before us today.

On motion of Hon. Mr. Leonard, debate adjourned.

Hon. Mr. Connolly (Ottawa West): Honourable senators, before I move the adjournment of the House I should like to say that the unusual disposition of certain senators at this time is neither an indication of their personal defection from the party nor an indication of a lack of party solidarity.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, November 16, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

IMMIGRATION

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Macaluso has been substituted for that of Mr. Clermont on the Special Joint Committee on Immigration.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Orange has been substituted for that of Mr. Munro on the Special Joint Committee on the Public Service of Canada.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copies of formal agreement, dated October 4, 1966, between the Government of Canada and Trans-Canada Pipe Lines Limited, and Alberta Inter-Field Gas Lines Limited, together with letter, dated September 22, 1966, from Trans-Canada Pipe Lines Limited to the Minister of Energy, Mines and Resources relating to the transport, export and import of natural gas. (English and French texts).

Copy of answer to inquiry of the Honourable Senator Pouliot of June 29, 1966, respecting fees or payments of travelling expenses paid by the Government of Canada or its agencies to solicitors, lawyers, counsel and notaries public of the Province of Quebec during the three years ending June 30, 1966.

Order in Council P.C. 1966-2148, dated November 16, 1966, appointing Mr. M. W. Mackenzie, Montreal, Quebec, Mr. Yves Pratte, Quebec City, Quebec, and Honourable M. J. Coldwell, Ottawa, Ontario, as Commissioners under Part I of the Inquiries Act to make a full and confidential inquiry into the operation of Canadian security methods and procedures, and setting forth the terms of reference of the Commission.

Hon. Mr. Pouliot: Many thanks for the return.

Hon. Mr. Connolly (Ottawa West): Many happy returns.

CANADA CORPORATIONS ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-51, to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-51, to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden: Honourable senators, with leave, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

CRIMINAL CODE (HATE PROPAGANDA)

MOTION FOR APPOINTMENT OF SPECIAL JOINT COMMITTEE

Hon. John J. Connolly, with leave of the Senate, moved:

That a Special Joint Committee of the Senate and House of Commons be appointed to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code";

That the following senators be appointed to act on behalf of the Senate on the Special Joint Committee, namely, the Honourable Senators Belisle, Bourque, Choquette, Croll, Lang and Roebuck;

That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee, and to sit during sittings and adjournments of the Senate; and

That a message be sent to the House of Commons requesting that House to unite with the Senate for the above purpose, and to select, if the House of Commons deems advisable, some of its members to act on the proposed Special Joint Committee.

The Hon. the Speaker: Honourable senators, with leave of the Senate—

Hon. Senators: Dispense.

Hon. Mr. Connolly (Ottawa West): Perhaps it would be appropriate for me to say a few words about this motion at this time.

The debate on this subject is not yet finished in this house, but it is felt desirable to refer the bill, if it receives second reading, to a joint committee; therefore, it is necessary to have the vehicle established. For that reason it seemed appropriate at this time to make this motion so that the Senate could deal with it and appoint its members. Then, when second reading has been concluded, the bill can be referred to that committee.

I have discussed with the Acting Leader of the Opposition the composition of the committee and we are agreed on the members, all of whom have kindly consented to serve.

Hon. Jean-François Pouliot: Honourable senators, in all deference to my honourable leader, it is my duty to oppose this motion because I cannot see why the committee should be appointed before second reading of this bill has been concluded. The principle of this legislation has not yet been adopted by this house, and if we set up this committee it will be an inducement to the members of the Senate to let the legislation pass without protest. I feel that this legislation is wrong from the start, for reasons which I shall explain later. There is no justification for it. It will give an erroneous impression of Canada when people read about genocide and hate referred to in this bill.

When was the first murder committed? We will have to go back further than the deluge; we will have to go back to a few years after the creation of the world, when Cain killed Abel because of jealousy and hate. That was the start, and it was caused probably by original sin. Cain became jealous and envious of Abel to the point of killing him. Afterwards, if we look at the Old Testament we find in the Book of Maccabees how many Jews were slaughtered by their own folk, and how many Philistines Samson slew with the jawbone of an ass. I remember reading that 100,000 Jews were slaughtered on account of their bad pronunciation of the word "Shibboleth"; because they said "Sibboleth" instead of "Shibboleth" they were slaughtered. They did not have the right pronunciation. It shows the importance of good pronunciation when one speaks a language.

I will draw the attention of my leader, the Leader of the Government (Hon. Mr. Connolly, Ottawa West), and of the whole Senate to the fact that this motion is premature and there is no reason at all to adopt it now without protest. I protest strongly against it, and I have a protest to register against the bill itself. This is not because I feel like committing genocide or because I do not like the Jews. I consider they are not any better than but they are just as good as the French Canadians, English Canadians or Scottish Canadians or any other group of the great Canadian family. They are neither better nor worse; we are all alike.

I must remind you what Marshal Foch, the Generalissimo of the allied armies, said in my presence at the Chateau Frontenac, in Quebec City, shortly after the First World War. There was an Armenian prelate, a monsignor, who pushed his way to Foch and said to him, "Marshal, will you come to the help of the Armenians?" Foch was a devout Catholic who went to mass every morning and had the reputation of being a great general—in fact,

he was responsible for winning the war. He replied: "Monsignor, France does not come to the help of peoples who have not the courage to defend themselves." Then he added, "Take this gentleman away!" Thus ended the interview in the presence of about 100 or 150 people.

Now, why do we speak in this country of genocide? Nobody has been persecuted in this country since Regulation 17 was dispensed with. I remember the motion presented by Mr. Ernest Lapointe before he was a member of the cabinet, but with the support of Sir Wilfrid Laurier, complaining about Regulation 17, which meant persecution for French Canadians in the Province of Ontario speaking the French language. Not only that, but I remember not so long ago, under another government in the Province of Ontario, the nuns could not wear their uniform to teach class—

Hon. Mr. Denis: Shame!

Hon. Mr. Pouliot: —and the crucifixes were not admitted into the schools.

Hon. Mr. Denis: Shame!

The Hon. the Speaker: With due respect, at this point I would ask the honourable senator if he is denying leave of the Senate on this motion?

Hon. Mr. Pouliot: I said, Your Honour, that this motion is premature, and I oppose it. By virtue of the fact that I oppose it, it will not pass today. I wonder if the second reading of the bill will pass today or some other day; but I find that to propose the formation of a committee or the appointment of its members to consider a bill before it has received second reading makes no sense. That is my point of view, sir, and I rise today to protest against the proposed course.

I must tell you clearly, and without leaving any doubt in your minds, that I have nothing against the Jews. I repeat, I have nothing against the Jews. I have nothing against any race. I have never spoken of religions or racial matters in this house.

I have some friends among the Jews. Our colleague who will speak today on the bill seconded a routine motion that I moved when a French-Canadian colleague refused to second it. I had a client who was of Jewish descent. He was a friend of mine, and he established a branch of his industry in the city of Rivière-du-Loup where I live. My relations with the Jews have been very pleasant. But, if I were a Jew I would be insulted by the legislation that is now brought before the Senate. I would be insulted because it is groundless.

Why do we speak of genocide? Auschwitz is not anywhere in Canada. It was in Poland. The Poles suffered very much when they were made martyrs by the Russians. These things are to be regretted. Eichmann, the German who was responsible for their murder, was executed in Palestine—perhaps too late. He should have been dispensed with before. If his crimes had been committed in Canada he would not have been hanged because murderers in this country are not hanged any more. It is a good thing that he suffered his fate in the end, and the Jews did well to get rid of him.

Why do we speak of Auschwitz when we speak of our fellow citizens, the Jews? We have only to look at the social pages of any newspaper to see that the Jews are doing very well in this country. They should appreciate it, and they do appreciate it. They are at the head of many charitable organizations. They are good citizens. It is beyond my understanding why some professors of law have assumed the responsibility of starting this trouble. We do not expect this from a man who is Dean of the Faculty of Law of McGill, and another who is a professor of constitutional law at the University of Montreal. Do you remember, Mr. Speaker—I think you were a member of the Senate at the time—when I said that the professors of civil law and of constitutional law in Canada, and the deans of the faculties of law—all of them, with very few exceptions should wear asses' caps instead of mortarboards, because they do not realize the relationship that exists between the constitutional law, which distributes the jurisdiction to legislate, and the civil law. They ignore it totally. They are pompous and ponderous. They give the impression of being the only ones who carry the truth in their hands.

I have read the report of the Special Committee on Hate Propaganda in Canada. It makes no sense. What I regret, honourable colleagues, is that in this country everybody seems to ignore the real meaning of liberty. Twenty centuries ago one of the Romans said:

> O liberty! how many crimes are committed in thy name!

Honourable senators, you know that. I tell you nothing that you do not know already. I appeal only to your memory, your common sense, and your sense of fairness. Here in the Senate any one may come with any kind of legislation and speak about liberty, freedom,

justice and all that, and his proposal will pass like butter in the pan.

One of the great evils of these times is the general indifference of the public about matters of vital importance. As much as I respect the Jews, as I do all my fellow citizens—and I make no difference between them—I think the Jews and the Gentiles should enjoy the same consideration from their fellow citizens.

I cannot understand why a matter like this is brought today before the Senate and has been discussed in the House of Commons for such a long time. I heard many distinguished people in a committee—professors and other gentlemen—who gave their statements, or what we call in committee language "presentations" before the committee. They proved nothing but they told us about their nightmares.

I find that this piece of legislation is an insult to the intelligence of Canadians and to Canada itself. What can I say more than that? If I were a Jew I would rise as I do today to protest against it, giving as it does the impression that the Jews are persecuted in Canada. They are not. They enjoy the fullest liberty just the same as any other citizens.

I will be accused of being narrow-minded, of not understanding what are the great aims of those who love and cherish liberty and freedom, and they will say that it takes a man without any compassion, a bigoted Canadian, to speak as I have done. I have expressed my views, and I know that after this sitting I may meet many of you who will say that I was right. Do not say it then, but say it now. If you find I am wrong in speaking as I have done, rise now and tell me but I will ask you to tell me why I am wrong. At the present time the policy of the Government seems to be "slack the slack"—Larguez les amarres.

I have something further to say about the bill. I congratulate my deskmate Senator Lang for the excellent speech he has made, and I also congratulate Senator Walker, and Senator Fournier (Madawaska-Restigouche) for what he said about the flag in this debate. He was right. The flag should be respected. The flag is something sacred that has its place in churches as well as on the public square. That is why it flies above the Peace Tower of Parliament. The first thing we see when we enter these grounds is the flag of Canada on top of the Peace Tower. We also see the flag above other buildings adjacent to the Parliament Buildings; and we see it on many buildings throughout Ottawa. It means that the idea of patrie—patriotism—has been accepted; it is recognized and honoured in this country.

This is why I do not despair. This is why I hope for better days, when all of us will come together to consider all matters on their merit instead of showing some kind of false sentimentality and a complete lack of understanding of matters of cardinal importance.

That being said, I hope you will understand; and I ask my honourable leader (Hon. Mr. Connolly, Ottawa West) not to insist on the adoption of the motion to appoint members on a committee to study this legislation before it receives second reading.

Hon. John J. Connolly: Honourable senators, I must say something in answer to my honourable friend Senator Pouliot.

In the first place, he has disclaimed any idea of playing the role of Samson. For that I am grateful. I do hope, however, that he will not expect me to play the role of Goliath to his David.

The honourable gentleman indicated opposition to this bill. He is not the only person in the house who has indicated opposition to it. A number of speeches from both sides of the house have been critical of the bill in certain respects. I would be very surprised indeed if there were not differences of opinion within a house as varied as this one. He is entitled to his opinion about the merit of the bill or of any part of it as indeed any senator is entitled.

However, I simply wish to point out first that the establishment of a committee does not prejudge the decision of the Senate to deal with the bill on second reading. As a matter of fact, at the beginning of the session we set up all our committees before we introduce bills. Many of these committees already set up are going to be very busy dealing with legislation, and there is no prejudgment that any bill will be passed on second reading simply because there happens to be a committee available to deal with it. I think that is standard and sound parliamentary practice.

The only other point I wish to make is that none of us can be sure of the situation in the House of Commons and how regularly the Senate will be sitting during the remainder of this session. I think honourable senators, including my honourable friend, will give me credit for at least trying to anticipate the convenience of members of the Senate by not calling them back to perform functions which are not of a substantive nature. I do not consider this one to be a substantive function.

I would hope that either today or tomorrow—and I do not care whether tomorrow or not—we could pass this motion so that the House of Commons will have an opportunity at an early moment to appoint its members to the committee.

If the Senate rejects this bill on second reading, then the business of setting up the committee will have been futile, but no harm shall have been done. On the other hand, if, as I expect, most honourable senators would want this bill to go to a committee for consideration, then what we are proposing to do by this motion this afternoon should facilitate that step being taken.

I do not want the Senate to be brought back ahead of time. I have to try to look ahead and anticipate problems that might arise. If the Senate should pass the bill on second reading, it will have a vehicle to which it can be referred, which I submit is an appropriate one. When the debate is concluded, should the Senate adjourn and it is necessary for that committee to sit during the adjournment, then this motion gives the authority to do so. If it is not the desire of the Senate to pass the motion this afternoon, I have no objection to deferring it until tomorrow.

An Hon. Senator: Pass it.

Hon. Mr. Connolly (Ottawa West): However, I submit that the reasons for putting the motion before the Senate at this time are valid, and that the interest of adapting the proceedings of the Senate to the situation in which we find ourselves is well founded.

The Hon. the Speaker: Do honourable senators grant me leave to put this motion?

Hon. Mr. Pouliot: Not until tomorrow.

Hon. Mr. Connolly (Ottawa West): As the consent is not unanimous, we cannot proceed. The motion will be put tomorrow. That is quite satisfactory.

LEGAL SERVICES

FEES PAID BY GOVERNMENT TO MEMBERS OF QUEBEC BAR—INQUIRY ANSWERED

Hon. Jean-François Pouliot inquired of the Government, pursuant to notice:

> Who were the solicitors, lawyers, counsel and notaries public, of the Province of Quebec, who received fees or payments for travelling expenses from the Government of Canada or its agencies during the three years ending June 30, 1966, and how much was paid to each one?

Hon. Mr. Connolly (Ottawa West): The answer to the inquiry was tabled earlier today.

LABOUR CONDITIONS

STRIKES AFFECTING THE PUBLIC WELFARE

Hon. Donald Cameron rose pursuant to notice:

> That he will call the attention of the Senate to the disruptive and costly effects of strikes in services affecting the public welfare.

He said: Honourable senators, in introducing this subject this afternoon, may I first say to the honourable leader that I broached the subject the other evening in a manner which I am aware was an infringement of the rules, but I did it with no attempt to embarrass him. I had hoped that there might be some value in having the matter raised at that time, in that it might serve as a red light or warning to some segments of the labour force of this country who seem to be acting with less responsibility than we could hope for.

My purpose in interjecting this issue into the discussion of the Senate at this time is because, if I sense the feeling of the Canadian public correctly, there is an increasing dissatisfaction with the mounting rash of strikes in industry and in the public service, which are disrupting the normal lives of thousands of people, disrupting the normal channels of trade and commerce, disrupting the normal day-to-day family life of the people, and generally contributing to an uneasy and unstable economic climate and one in which productivity is either suffering or is likely to suffer.

We have been fortunate in the last few years in enjoying a buoyant economy. We are at a stage today when, through inflationary pressures, we may be on the razor's edge of plunging into a recession. I am sure that anyone who has experienced the recessions of the past does not want to see that happen again. The rate at which prices, wages and profits have been climbing in the last year in particular is causing a great deal of uneasiness.

To give one small example of what is occurring today—and here I speak from personal experience—I happen to have between $1.5 million and $2 million worth of construction going on in the enterprise for which I am responsible in Banff. The other day the foreman of the construction company carrying

out this project came to me and said that unless I was prepared to permit at least two or more hours per day overtime, at the time-and-a-half rate, he could not keep carpenters on the job. He said that another well-known national contruction firm which had a contract 15 miles from Banff had guaranteed the carpenters on that job from 11 to 14 hours per day, with time-and-a-half for each hour over eight hours. He said that another well-known construction company working at Lake Louise 40 miles away had guaranteed the carpenters from 10 to 11 hours per day, with time-and-a half for every hour over eight hours. He said that unless I was prepared at least to guarantee a minimum of two hours per day overtime at time-and-a-half, he was afraid he would have no carpenters to keep the job going.

In the light of this ultimatum—and this is only a small instance—this is the way it works. Ordinary carpenters—and they are not too skilled—are getting $3.35 an hour, which works out to $135.00 for a 40-hour week or $603.00 a month at the standard rate. But if you add the overtime, these carpenters are getting $925.00 a month. This is for just ordinary carpenters. The supervisory personnel get $1 per hour more than that.

It is not hard to understand, honourable senators, that those institutions or organizations which have construction programs under way, which of necessity are planned two or three years in advance, find that budgets planned for the buildings one or two years in advance fall far short of what is necessary on the completion date. Unfortunately, the salaries and wages of people in many other areas of the economy, however, have not been keeping pace. There are many cases where it must be extremely difficult for men with families to make both ends meet. At the same time, some corporations are showing profits at record levels. I have no objection to that.

Honourable senators are familiar with the fact that the Government of Canada has felt constrained to take measures to curb what is euphemistically called the "overheating of the economy." We have gotten into a tight money position, with interest rates at such a level that many small borrowers are deterred from borrowing.

The Minister of Finance uses as an excuse for the postponing of medicare by one year the argument that the huge expenditures involved in that program would contribute to the inflationary pressures. There are many people who dispute that viewpoint, and it is not my purpose to enter into that argument today. I am simply citing these illustrations to underline the fact that we are in troubled times as far as the Canadian economy is concerned. Large segments of our labour force feel that they are not getting their proper share of the national productivity pie, as a result of their labours in association with capital. The result is that in the past year we have experienced a rash of strikes, both legal and wildcat, which have not only disrupted the industries concerned and the normal way of life in the communities in which these industries are located, but they certainly have not contributed to the gross national product.

In this discussion, I am particularly concerned with strikes in the public service, which affect the health, welfare, convenience and the rights of ordinary citizens. Within the past year we have had a strike in some sections of the postal service; we have had a prolonged strike among hospital workers in Quebec; we have had a strike of the telephone employees in Newfoundland; we have had a threatened strike by the employees of Air Canada which was averted at the last minute during the summer; and we had the threat of a complete shutdown of our railways just three months ago. We also had a threatened strike of some 1,200 seaway workers, in which our colleague Senator MacKenzie played a role in getting it settled before they actually went on strike. If such a strike had taken place in the case of industrial transportation by the waterways of this country, 1,200 men could have brought the economy to a standstill. Then we had the Montreal longshoremen's strike, which went on for weeks.

At the present time we have a strike of 5,200 machinists against Air Canada. Until last evening we had the threat of another postal union strike to shut down the entire postal services of the country. Fortunately, the views of moderation and responsibility have prevailed, and our congratulations must go to Judge Montpetit and to the union negotiators who have performed a fine public service in avoiding this strike.

May I digress here to say that Judge Montpetit has performed a magnificent public service in the preparation of his report on the postal service. It is an eminently fair document, and it shows many of the reasons why there is so much justifiable dissatisfaction among the postal workers today. At the same time, in spite of the fact that the union leaders agreed last night to accept an interim settlement of 25 cents an hour, we have no assurance that there may not be wildcat strikes by elements of the postal service.

Therefore, in view of this situation which I have elaborated at some length, it seems to me we have arrived at a time when we must take a completely new look at labour-management relations, and to find ways and means by which injustices, where they exist, can be corrected without long and frustrating delays, which have so irritated the workers in many areas of our economy.

If one looks at the wages paid to hospital workers in Quebec, for example, one sees there is no question that in many cases these were far below the minimum accepted standards which should prevail in that kind of service today. If we look at the details of the longshoremen's strike in Montreal, we will again find that there are many places where the rates of pay were out of line with the minimum standards necessary. If we look at the position of the railway employees we will find some incredible instances where some sections of the staff are below minimum standards, particularly in the area of protection, sick benefits and other fringe benefits which are accepted as a necessary part of any labour contract today.

I said a moment ago that, if we read the report of the Royal Commission on Working Conditions in the Post Office Department, we must be impressed with the fact that the postal workers have many and long-standing grievances. Responsibility for these inequities falls upon two groups of persons, one, the management, whether it be in the private sector or the public sector and, the other, the leadership of organized labour, which has been either complacent or negligent, or both, in putting forward the case for the employees to whom they were responsible.

It is not my purpose today to get into the area of strikes in general, but I want to confine what I have to say from here on to the question of strikes in the public service, strikes which affect the welfare, the health, the standard of living, the safety and the productivity of the people as a whole. I also want to ask a number of specific questions of ourselves and to use these as warnings both to the public authorities and to labour, because I for one firmly believe that, while justice must be done to labour regardless of the area in which it is employed, at the same time I feel that we have reached the point where we can no longer tolerate strikes, or the threats of strikes, in the public service, whether this be among hospital workers, railway workers, seaway workers, communications workers, airline workers, postal workers, policemen, firemen or what have you.

For example, at the present time we have a strike of 5,200 machinists, members of the International Association of Machinists, which has completely grounded a great transportation system. These people say that by striking they are exercising their democratic right to determine what they will do with their labour. This may be true but what about the democratic rights of the 4,000 or more other employees of Air Canada whose pay cheques have stopped because of the action of the machinists? What about the democratic rights of the 18,000 to 20,000 people a day who normally use this airline in carrying out their business responsibilities? Are these people to be the forgotten men on every occasion when a minority, regardless of how just their cause may be, decide that they are going to cripple an industry? I therefore think we have reached the time when we must find some other and better ways of settling these disputes.

I would ask the following questions: Is the Government prepared to explore ways and means by which labour disputes in the public service can be brought to a solution more expeditiously than has been the case in the past? It seems to me that one of the reasons organized labour has become militant and fractious is that the processes of negotiation have been interminably slow. I suggest we should carefully examine the machinery we have for settling industrial disputes and if we find, as I think we will, that much of our present machinery is not adequate we should devise new ways and means of settling grievances. Just here may I interject that I have the greatest sympathy for the Minister of Labour, Mr. Nicholson, who has I feel, been doing a very good job.

Some Hon. Senators: Hear, hear.

Hon. Mr. Cameron: But I also feel that he is working, in effect, with one hand tied behind his back because of the regulations he has to work with, and because of the fear of criticism that might result from the Government intervening in strikes. Heaven knows, the Government represents the people of Canada and it is high time it did intervene on some occasions.

What specific and helpful role can the Senate of Canada play in protecting the public interest and at the same time guaranteeing to labour that justice will be done with a minimum of delay?

Will the Government be prepared to specify those public services in which labour disputes must be submitted to arbitration binding on

both sides, without the right to strike? If you have been following the proceedings of the Special Joint Committee on the Public Service, you will find at pages 292 and 293, and in that general area, a rather eloquent defence of the employees' right to strike put forth by a very able representative of organized labour, Andy Andras. But in spite of his eloquence and sincerity I think you have to take a new look and find a better way to settle matters than by resorting to striking, which is the most costly, inefficient and ineffectual way we can devise.

I think the time has come when, because of the disruptive and costly effect of strikes in services affecting the public welfare, the Government, in the interest of both the public and of the labour bodies concerned, must be prepared to specifically delineate those services in which strikes will not be permitted. In saying this I know there are people who will claim loud and long that this is an interference with the freedom of the individual—with his freedom to work or not to work, or to work for whom he pleases. There are others who will say that by forbidding the right to strike in certain services we will be encouraging wildcat strikes. If we examine this for a moment we must recognize that we have wildcat strikes today, they are happening all the time under the present rules, and we will undoubtedly have some of them in the future but we must provide alternatives which will cause people to think twice before they engage in unauthorized and irresponsible wildcat strikes. This phenomenon of the labour movement provides a challenge both to the leaders of the labour movement and to the Government. I would suggest that provision should be made for such penalties for unauthorized wildcat strikes that this action would become extremely hazardous and unwise for those who participate in them. However, I do not believe in a negative approach to this situation. I think that one of the tasks that management has—particularly in the public service and management in all aspects of our economy—is to see that justice and equity prevails in industry both with respect to wages or salaries paid and the fringe benefits which have come to occupy such an important place in modern industrial relations today.

Apropos of unauthorized strikes in the public service and the means of trying to prohibit them, you may say that you cannot put everybody in jail. Obviously, this is so, but I suspect that you might feel differently, if we were to have a strike of the employees on Parliament Hill some day. However, if we do our job in public relations and personal relations effectively and properly, and show these people that they are getting justice and equity in their salaries and emoluments, in relation to other segments of the labour force, and if we could show them that they have a greater measure of security and, probably, a less hazardous and less demanding type of work in many respects, then we need not worry about staff in the public service. There will be many people who will want to come in and get the jobs in place of those who go out.

If one may refer to a specific case, let us take the Montpetit Report as an illustration of the kind of situation which brings about strikes. On page 22 of this report Judge Montpetit says, and I quote:

> There are some senior employees in the higher grades in the department who have been promoted from the ranks but still have the attitudes which were prevalent at that time. They did not keep up with the times and, consciously or unconsciously, they refuse to do so. They are living in the past. They have a decided tendency to sacrifice the morale and welfare of the employees to their idea of an unequalled postal service.
>
> This lack of moderation, or this attitude, which prevents people from seeing the tremendous possibilities of a policy of a happy medium, has caused strong resentment amongst employees.
>
> We have noticed serious deficiencies in personnel administration at all levels.
>
> These may be due to the enormous difficulties which most departments experience in recruiting really competent men for this type of work which has become highly specialized. Whatever the reason may be, the department is in dire need of such men. Many personnel officers in local offices have not been trained adequately for personnel work. We do not cast any doubt on their sincerity and desire to do their best.

Continuing on page 34 of the same report Judge Montpetit goes on to say, and I quote:

> Everyone is aware of their preference in the matter.
>
> It is hoped that employees will use discretion and moderation in exercising this right and will not lose sight of the serious problems and difficulties which any interruption in the postal service, however brief, imposes on the public.

> Finally, we hope that the staff organization, as well as the postal employees, will be satisfied at having obtained, at last, official recognition of their right to participate in collective bargaining and to reach agreements. We hope also that they will not only prepare themselves accordingly and call for the assistance of experts they may need, but will show, as will the employer, a spirit of good faith and co-operation.

I cite these as examples of the kind of administration which, whether in public or private industry, causes the employees affected to become dissatisfied and disgruntled to the point where they may take action which, in the long run, is neither to their interest nor to the public's. It is not my purpose in this discussion to spell out in precise detail those areas of the public service in which strikes will not be permitted. But I shall give some examples and I think that great care should be taken in the preparation of a precise list. The examples I would suggest are: hospital workers; transport workers, including railway workers, seaway workers, communication workers, air line employees; postal workers; civil servants; public utilities; and teachers. I mention teachers because I have sat on arbitration boards in teachers' strikes before now.

If we examine the situation we will recognize that already it has been accepted that policemen and firemen—both essential elements of the public service—are not permitted to go on strike. And here is a case where one of our colleagues, Senator Roebuck, has had a major role in working out the rules by which these elements of the public service have accepted the situation. If these arrangements are working satisfactorily in these two elements of the public service, there is no reason to believe that some arrangement would not work out in other sections of the public service.

As honourable senators are well aware, we have three bills before Parliament at the present time—Bill C-170, an act respecting employer and employee relations in the Public Service of Canada; Bill C-181, an act respecting employment in the Public Service of Canada; and Bill C-182, an act to amend the Financial Administration Act. I want to say that there has been careful examination of these before joint committees. We have been hearing about the problems of the employees and I am delighted with the results and the basic agreements in this committee on some very contentious issues. Bill C-170 does give the employee a choice between binding and final arbitration and conciliation followed by the right to strike. I want to go on record right now as saying I shall oppose the inclusion of the "right to strike" in that act. In doing this, however, I am cognizant of the fact we must give an assurance to labour that justice will be done to them and that it will be done with reasonable dispatch and efficiency.

I am going to make two suggestions, one of which I suspect will be rather unpopular with organized labour but I think that they should face it. This is that they be brought under the conditions of the Fair Employment Practices Act. This would go a long way to deal with some of these wildcat strikes.

My second proposal is that we set up in Canada a sort of national referee or council. What I am thinking of is an organization something like the Economic Council of Canada, which would be a body completely independent of politics and agreed upon by management and labour, which would be charged with carrying out a continuing study of industrial productivity and labour's legitimate and equitable share of that increasing productivity. This could be a vitally important institution in our whole economy. It would work in the closest co-operation with the Economic Council of Canada. It should be staffed with the most competent economists and statisticians available in this country. It should have the closest possible working relationship with the trade unions and management. I am not going into detail at this time, but I am sure some kind of institution of this nature is vitally necessary at this time. I am suggesting that if we deny the right to strike to public employees, we must give them in return an assurance, not only that justice will be done in all cases but that justice must seem to be done. I feel if the labour bodies could come to have confidence in such a body, as the police and firemen have come to have confidence in the more limited bodies with which they have to deal, we would remove much of the grumbling, dissatisfaction and the unhealthy labour climate which exists today. There is no question that many sections of the labour force affected by the recent strikes, or threatened strikes, are suffering an injustice and these injustices can and should be removed without long and protracted delays.

In conclusion I want to say one other thing and this is my justification for interjecting this subject in the Senate at this time. In the peculiar circumstances in which we find ourselves at the present time, a time in which our political parties have become bogged

down in a miasmal swampland of political bickering and procedural wrangling to the neglect of the great issues which are crying out for solution, I feel that the Senate of Canada, which is an independent body where narrow political partisanship is at a minimum and where there are many men and women who have been and are presently involved in the operation of some of Canada's major industries, who are qualified to give some leadership in this area and indeed have the right and responsibility to be heard on issues of this kind. I therefore suggest to you, my colleagues, that you should become much more articulate than you have been in the past on these issues and that you should express yourselves freely and forthrightly in the public interest; that you should use your influence not only in the businesses and industries which you represent but on the public platforms of this country to bring about the kind of solutions I have suggested in this critical area of our national life.

My final word is an appeal to the labour leaders of this country to take a wider view, not only of the rights of labour, but also of the responsibility of organized labour. Organized labour is an accepted and necessary part of today's industrial society and there is just as much need for statesmanship in the field of labour relations as in any other field of our national life today.

Hon. John J. Connolly: Honourable senators, I had hoped that there might be further debate on this very important topic. I gather, however, that at the moment honourable senators are not prepared to continue the discussion which has been so ably initiated by Senator Cameron. I do not think that indicates for a moment that either the Senate as a whole or the individual members are not very much alive to the importance of the problems that have been pointed out in this excellent address which we have heard this afternoon.

Senator Cameron has pointed out the dangers and troubles that arise out of inflation. Of course it is a very real problem in this country. It is a problem that governments as well as the private sector have to cope with constantly; it is a problem that is bound to arise when you have full employment as we virtually have it in this country today.

We suffer from what I might call over-full employment in many places, but perhaps in no place more than in the Province of Alberta from which the honourable senator comes. Honourable gentlemen opposite who sat in cabinet will remember that when there was a problem of unemployment, it was not a problem in Alberta, particularly with the trades people. I have heard people concerned with developments in the northern part of that province talk about the very high rates of pay required to induce tradesmen to go to remote parts when they can command good wages, and, in many cases under the circumstances described by Senator Cameron this afternoon, get a guaranteed overtime rate of time-and-a-half or more, and could still live with their families in one of the major centres and enjoy the many benefits of living in that province. That is a problem that has prevailed in Alberta for some time, and Senator Cameron will agree that he is not the first person to be victimized, if that is the proper word, by conditions of the character he describes.

This house is an admirable forum for the discussion of public problems of this kind. I think the more initiative that is taken in this respect by members of this house on both sides, the better. And we do not have to do these things from the point of view of partisan political approaches, for these are national problems that concern us all. We are indebted to Senator Cameron for raising this matter in the Senate today.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I want to say one or two things about the question he raised. First of all, he discussed the slowness of the machinery provided by the law, particularly the federal law, in respect of industrial disputes. I do not say the processes outlined by law today are of the horse-and-buggy days—they have been improved over the years—but they are processes with which both management and labour and the public at large are concerned. They want efficiency, and to that end a task force has already been set up by the Government. Unfortunately, I had to leave the chamber for a few moments, and I am not sure whether Senator Cameron mentioned it. The force consists of Dean Woods of McGill as chairman, Abbé Dion of Laval University, Dean Carruthers of the University of Western Ontario, and Professor Crespo of the University of Toronto, to which will be added representatives of the trade unions, labour, management and the public, such as consumer groups. Their prime purpose will be to investigate the machinery of dealing with industrial disputes, because nothing can be more crippling to the

economic fabric of this country than the continuation of strikes, industrial disputes and unrest.

Let us admit, too, that the fault does not always lie on one side when workers go on strike. I believe we in this chamber can afford to sit down and assess impartially and judiciously many of the general problems that prevail in this area, with a view to helping both sides to improve working conditions and productivity, and to make our economy as sound as possible in a modern industrialized society.

The honourable senator also mentioned the problem of what to do about the rights of workers within the public sector in the public service. I assume that he is talking not only about the federal service but also the provincial services and indeed the municipal services. This is a very important point.

Just recently I was talking to some people who were concerned about the retraining program that the Government is attempting to develop, and I am frank to say that this is not the first attempt made in this field. The Government of which Senator Walker was a member made great efforts in this field, particularly with regard to vocational training and retraining in the private sector. And every successive government—indeed, every government during its own life must continue to make more and more efforts to keep pace with the industrialization and mechanization.

I think the same principles apply to the public service. There can be, and Senator Cameron has given examples of, antiquated methods used within the public service at all levels of government. It seems to me not inappropriate to say that a retraining program will constantly be required within the public services itself, as well as within the private sector, because the public service too must be efficient and highly productive.

There is the large question of the essentiality of work and whether or not there are certain areas within the public service which must be declared to be essential in the interests of the national economy and the national welfare, so as to prevent work stoppages on a firm and fair basis to the workers involved. It is a question that calls for the application of the best judgment, skills and experience, and a determination on the part of legislators to make sure that justice and equity will be done by preserving the continuation of services deemed essential.

Senator Cameron said we should ask ourselves questions. He asked the questions of the Government, but I think we should ask ourselves how we define what an essential national service is. What is deemed to be a national service? We can even have it in mind that at times the definition of essentiality in the national service can change as times change.

There will be an opportunity in legislation which ultimately will come before us to undertake that debate in this chamber, and I hope honourable senators will take the opportunity to deal with these problems in an objective way.

Senator Cameron has rendered a service to the Senate today in bringing this matter forward, and I commend his initiative. We have so many people here who can take a similar initiative, and I hope they will use this forum to do this kind of work.

Hon. Norman A. MacKenzie: Honourable senators, if it is in order, may I be permitted to put a question to the Leader of the Government?

Hon. Mr. Connolly (Ottawa West): It is in order.

Hon. Mr. MacKenzie: I am greatly interested in the subject under discussion, and I agree with both previous speakers that it is one that this chamber should continue to give considerable time and attention to, because it is basic to the prosperity of our society.

My question is as to whether we have a Standing Committee on Immigration and Labour to which matters of this kind could be referred for further study after we have concluded our preliminary discussion in this chamber. I raise this point particularly, because I do not think we are going to get very far unless we have responsible leaders of labour come before us and tell us how this situation—which bothers them, I am sure, as much as it does us—can best be resolved. It might be easier for them to do that before a committee than in a public way.

Honourable senators, I should like to suggest that the debate on this subject be adjourned for the moment, and that we consider whether the subject matter can in due course be sent forward to the committee. I make that suggestion with the best will in the world towards Dean Woods and his colleagues, most of whom I know.

I recall the story that Dr. C. J. MacKenzie once told about research. He said it does no harm to have two or three caddies looking for a lost ball, because the more caddies the more

chances of finding it. In the same way, if there are two or three responsible groups seeking solutions to these problems, then the sooner will a solution be found, and in so doing all interested will receive a measure of education.

Hon. John J. Connolly: Honourable senators, in reply to the honourable senator I would point out that the Senate has a Standing Committee on Immigration and Labour, of which the Honourable Senator Hnatyshyn is the Chairman, but in my view the referring of this subject matter at this time to committee should be taken under advisement.

As to this suggestion I should like to say first that we are all familiar with the subject matter of material now before the special joint committee of both houses which is conducting a wide-ranging investigation of those bills. Secondly, I would point out, as I have already mentioned this afternoon, that there is a study group headed by Dean Woods of McGill University, and it might be more appropriate to see what the outcome of that study is before we embark upon a further study. There is a limitation upon the facilities available for dealing with a matter as serious as this, and I do not think that now is an appropriate time. However, I do not want to impose my views upon the Senate.

The opportunity that the Senate has of raising questions of great public importance by means of notices of inquiry is one which we do not take advantage of frequently, but I have already said enough about that. I have mentioned in this chamber that the House of Lords had this facility, although its procedure is slightly different. There they move for papers, but by so doing they accomplish the same thing. In this chamber a notice of inquiry results in a good debate, and often that is deemed sufficient without the necessity of going further. Sometimes, as a result of an inquiry of this kind, and after debate, we take the further step of referring the matter to a committee. However, I do not think we should feel impelled every time an inquiry is put on the Order Paper to urge that we have a committee study it.

At the present time many senators are busily engaged in the work of various joint committees, and we are proposing to set up another one—a small one, it is true—tomorrow. These committees will keep many honourable senators here. I would ask Senator MacKenzie to think about this aspect of it in relation to the remarks he has made. In any event, because we now bring this particular topic of discussion to a conclusion does not preclude further action.

Hon. Mr. Leonard: I think that Senator Farris intends moving the adjournment of the debate.

Hon. Mr. Connolly (Ottawa West): I beg your pardon.

Hon. J. W. de B. Farris: Honourable senators, it has been extremely satisfying to me to hear the speeches of Senator Cameron and the Honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West). I did not know that Senator Cameron was going to make a speech as effective and comprehensive as the one he made this afternoon, but I appreciate being present and hearing it. I have great admiration for our leader in taking the thing off the bat, and doing it as well as he did.

I should like now to move that this debate be adjourned in order that I may see if I too can add a little to it.

On motion of Hon. Mr. Farris, debate adjourned.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon David A. Croll: Honourable senators, let me say first how pleased I am that Senator Roebuck had the privilege of introducing this bill. He has devoted a lifetime to proclaiming the principles embodied in it—the rights of people distinguished by race, colour and ethnic origin.

The other interventions have come from four outstanding lawyers and two distinguished laymen—six in all. They agreed in principle, but they had some reservations as to detail. The substance of their criticism was: Is it necessary? Will free speech be protected? Does it go too far? I, of course, think the bill is necessary, and I do not believe that free speech is in any way endangered. I am sure that when the evidence is completely in before the committee those people who have some slight doubts will be fully satisfied.

In so far as the lawyers are concerned, there were two on one side of the question, and two on the other, but that is in the nature of lawyers. The layman, Senator Fournier, a

fair and understanding man who has lived all his life as a minority, saw great value in the bill. He said, "Let us get on with it", as did Senator MacKenzie, who has had wide experience in the field of education.

In my view the problem demands that we do something. We can afford anything but silence. We can no longer remain as onlookers. But I want to make clear and as emphatic as I possibly can—and I ask the Senate to hear me out—that I reject, I deny, and I abhor totally, completely and absolutely the suggestion that this bill is for any single ethnic group. It is for all of us—all of us who are distinguished by race, and colour, and ethnic origin, which means everybody in this country.

Certainly, the subject of this bill is beset with pitfalls. Let me remind you that when I first entered the House of Commons I introduced a bill of rights; the Right Honourable John G. Diefenbaker, who was then a private member, introduced a bill of rights: and M. J. Coldwell introduced a bill of rights. Every session the three of us each introduced a bill, and who ever got the break had his bill called first and we all debated that bill. I remember only too well the opposition to it, and much of it came from all sides. I remember that the Minister of Justice at that time was utterly opposed to the bill. It was said that unless it was embodied in the Constitution it would not mean a thing, and it would interfere with the rights of individuals.

Then, this country was fortunate, and there came a time when the present Leader of the Opposition became Prime Minister. He had been a great advocate of such a bill. He was in a position to do something about it, and he did—he passed the Bill of Rights. All those who had other views yesterday hail it today. It was the right thing to do. It serves a necessary purpose and proclaims to the world the rights of our citizens.

Certainly, I realize that this bill has pitfalls. That is why it took so long to get before us. But the best legal minds in this country have been consulted. John Robinette was asked for an opinion, with particular emphasis on the common law. Arthur Maloney gave an opinion, with particular emphasis on the criminal law. Frank Scott gave an opinion, with particular emphasis on the constitutional law. These men were of the opinion that the law was inadequate, that something more had to be done.

The Justice Department took a long time to consider the matter, and came to the conclusion that in the circumstances what is contained in this bill is what we ought to do.

In the circumstances I think this is a good bill; I welcome it and I am hopeful that it will commend itself to every right-thinking person, for here we are concerned with a principle that goes to the very heart of Canadian nationhood. Too much has happened within the memory of most of us to permit complacency or indifference concerning a problem which affects us all. We have only to look about us, to use our eyes and our minds, to see that hatemongers are using democracy's freedom to subvert democracy itself.

It is a truism, often repeated and not to be forgotten, that Canada is a mosaic and not a melting pot. We are a group of races, of colours, of social and ethnic units, united in our common love for an allegience to Canada, and anything that weakens or endangers that love or allegiance which men commonly call patriotism weakens our nationhood.

It is important to remember that mosaic in the political and social sense as applied to Canada is not a static or inert thing. The Canadian groupings are very much alive and in a state of continual development and interaction. They maintain a balance within themselves in their relation to each other, which at time gives balance and stability to the nation as a whole. If that balance both internal and external falters, then the whole country is in some danger.

That is why I view this bill which is before us as one of first importance. It is true that the acts which inspired this legislation are those of an infinitesimal number of people, but the effect of those acts, the harm which they have done and which they may do, is of vital concern to all of us.

There are those in our midst who believe, and who say that you cannot curb hatemongers by legislative enactment. Even if that were true—and I do not subscribe to that belief—is that sufficient reason why we should not attempt to silence those who preach dissension and hatred against any section of the public distinguished by colour, race or ethnic group?

Education may be the answer, but we do not repeal the Criminal Code and leave it to our educators to do the job. I do believe in the power of education to create and enlighten the climate, but I also believe that we cannot and must not leave the task of fashioning a more united and harmonious Canada to the educators alone.

One cannot dismiss recent history with its gloomy record of genocide by saying, "Yes, that was terrible, but it is all past now, and we know better." Do we know better? Should we not make sure of things for the future?

Some years ago when anti-discrimination legislation was introduced in Ontario a lot of well-meaning people said, "Oh, you cannot legislate tolerance." Time has proved them absolutely wrong. In Ontario we have been successful to a point in legislating tolerance. We have stamped out discrimination where it hurts most—in employment, in accommodation. I do not say there is no longer any discrimination in Ontario. We have not yet attained the ultimate state, but I do say that discrimination in Ontario today is a tiny fraction of what it was in the bad old days.

In a short span of years the Human Rights Commission in Ontario has revolutionised our thinking on a vital, social and economic problem which had faced us for generations. Can anyone seriously believe we cannot accomplish the same thing in this pernicious matter of hate literature?

I believe that the vast majority of Canadians view hate literature with abhorrence. It is always the few, the lunatic fringe, the little warped minds, that can only exist by defaming and throwing mud. These warped few would not attempt to defame individuals, because the law of libel and slander is there to stop them with its punitive sanctions. But there is nothing to stop them from vilifying and defaming whole groups of people, which is a thousand times worse than defaming an individual because of the greater number involved and their inability to defend themselves.

No society can tolerate these hate merchants for very long without suffering incalculable damage. I am not speaking of the damage to the warped individuals—probably they are beyond redemption, anyway. I mean the damage to the very fabric of our society.

Hate is a corrosive force, a violent emotion which stirs up an equally corrosive and violent reaction. It starts a chain reaction which can only end by invading every sector of our society with its poisonous fallout, and this infamous thing can and must be stopped, for if we allow the tongue of hate and the pen of hate to go on unchecked we shall surely regret it at a later time.

It is said that we must not curtail that most precious thing, freedom. Honourable senators, what this bill aims at curtailing is not freedom but the abuse of freedom. The opposition to this bill say civil rights, the right of free expression, will be curtailed if not destroyed by this bill. These persons show little faith in the workings of our democratic system when they paint fearful pictures of Canada becoming a semi-Fascist state by reason of a measure designed to root out the evil in our midst.

This bill will not interfere with the right of the individual to speak his mind, to criticize, to advocate unpopular causes. But the hatemongers in our midst, those sick persons with minds twisted by prejudice, will not be permitted to stir up hatred, for hatred is a forerunner of disorder and violence.

We live in a society where freedom itself is curtailed by common consent in order that we may live under the rule of law. Our society has laid down rules of conduct to which we must adhere under pain of punishment. No government can afford to turn away from a problem which cries for an equitable solution.

This bill gives Government approval to a principle that has long been neglected, that there cannot be freedom for some and not for others; that there can be no unity or harmony in this land of ours so long as we permit the racists to spread their foul propaganda, secure in the knowledge that they are free to undermine us by using our own democratic rights for their evil purposes.

No charter on human rights in the world permits the deliberate defaming of any group by the evil-minded few, for hate literature is the handmaiden of genocide. Its only aim is the systematic denigration and eventual extermination of the group which it attacks. It is a crime against society, and like any other crime it must be proscribed.

Unfortunately we cannot either teach or compel these warped few to love their fellowmen, nor can we prevent them from hating their fellowmen, for these matters are beyond the powers of any earthly legislature. What we can do, and this bill intends to do it, is to stop the outward manifestation of hate. We can stop now and finally these senseless attacks on racial and ethnic groups; we can stop this pollution of our clean northern air; we can defend those who are unable to defend themselves.

Can we have so little confidence in the value of our way of life that we fear to do what has to be done because of concern that basic freedoms will be lost? Are they really lost? Are they not strengthened? Other countries have no such fear. In the land where democracy was cradled, where the rights of the individual are framed in laws that have

been adopted in the western civilized world—I speak of Britain—they have seen fit to pass a law which is more stringent than the one with which we are dealing here. The British Race Relations Bill introduced a new element into British law, punishing by law the intention to stir up hate. In most countries the law already provides a penalty for promoting violence or disorder, but the British measure now recognizes that the fermenting of hatred of a group brings in its train violence and disorder.

This law will discourage the hatemongers by leaving them open to punishment, but it does much more. It proclaims a moral value and brings the Government more on the side of that moral value.

Honourable senators, I do not think this bill goes too far, but we shall examine it carefully and with utmost concern. The right of free speech must be foremost in our minds when examining this bill, and we shall see that it will be fully and adequately protected. I do not believe that the bill in any way weakens or abrogates those freedoms which are precious today.

I ask the Senate to support the principle behind this bill.

Hon. Malcolm Hollett: Honourable senators, I would like to ask the last speaker a question, if I may.

What is the necessity in this country of inserting these paragraphs into the new section 267A of the Criminal Code? One of the crimes indicated is: "killing members of the group." Of course there is a law against that. Another is: "causing serious bodily or mental harm to members of the group." There is a law which takes care of that. Another crime is: "deliberately inflicting on the group conditions of life calculated to bring about its physical destruction." That I am not so sure of. Another says: "deliberately imposing measures intended to prevent births within the group." Surely we have no such conditions in this country which would demand a law which includes that provision. If there is a fear about it, I fail to see the necessity of putting in the subsection, which would indicate that there are people who are deliberately out to prevent birth within certain groups.

I ask this particular question, honourable senators, because I do not believe there is such a threat in this country. I do not know of any such condition in any country, since the days of Hitler. Why should we introduce legislation here to prevent something which does not exist? This country is free of that sort of thing. What indication do we give to a neighbouring country, when we ask for this provision?

Hon. Mr. Croll: I think it is taken from the United Nations' definition of genocide to which we agreed some years ago, under the international agreement regarding genocide. It is the exact definition.

What we are talking about is the advocating and promoting of this crime. I cannot give any example at this point. The questions the honourable gentleman is asking are in all seriousness proper matters for the committee. Those questions can be put when the officials from the Department of Justice are before the committee, and I would suggest he should ask them at that time. I did not suggest that the bill was perfect. I said it was a matter we would have to look over very carefully and particularly so in this kind of bill.

Hon. Mr. Hollett: I am sure of that.

Hon. Jean-François Pouliot: Honourable senators, I must tell you a reminiscence that I have about the previous speaker (Hon. Mr. Croll). It goes back 32 years ago, in Windsor, when we were together with the different candidates of Mitchell Hepburn. At that time the honourable Senator Croll was Mayor of Windsor. Six of us were together—four liberal candidates, including himself and Mitchell Hepburn. We fraternized there on the big cement square of the Kennedy Stadium, and Mitchell Hepburn made an appeal to the Province of Ontario over a special radio hookup.

This was my first recollection of meeting Senator Croll. Afterwards he had a brilliant career in the army. When I did some research work on unemployment, the Bennett Government could give me no information. I had to go to Senator Croll, who was then Mayor of Windsor and Minister of Labour and Welfare of Ontario, and he supplied me with the information I needed to do my work for that section of Canada.

Honourable senators, those are happy recollections. There is nothing I regret more than to hear that at times I do not agree with someone. I congratulate him on his speech. He spoke in a lofty manner, as did honourable Senator Roebuck.

In theory it is fine. I appreciate the paeans we have heard, like the Greek ode to Liberty. This is good, but I am sure that neither Senator Croll nor Senator Roebuck made the choice that appears in this book, the *Report of*

the Special Committee on Hate Propaganda in Canada.

Honourable senators, do you know what hate propaganda in Canada is? I will tell you. According to the illustrations that I have seen in this book, the propaganda came from Atlanta, Georgia.

The names of the members of that committee may impress you—or they may not—but I have the names here. The report is signed by Professor Maxwell Cohen, Chairman; Professor J. A. Corry, of Queens University; L'Abbé Gerard Dion of Quebec; Mr. Saul Hayes of Montreal; Professor Mark R. MacGuigan; Mr. Shane MacKay; and Professor Pierre-Elliott Trudeau, the present Parliamentary Secretary to the Prime Minister.

In the first place there is in this report a letter by one Colonel J. P. Fry, National Organizer in Canada, but the address is P.O. Box 2013, Atlanta, Georgia. It comes from the United States. The hatred was in the United States and, probably, he wanted to recognize hatred in Canada. However, his name is there and this is his most recent letter. Perhaps he belongs to the K.K.K. in the United States.

Then there is the Thunderbolt which comes also from the United States, and there are other pictures that date back to 1934 which also come from the United States.

Here I find a publication with the title in Gothic letters, and it is dated Nuremberg, the 1st May, 1934. I cannot understand how it could justify the legislation that is before us in Bill S-49 of the Senate. Naturally, what happened was to be regretted, and they were war criminals who were punished in Nuremberg. Some of them were executed, others committed suicide and still others were put in jail for a long time. Now all that is finished and we must see the future in a better light. Those things are the black side of mankind. I am sure that you understand what I mean. I grant that the people of Canada could not be compared to the Nazis; they do not have their cruelty and they would never do the things that are complained of in this book.

Now, I have said what I have to say. I find that there is no reason for this legislation. Just because some professor in Montreal, Winnipeg, or wherever he comes from, believes in it, I am not bound to agree with him and approve of that legislation when there is no reason for it.

On motion of Hon. Mr. Choquette, for Hon. Mr. Phillips, debate adjourned.

LIVESTOCK FEED ASSISTANCE BILL

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia.

Hon. F. W. Gershaw: Honourable senators, this bill has been pretty fairly discussed; each clause has been before the Senate and has been generally approved, the reason being that it is a step towards making a better standard of living for some Canadian people.

Now, transport enters into this, and, during a time of wheat movement, box cars are always in short supply. This condition got so bad in 1958 that Mr. John Bracken was asked to conduct an inquiry into the distribution of box cars at the elevators at shipping points. He did this and published a full report. Since then conditions have been little better. Railwaymen have been trying to do their best, but, from time to time, there is a serious shortage of box cars. Even this year there was a shortage.

The question of feed grain, which is the substance of this bill, came up during the war years. At that time there was a heavy demand for protein foods. All the cars were used to transport meats to where they were required, so that there was nothing left to move feed grains. This went on year after year and really caused a lot of trouble. Then, at about the same time, there were other conditions which entered into the picture. Transportation by water is usually cheaper than transportation by rail, and this report says that some people in the Atlantic provinces got in their supply of feed by water, the cheaper route, and then when freeze-up came they sold it out, charging for the feed plus the railway price. This resulted in a great disadvantage to the feeders at that time.

Another point is that if we are to keep up with the markets of the world, our export rates must be lower. It just happened that the export rate from Fort William to the Scandinavian countries was very low and the feed grain was cheaper in Denmark than it was in Halifax, for instance, so that there were difficulties there.

In 1941 action was taken to alleviate the situation and to help both the feeders in the Atlantic provinces and the producers of feed in the western provinces. Subsidies were given. From time to time the bill has been

improved, and this particular bill should improve the situation very much, because the board that will be appointed should be able to correct some of the defects in the present bill and make it work very much better.

But times have changed, of course, and it is not so long ago that cowboys, in stormy weather such as we had this morning, had to round up the cattle from the open ranges and take them on to the stockyards of the stations. Desperate times often resulted. Nowadays there are community pastures where, for 50 cents or $1 a month for each animal, ranchers can have their cattle fed. Thus they can preserve their winter pasture for the winter.

There are feed lots almost everywhere in the west nowadays, especially where there are beet sugar factories where the pulp and tops can be used for finishing the cattle.

We need more and more legislation to help people who are producing food. Even this year there was a pretty good crop, but when it was sold it was mostly No. 2 Manitoba Northern, which would bring approximately $1.75 a bushel. It was not enough, really, to pay the expenses and leave any profit for the farmer. The increase in the income of food producers has not kept pace with the increase in income in other lines of work. They are still in a squeeze where they receive a small price for the things they sell and pay a big price for the things they have to buy and have serviced, such as cars, trucks, machinery, and things of that kind.

Honourable senators, I just want to make a plea for a class of people who seem to have been left out of the general increase in incomes. If we in Canada are to achieve the destiny which we hope fate has in store for us, if we are to have people at peace working together, there must be favouritism for none but fairness for all; there must be a far greater and far more equitable distribution of the wealth of Canada and the responsibilities of our way of life. Thank you.

Hon. John J. Connolly: Honourable senators, I have no desire to wind up this debate at this stage if there are other speakers who wish to take part. However, if there are no other speakers, I will make a few remarks and then refer the subject matter of the bill to committee, if that is agreed.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): Perhaps then I may be taken as giving the usual warning in that event.

At the outset I wish to thank all honourable senators who have taken part in this debate. I certainly do not qualify to come under the definition of a farmer or an agriculturist as given yesterday by Senator Burchill, but I was particularly gratified to hear the point of view of the farmers of western Canada as expressed by Senator Gershaw, by Senator Pearson and by Senator Argue, and to hear of the situation in the Maritime provinces, in New Brunswick as expressed by Senator Burchill, and in Nova Scotia as expressed by Senator Blois.

This problem as outlined in the original presentation indicates that there are difficulties not only with respect to the problem of transportation, which is the one that confronted the producers of cattle, hogs, poultry and the like in eastern Canada in 1941, but there are difficulties of distribution and storage as well. One of our problems is to consider situations as described by Senator Burchill where apparently it is not an economic exercise to raise these feeds in certain parts of the Maritimes. I was rather heartened to hear Senator Blois say that the acreage sown under feed grains in Nova Scotia is rising. I was delighted to hear, as were we all, that the breeders in all of these categories are increasing in number, and that their flocks are increasing in size and in quality as well. I would hope we could look to the day when the supply of feed on the one hand and the production of poultry and livestock on the other would be adequate for each of the regions and also adequate to create an export market. Perhaps it is too much at this stage to expect that this could come about very readily or quickly, but I feel that this bill, which is a simple one, will have the effect through this board and through the advisory committee of sorting out many of the problems that are now clear to us as a result of the speeches made here.

I am disappointed we have not heard from an Ontario farmer about the production of feed grains in this province. This may be because of a lack of Ontario farmers in the house. I know Senator Roebuck will disagree with that, but he has been very busy and we excuse him for not having taken part in the debate. But one claimant in a house of 102 could scarcely represent the feed growers in the Province of Ontario.

Hon. Mr. Hayden: You are from Ontario yourself.

Hon. Mr. Connolly (Ottawa West): But I am not a feed grower. The same applies to you, if I may say so.

Hon. Mr. Hayden: Yes, but it is easier to farm outside of Ottawa than outside of Toronto.

Hon. Mr. Connolly (Ottawa West): In conclusion, I hope that the committee will take advantage of the material that was supplied when the bill was introduced. These tables are very useful and they will supply honourable senators with material with which they can question the witnesses, and from which some of the anomalies can be pointed up so that when the board and the advisory committee deal with this they will have the benefit of the practical experience of the legislators who put this statute upon the books. I commend the bill to the Senate.

Before the motion is put, I wonder if I could plead with honourable senators who are unable to attend the committee meeting to send to my office their copies of the material filed on the introduction of the bill. When I was having it printed I arranged for only sufficient copies to use in the Senate, and there will be a demand for this material in committee.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), bill referred to the Standing Committee on Banking and Commerce.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of reports of the Standing Committee on Divorce Nos. 848 to 909, inclusive, which were presented on Monday, November 14.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted.

RESOLUTIONS PRESENTED

Leave having been given to revert to presentation of petitions:

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 831, for the relief of Joan Brais Corbeil.

Resolution 832, for the relief of Joyce Elaine Harrison Baril.

Resolution 833, for the relief of Mabel Florence Long Abbott.

Resolution 834, for the relief of Margit (Margot) Gleisberg Simon.

Resolution 835, for the relief of James Robert Perry.

Resolution 836, for the relief of George Davis Forde.

Resolution 837, for the relief of Terry Grace Alberta Lewis Hanson.

Resolution 838, for the relief of Estella (Estelle) Agnes Prevost Brooks.

Resolution 839, for the relief of Helen Frances Holmes Blackmore.

Resolution 840, for the relief of Esther Colette Marie Rose Elizabeth Giroux Lefrançois Boeki (otherwise known as Colette Boky).

Resolution 841, for the relief of Tillie Weiss Weiss Zimilevitch, otherwise known as Tillie Weiss Weiss Zimel.

Resolution 842, for the relief of Jean Marie Gaspard Andre Lamarre.

Resolution 843, for the relief of Kurt Kasdorf.

Resolution 844, for the relief of Anne Dolan Lejeune.

Resolution 845, for the relief of Guy Miron.

Resolution 846, for the relief of Yolande Pelletier Smith.

Resolution 847, for the relief of Guntram Hospes.

Resolution 848, for the relief of Renee Mary Delaunay Morteau.

Resolution 849, for the relief of Sheila Hannah Lubin Besner.

Resolution 850, for the relief of Roger Georges Ferdinand Joubert.

Resolution 851, for the relief of Carolyn Anne Jane Frances Prendergast Yuile.

Resolution 852, for the relief of Gillian Suzanne Higgs Levin.

Resolution 853, for the relief of Therese Lord Pelletier.

Resolution 854, for the relief of Herve Fuyet.

Resolution 855, for the relief of Judith Elizabeth Petley Bridge.

Resolution 856, for the relief of Ruth Lorena Dunseith Guillotte.

Resolution 857, for the relief of Denise Parent Carrier.

Resolution 858, for the relief of Isobel Dorothy Morell Thompson.

Resolution 859, for the relief of Lucette Marie Aschwanden Labrosse.

Resolution 860, for the relief of Gordon Eric Perrigard.

Resolution 861, for the relief of Margaret McLean Willis Black.

Resolution 862, for the relief of Irene Emma Berlanguet Bathurst.

Resolution 863, for the relief of Pearl Elaine Sheppard Lawrence.

Resolution 864, for the relief of Roslyn Arbitman Fleischman.

Resolution 865, for the relief of Pierette Auger Searles.

Resolution 866, for the relief of Nicolo (Nick) Nicola.

Resolution 867, for the relief of Claudette Rizziero Lambert.

Resolution 868, for the relief of Paul Emile Grenier.

Resolution 869, for the relief of Roland Marceau Eugene Dauchy.

Resolution 870, for the relief of Barbara Anne Ashley Corcoran.

Resolution 871, for the relief of Denise Cleroux Deslandes.

Resolution 872, for the relief of Marie Claire Lyse Levasseur McKenzie.

Resolution 873, for the relief of Sylvia Dankner Arron.

Resolution 874, for the relief of Winifred Daphne Bratby Higton.

Resoultion 875, for the relief of Cora Cloutier Vaillancourt.

Resolution 876, for the relief of Mary Margaret Blades Perron.

Resolution 877, for the relief of Anne Holdridge Gearey.

Resolution 878, for the relief of Renee Augustine Ray Leonard.

Resolution 879, for the relief of Stanislaw Nowak.

Resolution 880, for the relief of Lise Dubois Seguin.

Resolution 881, for the relief of Claude Tessier.

Resolution 882, for the relief of Veronica Mary Wyszynska Dunski.

Resolution 883, for the relief of John Stasaitis.

Resolution 884, for the relief of Hazel Isabel Vahlkamp Eaves.

Resolution 885, for the relief of Anne MacNaughton Artagnan Darlington.

Resolution 886, for the relief of Frederick Howard Wamboldt.

Resolution 887, for the relief of Elli Paula Sophie Bauersfeld Paul.

Resolution 888, for the relief of Marie Michelle Christine Vezina Khaliq.

Resolution 889, for the relief of Denise Guilbeault Clermont.

Resolution 890, for the relief of Marie Madeleine Sontag Munz, otherwise known as Marie Madeleine Sontag Minz.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration.

Hon. Mr. Roebuck: Honourable senators, I move that these resolutions be considered on Monday next.

Motion agreed to.

VISITING FORCES BILL

SECOND READING

The Senate resumed from Thursday, November 10, the adjourned debate on the motion of Hon. Mr. Langlois for the second reading of Bill S-50, respecting the armed forces of countries visiting Canada.

Hon. George S. White: Honourable senators, in rising to make a few remarks to this bill I wish first of all to express the appreciation of all members of this house to the honourable Senator Langlois for the very clear explanation which he gave on introducing the bill.

Hon. Mr. Connolly (Ottawa West): His maiden speech too.

Hon. Mr. White: I would also say to the honourable senator that I welcome him to this chamber as an old colleague from the House of Commons. I am sure he will enjoy very much the many new friends he will make here. I hope he will be here for a long

time and I wish him the very best of everything.

Honourable senators, as was explained in the introduction, this bill replaces three existing acts affecting visiting forces of other nations. There are various other amendments, and the provisions of the new bill will apply to dependants of members of visiting forces.

The honourable senator also pointed out that in committee there will be various changes made, and I suggest to the officials of the Crown who will appear that they give the committee information as to what happened in previous cases in claims for damages for personal injuries and/or property damage properly arising from motor vehicle accidents.

You will note that in the bill there are two definitions of "court": civil court and service court. Section 5 provides for the primary right of civil courts to exercise jurisdiction; but in looking over the bill I am unable to find any reference to claims for personal injuries and property damage caused by members of a visiting force which were committed outside the scope of their duties or employment. As I mentioned before, the most common claim would be in connection with automobile accidents. It is made very clear that when a tort is committed by a member of a visiting force, while acting within the scope of his duties or employment, he is regarded as a servant of the Crown. This is set out in Part III, section 15. It is also made very clear that all property owned, occupied, possessed or controlled by a visiting force shall be deemed to be owned, occupied, possessed or controlled by the Crown.

There is a third subsection to section 15 which defines a motor vehicle:

> a service motor vehicle of a visiting force shall be deemed to be owned by the Crown.

I do not know whether "a service motor vehicle" would include an ordinary passenger car; or whether it would include a motor vehicle that was personally owned by an individual of a visiting force; or whether it just refers to the equipment and vehicles owned by the Government which controls a visiting force.

The honourable senator mentioned in his remarks, as reported at page 1123 of *Hansard*, certain amendments that would be made. In particular he referred to section 16 and mentioned that the required amendment is to make it clear that the whole of the Crown Liability Act applies to claims arising out of the activities of visiting forces in Canada. There are two words there: "claims" and "activities". The question arises as to whether those claims just refer to claims there might be regarding a member of a visiting force acting in the scope of his employment, or whether to some damage he does outside the scope of his employment. Then it refers to "activities". I may be stretching things, but I think there is a point there that we should have cleared up, as to what claims are covered by this act and as to just what the activities are. If they are restricted entirely as provided by section 15—"within the scope of his duties or employment"—I think there should be further provision whereby when a member of a visiting force in this country, outside the scope of his duties or employment, causes personal or property damage, he shall be liable in our civil courts. If he is liable in the civil courts, the question that naturally follows is: How is a Canadian citizen going to recover under any judgment of the court against a member of a visiting force who, naturally, would be very unlikely to have any assets of any nature in this country?

It would also be interesting to supply the committee with information regarding a member of a visiting force who imports a motor vehicle of his own into this country, as to what provisions, if any, there are as to the insurance that he would have to carry on that motor vehicle. There also arises the important question of the age of members of his family who would be entitled to drive that motor vehicle. These are matters that occur to me as being most important.

As to the other provisions, an examination of the bill will show that the majority are already embodied in the three acts that are now being consolidated into this new one, and I am sure that entirely satisfactory explanations will be given when the matter goes to committee.

Hon. Mr. Roebuck: Could a judgment be enforced by attachment of his salary or wages?

Hon. Mr. White: I would say not, because section 17 says:

> A member of a visiting force is not subject to any proceedings for the enforcement of any judgment given against

him in Canada in respect of a matter that arose while he was acting within the scope of his duties or employment.

If it is outside the scope of his duties or employment, I presume one could proceed, but I am afraid any assets he would have in this country would be rather elusive.

Honourable senators, I approve of this bill.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Langlois, bill referred to the Standing Committee on Banking and Commerce.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, my information is that the interim supply bill has not yet been passed in the other place, and the house does not sit on Wednesday evenings. I think we can all agree to deal with interim supply very promptly if it comes before us for consideration tomorrow. In the circumstances, I believe it would suit the convenience of the Senate, and be strictly in accordance with our duty, if we adjourned now.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, November 17, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

IMMIGRATION

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons stating that the name of Mr. Schreyer has been substituted for that of Mr. Orlikow on the Special Joint Committee on Immigration.

PRIVATE BILL

RAINBOW PIPE LINE COMPANY LIMITED—REPORT OF COMMITTEE ADOPTED

Hon. A. K. Hugessen, Chairman of the Standing Committee on Transport and Communications, reported that the committee had considered Bill S-52, to incorporate Rainbow Pipe Line Company Limited, and had directed that the bill be reported with the following amendments:

Page 1, line 15: In clause 1, strike out the words "Company Limited" and substitute therefor the word "Corporation".

Page 2, lines 28 and 38; page 3, lines 13, 44 and 52; page 4, line 15: In clauses 3 and 4, strike out the words "Secretary of State" and substitute therefor the words "Registrar General".

Page 1: In the title, strike out the words "Company Limited" and substitute therefor the word "Corporation".

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hugessen: With leave of the Senate, I move that this report be taken into consideration now.

Honourable Senators, the amendments are extremely simple. The first one changes the name from Rainbow Pipe Line Company Limited to Rainbow Pipe Line Corporation. At the present time there is a company in Alberta having a substantially similar name and owned by the same people. They wish this change in name so that there will be less confusion between the two companies.

As a matter of fact, the present Alberta corporation has been carrying on business, and has expended some $50 million to $60 million in completing pipe lines from an area called Rainbow Lake in northern Alberta down to Edmonton, and so forth. The only reason why federal incorporation is desired, as was explained to the committee, is that the area of exploration for oil is extending northwards, and oil is expected to be found north of the Alberta boundary. If that is so, the company will need federal incorporation in order to be permitted to export oil from the Northwest Territories to the province. That is the reason for the change in name, and for federal incorporation.

The other amendment is also very simple. A number of the sections of the bill deal with certain parts of the Canada Corporations Act which relate to the company. As honourable senators will recall, the Department of the Secretary of State which used to deal with companies is now the Department of the Registrar General. This amendment simply substitutes the words "Registrar General" for the words "Secretary of State" wherever they appear in the bill.

Hon. Mr. Kinley: May I ask the honourable senator a question? What is the significance of changing the words "Company Limited" to "Corporation"?

Hon. Mr. Hugessen: The name of the present Alberta company ends with the words "Company Limited," and they wished the name of this federal company to be changed to avoid confusion between the two.

Hon. Mr. Kinley: It is still a limited company?

Hon. Mr. Hugessen: Yes, it will still be a limited liability company.

Report adopted.

THIRD READING—NEXT SITTING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hugessen: Honourable senators, I move that the bill be placed on the Orders of the Day for third reading at the next sitting.

Hon. Mr. Choquette: We will agree to have it read the third time now, if you wish.

Hon. Mr. Reid: No, at the next sitting.

Hon. Mr. Hugessen: Very well.

Motion agreed to.

UNITED NATIONS

TWENTY-FIRST SESSION OF GENERAL ASSEMBLY

Hon. Edgar Fournier rose pursuant to notice:

> That he will call the attention of the Senate to the Twenty-first Meeting of the General Assembly of the United Nations (1966) and in particular to the discussions and proceedings of the meeting and the participation therein of the observers from the Parliament of Canada.

He said: Honourable senators, as most of you know, I had the honour and privilege of spending two weeks at the United Nations as an observer. There is no need for me to say that this was most instructive and interesting to me. Before giving the House a short resumé of my impressions, I should like to say that I noted with great pleasure indeed that a large number of the speeches at the United Nations are made in French and, accordingly, my report will be given in my own native language.

[*Translation*]

Honourable senators, I should like to thank very sincerely my superiors: the leader of the Senate, Senator Connolly, and my distinguished leader, Senator Brook, as well as the Prime Minister of Canada and the Leader of the Opposition in the House of Commons for the confidence they showed me.

I would like to pay tribute to His Excellency George Ignatief, our distinguished ambassador at the Canadian mission, and to all his staff. I was proud to learn in the lobbies that the Canadian mission at the United Nations is known as one of the most assiduous and active.

I was very impressed by the devotion to duty of our staff who spared no pains to make our visit instructive and interesting. I found there a group of young men and women who take their work at heart. I want to thank them, to congratulate them and tell them that we are proud of them and that we wish them all possible success.

I was delegated as an observer to the United Nations. In my opinion, that meant simply that I had to keep my eyes opened and my mouth shut. That is exactly what I did.

I had to follow in the footsteps of Senator Inman who preceded me and did us credit at all times and in all places.

In addition, I knew that Senator McDonald was to replace me. I was like a piece of cheese in a sandwich—I could not spoil the dinner.

Honourable senators, for one without experience at the United Nations, it was quite a revelation to note the organization that exists there, the procedures and the dignity of its members. But there are nevertheless problems.

If we think we have problems sometimes, at the local, provincial or federal levels, a visit of a few days to the United Nations makes us appreciate and understand better the extraordinary work carried out by that organization. I wonder what would happen in our troubled world if the United Nations did not exist.

I told you at the beginning that one of my first impressions—I would even say one of my first surprises—was to notice that the French language is recognized as a diplomatic language at the United Nations. I was surprised to find that the delegates of the new countries, especially from Africa and Asia, speak an excellent and cultured French.

I soon realized that, today, the United Nations General Assembly faces four major issues, namely: the war in Viet Nam, Rhodesia, the South African problem and, finally, communist China. Of course, there are several equally important issues, but they are rather routine matters.

There is the financing of the United Nations, the appointment of a new Secretary General to replace U Thant, the troubles in Cyprus, Palestine, India and Pakistan, as well as racism. Still, all those matters are well contained by the Organization, thanks to the competence, intelligence, understanding and good will of its members.

At the time of my visit to the United Nations, the Rhodesian and South African problems were on the order of the day. The debates were serious and at times quite animated. There were times where I felt in the midst of an electoral campaign.

I noted that, together, the new African countries and a few allies could control the United Nations vote.

I also noticed that most representatives of the new members of the United Nations are rather young, occasionally very young. Needless to say, these people are very intelligent and highly educated; they are also well disposed and full of good intentions. However, some of them occasionally seemed to find it hard to understand and accept that absolute freedom does not exist in our democracy, because the democratic way of life implies certain obligations and responsibilities which even we, who have known it for centuries, find rather difficult to accept.

Those young people need our help and advice. If, by any chance, we make the mistake of not helping them, well, they would be helped by other countries and the results could very well be costly and unfortunate.

Almost every day, a new African country joins the United Nations after getting its independence.

I had the pleasure of seeing the flags of Lesotho and Botswana added to the 119 flags already being flown, for a total of 121. Several others hope to be able one day to join the group.

On Thursday, October 27, the general assembly of the United Nations lived one of the darkest days in its history. All the delegates agreed that an atmosphere of fear prevailed throughout the organization; people felt that at any moment a catastrophe would put an end to it because it really was the day when the general assembly had to face a vote on the delicate and dangerous question of South Africa. All day spirited and contradictory debates were heard.

A motion moved by the U.S. ambassador, Mr. Goldberg, at the opening of the meeting, would have widened the gulf between the African group and the White group. That motion had somewhat shaken the opinions already arrived at by several nations.

Groups of delegates went around the hall of the general assembly, making a last ditch effort to prevent what could have been disastrous for the organization's structure.

It was 7.45 p.m. before a vote was taken and the result was 114 votes for and 2 against with 3 abstentions. In other words, the amendment moved by Senator Goldberg was defeated.

On October 26 I had both the honour and the pleasure of attending a conference on disarmament—what is called by the United Nations "the non-proliferation of nuclear arms". I was all the prouder because one of the speakers was Lieutenant-General E. L. M. Burns, our distinguished representative and adviser to the Canadian government on disarmament matters.

General Burns' speech was very well received and appreciated, even by the delegates from the U.S.S.R.

Honourable senators, I do not want to venture into the problems of Viet Nam or Red China. I hold rather personal views which are not always in tune with current events. However, I agree also that I am not an expert on those great world problems.

Red China today, with its recent successful nuclear experiences, is giving the world food for thought. At the United Nations General Assembly, I heard these words from a delegate:

> We must not forget that it is not Red China that is in need of the United Nations today, but the United Nations who need Red China.

This is undoubtedly food for thought.

Honourable senators, I have no intention of elaborating much longer on comments and recommendations which would in no way affect the state of world problems, and telling you things about which you know more than I.

I therefore conclude by assuring you that I have accepted my stay at the United Nations as a great honour. When I took my seat behind the Canadian flag, I felt very proud —proud to be a Canadian, proud to represent my country, Canada, proud to be a member of the Canadian delegation, and even prouder by the fact that I was representing the Senate. I thank you for your attention.

[*Text*]

CRIMINAL CODE (HATE PROPAGANDA)

APPOINTMENT OF SPECIAL JOINT COMMITTEE

The Senate proceeded to consideration of the motion by Hon. John J. Connolly:

> That a Special Joint Committee of the Senate and House of Commons be appointed to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code";
>
> That the following senators be appointed to act on behalf of the Senate on the Special Joint Committee, namely, the Honourable Senators Belisle, Bourque, Choquette, Croll, Lang and Roebuck;
>
> That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee, and to sit during sittings and adjournments of the Senate; and
>
> That a message be sent to the House of Commons requesting that House to unite

with the Senate for the above purpose, and to select, if the House of Commons deems advisable, some of its members to act on the proposed Special Joint Committee.

Hon. Walter M. Aseltine: Honourable senators, I find this an unusual motion. I am forced to agree more or less with the point that honourable Senator Pouliot raised yesterday.

I am not prepared to vote for this motion and then continue the debate on the hate propaganda bill. We have never followed that course before. The only occasion I can remember when anything approaching this has ever taken place in the Senate was when there were a number of divorce jurisdiction bills before the Commons and we had one before us which we had been debating. On that occasion we made a motion that a joint committee of both houses be set up to deal with the question of divorce jurisdiction, but the debate on the bill before this house ended there and then.

Now it is proposed to pass this motion and then go on to deal with the bill. Then, if we give it second reading we will have voted on the principle of the bill. This I am not prepared to do now. There are many aspects of this bill which I do not like and I do not think are at all necessary. If we are going to refer this whole question to a joint committee, I think the motion should be amended to read that the subject matter of the bill be referred to the committee.

I hope I make myself clear, honourable senators. I do not want to compromise my position by voting for the principle of this bill now. I do not know whether or not I will be in favour of the bill after the whole subject has been considered by this joint committee.

The motion is not unusual and it may be out of order. I wanted to put my remarks on record to that effect.

Hon. John J. Connolly: Honourable senators, I would hate to think that the principle of the bill was being decided by the establishment of a joint committee. I have very little to add to the remarks I made yesterday on this subject. I believe it is an appropriate procedure to take, particularly in view of the fact it is a joint committee that is proposed. In view of the fact that progress in the other place is not as expeditious as it is here, it seemed to me this was the appropriate time to make the motion.

However, I would say to honourable Senator Aseltine that the setting up of the committee in advance does not commit him in any way to accept the principle of the bill.

Hon. Mr. Aseltine: But we are going on to debate the bill in principle and vote on second reading.

Hon. Mr. Connolly (Ottawa West): Quite so. Let me put it to the honourable senator this way. If, for the sake of argument, the motion for second reading is defeated, no damage will have been done by setting up the committee, because there would be nothing to refer to it. The matter would die and the committee would never assemble. I have consulted the authorities on this, and I can assure the honourable senator that what I am saying is on very sound advice.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Carried.

Hon. Mr. Aseltine: On division.

Motion agreed to, on division.

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Orville H. Phillips: Honourable senators, I find it rather strange to be rising and taking part in the debate on this bill when I find that I have a good deal of sympathy for the viewpoint just put forward by Senator Aseltine.

I am not going to attempt to discuss the legal aspects that have been so ably mentioned by Senator Walker, Senator Lang and others, but rather, I am going to ask the question: Do we really need this legislation?

I take a great deal of pride in Canada, and I feel quite certain and contented that these things do not and will not happen in Canada. We do not attempt completely to eliminate any race; we do not attempt forcibly to remove children from one race to another; and I am quite proud of the fact that we do not do these things. Therefore, I seriously question whether we need an amendment to the Criminal Code outlawing these acts.

Honourable senators receive literature from every organization in Canada. You have only to be away from your office for a few days

and when you come back you can hardly see your desk for the briefs, brochures and different viewpoints put forward by every organization in Canada. If you read this literature you do not find in it any indication of all the horrible things mentioned in this bill. In short, there is none of it that I would consider hate literature.

As a youngster I was taught that every person was entitled to his viewpoint and the right to express it. The only warning I received was that you could not exactly put a hundred per cent of your faith in Mackenzie King and the Grits.

Hon. Mr. Connolly (Ottawa West): A lot of people did.

Hon. Mr. Phillips: That is what I was going to mention, Senator Connolly, that despite my, shall we say, lack of a hundred per cent faith in the Liberal party, I see their numbers increasing not only in this chamber but in the other chamber. Perhaps the only reason I can think of for a bill of this nature is the recent events that have taken place at the Chateau Laurier, and sometimes I felt we were almost bordering on that condition. However, that is an internal problem of ours, and it is one we will have to solve without the aid of Parliament.

Honourable senators, it is my feeling in regard to this legislation that today it has become the fashion to do these things. I remember seeing the C.B.C. television program *This Hour Has Seven Days,* on Sunday evening when there was an interview with the Nazi leader from the United States, and from that time on there was a general outcry for a bill of this nature. I must admit that I was not pleased to see that man on a C.B.C. television program, but, on the other hand, in my view, we should not take a dangerous step, purely on the basis of fashion.

It is impossible to completely outlaw crackpots of this nature. If they are going to distribute such literature, I would much rather have it published under a letterhead and signed by the author, because then I would know from which organization it comes. If this sort of thing is made illegal, then much of it will be distributed without any mark whatever, and we will have no idea of its origin or the type of people publishing it. In short, the organizations will be driven underground.

The last thing that is worrying me in this regard is the enforcement of the provisions of this bill. Certainly I would not wish to be in the position of having to enforce them. There are many organizations in the country that are opposed to one another, and if this bill becomes law I am afraid there will be complaints to the various attorneys general complaining that the literature of one organization advocates hatred towards certain groups. This bill must be carefully studied by the special joint committee, which I hope will considerably improve it.

On motion of Hon. Mr. Choquette, debate adjourned.

BUSINESS OF THE SENATE

Hon. Mr. Connolly (Ottawa West): Honourable senators, in view of the fact that the interim supply bill and the housing bill are up for third reading in the other place and have not yet come to us, I would suggest that the Senate do adjourn during pleasure at this time, to reassemble at the call of the bell. I am not in a position to say whether or not the bell will be rung before six o'clock.

I remind honourable senators that the Standing Committee on Banking and Commerce will be meeting in Room 263-S, immediately after we rise this afternoon for consideration of Bill C-218, the Livestock Feed Assistance Bill, and possibly Bill S-50, the Visiting Forces Bill. I would ask as many senators as possible, whether members of the committee or not, to attend that meeting. As soon as I have heard from the other side I will notify the chairman of the committee.

Hon. Senators: Agreed.

The Senate adjourned during pleasure.

Upon resuming at 5.05 p.m.

Leave having been given to revert to reports of committees:

LIVESTOCK FEED ASSISTANCE BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. T. D'Arcy Leonard, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Leonard, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-218, to provide assistance to livestock feeders in Eastern Canada and British Columbia, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

VISITING FORCES BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. T. D'Arcy Leonard, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-50, respecting the Armed Forces of countries visiting Canada:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard: I move with leave of the Senate, that the report be adopted now.

Report adopted.

APPROPRIATION BILL NO. 8, 1966

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-245, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Bill read first time.

SECOND READING

Hon. Jean-Paul Deschatelets, with leave of the Senate, moved the second reading of the bill.

Hon. Mr. Reid: May I ask a question? How does the amount granted this year compare to that granted last year?

Hon. Mr. Deschatelets: If the honourable senator will permit me, I am going to explain the bill in a moment and will answer the question.

Hon. Mr. Reid: Then, I will listen carefully!

Hon. Mr. Deschatelets: Honourable senators, Bill C-245, copies of which have already been distributed, proposes for interim supply a total sum of $371,999,867.43, which will provide for all the necessary requirements of the Public Service up to November 30, 1966.

It will be noted that today is November 17, and under normal circumstances it might reasonably be expected that before November 30, or in the following few days, another interim supply bill might be introduced for one or two months' supply.

As has been the custom in the past with respect to interim supply bills, explanatory notes have been placed before all honourable senators, and before examining briefly Bill C-245 I think we should look at those notes.

Page 3 is headed "Estimates, 1966-67." It will be noted that the main Estimates for 1966-67, excluding payments from the old age security fund, amount to $8,283,224,878. Out of this amount of expenditure a sum of $3,375,-241,967 is statutory, such as family allowances, the interest on the public debt, the indemnities of members of the House of Commons and the Senate, and so forth. This means that out of the total sum of the main Estimates a net sum of $4,907,982,911 has to be voted.

To this sum of $4 billion-odd, which has to be voted, must be added and voted also the sum of expenditures covered by Supplementary Estimates (A) and (B). Honourable senators will recall that Supplementary Estimates (A) amounted to $332,441,791, and that Supplementary Estimates (B) amounted to $177,027,000. If we add to the sum of $4 billion-odd, that I mentioned a few minutes

ago, the expenditures covered by Supplementary Estimates (A) and (B) we get a total of $5,417,451,702 which has to be voted.

If we consider now the different sums of money which have been voted so far this year by appropriation acts we will have, I hope, a more comprehensive picture, because we will be able to calculate three lump sums, namely, the amount of expenditures to be voted, the amount already voted, and the amount which remains to be voted.

Honourable senators, let us look at Appropriation Acts Nos. 3, 5, 6 and 7. To avoid any unnecessary complication I have left aside Appropriation Act No. 4 which had to do with sums of money spent in the previous fiscal year, 1965-66, and which were all accounted for in the last fiscal year. It will be recalled that Appropriation Act No. 3, 1966 provided for expenditures to May 31, 1966, amounting to $870,275,281. Appropriation Act No. 5, 1966 provided for expenditures to June 30, 1966, and amounted to $450,944,478.01. Appropriation Act No. 6, 1966, covered the full supply in the main estimates for ten departments, namely, Citizenship and Immigration, Defence Production, Forestry, Governor General and Lieutenant Governors, Industry, Legislation, National Revenue, Post Office, Privy Council and Veterans Affairs. The expenditures for these ten departments amounted to $825,462,241.67.

Appropriation Act No. 7, 1966, provided for expenditures to October 31, 1966. This is the last interim supply that we had, and it amounted to $1,662,982,791.93.

If honourable senators add the aggregate sums for these appropriation acts, Nos. 3, 5, 6 and 7, which have been voted this year so far, we arrive at the total of $3,809,664,792.61.

Therefore, at the present time, out of a sum of $5,417,451,702, which has to be voted, we have voted so far through the four appropriation acts numbered 3, 5, 6 and 7, the sum of $3,809,664,792.61, leaving a balance of expenditure to be voted at this time of $1,607,786,909.39.

We come now to the consideration of the present bill C-245, known as Appropriation Bill No. 8, 1966, which will provide for expenditures to November 30, 1966, a sum of $371,-999,867.43. If this bill passes, it will leave as a balance of tabled estimates yet to be voted the sum of $1,235,787,041.96.

I must confess, honourable senators, that I am not used to playing with millions of dollars.

The purpose of this bill is to grant interim supply for one month, with a few exceptions which are outlined in the bill which I will explain later. I must say that in no instance is the total amount of any item of the main Estimates being released by this bill. The same applies to the supplementaries. In other words, the passing of this bill will not preclude the rights and privileges of honourable senators to discuss any of these items on other occasions.

May I remind honourable senators that it has been the practice to refer to the Finance Committee the main Estimates as well as the supplementaries as soon as they are tabled. I refer honourable senators to page 626 of the Senate Debates, where the Government Leader said:

> In that committee, not only committee members, but any member of the Senate who chooses may attend and ask for any information he or she requires in respect of any item in the Estimates.

May I say here that we had a meeting of the Finance Committee last week at which many questions were asked relating to the present bill, and some of its features were discussed. Now I draw to the attention of honourable senators the bill itself, and especially Schedules A to F. I hope all honourable senators will agree that it is unnecessary for me at this time to go into many details on each vote, since all the items are left open for further discussion or inquiry.

It will be noted in section 2(a) that one-twelfth of the total amount of the items set forth in the main Estimates may be paid, with some exceptions such as Vote 25 under Agriculture and Vote 10 for the Dominion Bureau of Statistics. There are in all, ten exceptions for which items there is no proportion granted in the present bill. The reason for that is that eleven-twelfths of these items have already been voted in previous interim supply bills, and if the one-twelfth were added it would mean that the total amount would be paid. The purpose is to keep these votes open, and the last one-twelfth of these votes will appear in the final supply bill this year.

Schedule A on page 4 of the bill concerns the Department of Public Works, and three-twelfths or one-fourth of the item in the main Estimates is required. In other words, an amount of $4,600,000 is to be paid to the National Capital fund. As the title implies, this money is paid into the National Capital Fund from which payments are made for the

capital expenditures under the National Capital Plan.

In 1966-67 payments will be made for such projects as the Western Parkway, the Ottawa River Parkway, the redevelopment of Confederation Square, and the railway relocation program.

Under Schedule B of the bill, $3,175,900 is required under item 35 for the Department of National Defence and under item 20 for the Department of Northern Affairs and National Resources. The amount represents two-twelfths or one-sixth of these two items.

Now just a word of explanation concerning item 35, which has to do with the research satellite program. The Defence Research Board is carrying on with the assistance of the United States National Aeronautical and Space Administration, a program which began in 1963 consisting of the construction and launching of four satellites for the purpose of ionospheric investigations. These satellites are referred to as the Isis satellites. This vote also provides for the ground control of and analysis of data from the two Alouette satellites now in orbit.

As far as item 20 of the Department of Northern Affairs and National Resources is concerned, this vote provides for the capital requirements of the new Kejimkujik National Park and other national parks, historic sites and monuments programs. Due to the excellent weather up to recent days, contractors and departmental crews have completed more construction work than was anticipated. These additional sums are required to make progress payments and to cover accounts on hand.

Schedule C at page 6 of the bill is also based on the main Estimates, and honourable senators will note that one-twelfth of the item L30 of the Estimates of the Department of Finance, $9,166,666.67, is required under this vote. This item has to do with the purchase by the Minister of Finance of securities of Expo '67. As honourable senators will recall, the Canadian World Exhibition Corporation Act was passed sometime in 1962, if I remember correctly, under the previous administration, and under the act the Minister of Finance was authorized to pay to the corporation a $20-million grant. The act also authorized the corporation to borrow money subject to guarantee by and terms and conditions to be approved by the Governor in Council and the Quebec Lieutenant Governor in Council. The funds requested in this appropriation are to allow for the purchase by the Minister of Finance of securities issued by the corporation to meet the difference between its expenditures and receipts for the fiscal year ending March 31, 1967. In other words, the purpose of this item is to provide working capital for Expo '67.

Honourable senators will see by Schedule D, page 7, of the bill that what is being sought here is three-twelfths or one-fourth of the total of the amounts of the several items in the said Supplementary Estimates (A), as contained in this schedule. The total amounts to $11,304,250. There are two votes included in this schedule, and I would like to make some brief remarks about them. On item 35a, which concerns the economic and technical assistance to east Asian countries, the $45-million vote in Supplementary Estimates (A) brings to $75 million the total food aid program for 1966-67. Some $63 million of the total is for wheat for India, Pakistan and Ceylon. A further $8 million represents Canada's contribution to the world food program. Vote L22a is merely a clean-up entry relating to a total loan to India of $12.5 million for the purchase of 16 Caribou aircraft and parts for the India Air Force.

If we turn to page 8, Schedule E—which is also based on the Supplementary Estimates (A), 1966-67—the amount of $713,266.67 is granted, representing two-twelfths or one-sixth of the item under the Department of the Secretary of State. This vote in Supplementary Estimates (A), together with its counterpart in the main Estimates, totals $13,800,000, and represents the expenses in 1966-67 of some 80 projects of all kinds and sizes to mark our Centennial. They range from the Confederation trains and caravans, estimated to cost between $8 million and $9 million, to the provision of $360,000 for medallions for school children. Provision is also made here for the promotion abroad of our Centennial.

Schedule F, on page 9 of the bill, is again based on Supplementary Estimates (A), 1966-67. It represents one-twelfth of the amounts of several items in the several Estimates, and amounts to $4,716,666.67.

Under the Department of Finance, provision is made in Vote 15a for the cost of salary revisions approved too late for inclusion in the Estimates of each department. Payments from it are made to each department as the costs of pay revisions are determined. Revisions were approved for several categories of civil servants after the 1966-67 main Estimates were finalized, particularly for the administrative support and the administrative and foreign service categories.

Under the last item on page 9, Vote L40a, loans are made from this item to finance the construction of transmission lines, terminal stations and thermal generating plants in the Maritimes. To date agreements have been made covering some 33 such projects in New Brunswick and Nova Scotia, with an estimated total cost of $29 million.

I submit that clauses 3, 4 and 5 of the bill are more or less standard clauses in every supply bill, and I do not think there is particular need here for further explanation.

Honourable senators, at this point you will permit me, I am sure, to say a word of explanation concerning the mid-November payroll payment made before the interim supply bill was passed in the other place. When it became evident that the interim supply bill would not be passed before the first mid-month pay, which was Thursday, November 10, the government reviewed the condition of each appropriate account. It will be recalled that under Appropriation Act No. 6, which was explained a few minutes ago, the supply of ten departments was voted in full and, therefore, in respect of these accounts there was no problem as far as the civil servants' salaries and suppliers' bills were concerned. Moreover, the review revealed that out of the 243 votes only 15 lacked sufficient funds to cover the mid-month payrolls, and the total shortage amounted to $2,160,000.

In order to prevent inequitable treatment of the civil servants involved, the Government authorized the release of $2,160,000 from funds remaining in Vote 15, Department of Finance, Contingencies. Vote 15 is to be found at page 119 of the Blue Book under the Department of Finance, and it provides authority to supplement other votes and to provide for miscellaneous, minor and unforeseen expenses not otherwise provided for, subject to the approval of the Treasury Board, and includes also authority to re-use any sums repaid to the vote from other appropriations to which funds were advanced earlier in the year. Officials of the Department of Justice were consulted as to the legal propriety of this transfer, which was completed under the authority of the Treasury Board.

If any honourable senator would like to have additional information on this matter, I am sure this could be obtained at the first opportunity in the Standing Committee on Finance.

[*Translation*]

Honourable senators, this bill provides for interim supply for one month, that is, until November 30 next.

As I said at the beginning of my remarks, the various amounts of expenditures involved in this bill concern one part only of the amount provided in the main estimates and in the supplementary estimates A and B, so that all the items affected by this bill, not being approved completely, remain subject to further discussion in the standing committee on finance.

Honourable senators, I hope that the explanations I gave of this bill will be satisfactory. Before resuming my seat, I want to thank the honourable senators for their kind patience in listening to the series of figures, which are always tedious to listen to, but it seems to me that this is the price we must pay if, before voting a legislation as this one, we want to have before us a comprehensive account of our financial situation—so far as interim supply is concerned.

Honourable senators, I commend this bill to your approval.

[*Text*]

Hon. Walter M. Aseltine: Honourable senators, this is more or less a new role for me because in years gone by, and not so many years ago at that, I had the responsibility of introducing and sponsoring many supply bills similar in form and context to the interim supply bill No. C-245, which calls for the approval and expenditure of approximately $372 million of money by the present Government. I sympathize with the sponsor of this supply bill, but I congratulate him on a very fine effort.

Some Hon. Senators: Hear, hear.

Hon. Mr. Aseltine: I believe this is the first time he has had this responsibility. He has given us many more figures, I believe, than I used to give, and that is all to the good. However, I noticed that he left out one quite large sum, $1,035 million, payments from the Old Age Security Fund which should be added to the $8,792,693,669, making a total expenditure for the year of almost $10 billion. I think it will amount to $10 billion when all the supplementary Estimates between now and the end of the fiscal year next March 31 will have been brought forward for our consideration.

I referred to having had the responsibility of introducing many bills of this kind in the past, but I did not have any trouble explaining the bills themselves and the amounts contained therein. The chief difficulty I had was to answer questions as to why the Senate was being asked to approve the spending of so

many millions of dollars without being given any time to investigate the expenditures more fully. I did not have at that time the ready answer that was given by the sponsor today, namely, that our Finance Committee has been dealing with these matters ever since the opening of the 1966 session of Parliament.

I have been a member of the Finance Committee and I think it has done excellent work.

Some Hon. Senators: Hear, hear.

Hon. Mr. Aseltine: I congratulate the chairman of that committee on his ability and particularly his indefatigability. I am hoping that before this debate is concluded the chairman will perhaps say a few words about what has been accomplished by the Finance Committee, since it has been operating during the whole of this session. I am quite satisfied with the results so far, and I am sure that all who have attended the meetings of that committee are also quite well satisfied.

Moreover, the Estimates have been tabled since early last spring and no member of the Senate can complain that he has not had any time to look at and deal with any estimate he was interested in. I do not think that we can raise any objection on that score.

The bill itself is in the form which the Senate approved some six, seven or eight years ago, and also the Estimates have been put in a form which was approved by the Senate and is much more satisfactory than it used to be.

There is only one other item about which I wish to speak. I am not going to review in detail the different items so well explained by the sponsor of the bill (Hon. Mr. Deschatelets) but I am not entirely satisfied with his explanation of where the money came from so suddenly a few days ago to make up the balance of the amount required to pay the salaries of civil servants and others. I hope that before this debate is concluded we shall be able to obtain more detailed information than has already been given to us. I call on the sponsor of the bill when he replies to give us all of the information he has in that regard. Other than that, I have nothing further to say at the present time.

I presume that it is the intention to have the Royal Assent given to this bill today if possible. So far as we on this side of the House are concerned, we shall do everything we can to expedite matters.

Hon. T. D'Arcy Leonard: Honourable senators, I would be remiss if I did not acknowledge the kind and complimentary remarks of Senator Aseltine which were directed primarily to the committee, and on its behalf I express appreciation.

Senator Aseltine suggested that I might have a few words to say on this particular bill at this time. My remarks will be brief.

Dr. Davidson, Secretary of the Treasury Board, appeared before our Finance Committee meeting on Tuesday of last week, at which time we put to him that the supply bill based on the resolution that was then before the House of Commons would soon be before us. As Senator Deschatelets said, a number of questions were asked. Indeed, it was a good meeting and well attended.

The next meeting of the committee is set for two weeks from today, when we expect to hear from the Auditor General, Mr. Henderson. I believe the Auditor General's department was one of the departments that applied for payment out of contingency Vote 15 of the Department of Finance, and received a payment out of that vote for the purposes of paying the salaries of his staff. He will therefore be familiar with the situation.

At the same time I think we ought to call Dr. Davidson back. No doubt at that time a full explanation can be given of exactly what transpired between the time of our committee meeting last Tuesday and the announcement on Thursday of the sum of money being transferred or being paid from the contingency Vote 15 of the Department of Finance to the other departments and the required funds for payment of salaries. I think that might be the best time and place to get the information.

We are also bound to have a further supply bill for December or, I presume, December and January, and no doubt some further supplementary Estimates.

I can assure the Senate that the Finance Committee will be ready and willing, and I think able, to deal with any questions relating to further supply bills and Estimates.

If there are any other questions in the minds of senators with respect to the main Estimates or the previous supplementary Estimates, they will of course be free to bring them forward at future meetings of the Finance Committee.

Hon. John J. Connolly: Honourable senators, I feel that I would indeed be remiss if I did not say a word at this point, because for many years, when the Senate has been dealing with appropriation bills, members of the

Opposition, regardless of which party sat on that side, have risen to say, "We are asked to put through a bill involving billions of dollars in the dying moments of the session without time for adequate consideration."

I recall hearing this kind of speech made when I was a student at university, when Senator Choquette and I used to come here at times to listen to the debates. Such speeches were still being made when I came here as a senator many years later.

So, to hear what Senator Aseltine said this afternoon warms me deeply indeed. The credit for this goes to the co-operation and willingness of the Senate to deal with these financial matters in a responsible way, through the work done by the Finance Committee with its very able chairman and informed members. So it is that much of the stigma that has been attached to the Senate in respect of appropriation bills has, as a result of the work of this committee, ceased to be a matter of public comment.

This is a great step forward and it is particularly gratifying to have an experienced person, a former leader of the Senate, like Senator Aseltine, make the kind of remarks he does. I am delighted.

May I at this stage congratulate the new Deputy Leader of the Senate (Honourable Mr. Deschatelets) on his orderly and masterly presentation of this bill. Believe me, I am going to be very reluctant in the future to take another appropriation bill myself after what I have heard this afternoon.

Hon. Senators: Hear, hear.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: When shall this bill be read the third time?

Hon. Mr. Deschatelets: Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

BUSINESS OF THE HOUSE

Hon. John J. Connolly: There is no further business before the house at the moment, but I understand that we may receive the housing bill from the other place before the end of the day. It is also the intention to have Royal Assent tonight before the normal adjournment of the house. I would therefore suggest that we recess now, to reassemble at the call of the bell at approximately eight o'clock.

Hon. Senators: Agreed.

The Senate adjourned during pleasure.

At 9.35 p.m. the sitting was resumed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication.

GOVERNMENT HOUSE

Ottawa

17th November 1966.

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, 17th November, at 9.45 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General.

The Honourable
The Speaker of the Senate
Ottawa.

DOCUMENT TABLED

Leave having been given to revert to Presentation of Petitions:

Hon. John J. Connolly tabled:

Supplementary Estimates (C) for the fiscal year ending March 31, 1967. (English and French texts).

THE ESTIMATES

SUPPLEMENTARY ESTIMATES (C) REFERRED TO FINANCE COMMITTEE

Leave having been given to revert to Notices of Motions:

Hon. T. D'Arcy Leonard moved, with leave of the Senate:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in Supplementary Estimates (C) laid before Parliament for the fiscal year ending 31st March, 1967; and

That the committee be empowered to send for persons, papers and records, to print its proceedings upon the said Supplementary Estimates (C) and to sit during sittings and adjournments of the Senate.

Motion agreed to.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns this evening it do stand adjourned until Tuesday, November 29, at 8 o'clock in the evening.

This is the customary motion in the circumstances. It may well be that the Senate will be required for legislative work before November 29. If it becomes urgently necessary for the Senate to assemble before that date I will consult with His Honour the Speaker, and all honourable senators will be advised. It is expected that we will receive for consideration a bill respecting the National Housing Act, and a supply bill. There may be little other legislation for the present, but the month of December may be fairly busy, depending upon the speed at which legislation reaches us.

Hon. Mr. Reid: Does this mean we recess for two weeks?

Hon. Mr. Connolly (Ottawa West): It means that the Senate will not assemble again until Tuesday evening, November 29, unless it is recalled in the meantime.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bills:

An Act respecting The Pacific Coast Fire Insurance Company.

An Act to provide assistance to livestock feeders in Eastern Canada and British Columbia.

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, November 29, at 8 p.m.

THE SENATE

Tuesday, November 22, 1966.

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

LIBRARY OF PARLIAMENT

REPORT OF JOINT COMMITTEE

The Hon. the Speaker: Honourable senators, I have the honour to present a report from the Joint Committee on the Library of Parliament recommending that salary rates of pay of professional and non-professional classes in the Library of Parliament be brought into line with the recently revised salaries paid for comparable positions in the Civil Service and those recently announced for the House of Commons classified staff.

The Clerk Assistant (Reading): The Joint Committee on the Library of Parliament—

Hon. Senators: Dispense.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. John J. Connolly: Honourable Senators, this is obviously a complicated recommendation. I move that the report be printed in the *Minutes of the Proceedings* of today and that it be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Matte had been substituted for that of Mr. Lachance on the Joint Committee on Consumer Credit and Cost of Living.

IMMIGRATION

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Orlikow had been substituted for that of Mr. Schreyer on the Joint Committee on Immigration.

ADMINISTRATION OF JUSTICE

PROPOSED JOINT COMMITTEE TO CONSIDER REMOVAL OF MR. JUSTICE LANDREVILLE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Resolved,—That a Joint Committee of both Houses of Parliament be appointed to inquire into and report on the expediency of presenting an addresss to His Excellency praying for the removal of Mr. Justice Leo Landreville from the Supreme Court of Ontario, in view of the facts, considerations and conclusions contained in the report of the Honourable Ivan C. Rand concerning the said Mr. Justice Leo Landreville, dated the 11th day of August, 1966, and tabled in the House of Commons on the 29th day of August, 1966;
>
> That 12 members of the House of Commons, to be designated later, be members of the Joint Committee on the part of this house;
>
> That the committee have power to appoint, from among its members, such subcommittees as may be deemed advisable or necessary to call for persons, papers and records and to engage counsel, to sit while the house is sitting and to report from time to time;
>
> That the Committee have power to print such papers and evidence from day to day as may be ordered by the committee for its use and for the use of Parliament; and that Standing Order 66 of the House of Commons be suspended in relation thereto;
>
> That a message be sent to the Senate requesting that house to unite with this house for the above purpose and to select, if the Senate deems advisable, some of its members to act on the proposed joint committee.

Attest.

Léon J. Raymond
The Clerk of the House of Commons

Hon. Mr. Connolly (Ottawa West) moved that the message be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

NATIONAL HOUSING ACT, 1954

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-241, to amend the National Housing Act, 1954.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, may I preface my remarks on this bill by saying that I am indeed most gratified to see that so many senators have found it possible to be present here this afternoon for this special sitting. This sitting had to be arranged as a result of the passage of this bill by the House of Commons after the Royal Assent was given on Thursday of last week. We all realize the difficulties involved in having honourable senators from distant parts come here in the existing airline situation, and I do thank those who have found it possible to attend this afternoon.

This bill deals generally with the housing situation in Canada. As it has developed in modern times, housing is an instrument not only of economic but also of social progress within a country. In a sense, too, it is a measure of economic and social progress within a country. It is important anywhere, but especially so in northern countries such as ours, where housing must be of durable quality and therefore an expensive item in our cost of living.

The problem of dealing with real estate and housing is an historic one, particularly in the development of countries in the northern hemisphere. "Landlordism" is a word which has a sinister meaning and many connotations. At one time it had a feudal meaning, when the lord of the manor owned all and the serfs worked for their keep and their housing, with no stake in the land.

With the coming of the Industrial Revolution there developed social phenomena such as the urbanization of countries, and with urbanization came slum development, land speculation and all manner of benefits and problems.

In the twentieth century the modern approach to housing has involved the establishment of efficient family units. Sometimes these are single family units; sometimes multiple units, as in the case of the large high-rise apartment buildings in our urban centres. The development of housing has fostered industrial enterprise. It has involved the development of the skill of the engineer, architect, craftsman, tradesmen for heating, lighting, plumbing and all the amenities that go into modern housing. It has brought too the day of the real estate developer and the land speculator, sometimes for the good of the community. Many of these developments have been tremendously advantageous to our urban areas and, in certain cases to rural areas. Other developments have not been as altruistic.

In our society we have the builder who builds for investment, and here the relationship of landlord and tenant develops. We also have the builder—in growing numbers, I hope—who wants his own home and bring up his family in it. This involves not only the acquisition of land but also the erection of a building. It involves the getting of a deed and perhaps the arrangement of a mortgage. But, generally speaking, the objective remains the same as always, the acquisition of a home. The home is the unit of the social structure, and may it ever remain so.

In the country in which we live today we have virtually full employment. We have a rising demand for products of all kinds. We have a rising demand for housing of all kinds. This demand occurs primarily because our population is growing in the normal, natural way. The demand is also growing because of increased immigration under policies fostered by various governments. It is growing as a result of the shift—the unfortunate shift—from rural to urban living. We must always be conscious of this shift because of its importance, first to our agricultural industry and, secondly, in respect of the provision of food having regard to the desperate shortages in certain parts of the world, and thirdly, because, in my conception at least, the home in the small town and on the farm is indigenous to Canada, and an institution that is well worth preserving to the fullest extent possible.

Within the building industry there have been many manifestations of economic development. There are heavier demands for capital in our expanding economy than we have ever experienced in history. The cost of money for the developmnt of enterprises of all kinds, both private and public, has been rising. An interest rate that is too high of course very seriously affects the homeowner,

his aspirations and desires, because it is uneconomic for him to pay too high a rate of interest on his mortgage for too long a period and still meet the payment of higher taxes, federal, provincial and municipal.

Just yesterday the Economic Council of Canada made a report about the seriousness of the housing situation as it is developing in Canada, which I will be tabling later today. While everybody recognizes the importance of that report and the homeliness of the truths it contains—and these truths are incontrovertible—it is at the same time made clear to all of us who are concerned with the existing inflationary pressures that a massive injection of money into any segment of the economy can be harmful. It can be dangerous, and it could push inflation to the point where the consequences are undesirable and would defeat the results sought to be achieved. We have had many strikes. We have increasing wage demands, mainly because of increases in prices. The cost of living is rising. There are demands for higher profits on the part of shareholders, and on the part of companies who are trustees for shareholders, because they require larger returns on their invested capital.

I am not talking in a critical way about any segment of the economy. I am only trying to sketch some kind of broad perspective within which we should view the bill now before us.

It is clear from figures available that the conventional private sources of mortgage money for house building are drying up. One of the reasons is that there are higher and easier returns in other forms of investment. Mortgage, insurance and trust companies and private individuals are finding they can get a better and perhaps more secure return on their money by buying in the bond and stock market rather than in the mortgage business.

In the first six months of 1966 the starts in housing were down 26,000 from the same period in 1965. This applies even to loans that are insured under the National Housing Act. In 1966, from January to October, direct lending from Central Mortgage and Housing Corporation increased by 31,500 units, which is 33 per cent over the same period in 1965. That is perhaps because money under the direct lending of the corporation is cheaper than in other sectors of the economy. The rate for these direct loans is $6\frac{3}{4}$ per cent.

It is anticipated that in 1966 some 130,000 housing units will be completed in Canada, and of that number 80,000 will be completed as a result of capital supplied from private or conventional sources. Although this is a tremendous number of housing units it still falls short of the required number by perhaps as many as 40,000 in this year.

It is a matter of policy, therefore, for the Government to support projects for urban renewal, for slum clearance, and for other forms of civic improvement in the use of land within our cities.

In 1966 some $16 million was allocated for that purpose, as against some $4 million or only 25 per cent of that in 1965. These urban renewal projects took place in such cities as Hamilton, Saint John, New Brunswick, Montreal, Vancouver, Calgary, Winnipeg and Toronto. Over 9,000 family units were affected, it is hoped favourably, by this development within our urban centres.

Perhaps a good example of what has happened can be seen in this City of Ottawa over an area which Ottawans generally call "the flats"—that is, the Preston Street area—where sub-standard housing was removed and replaced by new forms of public housing with modern conveniences installed, under a federal-provincial program. The buildings are somewhat attractive, some have more free land available for the use of the tenants, and more houses were provided on a rental basis. That is just one example of what has been done with some of the $16 million already used this year for that purpose. But there is much more to be done in this field.

It is also a matter of policy for the Government to support housing for low-income families, and help has been given to non-profit corporations to provide subsidized rental accommodation. By non-profit corporations I mean organizations like service clubs and other philanthropic bodies which undertake projects of this kind in the interests of their communities. They provide both single-family units and multiple-family buildings in certain areas. The areas which have been affected by this development are Winnipeg, London, Moncton, Saskatoon and Verdun near Montreal.

These developments have been of special benefit to the older members of the community, people who have not been able during their lifetime to provide for the housing they require out of their savings or by other means.

A very successful development has been undertaken by the Ontario Housing Corporation, a Crown company established by the Government of the Province of Ontario. The president of that corporation is Mr. Soble of Hamilton. In 1966 under that organization there were 46 housing developments, costing

$24 million. About 7,200 family units were built, some in new buildings, some in used dwellings. Some 1,978 families have benefited by what has been done by the Ontario Housing Corporation in 1966. The federal portion of this program has been a loan covering 90 per cent of the capital cost.

Honourable senators, I think it fair to say that Ontario has done more in this field in two years than any other province in Canada has done in ten years. Much more remains to be done.

The Province of British Columbia has another scheme for subsidized rental accommodation. They prefer the scheme in which the federal contribution is 75 per cent by way of loan and the province and the municipalities contribute 25 per cent.

Under Section 35A of the act, covering the establishment of rental housing accommodation in British Columbia, 974 units have been completed in Vancouver and 376 more units are under construction. In Prince Rupert some 50 units have been completed, making a total of 1,400. That is a record which is commendable and which speaks for itself.

At Inuvik in the Northwest Territories, in August 1966, a hostel type of accommodation was established for which the federal contribution was $350,000 and in which 54 units were provided for the Eskimo people. The administration of that establishment has been vested by the Northwest Territories Council in the Y.M.C.A.

I should add that in all of these projects in which there is federal and provincial co-operation—and there have been a great many—the federal authority has agreed to pay 50 per cent of the operating losses which are incurred in these projects. Progress has been made, obviously.

Hon. Mr. Isnor: What does "operating cost" mean? Is it administration costs, and so on?

Hon. Mr. Connolly (Ottawa West): It is operating losses. I did not mean costs. Any losses incurred as a result of the operation of these projects are shared on a 50-50 basis so far as the federal Government is concerned. We will pay 50 per cent of whatever losses might be incurred. I think I am safe in saying that so far there have been no losses. These houses are self-sustaining; the rentals are modest but they are adequate to carry the administration, the interest on the money, and the repayment of the principal.

Hon. Mr. Reid: What is the interest rate generally charged?

Hon. Mr. Connolly (Ottawa West): I cannot answer that question but I shall get it and give it to the honourable gentleman later in the debate.

Great progress has been made in these fields. I have given some examples to illustrate that progress, but much more needs to be done.

As to the bill itself, it provides for loans to be made for the acquisition by individuals and others of existing housing units. It is thought that this provision will provide a benefit for low-income families who want to acquire and own their own homes. These loans will be insured under the National Housing Act. A portion of such loans, to be designated later by regulations, will have to be devoted to the improvement of the property in question. I should add that these improvements are not all improvements that have to be purchased by the person who acquires a house. His own labour and materials can be used for this purpose.

Hon. Mr. Hugessen: Will that be by regulation, or is it in the bill?

Hon. Mr. Connolly (Ottawa West): It is proposed that that should be done by regulations.

It is also proposed by this bill that the ratio of lending on rental construction, because of the success achieved in this field, shall now be raised from 85 per cent to 90 per cent of the value of the property to be developed. It is thought that the increase in this ratio of the amount of the loan to the total cost of the project will be beneficial in the larger centres but more particularly in the smaller centres.

The bill also provides that the pool of money for insured loans which has been made available to C.M.H.C. by Parliament from time to time, and which has been increased from year to year by various governments at various times and is now at $8½ billion, should be increased now to 9½ billion. In other words, another $1 billion will be made available for these purposes.

The pool of money for direct lending by C.M.H.C., which is a kind of application that is growing, probably because of the fact that the interest rate is lower than it is on the market, is now $3¼ billion. It is proposed to increase this pool by $750 million, and that Parliament authorize C.M.H.C. to lend to the extent of $4 billion both for new and for existing housing.

Hon. Mr. Isnor: Does that open it up for the private investor?

Hon. Mr. Connolly (Ottawa West): Indeed it does. This is one of the beneficial amendments arising out of this bill. I am glad the honourable senator raised that point. I can remember in the early days of my own law practice—and I am sure this is true of many others—that it was impossible to provide money, even public money, on anything but new improved real estate within a city. The trustees of estates that had money at their disposal, and other private lenders, were pretty well restricted to that kind of investment.

Well, I think experience has proved, especially with the development of the country and the prosperity that we are now enjoying, that loans in rural areas not only are needed but are good investments.

I thank the honourable senator for allowing me to make the point specifically, because it is an important point which arises out of this measure as one of its more beneficial aspects.

May I deal for a few moments with the business of campus accommodation for students? Since 1960 Central Mortgage and Housing has been making loans to universities. In these six years approximately 30,000 students have been accommodated in the units provided. The Senate can take a certain amount of credit for this development, because certain members of the Finance Committee pressed for it in order to assist with the housing problems on our univertsity campuses. On that committee were the late Senator Wall, Senator Cameron and others who were close to this field—I just mention those two because they spring to my mind.

In 1966, $37 million was devoted to this purpose, and accommodation was provided for some 6,000 students in all provinces of Canada. There were 25 such loans. I may say that before any such loan can be approved, the consent of the province concerned must be given. Recently, approximately $12 million was approved for a project at Guelph University. We used to call it O.A.C.—I suppose the same institution. The project at Guelph will accommodate approximately 1,700 students.

Perhaps I should say, in passing, that in 1965 less than $12 million was authorized.

Clause 7 on page 4 of this bill gives a definition of "student housing projects." It now includes housing for students who are attending vocational schools, technical schools, training hospitals and establishments for the training of the handicapped. I may say that in the debate in the other place this was highly commended by many of the members both on the Government and Opposition sides.

The pool of money available for student housing at the present time stands at $250 million. It is proposed by this bill to increase that pool by $100 million, to $350 million.

Lastly, honourable senators, may I deal briefly with sewage treatment projects? These are dealt with in clause 10 of the bill. Since 1960 there have been some 1,000 loans to municipalities for improving or installing sewage treatment projects. These projects are of benefit to a community both for purposes of health and for the conservation of resources. The bill proposes to extend the period within which applications may be made by municipalities for this purpose for a further three-year period which will expire on March 31, 1970. These are the loans for which there is a 25 per cent forgiveness once the project has been completed.

If I may have the approval of the Senate, I will place on *Hansard* a table showing the loans for municipal sewage treatment projects by provinces as at September 30, 1966. The total number of these loans was 1,069. Every province of Canada participated and the total amount of money involved was over $200 million. Is it agreed that I put this on *Hansard*?

Some Hon. Senators: Agreed.

(*The table follows*)

Loans for Municipal Sewage Treatment Projects Approved under Part VIB of the Act by Province as at September 30th, 1966.

	No.	$000
Newfoundland	19	2,058
Prince Edward Island	12	182
Nova Scotia	10	1,731
New Brunswick	26	1,170
Quebec	163	33,294
Ontario	350	114,261
Manitoba	89	16,045
Saskatchewan	230	6,277
Alberta	87	6,154
British Columbia	83	19,799
	1,069	200,971

Hon Mr. Connolly (Ottawa West): Honourable senators, while in this area I submit that although much progress has been made, much remains to be done. I believe the steps that have been taken by successive governments in the field of housing have been in the right direction. We are on the right road. I claim no credit for the work that has been done by this Government. It has succeeded a previous government which worked in this field and which

in turn worked along the same road as the governments before it.

On looking at our housing legislation today from the standpoint of 50 years ago, one would be truly amazed at the developments which have occurred. I do think it is important, however, that in supporting the house building program in this country we should not overload the economy at this time. However, I am fully conscious of one fact pointed up by the Economic Council. They may not have given the figures and I did not look into the detail of their report to that extent, but I am informed that within the next five years 170,000 units of living accommodation will be required each year of those five years if we are to keep up with the demand. So it is obvious that this is a very important area of economic and social activity. I think there are imperatives involved.

Before I sit down, may I tell Senator Reid that the present interest rate charged on loans made under section 35D on public housing projects is 6⅛ per cent. This is the technique adopted by the housing corporation.

Hon. John M. Macdonald: Honourable senators, I am sure that we have all listened with considerable interest to the very detailed explanation of this bill given by Senator Connolly. From his explanation it is obvious that the amendments proposed are worthwhile and deserve our support. It may well be that the amendments do not go far enough, but I think that is understandable because on reading one of the speeches of the Minister of Labour in the House of Commons, when he was discussing this bill, I noticed that he intimated that he had other amendments in mind which he hopes to introduce in the not-too-distant future. Indeed, he mentioned that this bill represents only those improvements deemed absolutely essential at the present time.

The amendment which I like most provides for the purchasing of older homes. As has been pointed out, the scheme is that loans will be made so a person can purchase, remodel or repair and occupy an existing home. This is a field which I consider needs most attention.

It is claimed that the need is most serious in the groups of wage-earners who earn less than $5,000 per year, because for them it is not possible to build a new home costing perhaps $15,000, $20,000 or $25,000. But there are many places where an older home could be purchased at a reasonable figure, and then repaired or remodelled by the purchaser and occupied very comfortably for many years to come.

I was glad to hear the leader say, so far as this type of repair or remodelling is concerned, that work done by the purchaser will be included as part of his contribution towards the cost. In many of the smaller areas at least, a purchaser together with his family or friends can carry out much of the necessary work of repair. He himself may be a carpenter, an electrician, a plumber or he may have some other trade which would be useful. We have had some experience of this in the Province of Nova Scotia.

Honourable senators may recall that for many years, going back to 1935 and 1936, the Nova Scotia Housing Commission made loans to co-operative groups. Under the original scheme six to 12 people could join together and form a co-operative association which could borrow money from the Nova Scotia Housing Commission to build these homes. A large proportion of the amount to be put up by the purchasers was however contributed in the form of labour. In each group they tried to have a person who had some skill as an electrician, a plumber, a heating man or a carpenter. Each would contribute his skill to the building of the home, with the result that the cost was kept to a minimum and the value of the work was regarded as contributing in a large part to the down payment. That scheme has worked fairly well over the years. Recently the act has been amended and the scheme has been broadened to conform to changing conditions.

This scheme should also work under the terms of the bill which we have before us. I say this because my concern at the moment is not so much for the housing shortage in the cities and larger centres, but for the shortage which exists in the smaller areas. We must remember that it is at times very difficult to get direct lending in a rural area. In fact, at times it is difficult even in some of the smaller towns. During the past year conventional sources of mortgage money have pretty well dried up. For that reason I think that this amendment to the act will be of real value. However, I feel that these people who are trying to obtain homes of their own could be further aided by the removal of the sales tax on building materials.

I understand that these provisions will be particularly beneficial to people making less than $5,000 per year. However, we must keep in mind that this is only one objective. The second objective should be to try to get these people out of this income bracket and into a higher one. I am sure we would all achieve a feeling of satisfaction if we could reach the

point where the need was no longer there because we had managed to get these people out of that low-income group. In my view this would indeed be a very praiseworthy objective.

Some mention was made of older people, and without any doubt there is a problem in this connection. As the honourable Leader of the Government has mentioned, much good work has been done by various service clubs and other non-profit organizations in providing housing for older citizens, but that does not appear to be the ideal solution. These elderly people, especially those whose only income is by way of old age security payments, cannot hope to continue to own their own homes because of the present high cost of maintaining such property. It is a sad and pathetic sight to see people who have owned their own homes now being forced to give them up. Municipal taxes are higher, as is also the cost of ordinary maintenance, and these people simply cannot afford to own property.

Where the solution to this problem lies, I do not know. Personally, I am one of those who advocate higher pensions, but that may not be the whole solution. I would like to see the time come—and I know you would too—when these elderly people, if they wished, could end their days in their own homes. I understand some municipalities have made arrangements whereby some tax relief is provided in such cases, but it is essential that we try to attack this problem in two ways. First we should try to reduce the cost of living in a home. This is done in many cases under this act, where they build places for senior citizens. If I might add just one more place to the list which the Leader of the Government gave, I would mention that in the City of Sydney there is one of these homes being constructed at the present time.

Now we must also try to raise the income of those persons who are under $5,000 a year, and to raise the incomes of those who are wholly dependent upon Old Age Security. If we can do that, then I believe that we will be making a substantial contribution to the well-being not only of those people but of the country in general.

I know we are all interested in the explanation given by the honourable leader in regard to loans made to universities for housing on the campus. This has been of comparatively recent origin and it is obvious that many universities are taking advantage of it. However, there is one point I do not wholly understand, namely, that the approval of the provinces must first be obtained. I think it is stretching our constitutional conception of jurisdiction to the limit to say that because the provinces have the first responsibility in regard to education, their approval must be obtained before a loan can be made to a university for housing on the campus.

Certainly, in this case the prime object is housing and the secondary is education. While I have no objection to it, we should keep in mind that we might be building up trouble for ourselves in the future if in such cases we acknowledge that the provinces have some jurisdiction. I know we all agree with the other objects of the bill, and it is not my intention at the moment to deal with them.

As the Leader of the Government mentioned, the Economic Council of Canada is somewhat concerned about the housing shortage. The report says:

> —adequate measures and adjustments are needed to reverse the decline in new housing construction and to avoid the danger of a rapidly intensifying housing shortage.

The Leader of the Government also mentioned that it is sometimes harmful to have a massive injection of new money into the economy. I appreciate his point of view, but I would point out that if people feel there is a danger of inflation through a massive injection of new money for housing, for example, then perhaps we should examine the whole system and see whether or not there are some priorities we should set, so that if we inject money into housing perhaps we should withdraw it from something else.

Honourable senators, I do not think it necessary to send this bill to committee. The sponsor gave a detailed explanation of it. I should also add that I have read the speeches given by the Minister of Labour in the House of Commons on the resolution and second reading stages, and I believe he made very clear not only what the purposes of the bill are, but also furnished much detailed information which normally would be forthcoming in committee. Speaking on behalf of those on this side of the house, I do not think it necessary to refer this bill to committee. We would be quite agreeable to the bill receiving third reading.

Hon. Mr. Connolly (Ottawa West): I might say that I understand there was no committee hearing in the other place.

Hon. W. M. Benidickson: Honourable senators, as some of its clauses indicate, this is an important bill.

First of all, let us realize that going on from the initial stages of housing support from the federal Government, the purpose of this bill is to increase support in a lending capacity from $8½ billion to $9½ billion. This support has developed within a relatively recent period of time. This is in keeping with the words of the Leader of the Government, that "the home is the unit of the social structure." He also said that in legislation of this kind we are "on the right road." With these statements I agree wholeheartedly.

The honourable Senator Macdonald (Cape Breton) said that it is not necessary to refer this bill to a committee. I have no objection to that conclusion. However, I would like from the Leader of the Government some assurance that, if the bill is not referred to a committee, the expressions of view by honourable senators as reported in Senate *Hansard* today be given the utmost consideration by the representatives of this tremendously large body, Central Mortgage and Housing Corporation, and by the honourable Mr. Nicholson, the representative in the cabinet who speaks for this corporation.

This bill contains some very meaningful, helpful and forward-thinking proposals. I think the most important item in it is that which refers to the provision of financial aid that would not come from any other financial sources, banks or other institutions, unless backed by this legislation, for the improvement of old homes. I think many people need help of this kind.

We have the Farm Improvement Loans Act —I think the loans under it are in the neighbourhood of $1,200 million or $1,300 million. We have the Home Improvement Loan Act, which provides a large number of other Canadians with backing so they can go to the banks. That measure has increased construction and has provided labour; indeed, it has improved our society to a degree comparable to improvements carried out under the Farm Improvement Loans Act, in millions of dollars. I think these are all important measures.

Honourable senators, I know we are under some pressure today. However I rise to say that I remember 12 or more years ago, when I was in the other place, I had much to say about the possibility of influence and effectiveness of the Central Mortgage and Housing Corporation in areas to which they were not effectively ministering. I referred to the housing accommodation in some remote parts of this country. I suggested that while the actual occupant of the home might not be able to enter into a contract under which he would satisfy the fancy terms of a C.M.H.C. representative who lived in suburban Ottawa, Toronto, Montreal or Winnipeg, we could and should do much to improve the status of that particular class of Canadian through the National Housing Act. I do not suggest that I want people in that category to get anything less than the very best that is available in metropolitan Toronto or Montreal, but this is not realistic. I am talking about small lumbering, mining and similar communities and, when I was otherwise occupied, I visited many homes in such areas. We have a duty to improve the living conditions of those Canadians, but some of the standards set under this otherwise magnificent corporation do not provide help to these people. They do not require a great deal immediately, but let us try to improve their lot now.

Honourable senators, we have heard that in the other place there was announced a policy respecting war on poverty. We have heard also that there is to be a Company of Young Canadians who are going to help in the war on poverty. It is a coincidence that this bill should come to us today, because only two or three days ago I wrote again to the President of the Central Mortgage and Housing Corporation to remind him that he used to be this corporation's senior official in Winnipeg and in the territory I represented as a member of the other place. He knows the territory about which I speak. Some years ago there was presented in a committee of Parliament endorsation of official government loans for what was then known, as I recall it, as a Newfoundland type of house, which would have represented a tremendous improvement in the living conditions of many people at that time. I regret I have not followed up this matter recently, but I thought it had been agreed upon.

Honourable senators, as this bill is not going before a committee I should like to mention two communities in the territory I know best. In both there are now modern timber-working mills. I know that the natural resources of this country are under the jurisdiction of the provinces, and that for the last few years the provinces have, with good, well-educated and dedicated staffs, laid down rules under which the timber limits, mining limits and other resources cannot be exploited without there being some idea of their perpetual use. Perhaps that could not apply so much in respect to mines, but it certainly does to timber.

These rules have been laid down. Why then is it that the Central Mortgage and Housing Corporation is still of the view that in these areas it can lend only to a borrower who wants to put up a nice suburban home, such as those seen around Toronto?

There is an urgent need, honourable senators, for the introduction of loans by Central Mortgage and Housing Corporation to people in non-urbanized areas who want to build a modest home of the type which formerly cost only $3,000 or $4,000. Why does the corporation lend these billions of dollars to the members of the affluent society only, for homes costing from $14,000 to $40,000 or more?

If this bill is not going to a committee then I am certain the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) will assure me that my views will be presented vigorously to the corporation. I was surprised to learn in a conversation the other day that in two communities in northwestern Ontario, namely, Hudson and Sapawe, that while industry in these places has gone ahead with the most up-to-date plants, Central Mortgage and Housing Corporation still has the idea that industry only should take care of all the housing problems there. The result is that because they cannot borrow from sources such as banks, these Canadians are living under conditions that are not desirable and certainly would not be tolerated in the metropolitan areas of our country. Yet, the industries here have a long life secured to them because of the provincial government's conservation rules.

Hon. Gordon B. Isnor: Honourable senators, I do not propose to take up very much of your time. However, there are one or two points I should like to bring to the attention of the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) who so eloquently outlined the purposes of this bill. I should like also, at this point, to compliment the honourable senator from Cape Breton (Hon. Mr. Macdonald) on his contribution to the debate.

I recall well that when I was a member of the other place, the Honourable Charles Dunning brought in the National Housing Act in 1938. I notice that this bill mentions the National Housing Act of 1954, but if my memory serves me correctly it was in 1938 when Mr. Dunning brought in the National Housing Act. It was at that time that the Central Mortgage and Housing Corporation was started, and we have come a long way since then.

At that time the corporation advanced something like 60 per cent of the cost of a home. Senator Ross Macdonald and our Whip, Senator Beaubien (Provencher), will confirm that only 60 per cent was advanced at that time. I remember it being said that we would see the day when housing loans would be made on the same basis as life insurance is made available, namely, on the moral character of the borrower. We have not yet reached that stage, but we have gone from 60 per cent to 70 per cent, from 70 per cent to 80 per cent, and from 80 per cent to 90 per cent, as the honourable Leader of the Government has announced today. That is going a long way, for I believe that 90 per cent will cover the needs of the average person who seeks to build his own home.

Hon. Mr. Benidickson: Yes, if the standards appeal to the lower-income groups.

Hon. Mr. Isnor: Quite right.

The honourable Leader of the Government touched on section 2 of the bill which relates to a person who intends to purchase, improve and occupy an existing house or one of the family housing units thereof. I wish to make particular reference to the word "occupy." I take it for granted that this bill does not cover the borrowing of an amount for improvements to be made by a person who intends to resell that home. The home must be occupied by the person who is borrowing the money.

Hon. Mr. Connolly (Ottawa West): It is intended for homeowners.

Hon. Mr. Isnor: Yes; it is for homes occupied by the owners. There is no intention here of giving a certain type of person the opportunity of buying an older home, borrowing $4,000 to improve it, and then selling it for an additional $6,000 or $8,000?

Hon. Mr. Connolly (Ottawa West): It is not intended to help the speculator.

Hon. Mr. Isnor: That is the right word. I just wished to bring that to the attention of the Senate in view of the fact that this bill is not going before a committee. I am quite in accord with that thought.

I am also impressed, as was Senator Macdonald (Cape Breton), with the idea that a person who is borrowing an amount for improvements is permitted to make the repairs and charge up his labour costs to the extent of the amount he borrows. This is a good move. Quite often a home owner and his family can do the work in just as satisfactory a manner as someone else who is brought in for the purpose.

Another point I wish to touch on is in connection with the rural districts. All honourable senators realize, as does Senator Benidickson, the trouble that the borrower in the rural district has in procuring an amount of money sufficient to purchase a home. This is perhaps due largely to the fact that there are no trust companies or banks in those localities. It is my hope that in the revision of the Bank Act some provision will be made whereby those living in rural districts and wishing to borrow will have the opportunity to do so. I say that notwithstanding the fact that I am a director of a trust company and am perhaps sending business away from trust companies to the banks. But I feel, in view of the way banks are located in different sections of the provinces, they could make available the funds necessary to carry out these improvements. I bring that particularly to the attention of the Government.

Honourable senators, on the whole, this is a step in the right direction. While I perhaps will not live to see the day when we will be getting the full amount required, as I mentioned earlier, on the moral character of the borrower, we have gone a long way in getting 90 per cent of it.

Hon. Jean-François Pouliot: Honourable senators, I listened with much interest to the good speeches made by the Leader of the Government and by many of our colleagues. I have one question to ask.

I wonder why the policy which has favoured foreign countries by lending them money without interest is not applied to Canadians for the building of houses. How is it that Jamaica and Bolivia have received Canadian loans on which they pay no interest, and that Canadians have to pay interest on loans for building houses?

This is my question. I ask for no answer to it, but I hope it will be submitted to the Government in order that action may be taken in the matter.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: May I remind honourable senators that if honourable Senator Connolly speaks now, it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I thank those honourable senators who have taken part in the debate this afternoon and who have been so constructive in their approach to the project incorporated in the bill. I am pleased that Senator Macdonald (Cape Breton), Senator Isnor and Senator Benidickson have commended the idea of providing for insured loans on existing real estate. I repeat what I said to Senator Isnor, that this is not intended to help the speculator. The purpose is to assist the person with low income to acquire a new home.

So much has been done in the field of "do-it-yourself" lately, that the idea of allowing the homeowners labour to count in the cost of the improvement, particularly with the popularity of power tools within the family, will beneficially affect this area.

I was pleased to hear Senator Macdonald (Cape Breton) speak about the work of the co-operatives in the production of housing in Nova Scotia. Some years ago I went to Chile to attend the inauguration of the new President, Eduardo Frei Montalva. While I was there I found some specialists in the co-operative movement who had taken their training at St. Francis Xavier University in Nova Scotia.

Hon. Mr. Macdonald (Brantford): That is the college which has the football team.

Hon. Mr. Connolly (Ottawa West): Yes. It is a good football team. Perhaps I should stop the sentence there, because I know there are several good football teams in that college grouping.

Hon. Mr. Smith (Queens-Shelburne): And some not so good.

Hon. Mr. Connolly (Ottawa West): As I was saying before I was so sportingly interrupted, these people were looked upon as developing the co-operative idea in that country, particularly in the field of housing. Recently, I was asked by some of the Chilean authorities where they could get information on this matter. I was able to refer them to the Canadians who were working in the field in this developing country of South America.

I quite agree that the sales tax of 11 per cent may be a deterrent to the building of houses by people with low incomes. However, we cannot have it both ways, and the demands on the treasury are heavy. The 11 per cent sales tax on building materials has not proven, by and large, to be too bad a thing, although there are people in the industry who will complain that they could do much more without it. However, we can hope for better times. We can hope for a decrease in that tax, and even the elimination of it. There is a royal commission which is to report shortly on the whole tax system and perhaps there may be some relief as a result of that report.

On the question of homes for the aged, I would be less than frank if I did not say that much work is being done by the provinces and by municipalities in this field. I am indebted to Senator Choquette for the name of the Island Lodge Geriatric Centre in Ottawa, which is located on Porter's Island and which is designed to look after the needs of old people in this community in what I would describe as rather superior surroundings. This is not a National Housing Act assisted project; it is built by the Province of Ontario with their own funds.

There are in Ottawa four or five projects financed by National Housing Act money and accommodating some 400 elderly people; they are owned by the City of Ottawa and known as the Lowren Housing Development. This is true of certain other parts of Canada as well.

Senator Macdonald (Cape Breton) raised the question of jurisdiction with respect to loans for student housing. With much of what he said, I agree. As a matter of fact, I was attacked here at one time for suggesting that help to universities could be justified on the grounds that education was a national problem. There may be another reason for wanting provincial approval: it carries with it a guarantee from the province that the loan will be paid, and one must always look to the safeguarding of investment made from the federal treasury.

I am glad Senator Benidickson referred to the Farm Improvement Loans Act and to the Home Improvement Loans Act. Both of these provide opportunities for homeowners, both rural and urban, to take advantage of loan facilities provided generally through the banks. I understand the maximum for the Home Improvement Loans Act is $4,000. Curiously, the average loan is not much more than about $1,500, I think the minister said.

Hon. Mr. Isnor: Yes; $1,500.

Hon. Mr. Connolly (Ottawa West): The opportunity is there. I do not say that this legislation and this corporation is the be-all and end-all, nor do I say that it is the only place where benefits are available to the community from the public purse.

On the other question raised by Senator Benidickson, one of the things that legislators on their own responsibility must always remember is the problem of security in the investment of public funds and the question as to where the line should be drawn. The question as to where the line should be drawn as between what is considered to be standard housing on the one hand and substandard housing on the other may be very difficult. I gather that the burden of Senator Benidickson's argument is that the standard described by Central Mortgage and Housing Corporation is much too high for the average purchaser with low income. May I say in all frankness that I shall present his views to the authorities; and, to use his own language and indeed the language of another great man, I shall do so with vigour.

Senator Isnor refers to the pressures which have been growing over the years of his distinguished career in Parliament to raise the ratio of the loans from 60 per cent upwards and to depend the more upon the moral character of the borrower. With that I agree. Anyone who has been concerned with private lending, as a trustee or in a law firm, or in a trust or loan firm, or in an insurance company, must be concerned with the moral character of the borrower, but the margin between the value of the equity and the mortgage itself being only 10 per cent, I think you already have this reliance built in. When you consider that the situation will be applied on a national basis, I think it speaks pretty highly for the moral character of the borrower of these funds that the Corporation supported by the Government is willing to go as far as it has gone in this regard.

Hon. Mr. Paterson: What is the history of loss?

Hon. Mr. Connolly (Ottawa West): I do not have that on hand, but I shall try to get it for you. I know it is a very insignificant amount. I am not sure if it is still less than one per cent, but I shall find out.

I come now to the point raised by Senator Pouliot, which was a very valid one, to the effect that in certain cases underdeveloped countries receive free loans, usually soft loans. In the first place let me say that the amount involved in these loans is infinitely smaller than anything contemplated in this bill. In the second place I think, and I am sure Senator Pouliot will agree, that a country that is relatively as wealthy as Canada, and a people that are as generous as Canadians, would give wholehearted approval to the steps that have been taken. Such loans are granted only in cases of great need, in many cases dire need. I think so far as the average Canadian homeowner is concerned, all he wants to do is to be able to pay his way, and he also is interested in safeguarding the integrity of the Canadian treasury.

I commend the bill to the Senate.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read a third time?

Hon. Mr. Connolly (Ottawa West): With leave, I move that the bill be read a third time now.

Motion agreed to and bill read a third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa

22 November 1966.

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 22nd November, at 6 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,

Sir,

Your obedient servant,

A. G. Cherrier

Assistant Secretary

to the Governor General.

The Honourable

The Speaker of the Senate.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copy of Statement by the Prime Minister to the Federal-Provincial Meeting on October 24, 1966, regarding costs of education. (English and French texts).

Copy of Statement to the Federal-Provincial Conference on October 25, 1966, by the Minister of Manpower and Immigration regarding federal training programs. (English and French texts).

Copy of Statement by the Prime Minister to the Federal-Provincial Conference on October 26, 1966, regarding the phase-out of capital grants for training. (English and French texts).

Copy of Report of the Federal-Provincial Tax Structure Committee, Ottawa, September 14 and 15, 1966. (English and French texts).

Copy of Statement of the Minister of Finance to the Tax Structure Committee on October 26, 1966. (English and French texts).

Copy of Submission by the Province of Prince Edward Island to the Federal-Provincial Tax Structure Committee, Ottawa, October 26, 1966. (English and French texts).

Copy of Submission by the Province of Nova Scotia to the Tax Structure Committee, October 26 and 27, 1966. (English and French texts).

Copy of Statement by the Minister of Finance and Industry of the Province of New Brunswick to the tax-sharing session of the Federal-Provincial Conference, Ottawa, October 26, 1966. (English and French texts).

Copy of Statement by the Premier of Quebec at the Tax Structure Committee meeting, October 26, 1966. (English and French texts).

Copy of Statement by the Province of Manitoba at the resumed Tax Structure Committee meeting, October, 1966. (English and French texts).

Copy of Statement by the Premier of Ontario to the Federal-Provincial Tax Structure Committee, Ottawa, October 26, 1966. (English and French texts).

Copy of Submission by the Province of Alberta to the Federal-Provincial Tax Structure Committee, dated September 14, 1966, together with a further Submission by that province. (English and French texts).

Third Annual Review of the Economic Council of Canada relating to Prices, Productivity and Employment, dated November, 1966. (English and French texts).

Copy of a Report from the Honourable Ivan Cleveland Rand, appointed under Order in Council P.C. 1966-128, dated January 18, 1966, Commissioner under Part I of the Inquiries Act to inquire into certain dealings of the Honourable Justice Leo A. Landreville. (English and French texts).

Hon. Mr. Macdonald (Brantford): May I ask the honourable leader if we have received copies of those reports?

Hon. Mr. Connolly (Ottawa West): Yes, the copies are all tabled now. I take it you are talking particularly about the reports referring to the federal-provincial meeting?

Hon. Mr. Macdonald (Brantford): Yes.

Hon. Mr. Connolly (Ottawa West): If it is the desire of honourable senators to have these reports circulated, I will give instructions for that to be done forthwith.

Hon. Senators: Agreed.

Hon. Mr. O'Leary (Carleton): When shall we receive the copies of the report of the Economic Council?

Hon. Mr. Connolly (Ottawa West): I am sure it has been circulated.

BANK ACT AND QUEBEC SAVINGS BANKS ACT

BILL TO AMEND—FIRST READING

Hon. John J. Connolly presented Bill S-53 to amend the Bank Act and the Quebec Savings Banks Act.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, I think in a sense this can be considered to be a necessary but routine bill. It provides for an extension of the Bank Act and the Quebec Savings Banks Act. This is extension No. 4.

The first one authorized the extension of the Bank Act from July 1, 1964 to July 1, 1965. The second extension was for a period from July 1, 1965 to January 1, 1966. The third was from January 1, 1966 to December 1, 1966, and this bill requests a further extension from December 1, 1966 to January 1, 1967.

It follows from what I have said that the Bank Act will expire automatically at midnight on the 30th day of November next. As honourable senators know, the Bank Act has been before the House of Commons on a number of occasions. It received second reading in the other place on October 6. It was then referred to a standing committee of the house which began its sittings on October 25. It has held 16 meetings. The progress, I am bound to report, has been rather good. Some briefs have been submitted, and a deadline for their presentation has now been set for November 30, 1966. So far, the committee has heard evidence from the Inspector General of Banks, Mr. Elderkin, and from the Governor of the Bank of Canada, Mr. Rasminsky. It has been examining two witnesses from the Canadian Bankers Association, and I am informed that there are thirteen other witnesses with presentations to be heard by the committee.

Obviously, the committee cannot conclude its deliberations before November 30. At any rate, when it does conclude its deliberations, the bill must be reported back to the house and go through the normal processes there up to third reading, at which time it will come to us. It is expected that the bill will reach us before the conclusion of the present session of Parliament.

This act provides in clause 1 of this bill that if Parliament does not sit on at least 20 days during the month of December, the banks may carry on the business of banking until the sixtieth sitting day of Parliament next thereafter and no longer.

The same provision applies to the Quebec Savings Banks. I think that is the only section with which we are concerned because, in point of fact, unless the other place should sit on Saturdays or sit during the Christmas recess, which is an anomaly in itself, it would be impossible for the house to sit for more than 17 days in December. It is therefore expected that through the operation of clause 1, which is section 6B of the bill before us, Parliament will in fact have 60 days to complete its work from the time it reassembles after the Christmas recess. The purpose of this bill is to authorize the continuation of the work of the banking institutions until the Bank Act has been passed by Parliament.

I say that it is to be expected that this can be accomplished before the end of the present session. However, it is obvious from what I have said that the present session will not likely end before Christmas, but will probably be adjourned over a Christmas recess, resume in the New Year and continue until it completes certain work.

At present there is nothing further that I have to say on this measure.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

CANADA LABOUR (STANDARDS) CODE

BILL TO AMEND—FIRST READING

Hon John J. Connolly presented Bill S-54, to amend the Canada Labour (Standards) Code.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon John J. Connolly: With leave of the Senate, I move the second reading of the bill.

Hon. Mr. Reid: Where are the copies of these bills?

Hon. Mr. Connolly (Ottawa West): These bills are being introduced into Parliament for the first time now. We are originating these bills in the Senate.

Hon. Mr. Reid: They are not on our records here.

Hon. Mr. Connolly (Ottawa West): No, of course not. This is legislation that I have been able to obtain for introduction in the Senate in the first instance.

Honourable senators, again I have to explain a bill which has for its purpose the elimination of an anomaly, in that in the Canada Labour (Standards) Code, chapter 38 of the statutes of 1964, there are provisions in Parts III and IV for annual vacations and general holidays for workers in industries under federal jurisdiction, and there are rules whereby the workers acquire certain of these benefits either for annual vacations or for general holidays. These rules are very easy to apply in cases where an employee is working for a single employer over a period of time, but it is not so easy in the case of employees working in port areas.

This is especially true of the west coast, where the service of the longshoreman to load and unload ships is performed by him on behalf of many employers. On the west coast the employment is provided by the shipping interests, and each longshoreman works for various periods of time for many companies. There are as many as 70 or 80 companies operating on the west coast of Canada in the course of a year. For the most part the hiring of the longshoreman is done directly by the shipping companies, exclusively, in that area.

On the east coast and in the Seaway system there is a comparable situation. However, in certain ports in the east the hiring is not done by the many shipping companies who use the ports. It is done by the stevedoring companies, and they give employment to the longshoremen who work for them over an extended period.

On the west coast the longshoremen work for a shipping company while one of its ships happens to be in port. They are laid off at the end of that period of time, and they may go to work for another shipping company to deal with another ship. In other words, in this industry, particularly on the west coast of Canada, most stevedores have what is described in the bill as "multi-employer employment."

Perhaps honourable senators will allow me to read the definitions section contained in clause 1 of the bill, which will become section 34a of the act. In subsection (a) "employee" is defined in these words:

> "employee" means an employee to whom this Act applies who is engaged in a multi-employer employment;

And subsection (b) reads as follows:

> "multi-employer employment", as more particularly defined by the regulations, refers to employment in an occupation or trade in which, by the custom of that occupation or trade, any or all employees would in the usual course of a working month be ordinarily employed by more than one employer.

I have before me a document that indicates in certain cases for certain payrolls some 60 or 70 different employers hired various gangs of longshoremen for work for short periods of time while their ships were in port.

I should say that basically the purpose of the bill is to provide authority for the making of regulations which will permit these longshoremen to get the same benefits with respect to annual vacations and general holidays as people in other branches of industry under federal jurisdiction. Secondly, I should say that the pattern or custom of the port is to be of paramount importance in the framing of

these regulations. In other words, the regulations are not intended to cover the floater, the worker who of his own choice moves from one place to another, from one employer to another, or from one port to another.

As I have said, the regulations are designed to give multi-employer employees the same rights to the general holidays as other people working in industries under federal control. The general holidays prescribed in section 2(f) of the Canada Labour (Standards) Code, are: New Year's Day, Good Friday, Victoria Day, Dominion Day, Labour Day, Thanksgiving Day, Remembrance Day and Christmas Day.

Hon. Mr. Reid: Are they paid for those days?

Hon. Mr. Connolly (Ottawa West): Yes, these are holidays with pay.

It is permissible under collective agreements for Remembrance Day to be substituted for another holiday. In certain areas Boxing Day is recognized as a local holiday, and the collective agreement allows a substitution to be made, but, generally speaking, these eight days were fixed as general holidays by Parliament during the 1965 session.

Hon. Mr. Hugessen: They are paid holidays?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Hugessen: Who pays the employees of the multi-employer group?

Hon. Mr. Connolly (Ottawa West): This is the problem I am coming to, if I may. For an employee who has to work at his trade as a longshoreman sporadically for different employers, it is practically impossible to provide for a day off. If he has to work on a holiday, then of course he will get a premium for working on that holiday, and that is time-and-a-half; but if he does not work on a holiday, he gets regular time.

Hon. Mr. Macdonald (Cape Breton): Is it not double time for holidays?

Hon. Mr. Connolly (Ottawa West): Not under the act.

Hon. Mr. Kinley: It is double time for Sundays.

Hon. Mr. Connolly (Ottawa West): Sundays may be different.

Now may I deal with the annual vacation situation? Under section 16 of the Canada Labour (Standards) Code, which we passed last year, an employee is entitled to two weeks' vacation after each year of work. Perhaps I should read section 16(1):

> Except as otherwise provided by or under this Part, every employee is entitled to and shall be granted a vacation with vacation pay of at least two weeks after every completed year of employment.

Now may I refer to section 20 of the Code, which reads as follows:

> Where the employment of an employee by an employer is terminated before the completion of the employee's year of employment, the employer shall forthwith pay to the employee
>
> (a) any vacation pay then owing by him to the employee under this Part in respect of any prior completed year of employment, and
>
> (b) four per cent of the wages of the employee during the completed portion of his year of employment.

If, for example, he worked two months, he would be entitled to 4 per cent of the wages that he earned during the completed portion of his year's employment in lieu of vacation.

Section 20 (2) has a bearing on this. It reads:

> Notwithstanding paragraph (b) of subsection (1), an employer is not required to pay an employee any amount under that paragraph unless the employee has been continuously employed by him for a period of thirty days or more.

The act is also designed to provide for the making of regulations to cover multi-employer employees or any services with any employers with whom they happen to work during the course of the year.

I may say too that the intention of the regulations is that liability for annual vacation pay and general holidays will be apportioned among the employers for whom the employee worked during his period of employment.

I know it may sound complicated, although it is really not a complicated bill. The simple explanation arises from the fact that in stevedoring, where you have so many employees working for a variety of employers, if they are to get the benefit of the holiday provisions under the Code, there must be some method of determining the portion that is attributable to each of the employers for the stevedores on his payroll at various times.

Hon. Mr. O'Leary (Carleton): Who would do the apportioning?

Hon. Mr. Paterson: Is it the intention to refer this bill to committee? This is quite a complicated matter, and unless the Shipping Federation and the vessel owners had a chance to have their say, it would be unfair to pass this legislation without their knowing what it involves. Is it your intention to refer it to committee?

Hon. Mr. Connolly (Ottawa West): I am in the hands of the Senate. I have no objection to it going to committee. I am glad to do whatever the Senate desires, but I would say that generally speaking this bill is beneficial not only to the worker but to the shipping company. It removes an inequity that could conceivably be a disadvantage to both.

I think Senator O'Leary (Carleton) had a question.

Hon. Mr. O'Leary (Carleton): I would like to ask who will do the apportioning as between the various people liable for the annual vacation?

Hon. Mr. Connolly (Ottawa West): I think this would result from the reports on employment which are submitted by the various shipping companies. I have examples of them here.

To take a practical example, suppose I am a stevedore, and I work ten days for X steamship company and 20 days for Y steamship company, and so on. There would be a record kept by each company, and, in fact, I would keep my own record. Let us say, for the sake of argument, that I work for five different shipping companies during the course of the year. In that case I would say that the responsibility for my vacation would be equally apportioned between those five shipping companies for which I worked.

Hon. Mr. Macdonald (Brantford): I think Senator O'Leary (Carleton) asked the question I was going to ask. Who actually makes the apportionment? Is there a central office to which these reports go?

Hon. Mr. Connolly (Ottawa West): Yes. As I conceive the situation, the regulations would provide that there be an officer of the Department of Labour who would administer them, and if there is any difficulty about the amount of the apportionment as between the companies, then representations could be made by the companies concerned as well as by the employee.

Hon. Mr. Fournier (De Lanaudière): May I be permitted a question? What happens if a stevedore takes no vacation at all, and works all the year through?

Hon. Mr. Connolly (Ottawa West): In that case he is entitled to pay in lieu of time off, as is provided for in the act. In any event, it would be apportioned among his employers in the same way as it is done in other industries under federal jurisdiction.

Hon. Fred M. Blois: I think I heard the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) say that it is possible for these men to work for 50 or 60 different companies during the year. If that is so I am wondering why it is so important that this bill be passed today. If there are so many companies involved then perhaps they should be given the opportunity of studying this bill and coming before a committee of the Senate in order to present their views. We are noted here for giving everybody an opportunity to be heard. The honourable Leader of the Government gave an example of a stevedore working for five or six companies, but it is possible that he could work for 50 companies in a year.

This bill seems to be very cumbersome. I am not opposed to it, but I have not read it and I do not understand it. Perhaps there are other honourable senators who do not understand it either. I do not think it should be hurried through.

Hon. Mr. Connolly (Ottawa West): If the bill seems to be complicated then that is because I have made it appear so.

Let me say quite frankly that there is a strike on the west coast at this time. There has been considerable labour unrest. One of the points of grievance is a situation which this bill seeks to correct. I have no intention of urging the Senate not to send this bill to a committee, but we thought we were sitting for today only, and I am thinking of our colleagues who, because travel arrangements are difficult, found it impossible to arrive here in time today.

Would the Senate give consideration to sending this bill to a committee this evening, and hearing the Minister and his officials? If the committee is not satisfied with the explanations given, then we can resume our sitting in the house, and adjourn the debate. I would be perfectly happy to move that this bill be referred to the Standing Committee on Banking and Commerce, which could sit at eight o'clock this evening to hear the minister and his officials. I am sure they will be able to throw much more light on it than I have been

able to do this afternoon. Would that be satisfactory?

Hon. Senators: Agreed.

Hon. Mr. Blois: Honourable senators, I still do not think I have made my point clear. This is a bill that affects the companies hiring the men, and surely it is not going to be passed without their having an opportunity to present their views. That cannot be done in a hurry, having regard to the difficulty in travelling at this time. It would be very unfair, in my view, for this chamber to pass this bill today.

Hon. Mr. Connolly (Ottawa West): I do not object to what the honourable senator has said. This is the point Senator Paterson raised. What I suggest is that the bill be considered by the committee this evening. If the honourable senator has the same feeling after the committee has heard the minister, then he can make his point to the committee, and the committee can decide what should be done.

Hon. Lionel Choquette: Honourable senators, I fail to see the reason for the rush in sending this bill to a committee and having it dealt with tonight, even with the presence and counsel of the Minister, because it cannot be given Royal Assent today. We are having Royal Assent at quarter to six this afternoon, and that is in 20 minutes' time. Would not the honourable Leader of the Government be satisfied, having given his explanation, that the bill be read the second time and then be referred to the committee which will sit next week?

Hon. Mr. Connolly (Ottawa West): The bill cannot receive Royal Assent today, not only because that comes up in 20 minutes' time but because the bill has to be passed by the House of Commons. We are not going to be able to dispose of it finally, in any event. It has to go to the House of Commons, so the question of Royal Assent does not enter into the picture.

What I am concerned about is having the committee sit tonight and deciding whether the minister's explanation is satisfactory. We might then resume our sitting this evening and read the bill the third time, instead of sitting tomorrow. But, if it is the desire of the committee to adjourn in order to hear further witnesses then, of course, it will be up to the committee to say so.

Hon. Mr. Blois: May I ask the honourable Leader of the Government one other question? Have the shipping companies been informed of this bill? Do they know anything about it?

Hon. Mr. Connolly (Ottawa West): I think that is a more appropriate question for the minister, but I would think that the shipping companies know all about this bill.

Hon. Mr. Blois: We have not seen the bill ourselves, and I am wondering how other people have been able to see it.

Hon. Malcolm Hollett: Honourable senators, in my view it would be a mistake to rush through a bill as important as this. There are many questions that have to be resolved. If I am a longshoreman and I have worked only nine months this year, who pays, and in what proportion, for my holidays? If we are a responsible body—and I think we are—then we must hear from the shipping companies. We must not rush this bill through under any circumstances.

Hon. W. Ross Macdonald: Honourable senators, I understand from what the honourable Leader of the Government has said that there is a situation on the west coast that is causing some concern. It seems to me that his proposal is a very reasonable one. He is not necessarily suggesting that we should give the bill third reading tonight. All he is suggesting is that we should obtain the advantage of the minister's opinion this evening. It may be satisfactory, or it may not, but in either case we will be better informed.

Hon. Mr. Reid: What about our receiving a copy of the bill? I have not seen it.

Hon. Mr. Macdonald (Brantford): I am sure we will be able to see the bill between now and this evening. My point is that there is no disadvantage to anyone in the committee's meeting this evening and hearing the minister. We can decide what to do after hearing him. It seems to me that is the procedure we should follow.

Hon. Jean-François Pouliot: Honourable Senators, I shall have to come with an olive branch in my hand.

We were called here to deal with the bill to amend the National Housing Act, 1954, and that bill has been discussed and passed. There followed then an innocuous and routine bill providing for the extension of the provisions of the Bank Act, and that has been disposed of. But, in the notice we received to assemble here today there was no mention of the bill now before us, and perhaps some of our colleagues who are not present today would have attended this sitting had they known that this matter was to be discussed.

Not long ago I heard over the radio or TV that there had been 155 strikes in the Province of Quebec this year. There are still strikes that have not been settled, especially that of Air Canada.

I find that this bill may have a different interpretation. In fact, in the explanatory notes "stevedores" are mentioned. On the other hand, in the bill the definition of "multi-employer employment" is not clear, and there is nothing in the bill which mentions that it applies only to stevedores. It should apply also to employees of the chartered banks—

Hon. Mr. Connolly (Ottawa West): It might; that is true.

Hon. Mr. Pouliot: In fact, honourable colleagues will admit that it would apply to all classes of employment which could be compared according to the relationship of employer and employee—to the shipping industry, the banking business, or to the railways, or anything else. Therefore, we have in this legislation provisions that apply to the whole labour world, and it is described as innocuous. I cannot agree to that, especially when we have to deal with trade unions as they are now, when the leaders of the unions are so exacting, and when there is in the House of Commons a piece of legislation which would allow the civil servants to strike.

Permission was given by the previous government of the Province of Quebec to strike, and many strikes are occurring there. There is always the threat of a strike in the public service.

I have been interested in labour all my life. At one time when there were 800 railway employees, some working on the trains, others in shops, I had to work for them, I had to do the work of the union leaders and I had to travel from Moncton to Toronto for the defence of the rights of the railway employees. That is known especially by all the railway employees east of Montreal. The union leaders smoked big cigars and wore big gold watch chains, and they were eating continually.

At one time a former union leader had an appointment by Mr. Mackenzie King to a position in the service. He did not call himself a civil servant; he was a public servant. He was eating all the time. If I went to a restaurant and saw him, he would be munching all the time, so much so that I said to Mr. King, "If you appoint him again, put him near a cafeteria so as to satisfy his hunger." I will not give you his name because he is dead and he must be with the blessed ones in the great au-delà.

I spoke to Humphrey Mitchell who was then Minister of Labour. At the time of the Ford strike in Windsor, men were coming to Parliament to canvass, in spite of regulations. However, I met a group of nice fellows and I said to them, "Do you think it is the best thing to do to come to me and to speak over the head of your leader?" I repeated that and they said there was something in it. That is true. The people who belong to unions do not always agree with what is said by their leaders, because they are free men and free women, but they belong to an organization which is supposed to help them.

Why is freedom famous and extolled by all the labour unions? It is that a man who works somewhere is free not to belong to any union or in a closed shop. He is free provided he pays his dues. The Rand formula means freedom for a worker to pay union dues if he does not belong to the union. Everybody knows that.

To conclude what I have to say in the friendliest manner, one of the unions said that they were sending observers to see what we are doing in the Senate and in the House of Commons, to see what Parliament is doing and to check up on us. They would be welcome, and if they came here and attended a sitting of this house or one of our committees they would be greatly surprised to see the quantity of work being performed by the Senate. The same applies to the House of Commons. I have no power of attorney to speak for you, but I myself invite here all union leaders and all of those who belong to unions, especially the working men who are not on the executive, upon one condition, that they do not make false reports of what is being done and said here.

If they cannot come, they have only to subscribe to *Hansard*, which records our debates faithfully. They should read *Hansard* of both houses and the reports of committees of both houses. However, they must not have a false impression of what we are doing here.

Union leaders are not the only ones who look after the affairs of labour. Many men I know and respect are friends of labour and never miss an opportunity to defend the rights of labour, even when they are abandoned by the union leaders.

Honourable colleagues, you may ask all the employees on the trains, the conductors, the brakemen, the men who look after the cars, and the employees of the express companies, if they have friends who are not the heads of their unions, and they will answer that there

are many of them. We need not look so far away. Next to me is Senator Gordon Isnor, one of the most popular members of the Senate. He was formerly in the House of Commons, and he knew 9 out of 10, if not 99 out of 100 of his constituents by name. He was most popular with the railway employees, because he fought the case of each one of them for the very good reason that the unions were not always there to support them. And besides that, there is Rule G. Senator Isnor knows about Rule G. Nobody can do anything. The unions say we—

Hon. Mr. Connolly (Ottawa West): I wonder if the honourable senator would mind an interruption at this time? His Honour the Speaker has already read the letter indicating that there will be the Royal Assent and that the Chief Justice of Canada will arrive here at 5.45 p.m. It might serve the honourable gentleman's convenience if the Senate were to adjourn now and then he could conclude his speech when we reassemble at 8 o'clock this evening.

Hon. Mr. Pouliot: I will say thank you just to affirm my rights.

Hon. Mr. Connolly (Ottawa West): Does the honourable senator intend to speak this evening when we reassemble at 8 o'clock?

Hon. Mr. Pouliot: I have said "thank you". That is my peroration.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I did not intend to shut the honourable senator off. If he desires to speak tonight, I have no objection. Otherwise, my intention is that the bill be referred to the Standing Committee on Banking and Commerce, and I would suggest that the committee meet tonight at 8 o'clock. If the honourable senator desires to speak further, the house will adjourn, after Royal Assent, until 8 p.m. and we can come back and finish the debate on second reading.

Hon. Mr. Choquette: I did not hear the hour. Will the committee to which this bill is referred sit before 8 p.m.?

Hon. Mr. Connolly (Ottawa West): No, we cannot do that. This bill must have second reading before it can be referred to a committee. I am proposing that, if the debate does not finish immediately, we come back at 8 o'clock and complete the debate, and thereafter have the committee meeting. As Senator Choquette knows, I am thinking of the situation which exists because we were called here for only one day.

Hon. Mr. Pouliot: I am in a conciliatory mood and all I would ask of the leader is to tell us what is the urgency for this measure.

Hon. Mr. Connolly (Ottawa West): As I have indicated already, I understand the situation on the west coast in respect of certain labour problems out there is critical. I would ask the honourable senator to go to the committee; I will arrange to have the minister there, so that he may ask him directly and get a much better explanation than any I can give him.

Hon. Mr. Paterson: I think we realize that there is a good deal of urgency about this matter, and I am hopeful that the minister will be able to clear it up.

Hon. Mr. Pouliot: If the leader says so, I will withdraw all objection.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), bill referred to the Standing Committee on Banking and Commerce.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bill:

An Act to amend the National Housing Act, 1954.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until the call of the bell at approximately 9 p.m.

Upon resuming at 9 p.m.

CANADA LABOUR (STANDARDS) CODE

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. T. D'Arcy Leonard, Acting Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-54, to amend the Canada Labour (Standards) Code:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Leonard, Acting Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-54, to amend the Canada Labour (Standards) Code, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

Hon. Mr. Leonard: Honourable senators, first I wish to say a few words in explanation of the proceedings of the committee and this report which has just been adopted.

The committee met at 8 o'clock this evening and had before it the Honourable John J. R. Nicholson, Minister of Labour; Mr. Jean Dupré, Assistant Deputy Minister of Labour; Mr. Harris Johnstone, Director of the Labour Standards Branch of the Department of Labour; and Miss E. Lorentsen, their legal adviser.

The Minister explained the bill. I think it was apparent to all that the bill is to correct a mistake which, had it been brought to the attention of the Government and of Parliament at the time when the original statute was being introduced last year, this type of provision would have been included in the bill.

The employee who perhaps is employed for only a few hours or a few days at a time by one employer and then subsequently is employed by another employer, becomes known as a multi-employer employee. By this amendment such an employee is brought into line with the employee who has one employer throughout the entire year.

At present the employee of a multi-employer has no person against whom the cost of his eight holidays is properly chargeable, whereas in the case of the employee who is employed for the whole year by one employer, the cost is charged against that employer. In the other case, a man may be working only a few days before one of the statutory holidays comes up, and the question arises, who is to pay him for that statutory holiday. A very simple system is being worked out, and though it is not in the act it will be in the regulations, whereby 3 per cent is added to each employee's wage, whether it be for the hour or for the day, and this charge compensates the employee for his statutory holidays. By being charged per hour or per day it has the effect of automatically distributing the vacation pay cost over whoever is employing him throughout the whole year.

The Minister also said that this was a matter of some urgency, because there had been some proceedings which had resulted in jail sentences in connection with disputes by reason of the provisions of the act in this particular respect, and that he had given an undertaking that he would introduce a bill to correct the situation before the end of the year.

This is legislation which has been requested by the representatives of the employees to correct the situation from which they are suffering. It has been discussed with and is not objected to by the employers represented by the shipping companies on both the east and west coasts and on the St. Lawrence River.

I think, honourable senators, that is the explanation which satisfies all members of the committee.

Motion agreed to and bill read third time, and passed.

CONSUMER CREDIT (COST OF LIVING)

THIRD ANNUAL REVIEW OF ECONOMIC COUNCIL OF CANADA REFERRED TO JOINT COMMITTEE

Hon. John J. Connolly, with leave of the Senate, moved:

That the Third Annual Review of the Economic Council of Canada relating to Prices, Productivity and Employment, dated November 1966, which was tabled in the Senate today, be referred to the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living.

Motion agreed to.

He said: Honourable senators, may I take this opportunity to say that one of the joint chairmen of the committee has asked me to inform the Senate—and this applies to any senator who cares to attend—that Mr. Deutsch will be before the committee on Thursday next and will be available for questioning in connection with this report. I thought this might be of interest to members of the committee and to other senators who are available.

ADJOURNMENT

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, November 29, at 8 p.m.

Motion agreed to.

PRIVATE BILL

RAINBOW PIPE LINE CORPORATION— THIRD READING

On the Order for Tuesday, November 29, 1966:

Third reading of Bill S-52, intituled: "An Act to incorporate Rainbow Pipe Line Corporation". (Honourable Senator Hugessen).

Hon. John J. Connolly: Honourable senators, may I ask your indulgence. I should like to have unanimous consent to call now the first order of the Orders of the Day for Tuesday, November 29 next. It is the third reading of Bill S-52, entitled An Act to incorporate Rainbow Pipe Line Corporation.

This is a private bill which has been passed by the Standing Committee on Transport and Communications and which is standing for third reading.

I am informed by the sponsors that it would be a source of convenience to them if this bill could be given third reading and sent to the House of Commons. I see no objection to it and I hope it will meet with approval.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West), for Hon. Mr. Hugessen, with leave of the Senate, moved that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I am always saying thank you. But before we adjourn, may I say how grateful I am for the magnificent co-operation I have had today. We have gone through a great deal of work only because of the wonderful co-operation everybody has displayed. We have had a good day in the Senate.

The Senate adjourned until Tuesday, November 29 at 8 p.m.

THE SENATE

Monday, November 28, 1966

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

GREY CUP

NATIONAL FOOTBALL PLAYOFF IN VANCOUVER

Hon. Arthur M. Pearson: Honourable senators, before the house begins its business, I would like to call attention to an event of some moment which took place in Vancouver last Saturday. As one who comes from western Canada, I was quite pleased to see the Saskatchewan Roughriders take the Ottawa Rough Riders. One could say that the capital of Saskatchewan took the capital of Canada.

I am sure that all of you who saw that game were pleased with it. It was a wonderful game, with great sportsmanship being shown on both sides. Both teams fought hard, but the western team was a little stronger. However, we should congratulate both teams for their fine sportsmanship and the wonderful show they put on.

Hon. Senators: Hear, hear.

Hon. John J. Connolly: Honourable senators, I certainly wish to thank Senator Pearson for his remarks concerning an event that has become almost an institution in Canada, namely, the playing of the Grey Cup football game. I am sure all senators would want the leader to congratulate most heartily the winners, the Saskatchewan Roughriders. They played a magnificent game of football. It was a great spectacle all round.

Having done my official duty as leader, may I as a citizen of Ottawa quote one of the great classical expressions that originated in Brooklyn? "Just wait 'til next year!"

PUBLIC SERVICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Patterson has been substituted for that of Mr. Leboe on the Special Joint Committee on the Public Service.

APPROPRIATION BILL NO. 9, 1966

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-248, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication.

GOVERNMENT HOUSE
Ottawa
28 November 1966

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 28th November, at 9.45 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copies of Memorandum of Understanding between the Governments of Canada and Hong Kong regarding exports of certain cotton apparel and fabrics from Hong Kong to Canada. (English and French texts).

Report on the Operation of Agreements with the Provinces under the Hospital Insurance and Diagnostics Services Act for the fiscal year ended March 31, 1966, pursuant to section 9 of the said Act,

chapter 28, Statutes of Canada, 1957. (English and French texts).

Report of the Superintendent of Insurance for Canada, Volume II, Annual Statements of Fire and Casualty Insurance Companies for the year ended December 31, 1965, pursuant to section 9 of the Department of Insurance Act, chapter 70, R.S.C., 1952. (English and French texts).

FEDERAL-PROVINCIAL CONFERENCE—DOCUMENTS DEPOSITED IN THE CLERK'S OFFICE

He said: Honourable senators, while I am dealing with documents, may I, with your indulgence, ask to be relieved of an undertaking I gave honourable Senator Ross Macdonald on November 22 last. After I had tabled certain documents with respect to the recent federal-provincial meetings, Senator Macdonald (Brantford) suggested I should circulate them among all senators.

I have in my hand copies of these documents in English and French and, as honourable senators can see, they form a very thick pile. Not every senator will require a copy.

I know that Senator Macdonald (Brantford) would be able to examine the material I have here. I do have one extra copy, and I wondered whether it would be satisfactory if I informed honourable senators that in the office of the Clerk there will be an extra copy of these documents available for any senator who wishes to inspect them, with the exception of the document entitled "Federal-Provincial Tax Structure Committee." That is the report dated September 14 and 15, 1966. About 60 copies of that report are available in the office of the Clerk, and I am sure that any senator who requires a copy could obtain one. If we run short, I would appreciate it if anyone who has not been accommodated would let me know.

Under those circumstances, may I be relieved of the undertaking I gave the other evening?

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): Thank you very much.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, November 17, the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Lionel Choquette: Honourable senators, the sponsor of this bill, Senator Roebuck, has given us, as he always does, a very clear and concise explanation of the proposed legislation which if passed will be incorporated in the Canadian Criminal Code.

I must say at the outset that Senator Roebuck must be admired for his courage in sponsoring this bill, because in doing so he is in some measure advocating something which he has combatted all his life, namely, stifling to some extent freedom of speech and freedom of the press.

When listening to his remarks and those of Senator Croll, I could not help thinking that if I were to present such legislation I would have two formidable adversaries vehemently opposing it, namely, the sponsor of this bill and his good friend Senator Croll.

Honourable senators, I thought that the sponsor and Senator Croll were speaking with tongue in cheek when they spoke about this bill. But I watched them closely, and seeing no bulge on either side of their face I had to conclude that they were not speaking with tongue in cheek but that they were speaking in all sincerity.

This proposed legislation is a matter of great concern not only to the Canadian people but to parliamentarians of all political parties, and to editorial writers throughout Canada.

Seven honourable senators have thus far participated in the debate, and four of them have unequivocally stated that in a peaceful country such as ours this proposed legislation is absolutely unnecessary. Let me be the fifth one to take the same attitude for the same reasons advanced by these honourable gentlemen. Allow me to add also that were this debate to be prolonged in this house, it is my opinion that the great majority on both sides would oppose this bill, not because they are antagonistic to any identifiable group, but because they would fail to see the necessity for such legislation.

Honourable senators, since the advent of the printing press, newspapers in this country—and in any other country, for that matter—have been the ramparts against oppression and tyranny, and have always championed the cause of freedom of speech and freedom of the press. Yet, if we read the several editorials dealing with this proposed legislation, we will realize that the writers of such editorials are gravely concerned over the determination of the present Government to incorporate such legislation in our Criminal Code.

I agree entirely with Senator Phillips when he said that with this legislation, the organizations promoting and distributing hate literature will be driven underground.

At this stage, I would like to quote excerpts from a few editorials published in recent months on this important matter. Let me read first from the Toronto *Star* of November 12, 1966. The title of the editorial is "The Hate Law: Well-meant but Perilous". It says, among other things:

> The second amendment provides a two-year penalty for anyone who incites hatred or contempt against any identifiable group in any public place where such incitement is likely to lead to a breach of the peace...
>
> This provision is not particularly objectionable, but we question whether it is necessary. The sections of the Criminal Code dealing with sedition, unlawful assemblies and riots would seem to provide ample protection against speeches and meetings which lead, or are likely to lead, to a breach of the peace.
>
> It is the third amendment which is the really dangerous one. It makes it an offence punishable by two years imprisonment to promote hatred or contempt against any identifiable group by words, writings, signs or gestures.
>
> This is aimed, of course, at the leaflets and other propaganda of the Nazis and similar extremists. But it could very easily have the effect of stifling free discussion over a wide field of public affairs. Canada is a country of many ethnic groups, and a measure of friction between them is inevitable.

Let me quote the title from an editorial in the *Globe and Mail* of November 8, 1966: "A Stick for neo-Nazis would be a Stick for all". Honourable senators can imagine the content of the article, as it is explained by the title.

Let me quote from the Brandon *Sun* of May 24, 1966, an editorial entitled, "The Problem of Hate".

> Laws are intended for people who have their personality under control. The man who deals in hate literature reacts to forces that no law could correct. So a law against hate literature will not prevent it, and the attempt to enforce such a law could have serious consequences for free speech in this country.

The Vancouver *Province* of August 10, 1966, has on its editorial page this title, "Hate Control Cure worse than the Disease".

The Toronto *Globe and Mail* of August 23, 1966, has the title, "Value of Hate Literature Law questioned".

The London *Free Press* of August 29, 1966, in an article under the title, "Laws of Libel and Slander sufficient," says this:

> As for hate literature, most of it is so biased that it stands self-condemned, and only those warped beyond hope of redemption will fail to see it for what it is. No law can teach or alter a hate-filled mind, nor can bigotry or prejudice he legislated out of existence.

Honourable senators, with your indulgence I will quote some excerpts from an article written by the Reverend Ernest Marshall Howse in the *Jewish Voice*, a Toronto paper, and copied in the *Globe and Mail* about November 12 last.

Hon. Mr. Macdonald (Brantford): Would you say who wrote the article? I did not hear the name.

Hon. Mr. Choquette: The Reverend Ernest Marshall Howse, a former Moderator of the United Church of Canada.

I should like to read some extracts from that article:

> It is of course thing to pass a law against the public advocacy of genocide. This is a definite offence and can be specifically named.
>
> In my judgment such a law is unnecessary. In Canada in our present day it is almost as unnecessary as passing a law making it an indictable offence to advocate the burning of witches. Canada is no more likely to undertake a programme of genocide than it is to take on a programme of burning heretics in the public square. However, genocide is a definite term and can be dealt with specifically.

Here is another paragraph from his lengthy article:

> The attempt to use law as a means of sending to jail those who spread hatred is apt to cloud still farther the processes of justice. We have not enough jails in Canada to hold people whose statements might be considered—by those who suffer from them—to incite hatred or contempt. Think of all the earnest but misguided souls who denounce the Pope as anti-Christ. Will they forthwith be carted off to jail? Should I immediately report to the police those who write to me in similar terms about the World Council of Church-

es? Or even about myself? What about the Roman Catholic publications, which may still be speaking in the all too common language of the past that Protestant literature is a dangerous and hateful attack upon the Christian faith. All these can be judged to incite hatred or contempt. How could any judge determine whether or not there are reasonable grounds for believing such things to be true?

Hon. Mr. Roebuck: Is religion included in the bill?

Hon. Mr. Choquette: No. I am coming to that, because I have asked that it be included. I am going to be a member of the committee and, if you ever saw anybody fighting to have one word included in a bill, you will see this little fellow insisting that religion should be and must be included in the identifiable group. However, I will deal with it.

Hon. Mr. Roebuck: Thank you.

Hon. Mr. Choquette: This is a further paragraph from the same article:

> Hate literature will be stifled more quickly by the silence of contempt than by mob violence and jail sentences. It would be more rational to ignore its producers and purveyors as the perverts they are, than to dignify them with the suggestion that they are likely to take over Canada.

Then, one last paragraph of this excellent article reads as follows:

> The attempt to crack down by force on utterances tending to incite hatred or contempt is an adventure in futility. The clever will only do it but more effectively within the law. The only real antidote to ill-will is to cultivate within the community, and spread beyond the community, a common spirit of understanding and good will, and a discerning appreciation for every form of excellence. Here is an area where we must overcome evil with good.

Hon. Mr. Bourget: Which newspaper was it published in?

Hon. Mr. Choquette: I gave the name at the beginning, but perhaps you are interested in buying a copy of it. It is the *Jewish Voice*, a Toronto paper, in the issue of November 12, 1966, or thereabouts.

Hon. Mr. Bourget: I did not say I was going to buy it. I was just interested.

Hon. Mr. Choquette: Well, you can get it.

Hon. Mr. Macdonald (Brantford): I thought it was the United Church *Observer*.

Hon. Mr. Choquette: No, it is the *Jewish Voice*.

Hon. Mr. Leonard: Was that article not reprinted in the Toronto *Globe and Mail*?

Hon. Mr. Choquette: I am coming to that, because I have the particular issue of the *Globe*. It does not reprint all of the article, but this man is so determined to influence the parliamentarians who are dealing with this question that, in the Toronto *Telegram* of November 26, 1966, which is quite recent, there is an article entitled "Former Moderator's View".

> Cleric raps proposed bill. Hate law smacks of Nazi storm troopers.

This is how he terminates his article, which should be read and which I commend to all honourable senators:

> Not the way
>
> Duplessis was not facing any "clear and present danger" of Communism which warranted the despotic measures of the padlock law. Even if he had been, the padlock law was not the right way to deal with it.
>
> And we are not facing any clear and present danger of Nazism which warrants the sweeping and dangerous clauses proposed in the hate law.
>
> To make laws for Canadian society as though we were on the brink of toppling either into Communism or Nazism is as unnecessary as to make martial law the normal order of our community life.
>
> It may possibly be that some addition to our present law is necessary to deal with literature and speech that does, in fact, incite to violence—including that which incites violence against the crackpots. But, certainly, the hate law, as at present proposed, should be summarily rejected. It is too much a resort to Nazi methods as a means of stopping Nazi ideas.

Hon. Mr. Walker: Who is the author of that?

Hon. Mr. Choquette: Again, the same Reverend Howse, former United Church Moderator.

Hon. Mr. Macdonald (Brantford): Just recently retired.

Hon. Mr. Choquette: But he is not senile. He is smart enough to see through this.

Hon. Mr. Power: I hope he did not intimate that Duplessis was a Communist.

Hon. Mr. Choquette: No. I am going to deal with Duplessis' padlock law. We have one similar to it now 25 or 30 years later. I shall deal with that in a few minutes.

Now, honourable senators, the first of the committee's recommendations—that is the committee appointed more than a year ago by the Minister of Justice and headed by Professor Maxwell Cohen, Dean of Law at McGill—would appear to be the simplest of definition, determination and enforcement: that relating to genocide. But the two other categories would be far more difficult to define and prove: far more susceptible to variable interpretation with the guilt factor shaded from hatred to contempt. There is a vast difference between the two, and indeed it is difficult to conceive how a conviction for group defamation could be obtained under the latter, so general is the terminology, so broad its possible application. Further, it trespasses dangerously upon the vital concern of free speech.

Let us deal now with section 267B of the bill.

> Every one who, by communicating statements in any public place, incites hatred or contempt against any identifiable group where such incitement is likely to lead to a breach of the peace, is guilty of—

All honourable senators know the punishment and the penalty, but subclause (3) says:

> No person shall be convicted of an offence under subsection (2) where he establishes—

And this is a defence.

> (a) that the statements communicated were true; or
>
> (b) that they were relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds he believed them to be true.

The first part of that puts teeth into the law, but the second part removes them immediately, and I will tell you why. As it reads, no person shall be convicted of an offence under subsection (2) where he establishes, (a) "that the statements communicated were true", or that they were "relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds he believed them to be true."

These provisos, honourable senators, invite an individual or several individuals to make what is called a test case.

Before I deal with these provisos, let me say this—and Senator Lang has already pointed this out in his able speech of last week—that this throws the proposed legislation into conflict with a root principle of Canadian justice: that the accused is not required to prove his innocence, but the Crown to prove his guilt.

With regard to truth of the statement being a valid defence in such cases, the committee, and in fact this proposed legislation, departs from the recent British precedent. The British Race Relations Act of 1965 proscribes public discussion on all matters involving colour, race or ethnic and national origin if it occurs in a form which is threatening, abusive or insulting, and likely to stir up hatred, regardless of the merits of its contents—that is, irrespective of its truth or falsity.

As I have already pointed out, a person accused under the proposed law can escape conviction by proving that the statements he made about any identifiable group—Communists, separatists, Jews, Negroes, Jehovah's Witnesses, et cetera—are true. This opens up the possibility of court hearings in which hatemongers produce "scientific evidence" —which all hate groups have—to prove the inferiority of a given group. Today, with statistics on nearly every subject being available to the public, it is very easy to ascertain the truth of statements before making them in public, either verbally or in print.

Ladies and gentlemen, in 1937, when I had just been practising law some five years, we had in the Town of Eastview, a sensational case called *Rex v. Palmer*. It looked very innocent from the beginning. Miss Palmer, who was not even connected with a welfare or social agency, was going from door to door selling contraceptives. She did not choose the Anglo-Saxon parts either of the City of Ottawa or of Eastview. She went into the French-Canadian parts where the people were 99.9 per cent French Canadian.

She knew that she was going to provoke a discussion, and she was probably hoping that there would be a test case. There was, and this case lasted about one month in the magistrate's court in Eastview, in the County of Carleton, and it merely provoked a lengthy and bitter debate between medical doctors.

doctors of divinity from different religious denominations, theologians, psychologists, professors of Canon law, priests, ministers and general medical practitioners.

When reading the accounts in the newspapers, the members of the public were asking themselves: How can all these people be justified in giving this type of evidence? Honourable senators, it was due to a proviso similar to that proposed in this legislation which says that:

> The accused is entitled to set up a defence that the public good was served, but in order to succeed he must establish
>
> (a) that the public good was served by the acts that are alleged to constitute the offence; and,
>
> (b) that the acts alleged did not extend beyond what served the public good.

After a month's discussion and after the case was appealed to the Appeal Court of Ontario, it was decided that this "nice" girl had served the public good. So that now the door is wide open to the sale of contraceptives, not only in drug stores but from door to door.

Honourable senators, there is another well-known test case, concerning a pamphlet printed and published by the Witnesses of Jehovah entitled, "Quebec's Burning Hate." I am sure we all followed that case. Those people did not go and sell these in Port Hope, where they "like" bilingual signs! They just went to small villages in the Province of Quebec where 99 or maybe 100 per cent of the population were French Catholics, and they distributed this hate literature. The case went to court. It went to the Appeal Court and to the Supreme Court of Canada, and our learned judges said that in the name of freedom of speech these people had done no wrong.

Hon. Mr. Connolly (Ottawa West): Is that the *Saumur* case?

Hon. Mr. Choquette: Yes, that is it.

Hon. Mr. Macdonald (Brantford): It was quite a divided court.

Hon. Mr. Choquette: Yes, it must have been divided.

Then, we have defamatory libel, which is very similar to the proposed legislation. Regarding defamatory libel, as the falsity of defamatory matter is presumed the prosecution need not produce evidence of its falsity. The onus is upon the defendant to prove that it is true, that it is a matter of public interest, and that the publication of it was for the public benefit; and the whole of the libel must be proved true. The justification must be as broad as the charge. If a material part be not proved to be true, the Crown will be entitled to a verdict.

Hon. Mr. Roebuck: That is the law of libel in general, is it not?

Hon. Mr. Choquette: Yes, that is what I said, and I think this proposed legislation is almost a codification of the law of libel as embodied in the Criminal Code.

Hon. Mr. Roebuck: Yes.

Hon. Mr. Choquette: Honourable senators, I am almost through. I had not intended to speak as long as I have, but while we are dealing with literature, whether it be called hate literature, pernicious literature or obscene literature, I think we are faced today with a much more serious problem than that of hate literature, and it is that of obscene literature.

In every corner store, in every drug store, in any tobacco store, you can purchase pornographic books dealing with Lesbianism, homosexuality, adultery, masochism, sadism and violence. And what is being done to prevent that type of literature being circulated and sold? Honourable senators, I say that this is an urgent problem, one which is much more urgent than the legislation we are now being asked to pass. This problem of corrupting morals is with us now and has been for some time. We as parliamentarians, as legislators, must do something about this, or we will be a party to changing our young boys and girls into perverts and degenerates.

Hon. Mr. Roebuck: What about free speech?

Hon. Mr. Choquette: That is it. We are not concerned with free speech, seizure and lock when faced with that type of literature. I am saying that we should be more concerned with this type of literature, than with this legislation that is not vital, that is not necessary, that is not urgent, and legislation that we may be asked to pass 10, 20 or 30 years from now. I say we are faced with an urgent problem, one that concerns everybody now.

The same remarks apply to our television. Surely, honourable senators, we have sane people in the C.B.C.! Surely, if we pay them $25,000 or $30,000 a year we can ask them not to insult our intelligence! Surely, we can ask these people not to insult Christianity and Christian principles which are dear to the majority of people in this country! And yet

last evening—I do not know how many honourable senators saw this—there appeared on television one of the most disgusting spectacles I have ever seen.

Some Hon. Senators: Hear, hear.

Hon. Mr. Choquette: Compared to this program, "This Hour Has Seven Days" was mild. There was Lesbianism and homosexuality. People were asked: "Do you have as much thrill with a man as you have with a woman? Do you have as much thrill with a Lesbian as you have with a man?"—and similar questions—all before the eyes and ears of our children.

Honourable senators, let us not look to legislation which is unnecessary and uncalled for at the moment, but let us look at these problems which are urgent.

I am going to conclude my remarks with an excerpt from an article, one of the most fascinating I have read in years, entitled, "A Jew in Germany," the author being Irving Layton. He is a young Jewish poet who was quite reluctant to go to West Germany because he thought it was his duty, because of the persecution of his forefathers, his father and mother, to hate the German people for the rest of his days—the generation after the last war and the following generations as long as he would live. But when he went there he realized that he could not hate indefinitely, and that he should banish hatred from his heart. Here are the most touching things he had to say at the conclusion of his article:

> In West Berlin I was in a playground and watched some German children, no less fair and helpless than my own two-year old son, toddling toward the sandbox. It was the greatest Jew of all who said, 'Suffer little children to come unto me.' He meant, don't infect them with your lousy hatreds and prejudices. Give them a break, don't cripple them, don't stunt them with the cruel nonsense, the racial and political ticks you've picked up along the way. If you can't delouse yourselves, at least let the children grow up free of them. Yes, that's what I think Jesus meant.
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> Well, when I saw the blonde, blue-eyed toddlers in the sandbox and afterward held one of them on my knee, I mentally said, 'No one, but no one, is ever going to hurt those kids.' Not while I'm alive, by God.

QUESTION OF PRIVILEGE—C.B.C. TELEVISION PROGRAM "SUNDAY"

Hon. John J. Connolly: Honourable senators, may I rise on a question of privilege concerning a point raised by the honourable Senator Choquette with respect to a program that he apparently viewed on television last evening?

I rise now on a question of privilege in my private capacity as a member of the Senate because I, along with other honourable senators, have today received a number of telephone calls describing situations in homes in which the children were sent off to bed, or the television set was switched off, because of the content of the program mentioned by Senator Choquette. Concern has been expressed by adults in respect of the kind of performance that was broadcast by the national television network last evening.

This program dealt with sex matters in a way that I could not describe half as luridly as did my honourable friend Senator Choquette. It dealt also with sensational aspects which were—and I think not for the first time—anti-religious. If they were not anti-religious, at least they offended the sensibilities of a large segment of the population of this country.

Because of the representations I and other honourable senators have received, and because of what Senator Choquette has said, I should like to say, on a point of privilege, on my own responsibility and without engaging in the debate on the bill before us, that at one time it was felt that censorship should be introduced in an endeavour to regulate the movie industry. The Hay's office was established. I cannot say whether it was completely successful because I do not know, but at least it was an attempt to instill a sense of responsibility into people who might use a medium of communication to the detriment of the public at large.

My honourable friend referred also to the existence on the newsstands of periodicals and other kinds of literature of a very obscene character. The Honourable E. Davie Fulton, when he was in Opposition at an earlier time, caused some legislation dealing with this situation to be put on the statute books. The law, of course, does not succeed always in establishing the ideals of the moral code. The Honourable Mr. Fulton went as far as he could, but I think it is up to the public authority in cases of that kind to deal effectively with them, and without fear of the consequences. There are organizations such as the Legion of Decency and church groups and

others, which have tried to do something about obscenity on our newsstands.

But, with respect to these other forms of communication such as radio and television I wonder whether consideration should not be given to the question of some sort of censorship. I am not thinking of a rigid censorship, because we do cherish the ideals of freedom of expression and freedom of speech in this country. One wonders whether a sense of responsibility actuates people who put such programs before the public. It must be remembered that these programs we are talking about are not something which you go out and buy like a book or a ticket to a theatre. They are piped into your living room, and on a Sunday night when youngsters and teenaged children are exposed to them.

Hon. Mr. Beaubien (Bedford): And at public expense.

Hon. Mr. Connolly (Ottawa West): Yes, at public expense. We have to rely on the responsibility of the higher officials, but upon inquiry I am informed that the higher officials of the public broadcasting system do not know what is going to be on these programs until they actually turn on the switch. This is a situation that should concern us all, because this program last night was a complete outrage against every decent-minded Canadian.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I did not see all of this program, but the stories I have heard about it outraged me.

Honourable senators, there was another item on a local television station tonight which I thought went beyond the limit which the owners of the station or the network should go. It concerned young students from a local university who had made their way into the House of Commons on Friday. To prove a point, one of them had concealed in his coat pocket a tape recorder, and by means of the public address system had recorded a question that was asked in the house.

Nobody objects to this kind of thing, but those students said they went in there to prove that a person could very easily walk into the House of Commons—or the Senate for that matter, or any other congregation of people in the country—with a similar small package that could easily have been four or five sticks of dynamite, and blow the whole place up.

Perhaps these young men rendered a service by pointing this out. Thereafter they saw the Sergeant-at-Arms. It may be that security measures in this building are not adequate. But, what I object to is that this might cause some demented people to say to themselves: This is my opportunity.

Why is this kind of thing done? Why are these people, who have access to an instrument that has so much power over public opinion, allowed to abuse their responsibility by using it in this way? These are questions which should be engaging our attention.

I rather expected a great deal more protest than I have heard today, but on my personal responsibility as a senator I owe it, if not to myself, then to the chamber and to the listening public of this country, to rise and protest, even though I do so on a point of privilege and without taking part in this debate.

Hon. Mr. White: Honourable senators, I move that this debate be adjourned.

The Hon. the Speaker: Honourable senators, it has been moved by honourable Senator White, seconded by honourable Senator Aseltine—

Hon. Allister Grosart: Honourable senators, before his Honour the Speaker puts the motion may I add a comment to what has already been said? I am very grateful to Senator Choquette and Senator Connolly (Ottawa West) for what they have said about the C.B.C. program of last evening. They have said what they had to say well, but I do not think enough has been said on this subject, and I hope that other senators will follow me and express their views.

What is so often forgotten in this particular context is that this was a C.B.C. program. I agree entirely with what has been said. It was outrageous. It was disgusting. It was an affront to every adult and every young person who happened to be watching it.

What is also often forgotten is the fact that no private television station in the United States, Great Britain or here, would dare to put on a program such as this. We hear a great deal of criticism of our private enterprise system, but let us not forget that the private enterprise system would bring into being automatic checks because no sponsor or advertiser for one moment would allow himself to be associated with that kind of an affront to those he expects to have as his customers.

This brings me to the point that the money that was available for the production of this piece of utter rubbish—and this is not the first such material that has been produced on the

C.B.C.—is money collected from the public. At least $80 million of public money is used to support the C.B.C.

What is the answer? We are all concerned about censorship. We are all interested in the preservation of freedom of speech, but I am convinced that no one in this chamber, and extremely few Canadians throughout the land, have any interest whatsoever in the proliferation and perpetuation of this kind of license.

Honourable senators, is there an answer? I suggest there must be an answer. An old maxim which has governed our affairs for many years is that there shall be no taxation without representation. The public is being taxed to provide the money for these programs. Is the public not then entitled to be represented in the determination of the broad policy of the kind of program that is offered to them and their children, as well as to their friends?

I suggest that this is not in any way a question of censorship of the whole broad spectrum of presentation of ideas to the public in a literary form, newspaper form, or pictorial form. I suggest this is an area in which the Canadian people are themselves assuming the responsibility of perpetrating a degree of license that no other television system anywhere else in the world tolerates.

This is us, honourable senators; it is our money, it is our decision whether or not to allow this to continue. I suggest there should be a protest made from this chamber to those who are in positions of responsibility in the C.B.C. We should say to them, "Now, stop!" There is no sense in arguing about the hierarchy, the chain of command in the C.B.C. This argument has gone on and on and has appeared in the front pages of the press. The people responsible for the previous program which offended many Canadians are gone, and they have been superseded by another group which, in my judgment—if it is worth anything—is worse.

Hon. Mr. Roebuck: Why are they not prosecuted by the police?

Hon. Mr. Grosart: I have no responsibility, Senator Roebuck, and I do not think it is a matter of breach of the law. Maybe they are not breaking the law.

Hon. Mr. Roebuck: Oh, they are.

Honn. Mr. Grosart: I do not know. Perhaps under our law it is allowed in a public medium to discuss publicly the kind of matters that were discussed in this program, questions with tongue in cheek about the most intimate relationships, and not the kind of relationships between men and women, or men and men, or women and women, that anybody would be proud of.

Is it a matter for the police? I think not. I think it is a matter for the whole Canadian community. If Canadians generally do not care, are not aroused, if they want this to go on, I for one do not protest; but I do not believe the Canadian people want this kind of thing to be repeated.

In my position at this moment, it is difficult to say how a formal protest might be made from this chamber. I would like to leave that for the consideration of the Leader of the Government (Hon. Mr. Connolly, Ottawa West). He has spoken strongly on the subject. If there is a way in which this chamber can go on record within the rules tonight as calling for action to prevent a repetition of that C.B.C. program last night, then I would hope that somehow he will find that way.

Some Hon. Senators: Hear, hear.

On motion of Hon. Mr. White, debate adjourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 831 to 890 inclusive, which were presented on November 16.

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 831, for the relief of Joan Brais Corbeil.

Resolution 832, for the relief of Joyce Elaine Harrison Baril.

Resolution 833, for the relief of Mabel Florence Long Abbott.

Resolution 834, for the relief of Margit (Margot) Gleisberg Simon.

Resolution 835, for the relief of James Robert Perry.

Resolution 836, for the relief of George Davis Forde.

Resolution 837, for the relief of Terry Grace Alberta Lewis Hanson.

Resolution 838, for the relief of Estella (Estelle) Agnes Prevost Brooks.

Resolution 839, for the relief of Helen Frances Holmes Blackmore.

Resolution 840, for the relief of Esther Colette Marie Rose Elizabeth Giroux Le-

françois Boeki (otherwise known as Colette Boky).

Resolution 841, for the relief of Tillie Weiss Weiss Zimilevitch, otherwise known as Tillie Weiss Weiss Zimel.

Resolution 842, for the relief of Jean Marie Gaspard Andre Lamarre.

Resolution 843, for the relief of Kurt Kasdorf.

Resolution 844, for the relief of Anne Dolan Lejeune.

Resolution 845, for the relief of Guy Miron.

Resolution 846, for the relief of Yolande Pelletier Smith.

Resolution 847, for the relief of Guntram Hospes.

Resolution 848, for the relief of Renee Mary Delaunay Morteau.

Resolution 849, for the relief of Sheila Hannah Lubin Besner.

Resolution 850, for the relief of Roger Georges Ferdinand Joubert.

Resolution 851, for the relief of Carolyn Anne Jane Frances Prendergast Yuile.

Resolution 852, for the relief of Gillian Suzanne Higgs Levin.

Resolution 853, for the relief of Therese Lord Pelletier.

Resolution 854, for the relief of Herve Fuyet.

Resolution 855, for the relief of Judith Elizabeth Petley Pridge.

Resolution 856, for the relief of Ruth Lorena Dunseith Guillotte.

Resolution 857, for the relief of Denise Parent Carrier.

Resolution 858, for the relief of Isobel Dorothy Morell Thompson.

Resolution 859, for the relief of Lucette Marie Aschwanden Labrosse.

Resolution 860, for the relief of Gordon Eric Perrigard.

Resolution 861, for the relief of Margaret McLean Willis Black.

Resolution 862, for the relief of Irene Emma Berlanguet Bathurst.

Resolution 863, for the relief of Pearl Elaine Sheppard Lawrence.

Resolution 864, for the relief of Roslyn Arbitman Fleischman.

Resolution 865, for the relief of Pierette Auger Searles.

Resolution 866, for the relief of Nicolo (Nick) Nicola.

Resolution 867, for the relief of Claudette Rizziero Lambert.

Resolution 868, for the relief of Paul Emile Grenier.

Resolution 869, for the relief of Roland Marceau Eugene Dauchy.

Resolution 870, for the relief of Barbara Anne Ashley Corcoran.

Resolution 871, for the relief of Denise Cleroux Deslandes.

Resolution 872, for the relief of Marie Claire Lyse Levasseur McKenzie.

Resolution 873, for the relief of Sylvia Dankner Arron.

Resolution 874, for the relief of Winifred Daphne Bratby Higton.

Resolution 875, for the relief of Cora Cloutier Vaillancourt.

Resolution 876, for the relief of Mary Margaret Blades Perron.

Resolution 877, for the relief of Anne Holdridge Gearey.

Resolution 878, for the relief of Renee Augustine Ray Leonard.

Resolution 879, for the relief of Stanislaw Nowak.

Resolution 880, for the relief of Lise Dubois Seguin.

Resolution 881, for the relief of Claude Tessier.

Resolution 882, for the relief of Veronica Mary Wyszynska Dunski.

Resolution 883, for the relief of John Stasaitis.

Resolution 884, for the relief of Hazel Isabel Vahlkamp Eaves.

Resolution 885, for the relief of Anne MacNaughton Artagnan Darlington.

Resolution 886, for the relief of Frederick Howard Wamboldt.

Resolution 887, for the relief of Elli Paula Sophie Bauersfeld Paul.

Resolution 888, for the relief of Marie Michelle Christine Vezina Khaliq.

Resolution 889, for the relief of Denise Guibeault Clermont.

Resolution 890, for the relief of Marie Madeleine Sontag Munz, otherwise known as Marie Madeleine Sontag Minz.

Resolutions adopted, on division.

CONSERVATION OF WATER RESOURCES

DEBATE CONCLUDED

The Senate resumed from Tuesday, July 12, the adjourned debate on the inquiry of the

Honourable Senator Gershaw, calling the attention of the Senate to the need for conserving Canada's water resources.

Hon. Norman A. MacKenzie: Honourable senators, I have listened with keen interest to the speeches delivered this evening on a most important and moving topic, because it happened to be an area in which I have had a special interest for some time, for I am concerned with human values, morality and decency; therefore, I commend the honourable senators who have spoken.

However, tonight, thanks to the courtesy of Senator Beaubien (Provencher), this topic raised by Senator Gershaw, and spoken to by Senator Cameron, has been on the order paper for some months, so I thought it would be in order to deal briefly which this topic of our fresh water resources, and to leave it for the further consideration of this honourable chamber.

It is frequently stated, with reason, that our fresh water resources are probably the most important natural resources which we possess in Canada. Like the air we breathe and the food we eat, fresh water is basic and essential to life on this planet, and obviously adequate supplies of fresh water are of tremendous importance.

In this respect, we Canadians are the most fortunate of people, for despite our relatively small population, 0.6 per cent of the world's population, we have between 25 per cent and 30 per cent of all the fresh water resources of the world.

The population of our neighbour, the United States of America, is increasing rapidly. By the year 2000 it is expected to reach the 340 million mark. Substantial areas in the United States are already short of water, and its increasing population, plus the increasing uses of and needs for fresh water, will make the shortage even more serious.

It is true that in respect of their own fresh water resources, as in many other areas, and many other countries, the people and governments of the United States have been careless and wasteful and pollution has become a major problem.

In Montreal two weeks ago an important conference attended by over 500 delegates and provincial ministers was held. The Honourable Jean-Luc Pepin was good enough to invite Senator Cameron and myself to attend as observers. Senator Cameron did attend, and I hope that in due course he will report on it.

Unfortunately, I was unable to go along, but I have heard sufficient about it and I know enough about it to realize that, in the Great Lakes, particularly in Lake Erie, and in many of our streams rivers and other lakes, even with our limited population water pollution and air pollution cause a situation which, if we do not deal with it effectively and soon, will become a major problem.

In the the United States, with their tremendous population and the kind of free-for-all life that they live, water pollution is already a major problem and contributes to their desire for increasing quantities of pure fresh water.

Regardless of this—which is, in a sense, within their own control—the Government and people of the United States are almost certain to want, and probably to need, some of our fresh water.

Science, and the economic development of nuclear energy, will make it possible to obtain quantities of fresh water from the surrounding oceans. Even so, natural fresh water, particularly in the inland sections of the continent, will always be of great importance.

I predict that in Canada in the years ahead we will have to consider and deal with this problem. Therefore, I would urge, if it is in order, that in due course we in the Senate make a thorough study of this whole question so that we may know all of the facts and obtain the most expert information in regard to it, and express ourselves publicly about it.

It is only as this is done by an increasing number of responsible people and organizations, will the importance and the magnitude of this problem become known.

I am the first to confess that I am not in a position now to do more than indicate a serious interest in the matter. However, Government policy about the export of hydro-electric power has changed radically and fundamentally in recent years. The United States—and more particularly the City of Chicago and the State of Illinois—are already diverting substantial quantities of fresh water from the Great Lakes and the St. Lawrence system.

I am aware, as are all members of the Senate, that we encourage the export of our wasting assets—oil, gas and other minerals —although we know that when these have been used up they never can be replaced. In contrast, fresh water, like forests and agricultural production, with intelligent management, is a continuing resource that is self-perpetuating. It seems to me that it could be exported and sold if the return were adequate and if the necessary measures of control were set out. In regard to that, however, I am not

in a position either to judge or to rule without further information and advice from those who know and who are expert in this field.

As I come from British Columbia, I have a special interest in this whole matter. As you know, we have some magnificent rivers there—the Columbia, the Fraser, the head waters of the Peace and the Liard and, farther north, the Yukon.

While rivers, lakes and fresh water are of special interest to the provinces, all of these rivers that I have mentioned, and nearly every river of importance in this country, including the St. Lawrence which in a sense is the cradle of Canada, are either interprovincial or international or both.

No intelligent measure for the use and control of these tremendously important and valuable resources can, in my opinion, be devised by the provinces alone.

Most of those rivers I have mentioned are interprovincial, and even the Fraser, which is wholly within British Columbia, because of its proximity to the Columbia—you may remember it was suggested by General McNaughton that the Columbia be diverted into the Fraser—has become very much a potential issue in this area of international and interprovincial control.

Lest some may think that this kind of study and inquiry is academic and has no practical value, I would like to cite an incident which occurred a few years ago, when the question of Canadian interest and rights in the downstream benefits of the Columbia River development were beginning to arouse public interest.

About that time, half a dozen lawyers from the University of British Columbia and the City of Vancouver attended an international meeting in Seattle, Washington, with a group of American lawyers. Our Canadian group had a special interest in international law and in the law governing international rivers. One of our group, in his research, had come across a statement of American policy known as the Harmon Doctrine, which is somewhat akin to the Monroe Doctrine. It was propounded by the then Attorney General of the United States, Mr. Harmon, about 1895. This doctrine stated firmly and simply that the United States—and by implication other countries or states within the United States—in any disputes with other states about control over water, had sovereignty over and complete ownership and control of all waters within the boundaries of that state or nation.

This had been propounded, I believe, in respect to the waters of the Rio Grande, as between the United States and Mexico, and also in respect of some interstate disputes in the United States itself.

Apparently the United States delegation had forgotten about this; and they were not only surprised but greatly concerned when we cited it against them, when they contended that there were no rights on the part of Canada to downstream benefits from waters that had their origin in Canada.

This statement of policy made by Mr. Harmon was taken up by the Government of Canada and by General McNaughton. While we were not nearly as well prepared as they were—in terms of the studies the Americans had been making on the subject—we were able, partly as a result of this earlier statement of United States policy, which we had discovered, to persuade them that they must reckon with and provide for the downstream benefits of British Columbia and of Canada.

It is my expectation and hope that posterity will continue to enjoy in perpetuity some of those benefits which have come from it and which accrue to us.

Hon. Mr. Hugessen: May I interrupt my honourable friend? The doctrine which he mentioned was thoroughly agreed to and acted upon in connection with the Columbia River treaty.

Hon. Mr. MacKenzie: That is right. This policy is in effect at the present time. I give you this only to indicate that study, research and discussion, prior to the necessary Government action, can be of considerable practical importance, and that is why I urge that a study of our fresh water resources be made at a convenient time.

Honourable senators, I have here a number of quotations and papers and statements. Incidentally, one was written by Mr. Dillon O'Leary, a son of our distinguished and beloved Senator Grattan O'Leary, and was published in the magazine section of the *Globe and Mail* of May 21 last, under the title, "Should Canada turn the Tap." There is also a quotation from the *Canadian Bar Journal* for June 1965, the author being Professor C. B. Bourne, Professor of International Law at the University of British Columbia. The other is from the *Canadian Bar Review*, which I will deal with in a moment.

There is a brief from the Canadian Chamber of Commerce entitled "Canadian Water Resources," in which they state that

mimeographed copies of their full report on which this summary is based may be obtained at a cost of $1 per copy at 300 St. Sacrament Street, Montreal 1, Quebec. This is just an extract from that, but it is a very interesting extract or summary of it.

Hon. Mr. Connolly (Ottawa West): Thank you.

Hon. Mr. MacKenzie: There is another article here from the *Canadian Bar Review* for September 1959, entitled "The Columbia River Controversy." This article also was written by Professor C. B. Bourne. Incidentally, he became something of an authority on this subject because of the little meeting that we had with our American confreres in Washington at the time I spoke of.

The extract I propose to read from the letter in hand is from the head of the Department of Economics at the University of British Columbia, Professor A. D. Scott. He reminds me in his letter that he had been discussing this question of our fresh water resources with another friend and colleague who had been one of the legal advisers of the British Columbia Electric Company before they were taken over.

He said:

> In discussing this suggestion with him, I was reminded of the great contribution made by Senate committees of the recent past on manpower, the drug traffic, and land use. All of these full-scale investigations have borne fruit in subsequent years in federal re-organization of federal policy. Doubtless you know of other and better examples.
>
> Two or three of us in this Department take a personal interest in this subject—That is, our fresh water resources.
>
> —although I would not like to suggest to you that research is now proceeding. We would like to assure you, however, of our backing and enthusiasm if you should find it possible to persuade your fellow senators of the worthwhileness of an investigation of this type.
>
> The value of such an investigation is indicated by the recent parliamentary committee enquiry into the Columbia River Treaty. Its only defect was that it took place after the main lines of the Columbia River Agreement had been set, so that short of a massive resistance by parliament no change could be made on the basis of a committee report.
>
> Those of us who were interested in the Columbia River discussions realized that whereas most of the American groups had done their homework well before the agreement was signed, Canada was getting around to doing its homework only after the event. We are, I think lucky that we came out so well.

I have one or two other similar statements from people in important places in the life and Government of this country, but I do not propose to take any more of your time this evening in reading them to you. All I would do in conclusion is to say that I hope that at some convenient time in the future, either just after the New Year of even next autumn, we might come back to this topic and see if it, as perhaps our most important natural resource, does not deserve further study by this Senate.

Hon. Mr. Connolly (Ottawa West): As honourable senators are aware, there will be a Royal Assent tonight at approximately 9.45. I would therefore suggest that the Senate take recess now to reassemble at the call of the bell at approximately 9.40.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C. Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bill:

> An Act to amend the Bank Act and the Quebec Savings Banks Act.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Tuesday, November 29, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages have been received from the House of Commons to acquaint the Senate that the name of Mr. Ryan has been substituted for that of Mr. Wahn on the Special Joint Committee on Immigration; that the name of Mr. O'Keefe has been substituted for that of Mr. Matte on the Special Joint Committee on Consumer Credit and Cost of Living; and that the names of Messrs. Ethier and Langlois (Chicoutimi) have been substituted for those of Messrs. Hymmen and Orange on the Special Joint Committee on the Public Service.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report of the Department of Agriculture for the fiscal year ended March 31, 1966, pursuant to section 6 of the Department of Agriculture Act, chapter 66, R.S.C., 1952. (English and French texts).

DIVORCE

TIME OF JOINT COMMITTEE MEETING

On the Orders of the day:

Hon. Jacques Flynn: Honourable senators, before the Orders of the Day are called may I be permitted to ask the Co-Chairman of the Special Joint Committee on Divorce (Hon. Mr. Roebuck) if he will explain why the meeting of the committee today is called for 3:30 a.m.

Hon. Arthur W. Roebuck: I thank the honourable senator for calling the meeting of this committee to our attention. At 3:30 today we are able to get a quorum because the House of Commons members of the committee are free after the question period is over.

It is seldom that the Senate sits on Tuesday afternoon. Our regular custom has been to meet at 8:00 o'clock on Tuesday evening, which has left the afternoon free. When we considered this question some little time ago it occurred to us that it would be more convenient for the committee to meet this afternoon because we would then be taking advantage of the fact that many honourable senators would be already here for the usual Tuesday evening sitting. Therefore we could well afford to hold the meeting in the afternoon. It has been just a little difficult to arrange a suitable meeting time.

Hon. Mr. Leonard: But why does the notice say that the meeting is at 3.30 in the morning?

Hon. Mr. Roebuck: I beg your pardon, and I thank the senator for his good humour in advising me of this typographical error. At the same time, he has performed a service in calling attention to the fact that we are sitting at 3.30 this afternoon.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. George S. White: Honourable senators, my remarks will be brief. I have listened to all the speeches made on this bill and have carefully re-read them in the Senate *Hansard*, and I feel that I must join the group in this chamber which is opposed to the bill.

In my opinion, the senators who have spoken in favour of this bill have not indicated or put forward one good reason or argument as to why this infamous bill should be passed by the Parliament of Canada.

What type of people are we in Canada to need such a bill as this? I can find no better definition of Canadians than that given by the one who introduced the bill, the honourable Senator Roebuck. At page 1109 of the Senate *Hansard* he defined Canadians as follows:

> Canadians, according to my understanding, knowledge and experience, are a kindly and tolerant people. As a nation we have friends in every country of the world, and I hope we have no enemies. We have good will for all mankind, irrespective of colour, race or ethnic origin. Domestically, our people, with very few exceptions, I think, are good natured, kindly and hospitable. We have freedom, and we have learned by experience to preserve our ways of life and freedom of our neighbours; and, honourable senators, we wish that kind of thing to continue.

I commend and congratulate the honourable senator for that excellent definition of Canadians. Yet, despite that definition of the kind of people we are in Canada, we find in the year 1966 that it is necessary for the Parliament of Canada to pass a bill dealing with and defining genocide.

In my opinion, this bill is no compliment to the people of Canada. Is Canada being put on a par with the Germany of Hitler and his gang of storm troopers and SS troops?

Other senators have dealt with the present provisions of the Code that deal with the use of the mails for distribution of hate propaganda, and other sections dealing with riots, unlawful assemblies, libel, murder, and so on. I do not need to repeat those arguments, as they are already on *Hansard*. However, those sections in the Code are at least a partial answer to the case that this bill is unnecessary.

Honourable senators, there occurred a case recently in Toronto where a so-called Nazi by the name of Beattie was prosecuted, if my recollection is correct, for unlawful assembly and inciting to riot. That same matter comes under this bill.

Reference has also been made to the section of the bill which shifts the onus of proof to the accused. That is section 267B which reads in part as follows:

> (3) No person shall be convicted of an offence under subsection (2) where he establishes
>
> (a) that the statements communicated were true; or
>
> (b) that they were relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds he believed them to be true.

It is hardly necessary to mention in this chamber that any change whereby the onus of proof is shifted to the accused is certainly a change in the law of Canada. Other senators have given examples of things that might happen, and one senator stated that he must reach for far-fetched examples. I would like to add another one to the list. Everyone will recall that in the Recessional Hymn written by Kipling there appears the line "Or lesser breeds without the law." If Mr. Kipling were in Canada and this act were in force, I wonder if he would be charged with inciting hatred or contempt.

I would also point out that section 267c, subsection (3) reads:

> The owner and the author of the matter seized and alleged to be hate propaganda may appear and be represented in the proceedings in order to oppose the making of an order for the forfeiture of the said matter.

It seems most peculiar that any such provision should appear in any bill in Canada. In this country, when has anyone been charged with an indictable offence on which he has not the right to appear in court and be represented? If this bill passes in its present form, there will be considerable confusion in our courts on the various legal interpretations of many words used in the bill. I refer to such words as "a public place". What is a statement which incites hatred or contempt? When would such incitement lead to a breach of the peace? What is meant by "communicating statements wilfully to promote hatred and contempt"? What is meant by the phrases, "that the words were relevant to any subject of public interest", and "the public discussion of which was for the public benefit"? What is meant by the definition that "statement" includes words either spoken or written, gestures, signs or other visible representations? What is "hate propaganda" as defined in the last section of the bill?

One has only to look over legal prosecutions in the Province of Ontario in the last few years to remember the various interpretations of words such as those. In Ontario in the last few years there have been various prosecutions dealing with obscene literature, movies, stage plays, paintings and sculpture. I remember various cases where prosecutions were brought against obscene literature. Defence counsel called some of the most outstanding literary men in both the United States and Canada to give evidence on behalf of the author that these books should be in the realm of classics. The same has applied to stage plays, paintings and sculpture. What one witness may describe as totally indecent, another will describe as a work of art.

Senator Lang, in his speech, has properly stated that the court decision on these interpretations may well depend upon the prejudices, emotions and fears of the presiding judge. I agree with that comment in every respect.

In Section 267c, subsection 1 provides that a judge who is satisfied by information upon oath that there are reasonable grounds for believing that any publication, copies of which are kept for sale or distribution in premises within the jurisdiction of the court, is hate propaganda, shall issue a warrant under his hand authorizing seizure of the copies.

Now, who is to supply that information and what are reasonable grounds? Again we will have the confusion and uncertainty as to opinions for and against. What one individual may consider hate propaganda, another may consider to be just and proper comment.

The honourable senator who introduced this bill, Senator Roebuck, and his colleague Senator Croll who seconded it, and other honourable members who have spoken in favour of the bill, have not given one single case or incident of a happening in Canada that would make it necessary for the introduction of this far-reaching and objectionable bill, No. S-49. There have been references to the lunatic fringe, hatemongers, crackpots and words to that effect, and references have been made to individuals; but, I repeat, there have been no instances in the slightest degree to show why it is necessary to have a bill of this type. If these things exist in Canada, I for one would like to have the particulars and full information about them. In the meantime, I suggest that this house should be most careful and cautious in giving approval to this bill which, as I said before, in my opinion is an insult to Canadians.

If this bill passes, it certainly will not improve the good name of Canada in other countries. As I stated in my opening remarks, I am opposed to the bill and I sincerely hope that it will not receive second reading.

Hon. Mr. Belisle: Honourable senators, before the debate is adjourned, might I be permitted to ask a question of the honourable Leader of the Government? Will it be possible to speak to this bill if and when it returns from committee?

Hon. Mr. Connolly (Ottawa West): You can always speak on third reading.

Hon. Mr. Belisle: Will it be possible?

Hon Mr. Connolly (Ottawa West): Certainly.

Hon. Mr. Belisle: I would like to wait, because I am one of those named on the committee and I should like to gain some additional information in committee.

Hon. Mr. Aseltine: We on this side object to the bill getting second reading. If it should get second reading, we will be bound by its principle, and we do not want to be bound by it.

Hon. Mr. Connolly (Ottawa West): I quite agree with you, but we are in the hands of the Senate on that.

On motion of Hon. Mr. Hayden, debate adjourned.

APPROPRIATION BILL NO. 9, 1966

SECOND READING

Hon. Jean-Paul Deschatelets moved the second reading of Bill C-248, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

He said: Honourable senators, the purpose of Bill C-248, known as Appropriation Act No. 9, 1966, is to grant for the public service a sum of $1,542,982,673.96, which sum will defray the several charges and expenses of the public service to March 31, 1967.

May I say right at the outset that this bill is fortunately not as complicated as it looks. It might be summed up as follows: Article 2 of the bill, paragraphs (a) to (c) inclusive, proposes to pay the full balance of the amounts of all the items not already voted in full in the main Estimates as well as in the Supplementaries (A) and (B). This part of the bill deals, therefore, with items that have already been discussed and voted, in part, in previous appropriation bills.

Clause 2(d) of the bill, however, proposes new and additional expenditures as Supplementary Estimates (C), amounting to $307,-195,632, details of which will be found in Schedule D of the bill, pages 41 to 47 inclusive.

As has been the custom in the past with respect to appropriation bills, financial statements have been placed before honourable senators, and because they are self-explanatory it is not my intention to comment on them at length. However, if honourable senators will be kind enough to look at the financial sheet entitled "Estimates, 1966-67", you will note that the total of the main Estimates plus the three supplementaries, (A), (B) and (C), amount to $9,099,889,301. If we add to this sum the payments from the Old Age Security Fund, the grand total amounts to more than $10 billion. As honourable senators know, the payments from the Old Age Security Fund, though coming from taxation, are put in a separate fund and are not included in the budgetary calculation. It will also be noted that a total sum of more than $5 billion has to be voted, the balance being statutory payments.

Honourable senators will recall that on November 17 last, when explaining Appropriation Bill No. 8, C-245, at page 1170 of the *Debates of the Senate* I stated that with the passage of Bill C-245 the full balance of tabled Estimates to be voted amounted to $1,235,-787,041.96. If we add to this amount the total

of the new Supplementary Estimates (C), it gives us a total amount of $1 billion-odd to be covered by this bill.

Honourable senators will also recall that on November 17 last, on a motion by the honourable Senator Leonard, which was carried unanimously, Supplementary Estimates (C) were referred to the Standing Committee on Finance. That committee has the power to call witnesses and, as is the custom, any further particulars on any item in these Supplementary Estimates (C) can be obtained before the committee.

(Translation)

Honourable senators, the total expenditures covered by this Appropriation Act No. 9, Bill C-248, exceed $1 billion and a half. Before asking you to pass these estimates, I want to insist on the fact that a very serious examination has been made of all the items included in this bill, including the main estimates and supplementary estimates A and B.

In addition, Bill C-248 has been referred, as far as the supplementary estimates C are concerned, to the Standing Committee on Finance; at its next meeting which will take place tomorrow morning, honourable senators will have the opportunity to ask the officials concerned all the questions they want. I must add that this applies to all honourable senators, even those who are not members of that committee.

It would then be contrary to the facts to say that we approve these substantial estimates in a few hours only. In fact, by this bill, we approve the full balance of the main Estimates and supplementary Estimates A and B. That means that all these items have been considered and discussed for the past few months in this house and in the finance committee in connection with interim supply.

(Text)

Honourable senators, the financial statement entitled "Estimates, 1966-67" gives the total amount to be voted. On the financial sheet entitled "Supply, 1966-67," the first page —which again I am glad to say is self-explanatory and well detailed—it will be found that, as a result of all previous appropriation bills and with the present bill, we are disposing in full of all the main Estimates as well as Supplementaries (A), (B) and (C) yet to be voted. But since new votes appear on Supplementary Estimates (C), I considered giving you some brief details concerning each item; but since there are nearly 50 votes involved I decided—and rightly so, I hope—that I should not do so. However, regarding Supplementary Estimates (C), amounting to a little more than $300 million, it might interest honourable senators to have at least a brief comment on five votes involving substantial expenditures.

If honourable senators would be kind enough to look at page 41 of the bill, Vote 105c, under the heading "Dominion Coal Board," you will see that a little more than $10 million is required. The purpose of this additional payment is to enable Canadian coal to compete with United States coal.

On page 42 of the bill, Vote 15c, "Contingencies," honourable senators will note that an additional $50 million is required. This vote has to do with salary revision. It might interest honourable senators to know that $60 million has already been spent and that an additional $20 million might be anticipated above the amount of $50 million provided in this bill. The salary increases of postal employees is included in this vote, but it must be pointed out that these salary increases are spread over 50 different departments and government agencies. On pages 4 and 5 of the Blue Book there appears a list of these departments and government agencies. Honourable senators will have an idea of the addition to the amount provided for in the main Estimates.

On page 43 of the bill under Manpower and Immigration an amount of $50 million is required by Vote 6c. This vote is to provide for federal payments under the Municipal Winter Works Incentive Program, which is being continued during the fiscal years 1966-67 and 1967-68 under conditions substantially the same as those in effect last year. The present estimate of claims in the 1965-66 program totalling $44 million indicates that the 1966-67 program will result in claims totalling about $50 million.

On page 46 of the bill Vote 84c requires a total sum of $118,750,000. Pending enactment of the Railways bill resulting from the recommendations of the MacPherson Royal Commission, an aggregate annual amount of $50 million is required to reimburse the railways for maintaining freight rates and branch lines for which abandonment procedures are temporarily frozen. The amount of $118 million-odd is to be paid in instalments at such times, and in accordance with such methods of allocation as may be determined by the Board of Transport Commissioners.

The last item upon which I wish to comment is found in Vote 10c on page 46, and in

Vote 25c on page 47 under Department of Veterans Affairs. A total of $22 million is required by these two votes. The Government has approved the recommendation of the Minister of Veterans Affairs that the monthly rates of War Veterans Allowances and the maximum annual income ceilings be increased with effect from September 1, 1966. I know of the interest of many honourable senators in this matter, and if further particulars are desired I will take much pleasure in preparing a detailed statement of the different rates for the various classes of recipients entitled to an allowance under the act.

Honourable senators, I hope these explanations will be found satisfactory. If any honourable senator has any question I will try to answer it at this time; if I cannot, I will supply the answer at the next sitting. I commend this bill for your approval.

Hon. A. J. Brooks: Honourable senators, this is the type of bill upon which very much can be said, but it is also the type with respect to which it is very difficult to prepare lengthy remarks unless it has been in one's hands for some time. I should like to mention that I received a copy of it only last night.

The honourable sponsor of the bill, Senator Deschatelets, has said that although there is very much in the bill, it is not difficult to understand. I think that is probably correct, because the first part deals with the Estimates that have been before this House now for some months.

May I, at the outset of my remarks, congratulate the honourable sponsor of this bill. This is the first time he has undertaken the responsibility of introducing a measure of this nature and, in my opinion, he has given us a very clear explanation of it. He was also very fair when he advised us that he will be at our disposal at any time in respect to answering any questions. We have also the promise that the bill is being referred to the Standing Committee on Finance, and I know that in committee there will be many senators who will have questions to ask.

All the appropriation bills that have come before us in recent years have one common feature which I am sure is recognized by all honourable senators, namely, a definite inflationary trend. Our spending is increasing by leaps and bounds. As Senator Deschatelets said, this year's expenditures are larger than those of last year. According to his figures—and they are correct, I know—we have budgeted this year for $10,134,889,301, the highest budget in the history of this country.

I should like to review for a few minutes the increases that have occurred over the last few years. For instance, in 1962-63 the total expenditures amounted to $6,963,569,134. In 1963-64 there was an increase of $463,966,366 making a total of $7,427,535,500. In 1964-65 there was an increase over the previous year of $382,441,289, making a total expenditure of $7,809,976,789. In 1965-66 there was an increase of $943,226,650 over the previous year, making a total of $8,753,203,493.

Then, as the honourable sponsor of this bill has said, the increase in expenditures of this year over those of last year is $1,381,685,862. That is a tremendous increase.

Hon. Mr. Reid: What is the total amount for this year?

Hon. Mr. Brooks: The total amount for this year is $10,134,889,301. As I have pointed out, there is certainly a very strong inflationary trend in the country.

Honourable senators, I am not going to take up your time by going through all the estimates, but in looking through this bill last night I saw certain items upon which I should like to have a little information. On page 11 under National Defence there is Vote 15 which reads:

> Operation and Maintenance and Construction or Acquisition of Buildings, Works, Land and Major Equipment and Development for the Canadian Forces and $1,750,000 for Grants to the Town of Oromocto.

As honourable senators know, the Town of Oromocto is situated in Camp Gagetown. I am wondering whether that amount has become a yearly grant from the Department of National Defence to that town.

I also wish to ask the honourable sponsor of the bill about item 45 on page 12, "Mutual Aid," under the Department of National Defence, which says:

> Contributions to infrastructure and the military costs of the North Atlantic Treaty Organization and the transfer of defence equipment and supplies and the provision of services and facilities for defence purposes in accordance with Section 3 of the Defence Appropriation Act...

As honourable senators are aware, I had the honour and distinction of attending the NATO Parliamentary meeting in Paris along with my good friends Senator Lefrançois and Senator Aird. May I pay a compliment to our Canadian delegation, which was headed by

Mr. Ryan of the House of Commons. Our committee and the delegates certainly gave an excellent account of themselves at the meeting.

We also had the opportunity of visiting our forces in different parts of France and Germany. It was no surprise to me, nor, I am sure, to the other members of the delegation, to note how well trained were these men and what an excellent spirit existed, except for the fact, of course, that some of the air force units have to move from their present locations to others, which is giving them great concern.

I therefore wish to ask the honourable sponsor if item 45 has anything to do with the cost of moving our air force from France into Germany, which I understand must take place before April of next year.

May I also ask what will become of the buildings and the other military set up at Marville and the other Canadian stations. I know the officers and other ranks of Marville, where we spent considerable time coming and going, have an excellent set-up in the matter of accommodation for married people, barracks, schools and other facilities, and these of course will have to be abandoned before April of next year.

Another item I should like some information on is item 1 under National Gallery of Canada on page 13. This has to do with the administration, operation and maintenance including the payment of $500,000 to the National Gallery Purchase Account for the purpose of acquiring works of art. Could the sponsor give us a list of some of the items that have been acquired by the National Gallery of Canada? Of course we know that the $5 million picture has not been acquired. However, the amount of $500,000 is mentioned, and it would be interesting to know just what items have been purchased or intended for purchase.

In connection with the Centennial Commission, on page 19, items 35, 40 and 45 specify the amounts that are to be paid to each of the provinces. I was wondering if this could be broken down to show the amount that each province will receive.

The honourable sponsor mentioned "Railways and Steamships," on page 21, with respect to the Maritime Freight Rates Act, and that we would have an opportunity of discussing that later when the MacPherson Report and the transportation bill are before us.

One page 34 is an item entitled "University Grants." Since I returned to Ottawa I have had the opportunity and pleasure of reading Senator MacKenzie's remarks in connection with university grants. This item mentions the amount of $38,400,000. In reading Senator MacKenzie's remarks I was greatly impressed with the cost of university education in Canada today in relation to the projected cost in the years to come, which Senator MacKenzie mentioned. An amount of $38,400,000 seems very small, compared to over $1 billion which he anticipates will be the cost of university education a few years hence.

I was glad to hear the honourable Senator Deschatelet's remarks on the Dominion Coal Board and concerning the $10 million which is being voted to assist in the competition of Canadian coal with United States coal. I think that is money well spent and will be greatly appreciated in certain parts of the Atlantic provinces.

I had some other items to mention, but I will take the opportunity of asking questions in committee. However, I wish to make a brief remark on items 10c and 25c, to be found on pages 46 and 47 with reference to Veterans Affairs. I understand that the pension increase is to be 15 per cent over the increase that was made in 1964. At that time I understand the veterans asked for a 15 per cent increase but received 10 per cent. The 15 per cent increase is quite fair, but not as substantial as we would expect. However, I understand it is to be an interim increase, and that after the Wood Report a bill will be introduced to increase it along the lines of that report.

So far as War Veterans Allowance is concerned, the increase from $94 a month to $105 for single veterans is a fair one. A ceiling increase from $133 to $145 is in the right direction, but hardly sufficient in my opinion. The increase in allowance of $175 over $161, being $14 a month, for married veterans is modest; however, I think the ceiling in this case might also have been raised.

The items I have mentioned are very small. The vote to veterans amounts to a few millions of dollars. These are people who are most deserving. I do not believe anyone would criticise an increase to the war veterans, either under the Pensions Act or under the War Veterans Allowance Act.

Honourable senators, it is not my intention to take up additional items at this time. As the sponsor stated, he does not intend to discuss the items but after studying them he will arrange for them to be dealt with in committee. I approve of this procedure.

Hon. Allister Grosart: Honourable senators, I wish to refer for a moment to Vote 1, Canadian Broadcasting Corporation, on page 5.

I apologize for reverting to the subject on which I made a few remarks last evening. The reason I return to it is that I have had a number of telephone calls today, and a number of people have stopped me in the corridors, all asking, "What are you going to do about it?"

The second question they ask is, "Who is responsible?" The wording of the vote which we are asked to approve in the amount of $110 million is "a grant in respect of the net operating amount required to discharge the responsibilities of the national broadcasting service." That is the item under which we are discussing this. I think it is interesting that the word we have here is "responsibilities", since the question which is agitating many Canadian minds today is the irresponsibility of the national broadcasting system.

This is the first time in my life that I have publicly criticized the C.B.C. On the contrary, there are many occasions when I have defended the C.B.C. Today I am in the position of many Canadians who are saying, our patience has run out. Patience with whom? With whoever is responsible.

I spent some time today trying to find out who is responsible for deciding what may or may not be said or shown on the publicly-owned national broadcasting service. The only answer that I can get is that Parliament is responsible.

Hon. Mr. Connolly (Ottawa West): That is right.

Hon. Mr. Grosart: This is not a case where an emanation of the Government of Canada is under the direct responsibility of the minister or of the department nor, according to the information I have obtained, is it a matter which can be said to be the responsibility of the Cabinet. The C.B.C. merely reports to Parliament through a minister. I do not know whose concept that was. I know it was developed many years ago, but I suggest today that it is time Parliament revised that archaic, impracticable and unworkable method of controlling the use to which funds voted by Parliament are put.

Honourable senators, this chamber is part of Parliament, and we like to think that we are an important part of Parliament. I ask, are we going to vote $110 million, saying to ourselves that we do so knowing that we have no control whatsoever under the system that we have set up as to how that money is used?

Under the present system, we have a responsibility and I suggest that we are not discharging it. Apparently the attitude being taken by Parliament is that it matters not whether this money is spent in the public interest or not; it matters not whether it is spent in accordance with the public will.

What can we do about it? I am not an expert in such matters. An adequate answer would have to come from somebody who knows much more about how this matter can be handled. I presume that the question could be referred to a committee of the Senate. There would be some value in such a committee, to which we could call some of those people and ask them: Why do you do this? Is it just to get ratings? Is it your view that it is your main responsibility to get the largest audience possible, regardless of whom you offend?

I know enough about the broadcasting business to know that it is easy to get a very large audience. All you have to do is to think of ways in which to incense people, ways in which to laugh at the standards set by parents who have tried to inculcate them into their children. As long as you laugh at and ridicule such standards, you will get an audience. Does that justify the ridicule? Honourable senators, I think not.

I suggest to the honourable Leader of the Government that he consider carefully taking appropriate and effective steps for the more adequate discharge of the responsibility of Parliament, and particularly of this part of Parliament, in respect to the Canadian Broadcasting Corporation.

Hon. W. M. Benidickson: Honourable senators, I appreciated the final remarks by Senator Grosart. A committee of the Senate could do very well in looking at the programs, policies and future programs of the C.B.C. However, I rise only on the bill we have before us, which is for supply, for the main Estimates.

I understand that in the other place they have been confined to 30 days of debate. I hope this bill may be referred to a committee here, but I would like the honourable leader to say whether the time will be unlimited in this place. Do these appropriations go to the Finance Committee, which is under a capable chairman?

Hon. Mr. Walker: If this goes to the Finance Committee, it will be under an able chairman.

Hon. Mr. Benidickson: That is what I mean. I meant that Senator Leonard would be a most capable chairman.

Hon. Mr. Connolly (Ottawa West): This is just a little home-town loyalty.

Hon. Mr. Benidickson: We are dealing with the balance of the main Estimates and with Supplementary Estimates (C), which seem to be new.

The question should be raised now as to the limit of 30 days on the debate in the other house, where they were obliged to conclude their discussion on estimates covering many millions of dollars. I hope that the Senate will consider some of these items without that restriction under our rules.

As has been pointed out, with the inclusion of Old Age Security Fund payments, we have a budget of over $10 billion. We respect that, but I am concerned that we in the Senate should retain under our rules the opportunity to look at these things without a date time limit such as has predominated lately in the House of Commons. I approve of this date termination, but I want to ask our leader whether or not we here are under any restriction in so far as date is concerned, particularly in our Committee on Finance under the able chairmanship of Senator Leonard, to look closely at these items.

Hon. David Walker: Honourable senators, I want to congratulate the Deputy Leader of the Senate on his very lucid outline of this fantastic budget, and to congratulate him on the aplomb and complete satisfaction with which he outlined the grossest and most extravagant budget in the history of Canada. It is hard to believe that this was the honourable member who sat opposite me when we formed the Government and who screamed to high heaven when our budget got up to around $6 billion just a few short years ago.

Hon. Mr. Deschatelets: Your memory is better than mine.

Hon. Mr. Walker: Yes, I have a good memory. Perhaps it just depends on whose ox is being gored. We should have the venerable Senator Crerar here today to make his annual expostulation at the extravagance of Government in this country. I am not being partisan in what I am saying, but where are we going from here? In 1962-63 the budget was $6,900,000,000, a tremendous sum. Today, four years later, it is $10,100,000,000, roughly speaking.

Four years ago we were spending less than $400 for every man, woman and child in Canada. Today we are spending $555, far more than the income of many people in many countries, and this just in taxes.

My friend the Leader of the Opposition talks about inflation. He says that this is an inflationary budget. It is indeed an inflationary budget, and it is inflationary because of the constantly added items of increased spending. Next year we have medicare coming along with an estimate of—and I am only giving rough figures—$300 million. My friend, Senator Sullivan, who is an authority on this subject, tells me that in England, the end of the first year, it was three times what they had estimated. If medicare adds another billion dollars or even a half a billion dollars, what limit can the public stand? How long can this go on? When are we going to hold the fort? When are we going to stop the increase in spending?

Aside altogether from politics, I would recommend to this Government to hold the line on spending, because the day will come when we will not be able to increase spending further. The day will come when the law of diminishing returns will take effect, when the limit of taxation will be reached and when industry and our whole economy will be affected.

Yet I am not blaming Senator Deschatelets. He is simply sponsoring the bill and putting his usual Gallic temperament to work, outlining this $10,100,000,000-bill like a song, as if there were nothing to it. It is nice to be able to do that. I think the leader is to be congratulated on being able to find someone to do it with that savoir faire for which Senator Deschatelets is celebrated.

This is serious, however. Like my leader, I have not had an opportunity to study this bill in depth. I received the bill only last night. But, surely on the face of it, it is outlandish. Just when is the Government of Canada going to stop greater spending? When is it going to stop increasing its budget? If Senator Crerar were here today, he would end this speech by saying *O tempora, O mores.*

Hon. John J. Connolly: Honourable senators, my intervention will be very short. First, I should like to join with other speakers in congratulating Senator Deschatelets on the

very clear exposition he has given of this appropriation bill. He did one the other day, an interim supply bill—so this is really his second run at the appropriation bills—and he did it so competently that I was a little afraid to venture back into the field. I do thank him for the care and attention he has given to it. I know that he will have some remarks to make in concluding the debate.

I feel very remiss, honourable senators, in saying at this late date something I should have said at the beginning, namely, how glad I am and all of us are to see the Leader of the Opposition back in his seat after a very useful and, I am sure, most interesting sojourn at the meeting of the NATO Parliamentarians Organization.

Some Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): It has a new name now, but it is basically the same organization that Senator Beaubien from Montreal and I attended a number of times. I must say that I have a very soft spot in my heart for the work of the NATO Parliamentarians, and I was delighted that this time the Senate was so ably represented by Senator Brooks, Senator Aird and Senator Lefrançois. I hope that in due time we will hear more about the meeting from all of these honourable gentlemen.

May I now deal with the points raised by Senator Grosart. Last night he asked me if some practical steps could not be taken with reference to the questions that were raised at that time about the Canadian Broadcasting Corporation. He repeated that request today. I have given it some thought and have had some discussions, and I think something must be done.

Some Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I think something should be done now. I cannot speak highly enough of the fact that Senator Grosart and other honourable senators, privately, in writing and verbally, have said to me that this is not a party matter. The plain fact is that it is not even a governmental matter. Senator Grosart has put his finger on it. It is a matter for Parliament. We keep reminding ourselves in this chamber from time to time that we are an integral part of Parliament. If we are, not only have we the privileges of parliamentarians and of Parliament, but we also have the responsibilities.

The control of the Canadian Broadcasting Corporation resides in Parliament, and if things are to be done about the C.B.C., parliamentarians must act. Without wanting to generate a lot of heat, but also attempting to introduce some light upon the subject—and there was occasion for the heat just as there is now a need for the light—I would like to make the following practical suggestion. The main and supplementary Estimates thus far tabled are before our Finance Committee. Senator Walker has said that we have a very able chairman. We also have very able members on that committee. I would like to suggest that at this time, during this session, when it is possible for the committee to make suitable arrangements, that they first of all ascertain the facts by summoning to that committee, as they are entitled to do, officials from the C.B.C.

Allegations were made last night by myself and by others about facts. I confess that mine were allegations based only upon information received, but I would like to see this kind of information tested. And I need not repeat the statements I made. I must confess that it may be very unusual for a minister of the Crown to speak out on the floor of Parliament the way I did last night or do now, but I do so because I feel that it is a parliamentarian's responsibility.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): Having obtained the facts about the chain of responsibility and where the weaknesses lie—and I do not think it would be an unduly difficult task with the kind of committee we have—I would like to see that committee take one further step, if possible, and arrange for a private viewing for the committee of the program of which we complained. And I would like to see an analysis and comment made both by those ultimately responsible and those immediately responsible, and let them be examined. I do not say that this could be done tomorrow, but in answer to Senator Benidickson may I say that the work of the Finance Committee continues until its final report is made each session to Parliament. I would like to see this done in a methodical way at the appropriate time, but I do say the sooner the better.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: In that connection, after obtaining the facts, what then could we suggest should be done?

Hon. Mr. Connolly (Ottawa West): Last night someone remarked that it is all very well to get up and make a speech on this matter, but we do nothing about it. In the first place, I think the fact we did speak about it last night had a salutary effect, because it gave rise at least to part of the debate we have had this afternoon. It has not got through to the press yet, but that is no surprise to any honourable senator.

Now we have a further step to take, and that is the practical one of dealing with this matter in our committee, which is capable of and has the authority and power to do so. That committee will make a report, and when we receive it for consideration perhaps some action will become obvious. At that time we can decide what further practical steps should be taken.

Hon. Mr. Brooks: To see it does not happen again.

Hon. Mr. Connolly (Ottawa West): Yes, indeed, to see it does not happen again, or to try to ensure that that kind of thing is not repeated. The outrage that people feel about matters of this kind has already been adequately described in this chamber for it to be unnecessary for me to make any further comment.

I believe that these are practical and can be effective steps; and I think the Senate will render a valuable public service if it embarks upon this path.

I do not want to speak further, but I must say that I am always glad to hear Senator Walker participate in a debate. There is one difference between the kind of speech Senator Walker made and the kind Senator Crerar would have made today, and only time will provide the test. But usually the most severe of Senator Crerar's strictures were reserved for the party of which he is a member. Senator Walker has not yet had that opportunity, but perhaps it will arise in due time! I do agree with him that the "box-car" figures contained in the Estimates today are staggering, but of course the growth of this country is also a staggering spectacle in numbers, economic development and in almost every way. The demand for public spending and for more and more from the public treasury certainly keeps the pressure on Government, regardless of who is in office. No one knows that better than Senator Walker. He was a member of Cabinet, and he realizes what these pressures can be, how demanding they are, and how difficult it is at times to resist them or even to modify them. But I think every government tries. All I can say to him is that, in so far as governments can, all try to avoid extravagance and very few really succeed. This is the purpose of the scrutiny by Parliament of the spending.

I was more than delighted on the last occasion we considered an appropriation bill to hear Senator Aseltine stand in his place and commend the Senate for the work that has been done by the Finance Committee in dealing with the Estimates. Perhaps for the first time in the history of the Senate we have not had to listen to speeches, either from the Government or the Opposition benches, saying that we are voting huge sums without knowing for what they are voted for. Now the opportunity is available through the Finance Committee to examine the details of the Estimates. If we do not go into every detail, we can still undertake the kind of valuable studies through that committee that make it possible for the Senate now to say: We can deal with this bill on our responsibility as parliamentarians. It is curious though that the rules recently adopted by the House of Commons have now put the Opposition there at least into the position that the Senate Opposition once was in. Having restricted themselves to a certain limited time for consideration of the Estimates, the other day they had to put through a great many which they did not have time to debate. I do not think we are in that position in the Senate. There is no term fixed for the sittings of the Finance Committee: it continues to be seized with these matters; it can continue its work until just before the end of the session, when it brings in its report.

Hon. Jean-François Pouliot: Honourable senators, I am satisfied with what has been said by the Leader of the Government (Honourable Mr. Connolly, Ottawa West), the Acting Leader of the Opposition (Honourable Mr. Choquette) and Senator Grosart about the C.B.C. We live in different times from 10 or 11 years ago when the Right Honourable Louis St. Laurent was strongly criticized by the opposition front benchers because he complained about a C.B.C. program. The theory of the Opposition at that time was to give a free hand to the C.B.C. but the fact that Mr. St. Laurent was Prime Minister of Canada did not deprive him of his rights as a private citizen to express his free opinion about any program of the C.B.C. or anything done by any crown company.

At that time I found that the theory that members of both houses of Parliament should be in a straitjacket and not able to express their free opinion on matters that came under crown companies was absurd. Now it is refreshing for me to see representatives of both parties uniting to complain about what is wrong and to express their willingness to remedy it.

I had a personal experience with the C.B.C. One day on a certain program some shameful things were said by a drunkard. What trouble I had to obtain some information about that from the C.B.C! I spoke to Dr. McCann, the minister responsible. I had to rely on the help of his secretary who showed considerable determination to obtain the information. I was told finally that the program was all right because the one who had said those foolish things over the TV was a *clochard*—a bum. Everything was all right; he was a bum. I do not think any bum should be allowed to use the facilities of the C.B.C. in order to address the Canadian people at large. That was one experience.

I had another experience which concerned the suppression of the word "mass" from a weekly program on the C.B.C. There is a mass that is celebrated every Sunday, sometimes at Ville St. Laurent, near Montreal, and sometimes in other churches. It is a beautiful mass, and the sermons are delivered by preachers of renown. In the first place, the name of the mass, which is highly respected, was replaced by "Meeting of the Faithful," or "assemblée des fidèles."

A meeting of the faithful could have been a meeting of the Ladies of the Holy Family, or a meeting of the church wardens, or a meeting of the beadles. I do not know why, but they did not want to use the word "mass", and afterwards, to my surprise, it was completely dropped from the program.

I then wrote to the president, Mr. Alphonse Ouimet, to complain about it. He told me he would see to it, and, in fact, under his presidency the Sunday mass was restored and it appeared again on the program. This shows that it is not a bad thing to speak to the authorities of the C.B.C. I always relied on the fairness and common sense of Mr. Alphonse Ouimet in order to have wrongs on the C.B.C. redressed as much as possible.

But now there is an underground authority over there. There is a certain group of people who seem to be viciously inspired, and who bring before the public pictures that should be burned. The scenes that are shown over the TV and the words that are said over the radio, especially at night, are unbelievable. Where does it come from? Who is responsible for it? It would be a good thing to know that. A study of the whole business would reveal who is responsible for it, and the action to take would be to fire them and be rid of them.

The trouble nowadays is that we live in a time when there is a crisis of authority. Nobody listens to anybody, and there is no longer any hierarchy. I believe in hierarchy, because without a well organized hierarchy order could not exist. I remember when I was at school the first thing we had to write on the first page of our copy books was the phrase "Ordo ducit ad Deum"—order leads to God. Order shall exist in society; everything should be in its own place. We have now anarchy and disorder. Why? We have it for the very simple reason that the basis or foundation of liberty is ignored. No one knows what liberty is, and those who ignore it the most are those who speak the most of it. They speak about freedom, about liberty, and about human rights. But, honourable senators, if you look at the Bill of Rights you will find in it no definition of human rights, liberty, or freedom.

At this very session, in the spring, when the gentlemen who is responsible for the drafting of laws in the Department of Justice appeared before the committee on the Interpretation Bill I asked him, "Is there any definition of 'freedom' and 'liberty' in the Bill of Rights?" he answered me honestly by saying, "No." Honourable senators, you all know that. We do not know what is liberty. We do not know what is freedom. We do not know what is meant by human rights. What is taken for liberty is licence, and licence is boundless liberty. It is the kind of liberty that encroaches upon the rights of the neighbour. Where does my liberty end, honourable colleagues? It ends where your own liberty starts, so that there is no conflict between your liberty and mine. Is that clear enough?

I think I have told you that one day I received a memorandum—and recently I was able to put my finger on it in my files—from the dean of one of the faculties of a well-known university not far from here. He tried to give me a definition of "liberty". He spoke of liberty, freedom, and human rights, but he did not define any one of those words. He did not say anything about responsibility. For each liberty that one has there is a corresponding or co-relative responsibility. Am I clear enough? I think you understand me. It is because the responsibility of any individual

—of myself or you, or of everybody—is ignored that we have anarchy and chaos, not only in Canada but in all the countries of the world.

What absurdity we hear at times. I have heard young school boys sing over the radio that it was undemocratic to pass examinations. They said that they were at liberty not to pass examinations, which are there to show that they have qualified themselves, to show that they have learned something during their school year.

Where do we go? We have strife and all sorts of difficulties all over. This is why I found it extremely refreshing to hear what was said last night and today. Somebody should put the C.B.C. into good shape. I wonder if it would not be a good thing, in view of what I hear so often, to allow the C.B.C. to broadcast only the daily news, some concerts, and the sports events—rugby, football, baseball and hockey—and suppress everything else. Sermons, if you like, could be allowed, but only the good ones, and the Holy Mass shall remain on the weekly program of the C.B.C.

Hon. Mr. Connolly (Ottawa West): No political speeches?

Hon. Mr. Pouliot: No poetical speeches?

Hon. Mr. Lang: Political speeches.

Hon. Mr. Connolly (Ottawa West): C'est la même chose.

Hon. Mr. Pouliot: I do not know of any political speeches being obscene. They may be everything else, but they are not of that class. There are never too many political speeches.

This is my vision of the C.B.C. If we cannot have good English programs and good French programs, and if they are going to insist on broadcasting all sorts of dirt, then it would be just as well to suppress them, and have them broadcast only poetry, music, sports and politics.

Honourable senators, I leave it at that. It was a joy for me to listen to what has been said; I found it refreshing. I hope that the program of which we complain will not be repeated again. However, the only way to take action is to have information, and the only way to get proper information is to have a chart with a line-up of the hierarchy of the C.B.C. Then you will know who is responsible for all the things that you complain of and you will be in a position to remedy them.

Hon. Josie D. Quart: Honourable senators, may I be permitted to join in this chorus against the C.B.C. I believe I had already spoken about it, but all the speeches of my male colleagues have been like music to my ears. I feel like the cat that swallowed the canary, or the person who said, "I told you so," because two years ago 35 women from across Canada, without one cent, not even a postage stamp, gathered some 86,000 or 90,000 names.

If anyone doubts my word, the lists are still in my office. One senator, Senator Davey, profited by coming to my office to look at the lists of names. He was extremely interested, and asked, "May I look at one of these very beautifully bound books?" Now, I deserve no credit for any of this work. I merely had the courage to say, "Yes, I will go along with you women."

As an individual, I did come in for some criticism in *Chatelaine* magazine two years ago for having headed this committee. I was one of those who was called "witch hunter" and "crackpot." We took it all in our stride, but on and on went the signatures, and they are in my office, beautifully prepared. I do not think anybody could ever have prepared a list of signatures more methodically.

To return to Senator Davey—and I am sorry he is not in the chamber today to speak—when he asked if he might pick out one of these books, I replied, "Surely—which one?" He said, "Toronto." He seemed very surprised to find the names of many persons he knew personally.

The signatures include four wives of lieutenant-governors, three or four wives of premiers across Canada. Even the Prime Minister, as I believe I mentioned last year, in the Senate, said, "If my wife had been asked to sign, she would have signed." This morning I received telegrams from three of the six women who went on the delegation to the Prime Minister, saying that the only thing we can do now is to get on the march again.

Honourable senators will understand how proud I am at this time, because as a member of the Senate I was asked by many of these women, "Couldn't the senators do anything about this?" I am happy that I sent for some extra copies of the Debates, which I will send to the members of the committee.

I would welcome an opportunity to confront a responsible officer of the C.B.C., as regards a proposition made to our committee, which we did not accept. Perhaps that opportunity will present itself in the near future.

Last year when I spoke in the Senate about the C.B.C. I was much more charitable than the senators who spoke here last evening and this afternoon, because I was afraid that even some of my own colleagues would call me a witch hunter or a crackpot.

When we presented our brief to the Prime Minister we concentrated on five or six objectionable programs. When we went to the Fowler Commission, Mr. Steele even reminded our delegation about a very indecent program which we had forgotten to mention. I assure you we had a wonderful reception.

I have in my office letters we received from whole communities, such as Timmins, Ontario, Chicoutimi, Quebec, and various other places in Canada, offering their co-operation. Our mistake in the beginning was that only women's names were placed on the petition, because had men's names been included we could have had 500,000 names instead of only 90,000.

Recently, at a convention in the Chateau Laurier I received a call asking, "What has happened? Are you people letting up?" This was a mixed convention, and they wanted to take up where we had left off.

For all these reasons, honourable senators, you will understand how very proud I am of my male colleagues in the Senate today, that they are really the ones who are now putting teeth into this revolt. I congratulate the Leader of the Government (Hon. Mr. Connolly, Ottawa West) and the others who have spoken so eloquently. Thank you very much.

Hon. Gordon B. Isnor: Honourable senators, when sitting on the Government side one does not as a rule take part in a debate such as this. Rather one leaves it to the sponsor of the bill and to the Opposition to criticise the budget figures. However, in listening to the views expressed by all concerned, and particularly by the Opposition, with regard to the huge and ever-increasing amounts of money being expended—in the neighbourhood of $10 billion—one wonders just how they analyse such sums.

In a business approach to the subject, it is not so much the amount to be spent in terms of dollars and cents, as it is a question of what is going to result from the expenditures. From time to time business is forced to do expensive advertising and to carry on campaigns that run into large sums of money; indeed, one finds the percentage cost of business gradually increasing from say 18 per cent or 19 per cent to 20 per cent or 21 per cent, and rising to something like 30 per cent. However, you wait and watch your sales grow as the result of that expenditure, and at the end of the year you make up your statement and see the net profit, because that is what counts in business. This expenditure of $10 billion is being forced on the Government to a large extent by the demands from all directions.

I do not want to be misunderstood, but in assessing what Senator Walker had to say with regard to Government expenditure, perhaps one should be reminded that he was a member of another government which continued to show deficits year after year. Indeed, there were 13 deficits while that government was in office. I prefer to wait to see the result at the end of the year, and I look forward to future years when we shall not have a deficit running from year to year such as occurred when the Conservative government was in office, of which the honourable Senator Walker was a member. I think that will be the fairest test we can make in regard to those expenditures of which we have heard so much today.

Honourable senators, perhaps I will not be popular in standing up to give voice to my sentiments regarding the C.B.C., because I view that body from another angle. Criticism against the C.B.C. here has been almost 100 per cent. I was rather surprised at the remarks of Senator Grosart. He is a gentleman who has been in the advertising business, and he knows the channels that you have to use to get the best results. I believe that if you were to canvass the private stations throughout Canada today, both radio and television, you would find that the C.B.C. rates very high.

I am certainly not opposing the thoughts expressed by the Leader of the Government (Honourable Mr. Connolly, Ottawa West) with regard to one particular program. It was disgraceful, and I wish to make myself clear on that.

However, I stand up to say that on the whole I have a word in favour of the C.B.C. In answer to those who criticise the religious services, I think they are doing a splendid job in regard to the churches. They give all denominations an opportunity, and they have very fine programs. Perhaps the finest on TV or radio stations in Canada today is the C.B.C.'s program called "Hymn Sing" at 5.30 o'clock on Sunday afternoon. I am sure that if any honourable senators have not yet heard or seen such a program they have missed a great deal of enjoyment.

I felt I should express this view, honourable senators, because apart from the criticism that is offered in connection with one program, it should be made clear that the C.B.C. is doing pretty good work in the broad field of giving us news, as mentioned by Senator Pouliot. In regard to sports, they are outstanding. We all witnessed the national football game last week, and while we do not agree with some of the scenes witnessed, it was coverage such as no other station or chain of stations could give. The news items have been enlarged and are particularly outstanding.

Honourable senators, we should recognize that C.B.C. is doing a service for the whole of Canada, while many of the private stations are obliged to cater in a local field. I felt I should express these thoughts, even though they may not be as popular as some which have been expressed today.

Hon. Jean-Paul Deschatelets: Honourable senators—

The Hon. the Speaker: Honourable senators, may I remind honourable senators that if the honourable sponsor of the bill speaks at this time it will have the effect of closing the debate.

Hon. Mr. Deschatelets: Honourable senators, in closing this debate, may I thank all those who have taken part for their important contribution. I can assure them that the views they have expressed, from both sides of the house, will be taken into serious consideration.

In regard to the questions raised by the Leader of the Opposition, may I say those questions are too important to be answered offhand. It would be more satisfactory for him and for myself if I take notice of them and have the answers appear in *Hansard* as soon as possible. I hope that will be satisfactory.

Hon. Mr. Brooks: Thank you.

Motion agreed to and bill read second time.

THIRD READING NEXT SITTING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be read the third time at the next sitting.

He said: Honourable senators, before this motion is carried, I would remind you that the Standing Committee on Finance will meet tomorrow morning at 9.30.

Hon. Mr. Benidickson: Also the Standing Committee on Banking and Commerce.

Hon. Mr. Connolly (Ottawa West): I do not wish to say anything about that at the moment. Unfortunately, there is a conflict of meetings, but something will be done about resolving it. In any event, the Minister of National Revenue and President of the Treasury Board, the Honourable Mr. Benson, and Dr. George Davidson, will be in attendance tomorrow to deal with anything arising out of this bill or indeed out of any of the Estimates or supplementary Estimates which are before the committee at the present time.

Motion agreed to.

LIBRARY OF PARLIAMENT

REPORT OF JOINT COMMITTEE ADOPTED

The Senate proceeded to consideration of the report of the Joint Committee on the Library of Parliament recommending that salary rates of pay of professional and non-professional classes in the Library of Parliament be brought into line with the recently revised salaries paid for comparable positions in the Civil Service and those recently announced for the House of Commons classified staff, and which was presented on Tuesday, November 22.

Hon. John J. Connolly moved the adoption of the report.

He said: Honourable senators, this report speaks for itself. It has been on the *Minutes of Proceedings* since November 22. The report is submitted by the honourable Speakers of the two Houses of Parliament. The purpose is to bring the pay of personnel in the Parliamentary Library into line with the pay in various sections of the Public Service of Canada and into line with the pay of other employees in the House of Commons and the Senate.

Report adopted.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, November 30, 1966

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

PUBLIC SERVICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message has been received from the House of Commons to acquaint the Senate that the name of Mr. Hymmen has been substituted for that of Mr. Chatwood on the Special Joint Committee on the Public Service.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, November 23, 1966, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

VISITING FORCES BILL

REPORT OF COMMITTEE ADOPTED

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-50, respecting the armed forces of countries visiting Canada, and had directed that the bill be reported with the following amendments:

1. Page 1: Strike out lines 17 and 18 and substitute the following:

"of a visiting force, the spouse of such".

2. Page 4: Strike out line 3 and substitute the following:

"of a visiting force or a dependant".

3. Page 5: Strike out lines 1 to 6, both inclusive, and substitute the following:

"11. (1) Where a member of a visiting force or a dependant of any such member has been sentenced by a service court to undergo a punishment involving incarceration, the incarceration may, at the request of the officer in command of the visiting force and in accordance with the regulations, be".

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: With leave of the Senate, I move that this report be taken into consideration now.

Honourable senators, the amendments are simple. They do not change the substance of the bill. In several places where amendments were made, the expression used was, "the armed forces of a designated state." After conferring with the Department of Justice, it was felt that language approaching that used in the title of the bill would be more appropriate. So, for the words "armed forces of a designated state", we substituted "visiting forces".

The third amendment, where there are about six lines struck out, was a question of draftsmanship. It appeared easier to strike out the six lines and re-insert them with the amending words, than to strike out the words where they occur in each case. It is not a substantial matter: I would call it a language change which gives a better reading of the section.

Report adopted.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): Honourable senators, with leave of the Senate, I move that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

CRIMINAL CODE (HATE PROPAGANDA)

JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

That the name of the honourable Senator Aird be substituted for that of the honourable Senator Lang on the list of senators serving on the Special Joint Committee of the Senate and House of Commons appointed to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code"; and

That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, with leave of the Senate, I move that when the Senate adjourns today it do stand adjourned until Tuesday, December 13, at 8 o'clock in the evening.

I understand that in the other place they are debating medicare and their plan is to follow that with a debate on the pension bill. I have no idea and no one can forecast when that debate will finish. The medicare bill may be completed next week. I hope to be able to arrange that the Senate return to deal with both measures at the same time rather than returning for one and then for the other. That is why I have moved for an adjournment to a week from Tuesday rather than to some day next week. By adjourning for this length of time, subject to being recalled on the direction of the Speaker, there is a reasonable prospect of accomplishing what is desired.

There will be a meeting of the Finance Committee tomorrow morning. I would ask as many members and other senators who are free to attend that meeting.

I should also like to point out that, although the Senate is adjourning until December 13 because of lack of legislation, nevertheless many senators are attending the meetings of the various joint committees at which the Senate is represented. They are working hard and spending a great deal of time here, and for what they are doing in that respect they deserve our collective thanks.

Hon. Mr. Brooks: May I ask the honourable leader a question with reference to legislation? I understand that the Commons will be discussing medicare first and then the pension bill. Are they likely to discuss any other legislation, for instance the budget?

Hon. Mr. Connolly (Ottawa West): Well, it is difficult to forecast. The legislation with respect to transport is also about ready to go back into the house, and, as the press has indicated and is a matter of public knowledge, it is expected that there will be another budgetary proposal made by the Minister of Finance some time before the Christmas recess. However, I doubt that there will be much legislation arising out of any budget speech before Christmas. Under its rules, the House of Commons has to spend at least six days debating a budget; therefore, it is unlikely to produce any legislation for us before then.

Subject to correction as events develop, I would guess that the order of legislation is medicare, the pension bill and perhaps the transport bill.

Hon. Mr. Aseltine: Is there any likelihood of prorogation occurring before the end of this year, or will this session be carried over into 1967?

Hon. Mr. Connolly (Ottawa West): My judgment would be that the session would not terminate before the end of the calendar year. Among other reasons would be the fact that the Bank Act is now in committee. The other day when I inquired there were some thirteen important witnesses still to be called, and I would think the Government would not wish to start the Bank Act amendments all over again in another session. Therefore, I think the present session will continue into the next calendar year and I hope wind up rather early in the year.

Hon. Mr. Brooks: There is no particular reason for medicare being hurried through, as I understand. It is not going to come into force until July 1968.

Hon. Mr. Connolly (Ottawa West): I think it is always desirable that when the House has passed important legislation the Senate should act upon it promptly—

Hon. Mr. Brooks: I am not arguing to the contrary.

Hon. Mr. Connolly (Ottawa West): —and I try to observe that.

Hon. Thomas Vien: Honourable senators, I think this occasion justifies my intervention at this moment. The honourable Leader of the Government has mentioned the desirability of concluding certain legislation before the end of this session; failing to do so, we would have to commence it all over again next session.

I would like to suggest to the leader consideration of the expediency of changing the rules in that respect. I quite understand that when there is dissolution of Parliament—whether the Government changes or not—it is required that the legislation be considered afresh. But between two sessions of the same Parliament, I do not believe it is expedient that a piece of legislation—for instance, the Bank Act—should come to grief and have to be considered all over again before the same members of Parliament, both in the Senate and the House of Commons.

I suggest to my honourable leader that the rules should be amended so as to provide that when a session of Parliament comes to an end, not by dissolution but by prorogation, upon resumption of the same Parliament in a new session, consideration of that legislation should be continued from the point at which it was interrupted. I think that procedure would be proper and convenient, and would expedite the dispatch of business.

Hon. Mr. Hollett: Would the honourable leader give us any idea as to approximately when the Christmas recess will begin —subject to correction?

Hon. Mr. Connolly (Ottawa West): Well, certainly we will not be sitting at Christmas. Much depends upon when the budget debate takes place, because those are days that are legislatively unproductive for the Senate. If the budget debate continues until the Commons takes its Christmas recess, then our recess might begin a good deal earlier. Likewise, assuming the session goes over into next year, as it likely will, there will not be any legislation for us to consider when the Commons reassembles.

I cannot give an exact date, but it would be sufficiently in advance of Christmas to enable the honourable senator from Newfoundland to get home for Christmas.

Hon. Mr. Hollett: To hang up my stocking!

Motion agreed to.

APPROPRIATION BILL NO. 9, 1966

THIRD READING

Hon. Jean-Paul Deschatelets moved the third reading of Bill C-248, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Hon. Jean-François Pouliot: Honourable senators, I want just to tell you that this morning we had a most profitable and useful sitting of the Standing Committee on Finance. The witness was Dr. Davidson, the Secretary of the Treasury Board, and the meeting was presided over by the Chairman, Senator Leonard.

We learned important things about the Treasury Board. We learned, first, that there are at the present time no regulations governing the Treasury Board, such as there are with respect to other government agencies. However, Dr. Davidson told us that in October next there will be regulations of some kind.

Another matter of great importance that was told us—and I take the liberty of informing you about it today because it will be several days before you receive a printed copy of the report—is that the Minister of National Revenue has replaced the Minister of Finance as the head of the Treasury Board; there are six cabinet ministers who are appointed to the Treasury Board, and they have also eight substitutes. Moreover, the Governor in Council may appoint additional members of the Privy Council, not necessarily members of the cabinet, to the Treasury Board.

Another matter that will interest you and about which Dr. Davidson spoke openly, is that there is no provision for a quorum on the Treasury Board. As I said, six cabinet ministers head the Treasury Board, they have eight substitutes, and they may have additional substitutes, but there is no regulation whatever concerning the quorum. Dr. Davidson added that as a rule there are three who meet together on Thursday afternoons to consider matters that are submitted to the Treasury Board.

Honourable senators, I thought you would be interested in knowing about these matters, and that is why I have taken the liberty of informing you of them at this time.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication.

GOVERNMENT HOUSE
Ottawa

30 November, 1966

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy of His Excellency the Governor-General, will proceed to the Senate Chamber today, the 30th November, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—
DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Salter A. Hayden: Honourable senators, there has been already a fair amount of serious and interesting debate on this bill. We have heard from those who support the bill in the form in which it is now before us, and those who suggest that however meritorious the bill may be, its provisions are unnecessary having regard to the state of our law at the present time. Some honourable senators have said that this is a bill which proposes to make law certain provisions for dealing with situations with which we in Canada are entirely unfamiliar—situations which have not occurred in Canada.

I propose to develop that point as I go along, but my first observation is that the provisions with respect to genocide should not appear in this bill. That is my firm belief.

In that connection I would refer you to the British legislation which was enacted in 1965, entitled the Race Relations Act 1965, over 50 per cent of which deals with discrimination as to race, colour and so on exercised by the proprietor or manager of a hotel, lodging place or eating place, and also discrimination in property restrictions and matters of that kind. Provisions as to discrimination are already contained in the laws of most, if not all, of our provincial jurisdictions, because the province is the authority primarily that must deal with such matters.

The other part of the English act concerns questions of public order. It makes it an offence for any person, with intent to stir up hatred against any section of the public in Great Britain distinguished by colour, race or ethnic or national origin, to publish or distribute written matter, et cetera. It also makes it an offence to utter words which are likely to stir up hatred against any section on the grounds of colour, race or ethnic or national origin. This portion of the English legislation is based on breach of the peace.

Honourable senators will recall the experiences in England over the last few years when there were serious race riots in various parts of the country. It was my experience about eighteen months ago to pass through a city the day after one of those race riots had occurred. The knowledge of what was going on gave me an awesome kind of feeling. I had the feeling that I was moving through an armed camp, and I did not know which side might jump on me. I made sure that I got through that city as quickly as I could. But there was an immediate purpose to be served by the creation of this offence in England. It is a breach of the peace if you stir up hatred against any section of the public which is distinguished by the characteristics to which I have referred. We do not have that situation in Canada, and this makes it more difficult to come to grips with the necessity of providing specifically in legislation for it.

I want to say something further about the genocide provision. As I said, I think it has no place in this bill. We do not need it because we have had no situation of that kind. I can understand the feelings of those who are supporting this bill, because they remember the horrors and atrocities in Europe during the period of the last war, when millions of people were enslaved and put to death, their only crime being that they wore a particular badge of race which conflicted with the mass psychology of the people and the rulers in the country at that time.

However, when we are thinking about the effectiveness of the provision of genocide in the bill, I would suggest that even if one assumed that this bill had been passed and became law in all the countries of Europe immediately prior to the outbreak of World War II, the measure would have accomplished nothing in the way of preventing what actually happened. What happened occurred in spite of and without any regard to what the law might or should have been, and without any regard for principles of morality or the humanities. It was simply a case of a ruling class taking the law unto itself. There is no way in legislation of preventing the occurrence that sort of thing.

I think the proper place to deal with genocide is where it already has been dealt with, that is, in the United Nations. Basically, the question of genocide becomes one of international law, and the United Nations has a convention on the prevention and punishment of the crime of genocide. That convention was adopted by the General Assembly of the United Nations in December 1948, and came into force in January 1951, when the required number of countries filed their ratifications. Article I states:

> The Contracting Parties confirm that genocide, whether committed in time of peace or in time of war, is a crime under

international law which they undertake to prevent and to punish.

The next article goes on to define what is genocide, and the language used in Article II of the convention is almost word for word that of paragraphs (a), (b), (c) and (d) of the new section 267A (2) in the bill which is now before us. Paragraph (e) deals with forcibly transferring children of the group to another group.

The bill then goes on to define what acts shall be punishable. The enumeration is, genocide, conspiracy to commit genocide, direct and public incitement to commit genocide, attempt to commit genocide, and complicity in genocide.

Then we come to the undertaking of the parties. Article V of the convention reads:

> The Contracting Parties undertake to enact, in accordance with their respective Constitutions, the necessary legislation to give effect to the provisions of the present Convention and, in particular, to provide effective penalties for persons guilty of genocide or of any of the other acts enumerated in Article III.

Then, Article VI reads:

> Persons charged with genocide or any of the other acts enumerated in Article III shall be tried by a competent tribunal of the state in the territory of which the act was committed, or by such international penal tribunal as may have jurisdiction with respect to those Contracting Parties which shall have accepted its jurisdiction.

Here we have an international body proscribing the offence of genocide and providing a way through our international court of law for dealing with this particular crime.

Canada was a signatory and filed its ratification, and therefore assumes certain obligations. However, in Canada we have always had in our Criminal Code the offence of murder, and I think it is murder, no more, no less, to kill one, two, six or more persons.

We have in our Criminal Code at the present time, and have had for many years —perhaps for as long as the Code has existed—the offence of counselling or promoting or attempting or conspiring to commit an indictable offence—and killing is an indictable offence. We have different penalties provided where the offence involves counselling, or conspiring, or attempting, or being an accessory after the fact, and the penalty is life imprisonment. There is a substantial penalty provided for one who does the counselling, etc., and where the sentence for the offence committed is under 14 years, a lesser penalty is provided.

Therefore, the broad field in relation to killing is covered, and probably has been, for as long as our Criminal Code has been in existence, and applies merely because the subjects are human beings and life has been taken in violation of our criminal law.

Paragraph (b) of section 267A (2) speaks of "causing serious bodily or mental harm to members of the group." That might involve assault or an attempt to assault, or counselling or advocating assault. All of those are offences now covered by the Criminal Code.

Paragraph (c) reads:

> Deliberately inflicting on the group conditions of life calculated to bring about its physical destruction.

That puzzles me, because I do not know how that would be possible unless you had a ruling class and the government in control was forcing this sort of situation. Short of that, I do not know how the actual offence could be committed.

On counselling or advocating or promoting this sort of thing, there are in the law at the present time provisions for the offence of encouraging a breach of the peace, and other similar provisions.

In 1960 we enacted a Bill of Rights, and I wonder how much thought has been given to it. In that Bill of Rights we declared certain rights as having always existed and continuing to exist. I will read the opening words of Part I:

> It is hereby recognized and declared that in Canada there have existed and shall continue to exist without discrimination by reason of race, national origin, colour, religion or sex, the following human rights and fundamental freedoms, namely,
>
> (a) the right of the individual to life, liberty, security of the person and enjoyment of property, and the right not to be deprived thereof except by due process of law;—

Then the other freedoms continue, and since all are familiar with them I do not need to read them.

May I suggest for your consideration that here is a statute of the Parliament of Canada and a declaration of the rights of persons who compose Canada in relation to each other and

their country. The Bill of Rights was enacted after Canada had become a party to this convention of the United Nations, and could be read in conjunction with Canada's obligations under that convention.

While there is no provision specifically dealing with the penalty for breaching these provisions, it will be recalled that there is a general provision in our Criminal Code, which has been there for a considerable time. Section 107 provides that:

> Everyone who, without lawful excuse, contravenes an Act of the Parliament of Canada by wilfully doing anything that it forbids or by wilfully omitting to do anything that it requires to be done is, unless some penalty or punishment is expressly provided by law, guilty of an indictable offence and is liable to imprisonment for two years.

So there is a penal provision that could be correlated even to this declaration in the Bill of Rights.

Paragraph (d) in the genocide section of the bill reads:

> Deliberately imposing measures intended to prevent births within the group.

I find it difficult to determine or to fix in my mind the scope and extent of that provision. What does it mean? How far does it go? If I counsel or promote, deliberately imposing measures intended to prevent births within the group, what does it conflict with that we now have in our law in the way of organizations and societies, and even in recognition of advances that are being made in this area and that will continue to be made?

These matters bring me back to where I started, that is, that some of the provisions of the bill, particularly paragraphs (c) and (d) of section 267A (2) which I have already read, are situations that could only develop as a factor in substantive law through the Government imposing this sort of law. True, the proposed offence here is "who advocates or promotes."

Within the scope of our present law we have the Criminal Code and the governing by-laws in cities on gatherings of people. How do you go about promoting these things? You write a letter to the newspaper. One must always look at these things in their context.

Honourable senators, my own personal view is that emotion has dictated these provisions in the definition of genocide. Emotion is an honest sense of feeling, and the emotion has been stirred by the most terrible events that history has ever disclosed. For that reason, it becomes important that we try to be as objective as we can in achieving something which will accomplish a purpose. To me, section 267A will accomplish nothing that we cannot already achieve under our present laws.

In any event, it is inadvisable to think of attempting to deal with a problem of this kind by such vague, indefinite language as we have here. If this is passed into law it might bring a new rash and a new set of situations encroaching on freedom, with problems at least as serious and perhaps more serious than any we were trying to overcome. I couple with that the fact that we do not know this sort of thing in Canada. Believing that the people in Canada are a tolerant, friendly, sociable people, I believe this is not the kind of soil in which this reaction would develop, or develop to any extent.

It did arise in the field of discrimination, as I mentioned earlier, but that has been corrected; and even Senator Croll, speaking the other day, referred to the fact that, by legislation in force over the last number of years, discrimination has ceased to be a real problem in Canada.

Having expressed my views in relation to genocide, I would add that, if this bill goes to a joint committee for study and the hearing of witnesses, and if the committee reports this bill in the form in which it is now, I would vote against it, because I do not believe that genocide should be dealt with in the bill at all.

On that point, since there has been some discussion on the principle, and on what we are doing on the second reading stage, let me say that, if the bill were going to a committee of the Senate only, where this proposed legislation would be carefully studied and where an effort would be made to maintain the substance of the bill, I would be more firm in my opposition than I feel I need be at this time. If you vote for the study of this bill by a joint committee, I may very well say, when it finally comes to a vote, "on division". That is because I feel that the purpose of the joint committee is to analyze this bill and to find its weaknesses. It may be that the whole bill has weaknesses which make it impossible to pass it into law. But let the joint committee study it and tell us so. I would not have committed myself, in my view, to the principle of the bill beyond this.

Honourable senators, I ask you, what is the principle of this bill? Is not the real principle of the bill an attempt to deal with propaganda by hate literature? That is another reason for

my saying that genocide has been dragged in but has no place in this bill.

I doubt if there is a senator or a Canadian who would say in principle that he is not opposed to hate literature, to the sneaky or the dastardly and wide-open material that might be distributed and that might select some sections of the public, by reason of race or colour or ethnic origin, and revile those people. It is difficult not to be against that sort of thing.

Therefore, I think the principle is "hate literature." Since the bill goes further than that, I do not feel that, in sending the bill to a joint committee, I am subscribing to any principle other than the principle that hate literature is something I despise and that I am in favour of trying to find some way by which it can be regulated, controlled or prevented.

On that point, I believe there are other ways in which it should be treated rather than the way selected here, taking a breach of the peace as a method and creating that as the offence. In my view, the language in which this is done is vague and confusing, and would give rise to many difficulties and many applications that were never intended. We might build up a conflict among various ethnic groups in Canada, with one group asserting that another group had made certain criticisms or was promoting certain ideas against another group. We may have an incitement to hatred that does not exist at the present time and we may create many tender spots which do not now exist, simply through the desire of each group to keep itself immaculate in its own eyes and in its own judgment, so far as its heritage and its background is concerned. I do not know where this would end, so I would hesitate a long time before approving of a start along those lines.

For instance, remarks or writings of the character described as hate literature may constitute a defamatory libel; and defamatory libels are covered in our Code as a criminal offence. The provisions in the Code may not go far enough to cover groups and sections of the public; but Parliament has power to create new law. There are many offences in the Criminal Code today which did not exist previously and which were introduced accordingly as changes in our social relationships indicated a need to create new offences. That would be one way of dealing with it.

As a matter of fact, that is not an original idea of mine. When the commission was set up to deal with this question, a number of bills were introduced by private members of the House of Commons. One bill, introduced by Mr. Monteith, proposed that the matter be dealt with by amending and broadening the applicable provisions in relation to defamatory libel. Other bills followed the line of dealing with it under seditious libel, while others suggested dealing with it as a breach of the peace. Which is the best method? I would like the joint committee to study that, to determine, first, whether we need this type of legislation; and, secondly, what is the best way of doing it.

I do not know why we are so concerned about the person who has created this sort of literature, surrounding him with all the rights of our law, borrowed from the rights that we have provided in the case of obscene literature. If this charge is not proven, the documents are returned in the ordinary way. I do not know why we have to be so particular, on a question that is so important, that is so fraught with emotion and which so easily can stir up hatred. Why should we not create the offence, in whatever way we intend to do so, and simply provide the penalties? Then, if a person is acquitted, he will get back his documents.

Honourable senators, to summarize the points I have been making, first, it is not necessary to incorporate a section on genocide in this bill in order that Canada may fulfil the undertakings given by its ratification of the United Nations convention on genocide, secondly, in that connection, the provisions in our Code and in our general law go far enough.

On the question of hate literature specifically, it would appear from looking at the report of the commission that a great deal, perhaps a very large percentage, of so-called hate literature that was presented to the commission represented importations from other countries, with much of it coming from various states in the United States.

We do have regulations in our Post Office Act under which the entry of such literature can be prohibited and prevented; we do have provisions that, if you are in possession of such things in Canada, in violation of the provisions of an act such as the Post Office Act or Customs Act, whichever it is, you are guilty of an offence and can be prosecuted. So we do have methods of keeping anything originating on the outside from coming into Canada; and, in my view, we have enough strength in our law to control the situation, having regard to the present state of education and tolerance of the people in Canada.

I think it will take a long time, if we ever succeed, to erase even from succeeding generations of Canadians the memory of the awful experiences their forebears went through during the Second World War period. I can remember that this Senate took a position in this regard, and some of the senators of that time are still here.

Senator Hugessen made a speech concerning the occasion of the Nazi destruction of the Czechoslovakian Village of Lidice, where the occupation forces, because of some violation of discipline or regulations, razed the town completely, killing every adult male inhabitant and shipping off the women and children to labour and concentration camps. On that occasion I suppose the inefficient, older people ultimately ended up in those horrible places of death. The others ended in labour camps.

At the time of that occurrence, Senator Hugessen put a resolution on the paper here and we had a debate. We did not have that debate because we thought it would change what had been done or would prevent future similar occurrences. We wanted to show people on the outside, in other parts of the world, who were holding fast to their views, that we were providing as much moral and physical support as we could.

I had occasion at that time to speak in that debate, and I will say that the speeches were reported in the papers—not that we intended they should be—in the various parts of the United States and Canada at least. So, in speaking as I have today, I do not think any person could accuse me of being a supporter in any fashion of hate literature or of the incitement to hatred by any words, deeds or actions that are related to any person in Canada by reason of his colour, race or ethnic origin. My position was so firmly stated back in 1942, and, as a matter of fact, for those who know me it has been all through my life, that when I speak as I have it is not with any desire to obstruct this bill or to obstruct the giving of statutory effect to legislation of a kind that will give assurance, if we have people in Canada who feel that assurance is necessary, that these things cannot happen in Canada. But we must be rational about it. We must not run at it. We must try to be objective, when there are a lot of other people whose objectivity is dimmed by a high rise in the degree of their emotions.

That is understandable, after all. I am not being critical for that reason, but we do have a job to do as well, and, in taking time for debate there is no desire to prolong consideration of this bill. The very fact that there is going to be a joint committee, however, means that the views of the members of the Senate, or of as many as possible, should be stated as a matter of record so that the committee, when it sits, will be able to get a cross-sectional viewpoint representative of the sum total of senators who are here. It is for that reason that I have spoken as long as I have.

One further thought: Having regard to the nature of any legislation that might be required to deal with hate literature and what is involved in any consideration of it, is how emotion will play such a large part in the charges that may be brought forward, and the allegations that may be made, that such and such an article is inciting hatred in relation to certain groups of people. I think a very salutary safeguard in any event would be that there should be no prosecution under legislation of that kind without first obtaining the consent of the Attorney General of Canada.

On motion of Hon. Mr. Flynn, debate adjourned.

ADMINISTRATION OF JUSTICE

APPOINTMENT OF JOINT COMMITTEE TO CONSIDER REMOVAL OF MR. JUSTICE LANDREVILLE

Hon. John J. Connolly: Honourable senators, I move:

> That the Senate do unite with the House of Commons in the appointment of a Joint Committee of both Houses of Parliament to enquire into and report upon the expediency of presenting an address to His Excellency praying for the removal of Mr. Justice Leo Landreville from the Supreme Court of Ontario, in view of the facts, considerations and conclusions contained in the report of the Honourable Ivan C. Rand concerning the said Mr. Justice Leo Landreville, dated the 11th day of August, 1966, and tabled in the House of Commons on the 29th day of August, 1966, and tabled in the Senate on the 22nd day of November, 1966;
>
> That the Senate designate six members of the Senate to be members of the Joint Committee, namely, the Honourable Senators Cook, Fournier (de Lanaudière), Hnatyshyn, Lang, Langlois and Macdonald (Cape Breton);
>
> That the committee have the power to appoint, from among its members, such subcommittees as may be deemed advisable or necessary, to call for persons, papers and records, to engage counsel, to sit

during sittings and adjournments of the Senate and to report from time to time; and

That the committee have power to print such papers and evidence from day to day as may be ordered by the committee for its use and the use of Parliament; and

That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker:

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, December 13, at 8 p.m.

THE SENATE

Tuesday, December 13, 1966

The Senate met at 8 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Acting Speaker informed the Senate that messages have been received from the House of Commons to acquaint the Senate that the name of Mr. Fawcett has been substituted for that of Mr. Brewin on the Special Joint Committee on Immigration; and that the name of Mr. Chatwood has been substituted for that of Mr. Rochon on the Special Joint Committee on the Public Service of Canada.

PRIVATE BILLS

GENERAL MORTGAGE SERVICE CORPORATION OF CANADA—COMMONS AMENDMENT CONCURRED IN

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons returning Bill S-8, respecting General Mortgage Service Corporation of Canada, and acquainting the Senate that they have passed this bill with the following amendment, to which they desire the concurrence of the Senate:

> Page 1, Lines 16 and 22. Delete the words "sections 1 and 2" and substitute therefor the words "sections 1, 2 and 4".

The Hon. the Acting Speaker: Honourable senators, when shall this amendment be taken into consideration?

Hon. T. D'Arcy Leonard: Honourable senators, I move, with leave, that this amendment be concurred in now.

This bill was introduced in the Senate, was given first and second readings, referred to the Standing Committee on Banking and Commerce, received third reading and was passed on February 24 last. Since that time it has been in the House of Commons.

This is a simple bill. It changed the English name of the corporation by dropping the word "Service", so that the new name would be General Mortgage Corporation of Canada. It changed the names of its securities by dropping the word "Mortgage" out of the title of the bonds they were issuing, so that the new names would be "Series A Bonds" and "Series B Bonds", instead of "Series A Mortgage Bonds" and "Series B Mortgage Bonds".

The amendment that the House of Commons has made to this bill is very slight. There is some question as to whether or not it would be required at all, but I think that pursuant to the old legal maxim *ex abundanti cautela* they have chosen to make this slight amendment. In the bill there was the usual saving clause whereby the change in name did not affect any right of action or judgment existing, or any suit or proceeding now pending, et cetera. That clause was confined to sections 1 and 2 of the bill when it passed this house. Those were the sections which dealt with the change in name of the company. The saving clause did not refer to the change in name of the bonds.

Now the House of Commons has inserted section 4 in the phraseology of section 3 so that the saving clause now extends to rights, if any, shall I say, covered by the question of the change in name of the bonds. When the amendment was suggested in the committee in the House of Commons the sponsors agreed to the change.

Amendment concurred in.

BANK OF BRITISH COLUMBIA—COMMONS AMENDMENTS

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons returning Bill S-16 to incorporate Bank of British Columbia, and acquainting the Senate that they have passed this bill with certain amendments to which they desire the concurrence of the Senate.

Hon. John J. Connolly: Honourable senators, this is a private measure upon which I have no real authority to speak. However, I understand that Senator Lang on behalf of Senator Farris, the sponsor, will move consideration at the next sitting. Perhaps honourable senators would agree to dispense with the reading of the amendments at this stage and have them printed in the *Minutes of the Proceedings* in time for consideration tomorrow.

Hon. Senators: Agreed.

The Hon. the Acting Speaker: When shall these amendments be taken into consideration?

Hon. Mr. Lang, for Hon. Mr. Farris, moved that the amendments be taken into consideration at the next sitting.

Motion agreed to.

For text of amendments see appendix, p. 1242.

APPROPRIATION BILL No. 10, 1966

FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-254, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

MEDICAL CARE BILL

FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-227 to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans.

Bill read first time.

SECOND READING—DEBATE ADJOURNED

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Alan Macnaughton moved, with leave, that the bill be read the second time now.

He said: Honourable senators, in making my initial remarks as a newcomer to this chamber, I am well aware of the significance of this occasion for me. So it is with due humility that I rise this evening to introduce a bill of very considerable significance to our people and to the welfare of everyone residing within the borders of our land. This bill adds one more step in the forward march to a program of health and welfare benefits which, it is our dream, will, in the not too distant future, see Canadians free of want and of ill health, and leading other countries along the road of good living for all.

Less than a decade ago, this Senate passed a measure not unrelated to the one with which we will be dealing this evening. I would remind honourable senators of the Hospital Insurance and Diagnostic Services Act which has been enabling the residents of all provinces and jurisdictions to have readily available without financial obstacles the benefits of hospital and diagnostic services. When this act came into operation there were those who raised some doubts and who expressed some fears about the effects of certain features of the law which, on looking back, we now know were groundless. In fact, there is no voice in the whole of this vast country which would be raised today in opposition to the legislation passed at that time in connection with hospital insurance and diagnostic services.

Tonight I am proud to introduce a bill entitled the Medical Care Act which, in effect, complements the benefits already made available through the Hospital Insurance and Diagnostic Services Program. The present bill, in effect, fills in the gaps previously left, in that provision is now being made to ensure to our people the services of physicians, both medical practitioners and specialists, without financial obstacle.

When this program comes into complete fruition, our people will have obtained not all of the health services we hope some day to be able to make available to them, but at least those required most frequently by the largest number of citizens. The Government has made abundantly clear that they do not consider this bill to represent the end of the road, but rather an important milestone along the way. I am sure we are all anxious to hasten towards the health goal upon which we have set our sights, but in doing so we must have regard to the total needs of our people, including essential needs beyond the health field. It is for this reason that we must pace our health program. At the same time we must constantly move forward, as we have been moving these last twenty years. It was precisely at that time we were designing our National Health Grants Program which it was envisaged would set the stage for health insurance. Then, just one decade later, we designed our Hospital Insurance and Diagnostic Services Program which was, in effect, the first major step in our comprehensive health insurance plan towards which we are striving today. We now have before us a bill called the Medical Care Act, the second major step towards our goal.

When the Medical Care bill was first presented for the consideration of the legislators, it was designed precisely in accordance with four basic principles which were placed before the provincial governments by the Prime Minister of this country in July 1965. One of these principles related to the scope of the benefits which provincial governments

would be required to provide. In order for a province to receive from the federal Government a contribution for medical care, the provincial government would be required to provide to all residents insurance for the costs of physicians' services, both general practitioners and specialists. As I have indicated, the Government recognized these services did not in themselves comprise a complete health insurance program, and it was intimated at that time by the Prime Minister that additional services would be included subsequently when there was a consensus as to extensions.

In its present form, therefore, the Medical Care bill encompasses all physicians' services as a prerequisite for federal contributions and, in addition, the statute empowers the Governor in Council, on the recommendation of the Minister of National Health and Welfare, to add additional health services. This new flexibility will have the effect of giving a statutory basis to what may become, in the course of time, a broad program under which all personal health services will be insured.

Honourable senators, I would now like to discuss briefly the different provisions of the bill, copies of which I understand have already been distributed in this house. I purposely make it rather brief because, outside of referring to one or two sections as we go along, I am enunciating the basic principles.

The essential feature of Bill C-227 is its simplicity. The purpose of the bill is to permit Canada to make contributions to provinces which mount a medical care scheme adhering to four basic principles. Apart from stating these principles, the bill does not attempt to dictate to provinces any detail with respect to a provincial plan.

As I said before, in July 1965 the Prime Minister announced the willingness of the federal Government to make contributions of this kind. Further details were elaborated at a meeting of provincial Ministers of Health in September 1965, and again in January 1966. Generally speaking, no province objected to the principles, although I must admit some provinces had some objections to some of them, or parts of some of them.

The federal Government is stating that in order to qualify for federal contributions a provincial plan must, first, be universal. That is, it must cover all the population of a province. In recognition of the practical difficulties of covering all of the population of a province which chooses to raise its share of cost by a voluntary premium system, the federal Government has agreed that for its purposes coverage of 90 per cent of the population at the outset of the plan will be considered satisfactory. Second, a provincial plan must be comprehensive in that it provides, as a minimum, for the payment of services by physicians and surgeons. Third, a provincial plan must be publicly administered. Fourth, a provincial plan must be transferable from province to province.

The extent of the contribution offered by the federal Government is one-half of the average national per capita cost of services provided by physicians and surgeons.

There is nothing in the bill to prevent any province from offering more extensive benefits to its citizens under the provincial plan. Indeed, the federal Government would be very pleased if such were the case. However, the federal Government has said that as a minimum a provincial plan must provide for physicians' services, and the federal contribution at the moment is limited to one-half the cost of these services. At a later date, and if there is consensus among the provinces as to the desirability of extending benefits, the federal Government will be quite prepared to give consideration to increasing its contribution appropriately.

Clause 2 of the bill contains the interpretation of the terms used elsewhere in the bill.

Clause 3 is the authority for the federal Government to make contributions.

Clause 4(1) sets out the four principles I have already mentioned, but some detailed explanation may be useful. With respect to public administration, there is no doubt that administratively the most simple procedure in a province would be to have a plan operated by a department of the provincial government. Such action, however, fails to take into consideration the existence of many non-profit or co-operative plans which are now in operation and which some provinces may wish to retain. The bill before us, therefore, allows provinces to appoint agents to carry out part of the administrative duties in respect to a provincial plan, provided these agents are non-profit in nature, are subject to public audit, and are responsible to the provincial government. The province is required, however, under its law to set up a provincial authority which will have the responsibility of assessing accounts rendered for payment, and for determining the amounts to be paid. It is the desire

of the federal Government to provide provinces with the greatest possible flexibility in this matter while still adhering to the overall principle of public administration. I submit that the bill does just this.

On the question of universality, the bill admits the practical difficulties which a province might meet in covering all of its residents in a situation where it chooses to raise its share of the cost by a system of voluntary payment of premiums. The bill agrees, therefore, that in the beginning coverage of 90 per cent of the population, rising to 95 per cent within a short period of years, will be considered universal coverage for the purpose of making federal contributions.

Experiences under the Hospital Insurance and Diagostic Services Act in a province such as Ontario, using a voluntary premium system, have shown that the attainment of this extensive coverage is entirely feasible. Acceptance of any lesser coverage by the federal Government would interfere with, to quote Sir Winston Churchill, "the magic of averages," in that it would be impossible for the provincial plan to be saddled with only the high-risk, high-cost segment of the population, while other competing plans provided coverage for the rest of the population.

The plan provides for payment for the provision of services of physicians and surgeons. Some provinces may wish to provide wider benefits, and it would be very desirable if they did so. Indeed, the fact that federal money is going to a province to assist in the cost of those services which form the greater part of medical expenses may mean that provinces are in a better position to provide greater benefits in a provincial plan.

The principle of portability has never been challenged, and the provinces have agreed to work out among themselves ways of implementing this principle.

Honourable senators, may I draw your attention to an amendment made in the original bill and now appearing as clause 4(3) in the bill, which empowers the Government, in accordance with terms set out in this clause, to add health benefits over and above those of physicians' services. In fact, when this amendment was passed, the Minister of National Health and Welfare said that it was his intention to recommend the inclusion of oral surgery carried out by dentists in public hospitals and in licensed private hospitals.

Clause 5 deals with the calculation of the federal contribution. In amount this is one-half of the average national per capita cost of physicians' and surgeons' services. The use of the national average provides encouragement for provinces to exercise reasonable economy in the operation of a provincial plan. A province in which the per capita cost is higher than the national average will receive less than 50 per cent of those costs. A province in which the per capita cost is lower than the national average will receive more than 50 per cent of the per capita cost.

Clause 6 explains the technical details of making federal contributions. In essence, the payments will be made on the basis of not less than 90 per cent of the estimated costs. Such payments will be made monthly, and adjustment will be made at the end of the year on the basis of actual costs.

Clause 7 sets out the procedure to be followed in the case of dispute between a province and the federal Government, particularly with respect as to whether or not the provincial plan qualifies for federal contributions. It also provides that in the event that a provincial plan is disqualified by the federal Government, recovery of any payments made to the province prior to disqualification will not be undertaken.

Clause 8 is in the bill to provide for a change in the methods of payment to provinces, and I consider this to be a most important clause. It is possible that following the deliberation of the Tax Structure Committee, Canada may want to withdraw from shared-cost programs and to provide tax room to the provinces in lieu. The bill provides for a "run-in" of five years to determine the cost trends of the medical care program on which information a determination of the appropriate amount of tax room could be based.

Clause 9 of the bill is a simple provision for an annual report to Parliament.

To sum up, Bill C-227 is essentially a financial bill giving the federal Government authority to make payments to provinces. The four principles which are set out as conditions which the provinces must meet in order to qualify for federal contributions must be regarded as minima in a medical care plan. It is important to note that the bill does not attempt to dictate to provinces the detailed nature or extent of a medical care plan which a province might wish to institute, beyond insistence on the four basic principles.

Honourable senators, this, then, is the program with which we are dealing tonight. It marks the inauguration of a new era for our people. It ensures that no resident of this land will be deprived for the lack of ability to meet the costs, of the fruits of scientific progress in the medical field so ably provided by Canadian physicians. It will remove the barrier so frequently posed by the economics of an ever-more complex society, to essential medical services. Although it is anticipated that provincial programs may differ one from the other in some respects, the fact that all participating provinces will include provisions designed to ensure the portability of benefits, that is, the right to carry entitlement from one part of Canada to another, will guarantee the national character of the program.

The legislation now before you, honourable senators, incorporates the main recommendations of the Hall Royal Commission. This was a commission set up by the official Opposition when it formed the government of the country. The Hall Commission called for a comprehensive, universal, publicly-administered, prepaid medical insurance scheme. These are precisely the principles set out in this bill.

I would now ask honourable senators to take the very important step of approving the principles of medical care insurance. In closing, I should like to express once more the privilege which I feel to have been mine tonight in having the opportunity to bring to this chamber, as one of my first acts, this statute designed for the welfare of all our people.

Hon. M. Wallace McCutcheon: Honourable senators, before I say a few words this evening, may I ask the sponsor of the bill (Hon. Mr. Macnaughton) whether, as and when the bill receives second reading, it will be referred to a committee?

Hon. Mr. Macnaughton: I feel quite sure, honourable senators, that this is the proper thing to do, and that the bill will be referred to a committee if the house so desires.

Hon. Mr. McCutcheon: Thank you very much.

Honourable senators, in his closing remarks, Senator Macnaughton referred to the fact that this bill carried out the major recommendations of the Hall Royal Commission on Health Services. One might question whether that was really the case, because while the public attention was captured by the recommendations of the Royal Commission on Health Services regarding physicians' care, that was only one of a number of recommendations made by the commission. I had the honour to be a member of that commission, but I resigned from it when I was summoned to this place on August 19, 1962. I did not participate in its deliberations and in the preparation of the report, and as to some of its recommendations my views are very well known.

In its terms of reference, the commission was instructed to establish priorities, and that of course is the very thing that the commission failed to do and that the Government is today failing to do. The commission made many detailed recommendations, and it said we must push on, go along the road with them all at the same time. It had estimates of the shortages of medical and para-medical personnel, dental personnel, which have proven to be low. It had estimates as to the cost of providing educational and other facilities needed for training these personnel, which have proven to be low. So far the Government has merely paid lip service to those very important recommendations in the educational field to provide the people to do the job that is proposed this evening and the much wider job that the sponsor of the bill suggested.

The sponsor said that we put flexibility into it, and he referred to the amendment, which as he repeated twice, was made in the House of Commons on the recommendation of the Minister of National Health and Welfare. Of course that is quite true. But the amendment was made only after four or five days of debate, during which, far from providing flexibility in the bill, the Minister of National Health and Welfare was willing to withdraw certain physicians' services from the bill as his solution of the problem which was properly put before him.

A number of my colleagues will be speaking on this bill, and in many respects they will speak with more authority than I will. We know now that the bill will be going to a committee, so that certain sections, the effect of which frankly I do not understand, will be explained there. So, I simply want to make a few general remarks.

I regard this bill as essentially a further unwarranted intrusion by the federal Government into fields of provincial jurisdiction. If the federal Government had said, we will contribute to the cost of medicare plans—to use that term—as developed by each province,

in accordance with what it considers the needs and requirements of its people, I probably should not be speaking here tonight. After all, we are taxpayers provincially and we are taxpayers federally, and it can come out of one pocket or out of two pockets and be shared in that way. It does not affect the taxpayer. However, that is not what is being done.

This is one more evidence of the new socialism. The new socialism is based on the philosophy that government—and it seems particularly true of the federal Government—knows better what should be done for the people than the people know themselves. So we have the provision of universality. We continue to narrow the area within which the individual can exercise his own judgment regarding his own affairs.

I do not for a moment suggest that there should be any person in this country who, if medical help is available—and I wish to underline that to honourable senators—if medical help is available, should not be entitled to it, and without any financial barrier, if he needs it.

The Province of Ontario has a plan which is universally available. I agree with universal availability, but I do not agree to a plan which tells the Province of Ontario that it must enlist 90 per cent, and subsequently 95 per cent, of the people in it. This is a plan which, we are told, does not impose any details on the province—it merely lays down that you have to come in, that the plan must be universal.

The bill describes the scope of the benefits, subject to that flexibility amendment which the Minister of National Health and Welfare was forced to make. It must be comprehensive—that is included in the scope of the benefits. It must be administered by a public agency—with a slight refinement which the sponsor has set out. Also, it must be portable.

This means that there is very little more which they could add, except to specify the names of the officials, the bureaucrats, who will administer the scheme in a province.

The Province of Alberta has a scheme which is universally available and which it, like the Province of Ontario, subsidizes. There is no money barrier in those provinces. Why do we have to proceed on the basis that the federal Government knows better than the governments of, say, the Province of Ontario and the Province of Alberta, as to what should be done for their citizens in a field which is primarily the responsibility of the province?

It is the old case of "father knows best." It is also a species of blackmail. The Minister of Finance made that very clear when he spoke to the provincial premiers and finance ministers early this fall. He referred to the desire of the federal Government to move out of some of the cost-sharing programs. He referred to those programs being financed later by what he called tax transfers, equalized under the General Revenue Equalization Formula, plus a program of equalization payments calculated and escalated to ensure that the provinces were fairly dealt with. He forestalled the obvious question—"What if the provinces radically change the program?"—by saying that the programs had been in effect long enough that no province, in his opinion, would dare change it, and that the federal Government was therefore satisfied to do this. That is what he says in section 8 of this bill. In effect, he is saying: When I have forced you to conform for five years, this matter will have become so interwoven into the social and economic fabric that you will not dare give it up, and I will be able to move aside another few points on the personal tax or the corporate tax.

He cannot move very much further aside on the personal income tax, on his own admission. We will have an opportunity later this session, or early in the next session, to discuss some of the Honourable Mr. Sharp's categorical statements, such as that he must have 50 per cent of the personal income tax or he cannot fulfill his responsibility as Minister of Finance in the fiscal and monetary field. Personally, I do not believe that that statement is correct, but we will discuss it later.

Honourable senators, at the appropriate time my colleagues will introduce amendments to this bill. If it is not amended materially, we are taking another long step towards that socialistic state of which the Minister of National Health and Welfare at the moment seems to be the principal advocate in the present Government.

Honourable senators, having said that, I feel sure the sponsor of the bill realizes that my remarks are not directed to the quality or tone of his remarks, and may I take this opportunity of congratulating him upon his maiden speech in this chamber.

Hon. Joseph A. Sullivan: Honourable senators, it was with some degree of misgiving and anticipation, and now it is with a greater

degree of anticipation, that I move the adjournment of this debate.

On motion of Hon. Mr. Sullivan, debate adjourned.

THE LATE SENATOR STANLEY S. McKEEN

TRIBUTES

Hon. John J. Connolly: Honourable senators, since we last met, one of the most popular and most distinguished members of this chamber has died, in the person of Senator Stanley S. McKeen.

Senator McKeen was senator for his native Province of British Columbia. He was of Scottish ancestry, although he served in the First War, both in the Royal Flying Corps and in the Irish Fusiliers. He served also in the Second War, with the Vancouver Regiment; and his services were recognized by being awarded the distinction of becoming an Officer of the Most Honourable Order of the British Empire. When he died in 1966 he was 70 years of age; so, when he served in the Second War he was by no means a young man.

Stan McKeen's life has been a life of service to his country, to his province and to whatever community he happened to live in.

He was a member of the Legislature of British Columbia from 1933 to 1937. Those were difficult years in this country. They were the depression years, and he gave good service in that legislature during those times.

In 1947, some 19 years ago, he was appointed to the Senate. In 1953, as a representative of this chamber, he was a delegate to the United Nations Assembly. I think that all who knew him well will agree that he was devoted and dedicated to the work of Parliament, to the work of this chamber, and that, all in all, he was motivated by a high sense of patriotism.

But Stanley McKeen had another career over and above his career of public service, and that was in the business community, within the private sector of the economy of this country. That career was wide and diverse; it was in the field of shipping and shipbuilding primarily. He was also a director of many public and private enterprises, both business and educational, philanthropic and social.

He was an integral part of the social, political and economic development of an expanding British Columbia, and he helped mightily to shape it in its most dynamic days. If any evidence is needed regarding the extent of the diversity of his interests and his activities, one need only look at the Canadian Parliamentary Guide. They are listed there, and it is a most impressive list.

Stanley McKeen was one of the most energetic and enthusiastic members the Senate ever had. He added distinction and experience to the work of this chamber. He perhaps was not on his feet as much, particularly in later years, as some of us, but he did a lot in the committees and he was a faithful attendant at their work.

I think most of us will remember him for his personal charm and his great heart and the kindness that overflowed from it. In spite of the busy kind of life he led—and Stanley McKeen was busy from the moment he arose in the morning until he went to bed at night—he always seemed to have time for personal kindnesses to individuals. His colleagues here will remember him with deep affection on that account.

In his later years, ill health and tragedy both struck at him. We all agree that in spite of this he showed an indomitable courage.

I had personal experiences of Senator McKeen's kindness on many occasions. He was in Florida last winter when I was recuperating from an illness, and one of the great problems on his mind at the time was that, because of ill health, he was unable to come back to Canada to pay tribute to his former roommate and deskmate who had died while he was away. I refer to the late Senator Bouffard.

Senator McKeen will long be remembered in this chamber. He will be deeply appreciated in the memory of all of us who knew him. I say without any hesitation that he merited being appointed to the Senate of Canada.

I think all of us who knew him were proud to call him a colleague.

Hon. A. J. Brooks: Honourable senators, as the Leader of the Government has just said, since we last met we have lost one of our outstanding senators. I have often thought how fine it would be if, after a recess or a short vacation, we could come back to this chamber and find all our old friends and colleagues still here. But this we know cannot be, and on this occasion we are mourning the loss of one who I know was dear to all senators in this chamber.

Senator McKeen, as was very eloquently represented to us, was widely and favourably

known all across Canada, and rightly so, because he served his country well. He served it not only in peace but also in war. He was a man of many sides. Besides being a great businessman—and he was one of Canada's outstanding businessmen—he was a soldier in two wars. During the Second World War he made a great name for himself not only in western Canada but all across the country by raising very large amounts of money in Victory Bonds.

We also know that in sports he took a very active part. He helped to organize the British Empire Games, in Vancouver in 1954. He was also one of the governors of the British Columbia Lions Football Club.

I mention these facts to show what a many-sided man our late departed senator was.

The Leader of the Government has told us that Senator McKeen was liked by his associates. I have seen him in the last few years attending this Senate when he was a very sick man, and I was always pleased to see the number of senators—practically all of them —who went to his seat to tell him how pleased they were to see him back here.

I have not been in the Senate very long, and I did not know Stanley McKeen as well as most of the honourable senators here, but, in reading *Hansard,* I agree with the Leader of the Government that he had made some great contributions to the work of the Senate, both in the chamber and in committees.

Not long ago I read a speech he had made giving the history of his beloved Province of British Columbia. If anyone wishes to read the history of British Columbia, he can do no better than to read the speech Senator McKeen gave at that time. He loved his province. He was proud to have in his biography the fact that he was a native son of the Province of British Columbia. I am equally sure that his native province was very proud of him and will cherish his memory for many years.

I join with the Leader of the Government in extending to Senator McKeen's family our very sincere sympathy in their sorrow at the loss of our great comrade.

Hon. M. Wallace McCutcheon: Honourable senators, I cannot let this occasion pass without paying my small tribute of respect to the late Senator McKeen and extending my personal sympathy to the members of his family.

It is difficult to add anything more to the eloquent statements that have been made by the Leader of the Government and the Leader of the Opposition, but I did have the opportunity of knowing Stanley McKeen very well. I met him first during the last war, some 25 years ago. Immediately after the war I became closely associated with him in business in Vancouver and, subsequently, I was proud to be his colleague in the Senate.

I just want to emphasize one thing that the Leader of the Government said. With all his great contribution to the public life of Canada, whether in legislative chambers in the armed forces, or otherwise, and with all his contribution to the business community, Senator McKeen's outstanding characteristic and the one for which he will long be remembered was his kindly, generous and thoughtful nature. Many of us have been the recipients of his thoughtfulness and generosity. Certainly I have on many occasions, and it is that side of Stanley McKeen, and not the politician or the industrialist, that will long be remembered by me.

Hon. John J. Kinley: Honourable senators, we have all listened with interest to the eloquent and affectionate tributes paid to the memory of our honourable colleague who has just passed away. We all know that British Columbia is very far from Nova Scotia, but this tragedy connects the two, the East and the West, because Senator McKeen, although a native of British Columbia, had a Nova Scotia tradition in his family which he lived up to wonderfully.

The McKeens of Nova Scotia are a distinguished family. They have served the country in public places; they are giants in industry and are highly respected as distinguished citizens of our province. The late David McKeen was Lieutenant Governor of Nova Scotia in 1915, and today another member of the McKeen family is Lieutenant Governor of Nova Scotia. Both have been excellent governors, and have played a great part in the recent history of our province.

The late Senator McKeen was one of the kindest men I have known. He was my neighbour here in the Senate; he had his office next to mine for many years. Senator McCutcheon has said he had many reasons for remembering his kindness and the kindly things he did for people, and how he was so generous in all the things he did. I recall he was a member of and did valiant service in British Columbia for the St. John Ambulance Association. He passed through the various grades until he

was appointed by his Sovereign as a Knight of Grace, and he joined the Priory of the Order of St. John in Canada where I served with him for many years. He was an outstanding figure upon whom you could always depend to play his part in anything that was necessary for the organization. He has left an honourable record; he did so many things well. It was a source of wonder to me as a businessman that he could be so successful in business, having so many interests and doing so much voluntary good for the people around him. He was in the forefront of practically every movement designed to elevate the tone of the people of his province.

He knew tragedy and suffered infirmities in the last few years of his life, but he had what I might call a marine attitude. He was president of a towing company, and president of an engineering and shipping company in British Columbia, and he stayed on deck despite the fact that he was infirm, and he fought to the last. When last I saw him here my opinion was that he would not last very long, but he still had hopes for the future and he still was optimistic about life in Canada.

The McKeens of Nova Scotia will be pleased to know that he was so well liked and highly esteemed here in the Senate. He has kept the name clean and great on the west coast. With other honourable senators, I wish to express to Senator McKeen's widow and family the sincere sympathy of my wife and myself. And now that he has been gathered to his fathers, their faith will help to sustain them in their sorrow.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Department of Northern Affairs and National Resources for the fiscal year ended March 31, 1966, pursuant to section 11 of the Department of Northern Affairs and National Resources Act, chapter 4, Statutes of Canada, 1953-54. (English and French texts).

Capital Budget of the Northern Canada Power Commission for the fiscal year ending March 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with copy of Order in Council P.C. 1966-1569, dated August 17, 1966, approving same. (English and French texts).

Report of the Northern Canada Power Commission, including its Accounts and Financial Statements certified by the Auditor General, for the fiscal year ended March 31, 1966, pursuant to section 24 of the Northern Canada Power Commission Act, chapter 196, R.S.C., 1952, as amended by Chapter 42, Statutes of Canada, 1956, and sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Supplementary Estimates (D) for the fiscal year ending March 31, 1967. (English and French texts).

Report of the President and Statement of Accounts of the Industrial Development Bank for the year ended September 30, 1966, pursuant to section 29(4) of the Industrial Development Bank Act, chapter 151, R.S.C., 1952. (English and French texts).

Report on the Administration of the Canada Pension Plan for the fiscal year ended March 31, 1966, pursuant to section 118, chapter 51, Statutes of Canada 1964-65. (English and French texts).

Report on the Administration of the Fitness and Amateur Sport Act for the fiscal year ended March 31, 1966, pursuant to section 13 of the said Act, chapter 59, Statutes of Canada, 1960-61. (English and French texts).

He said: For reasons that will be obvious tomorrow, I consider it unnecessary to refer the supplementary Estimates (D) for this fiscal year to the Standing Committee on Finance at this time.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 910 to 1041 inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

REFUND OF FEES

EVANGELISTIC TABERNACLE INCORPORATED

Hon. Gunnar S. Thorvaldson, with leave of the Senate, moved:

That the parliamentary fee paid with respect to Bill S-7, intituled "An Act to incorporate Evangelistic Tabernacle Incorporated", be refunded to the petitioners.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*See p. 1233.*)

PRIVATE BILL

BANK OF BRITISH COLUMBIA—COMMONS AMENDMENTS

Amendments made by the House of Commons to Bill S-16 of the Senate, intituled "An Act to incorporate Bank of British Columbia."

1. Page 1, Line 24: Delete Clause 5.

2. Page 2, Line 4: Renumber Clause 6 as Clause 5.

3. Page 2, Lines 4 and 48: Amend "sections 7 to 10" to read "sections 6 to 9".

4. Page 3, Lines 18, 19, 21, 22 and 25: Amend "sections 7 to 10" to read "sections 6 to 9".

5. Page 3, Line 34: Amend "sections 7 and 8" to read "sections 6 and 7".

6. Page 3, Line 36: Renumber Clause 7 as Clause 6.

7. Page 5, Line 38: Renumber Clause 8 as Clause 7.

8. Page 6, Line 7: Amend "section 6" to read "section 5".

9. Page 7, Line 1: Renumber Clause 9 as Clause 8.

10. Page 7, Lines 2, 3 and 17: Amend "sections 6 to 10" to read "sections 5 to 9".

11. Page 7, Line 44: Amend "section 7" to read "section 6".

12. Page 8, Line 24: Amend "section 7" to read "section 6".

13. Page 8, Line 43: Renumber Clause 10 as Clause 9.

14. Page 8, Lines 43 and 48: Amend "section 7" to read "section 6".

15. Page 9, Lines 1 and 2: Amend "section 8" to read "section 7".

16. Page 9, Line 9: Renumber Clause 11 as Clause 10.

17. Page 9, Line 9: Amend "Sections 6 to 10" to read "Sections 5 to 9".

18. Page 9, Line 15: Renumber Clause 12 as Clause 11.

19. Page 9, Line 17: Renumber Clause 13 as Clause 12.

20. Page 9: Add new Clause 13 as follows:

"13. No executive officer of the Bank shall be a director, employee or officer of any Government or agency thereof."

THE SENATE

Wednesday, December 14, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

ROYAL ASSENT

NOTICE

The Hon. the Acting Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa

14 December, 1966

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 14th December, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier,
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Commission appointed to delimit the Boundary between the Province of British Columbia and the Yukon and Northwest Territories, dated February 15, 1966, together with copy of an Atlas of 36 maps showing the boundary as surveyed, pursuant to Order in Council P.C. 5355, dated July 5, 1943. (English text).

Annual Report of the Minister of Trade and Commerce under the Corporations and Labour Unions Returns Act (Part II. Labour Unions), for the fiscal period ending 1963, pursuant to section 16, chapter 26, Statutes of Canada, 1962. (English and French texts).

RICHELIEU BRIDGE COMPANY ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. A. K. Hugessen, Chairman of the Standing Committee on Transport and Communications, presented the following report of the committee on Bill S-44, to amend an act to incorporate the Richelieu Bridge Company:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hugessen: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

PRIVATE BILL

BANK OF BRITISH COLUMBIA—COMMONS AMENDMENTS CONCURRED IN

The Senate proceeded to consideration of the amendments made by the House of Commons to Bill S-16 to incorporate Bank of British Columbia, which were presented yesterday.

Hon. Daniel A. Lang: Honourable senators, I draw your attention to the fact that the amendments to this bill are incorporated in the *Minutes of the Proceedings* at page 929. Although there are 20 amendments, 18 of them are merely a renumbering of the sections to conform with two substantive amendments which were brought in and passed in the other place.

Honourable senators will recall that this bill was introduced in the Senate on February 9 of this year, was referred to the Standing Committee on Banking and Commerce and there exhaustively dealt with and amended, and received third reading here on March 30. Since that time the bill has been in the House of Commons, and we now have it back with the amendments set out in the *Minutes of the Proceedings*.

Honourable senators are all quite familiar with this bill to incorporate the Bank of British Columbia which, in another form, first came before us in 1964. Because of the background and the treatment this legislation has received, I shall not take the time to do more than deal with the specific amendments now before us.

The first amendment deletes clause 5 of the bill, as passed in this place. Clause 5, as honourable senators will recall, requires that:

> (1) A majority of the directors of the Bank shall be resident in the Province of British Columbia.
>
> (2) A majority of the executive officers of the Bank shall be resident in or shall have their ordinary residence in the Province of British Columbia.

The question as to the exact intended nature of this bank was raised in the other place and was specifically directed to whether it was intended, as the sponsors had mentioned time and again, that it should be a national institution or be confined in a regional manner. It was felt that clause 5, by placing a limitation with respect to the residence of directors, put a decidedly regional cast on the bank. It was felt also that this was in conflict with the expressed intention that it should be an institution of a national character. As to who the directors should be, it was felt that this should be a matter to be decided entirely by the shareholders, subject, of course, to the restrictions contained in the Bank Act generally. For these reasons, it was seen fit to amend this bill by deleting clause 5.

The second amendment of substance was the addition of a new clause requiring that:

> No executive officer of the Bank shall be a director, employee or officer of any Government or agency thereof.

I am sure honourable senators will recall that when the original bill was before us for debate in 1964 concern was expressed with regard to the possible association between governmental officers and the provisional directors named in the original bill. That bill died on our Order Paper.

The bill we had before us earlier this year came without that association being present, and although today this association has been dissipated, that concern lingered in the minds of the members dealing with this legislation in the other place. Their concern was that if this association by any chance did persist, a conflict of interest might arise as between the interests of the provincial government and the interests of the bank. So, in amendment, this new clause was inserted to remove that possibility.

I think I can safely assume that both these amendments will commend themselves to this house as being in keeping with our own deliberations on this bill. I should add that these amendments met with the full concurrence of the sponsors of the bill.

As I mentioned previously, apart from the deletion of clause 5 and the insertion of the new clause 13, to which I have just referred, the other 18 amendments are merely for the purpose of renumbering the sections and the references to them throughout, to accommodate the deletion and the insertion.

Amendments concurred in.

APPROPRIATION BILL NO. 10, 1966

SECOND READING

Hon. John J. Connolly, moved the second reading of Bill C-254, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

He said: Honourable senators, this appropriation bill is in the usual form, and I think I need not dwell upon the sections of the bill itself. However, I will devote my attention, and I hope yours, to the purpose behind the bill. The fact of the matter is that there are some 70 million people in India and Pakistan who are in dire distress on account of hunger caused by the failure of crops. The worst of this condition prevails in two provinces of India, and some 25 per cent of the Indian population is affected.

I should like to read to the chamber the letter dated November 16, 1966, from the Prime Minister of India Mrs. Indira Gandhi, to the Prime Minister of Canada, because it explains better than I can the circumstances under which this bill comes before us this afternoon. The letter reads as follows:

> For the second successive year, our country has been afflicted by drought. Earlier in the year, we were looking forward to a good, if not a bumper, crop because of our efforts to introduce better seeds and to increase the use of fertilisers. To start with, the rains too were good. But, as we approached harvest time, the rains suddenly stopped in certain parts of the country, irretrievably damaging standing crops and creating a grim unprecedented situation affecting nearly 70 million people in the densely populated States of Bihard and Uttar Pradesh. The situation we now face is more serious than the one that we have just tided over, because there are no carry-over stocks from the last crop.
>
> It has been my earnest hope that in the coming months, we would be able to manage with a lower level of imports and that

the need to seek assistance from the countries which had helped us so generously in the past months would go down. However, in the situation in which we find ourselves, we have approached the U.S. Government for supplies under PL-480 and we have also requested your High Commissioner to approach the Canadian Government to assist us with 2 million tons of wheat.

I know that your Government will give its fullest consideration to our request and do whatever is possible to help us. I am addressing this letter to you personally because the month of January will be particularly difficult. The decision of the U.S. Government on our request for supply under PL-480 is likely to be delayed among other reasons because of the President's operation. It is imperative to avert an interruption in the programme of imports at a time when we need them most. In these circumstances, we should be most grateful if the Canadian Government could agree immediately to the supply of 500,000 tons of wheat, the shipment being so arranged that these supplies reach us by the second half of January at the latest. While it may well take some time to agree upon the terms on which the supply would be made, what is most important is to ensure that physical deliveries are not delayed on that account.

I am sorry to have to make this special plea for help for the second year in succession, but I feel sure that you will understand the compelling nature of the circumstances in which I have to do so.

With warm personal regards,

Yours sincerely,
Indira Gandhi.

Honourable senators, one of the corporal works of mercy that we all recognize is the feeding of the hungry, and hunger certainly does prevail in India. India is a country of great people. Many of us know the immense prestige that parliamentarians from India enjoy because of the Commonwealth associations that we have with them. We remember the distinguished delegation from India to the Commonwealth Parliamentary Association Meeting here in Ottawa last September under the leadership of Shri Hanumanthaiya, and those who were in New Zealand the year before will remember the similarly distinguished delegation under the leadership of Shri Desai. We remember too with warmth the visit that was made here, for the first time in the history of the two countries, by the Prime Minister of India, the late Mr. Shastri.

These gentle people of the East have great social and political problems. Not only does our heart go out to them but, being the great people they are, we want to do whatever we can to alleviate the terrible condition of distress which again has afflicted them. If for no other reason, as we approach the Christmas season the feeling of good will among all Canadians would support the proposal which is contained in this bill, to supply wheat and flour to India and to Pakistan to the value of $22,500,000.

The catastrophe that has struck those people is no fault of their own. By taking on this responsibility, Canadians will be providing a massive form of aid to a whole people. At this time of the year, when we try to exercise the virtue of charity, particularly to India, to be able to do so in this form should give us all a sense of personal gratification.

Hon. A. J. Brooks: I am sure we all feel indebted to the Leader of the Government (Hon. Mr. Connolly, Ottawa West) for his explanation of this bill, and it is unnecessary for me to say that we on this side of the house are in full accord with its objects.

I think it is good that Canada should provide additional aid to India during that country's time of distress, not only because she is in distress, but because, as the leader has told us, she is one of our Commonwealth countries. I feel that it is good for one Commonwealth country to come to the assistance of another whenever possible.

India has become one of the most impoverished and overcrowded countries in the world. The Leader of the Government has just told us that 70 million people are practically on the verge of starvation. It is fortunate that we in Canada can provide two million tons of wheat to starving people. It is well to remember that wheat, the main staff of life, is what such people need most in their distress, and it is good that Canada, with all her broad acres in the West, is able to supply it.

May I ask the honourable leader how many bushels of wheat will be sent? My friend from Winnipeg (Hon. Mr. Thorvaldson) tells me it will be about 10 million bushels. Would that be correct?

Hon. Mr. Thorvaldson: I think it would be 66 million bushels.

Hon. Mr. Burchill: There are about 40 bushels to the long ton.

Hon. Mr. Thorvaldson: That would be 72 million bushels.

Hon. Mr. Connolly (Ottawa West): It is a complicated calculation. When the Leader of the Opposition (Hon. Mr. Brooks) has concluded his remarks, I shall be happy to put on record the amount of money that is involved with respect to wheat, milk powder and atta flour for India, and wheat to Pakistan, but I am afraid I have not the bushel figures.

Hon. Mr. Brooks: I understand the price per bushel is over $2, and if our expenditure is $22,500,000 it should not be difficult to calculate.

Hon. Mr. Connolly (Ottawa West): The amount is for wheat and flour.

Hon. Mr. Paterson: That would work out at half a million long tons of wheat; that is, approximately 18 million bushels at $2.25 per bushel, or about $40 million.

Hon. Mr. Brooks: As we know, since obtaining her independence, India has attempted a series of five-year plans, which unfortunately have not been very successful, chiefly because her population is increasing at a terrific rate. Indeed, since 1947, the year of her independence, India's population has increased by 160 million people.

I was pleased to get a circular a few days ago with reference to this matter. It is called "News from Oxfam of Canada." I presume that other senators received this circular also. In addition to the Canadian Government giving $22,500,000 worth of wheat, churches, individuals and societies across the country are making donations.

According to this circular, the national chairman of Oxfam, Mr. Hawkins, says in regard to India:

> We cannot turn our backs on the problem; our present grant is extremely small, compared to the seriousness of the situation.

A cable from the Oxfam representative said:

> We are faced with a massive disaster; 30 million people in South Bihar alone are involved.

Hon. Mr. Connolly (Ottawa West): That is in one state.

Hon. Mr. Brooks: I understood the leader to say that this aid also is being given to Pakistan.

Hon. Mr. Connolly (Ottawa West): Yes. Some $1½ million worth of wheat is to go to Pakistan out of this allocation.

Hon. Mr. Brooks: The press officer of Oxfam quotes again from the cable sent by the Oxfam field representative, Mr. Howard:

> Five districts are having starvation deaths now, and the numbers will leap up in the next two or three weeks. Some of the villages I visited close to Budh Gaya had groups of people already prostrate with starvation.
>
> In this local area, 100,000 children under five and 250,000 children under 12 are affected.

As I say, this is in that particular local area. He goes on to give much more information, but we know from what we have heard and from what he says in his report that the situation is most serious.

This situation pinpoints and emphasizes one aspect which has been mentioned in the Senate, and which I have heard mentioned in the United Nations and in the Parliamentary Association. The world's number one problem in these great Eastern countries today is that of feeding the people. This problem has been debated at the United Nations every year, and also in Dublin when I was at the International Parliamentary Association conference there. The problem is the tremendous increase in population.

Hon. Mr. Aseltine: The population explosion.

Hon. Mr. Brooks: The population explosion. It used to take some hundreds of years for the world population to double, but now it doubles in about thirty-five years.

Besides giving food to these people, which is all right in times of stress such as this, what the Western nations particularly are trying to do is to teach the people better methods of farming and better ways of raising their own foods and crops. Canada is doing her share in this, as are other countries. I do not think we are doing more than our share, and there has been some criticism that we are not doing as much as we should. Nevertheless, we stand high in the list of aiding countries.

It is not necessary for me to make further remarks. This proposal is one which appeals mainly to all of us in the Senate. It appeals

also to the great bulk of the people of Canada. We are very anxious to do whatever we can.

Hon. Walter M. Aseltine: Honourable senators, I would like to add a word before the honourable Leader of the Government closes the debate. When I was in India in 1957 we spent a week in Pakistan, and during our travels there we visited the huge dam which the Canadians were building for the people of Pakistan on the Hindu Kush River.

Hon. Mr. Deschatelets: At Warsak.

Hon. Mr. Aseltine: Yes. The honourable senator who has just spoken was a member of that delegation, and we visited this dam together. The purpose of building that dam was to produce hydro electric power and irrigation. I wonder if that irrigation system is operating now and, if so, if that area is still suffering from the lack of moisture. The monsoons cannot be counted on and the people there are much in need of this relief.

Hon. Mr. Connolly (Ottawa West): Honourable senators, may I intervene to say I understand the dam and the power station are actually completed and the irrigation project associated with it is proceeding. I will try to get some more information about this at the earliest possible opportunity. Many millions of Canadian dollars went into this project. It was part of the general Canadian contribution to the work of the Colombo Plan. I will try to get more information for the honourable senator.

Hon. Gunnar S. Thorvaldson: Honourable senators, I had the privilege of attending the sessions of the United Nations in New York during the past week or two. There one comes to very close grips with the problems outlined in the bill before us. There are differences in ideologies among the peoples of the world and sometimes such differences are the most serious menace to peace. However, when one attends the United Nations and observes the membership of that body, one finds that its membership is divided largely between the have nations and the have-not nations. There are some divisions on colour but the great division is that of the developed countries and the underdeveloped countries.

We in Canada are realizing more and more that the best way to maintain peace and security in the world is to improve the economic side of the have-not nations. Part of that process is helping them to survive, by feeding them. Part of it is by technological help in building dams and factories, such as the project referred to by Senator Aseltine.

At the same time, while we are referring to the huge quantities of food we have shipped to those markets, we should not forget that Canada plays a tremendous role in sending scientific personnel to all those countries. I have known many of the personnel. A number of our leading scientists, when they retire from their vocations because of the age limit, are sent to India, Pakistan, and other countries to teach their people how to grow more food per acre, and other skills. I have been close to this problem, and it has become very noticeable to me that this matter of feeding the underfed people of the world is as tremendously important as is looking after them in other ways, namely, in helping them along in industrial development.

Frequently we hear Canada criticized by those who say we are not doing enough in this area of need. People do not always agree on what we should do. As Canadians we should be proud of the contribution we make. I doubt if any other country, per capita, makes a finer and bigger contribution towards a settlement of these problems than do the people of this nation.

Hon. Mr. Roebuck: Honourable senators, have we any information, or can the Government give us any information, as to the methods of distribution of this food when it does arrive? Is there a great Canadian organization that follows it? Is it handed over to the governments for their tender mercies? Does it fall into the hands of speculators? Can we get any information concerning these questions? It is very important, it seems to me, that our largesse does go to those people who need it and that we take the precaution to see that it does.

Hon. Mr. Connolly (Ottawa West): Answering that question directly, I believe we can be fully assured that, first, there is no speculative element in the handling of the commodities that are given on this basis; nor is there a great Canadian contingent that goes over to make the distribution. This is left to the local authorities.

I would draw the Senate's attention to the fact that the request in this case has not come from the Minister of Agriculture, not from some agency charged with distribution, but from the Prime Minister herself. This is not the first time that aid has been given in the form in which it is being given this time.

Hon. Mr. Aseltine: In other words, it is being given to the Government.

Hon. Mr. Connolly (Ottawa West): I know of no complaint about the distribution of the aid or about the distribution of the food.

Hon. Mr. Grosart: Honourable senators, this appropriation is, I understand, supplementary to the Estimates of the External Aid Office of the Department of External Affairs. The formal conditions under which grants are made require the recipient country to pay the cost of transportation from Canada to that country. As I understand it, this is a gift, as the Leader of the Government has said. It is a Christmas gift from the people of Canada to the people of India. I wonder if, under those circumstances, the conditions of requiring the recipient of the gift to pay for its delivery will be enforced in this case.

Hon. Mr. Connolly (Ottawa West): I do not know that I would like to describe it as a "Christmas gift," although I do say at this time of the year we are likely to be more disposed to think in a sympathetic way about such a proposal.

You may find it helpful if I tell you that what is proposed to Parliament is that, to India, wheat to the value of $13.5 million is to be shipped within 10 days; milk powder to the value of $3.5 million is to be shipped approximately a month from now, towards the end of January; atta flour, which is whole wheat flour, to the value of $4 million will be shipped early in January. To Pakistan, wheat to the value of $1.5 million will be shipped when shipping instructions have been received from Pakistan.

Answering directly the question that Senator Grosart raised, I do not think that we can agree in this house to the charge that is involved, if the shipping costs are to be absorbed. This is more than was called for in the resolution in the other place. It is not something we really have power to touch. However, in view of the kind of request made by the Prime Minister of India and the words she used, I think the arrangement used in previous years for handling and shipping will prevail again. That is about as far as we can go in the circumstances.

Hon. Mr. Brooks: Did the Prime Minister of Pakistan make a request as well?

Hon. Mr. Connolly (Ottawa West): Yes. I am sorry that I do not have that letter with me, but there was a similar request from that Government. It may have been made through the Pakistani High Commissioner in Ottawa.

Hon. Jean-François Pouliot: Honourable senators, the head of my church and the leaders of all churches have made representations for aid to be given to countries who suffer from famine and who have suffered from other disasters, and the speeches that have been made today and the questions that have been put have been inspired by very high motives. Although I do not object to the aid that is to be given, I would like to have some enlightenment as to the manner in which the food, or money, is to be distributed and to whom and by whom. Senator Roebuck asked the first question, Senator Grosart asked a second question along the same lines, and it is important for us to know where we are going in this matter.

In my view, aid should not be restricted to the Commonwealth countries, because there are other parts of the world in distress and in need of help. One or two nights ago there appeared on television a picture of the flooding at Florence, Italy, where many art treasures of the world had been preserved for centuries. These treasures have been damaged or destroyed by the floods that were caused by heavy rains and the melting snow from the mountains.

It is extremely unfortunate to think of the destruction of art treasures, but something much worse than that is the suffering of people because of hunger. People who had been comfortable, who had had means and who had been prosperous were, in one day, put out on the street—and on a street covered with water, mud and all sorts of debris. It seems to me that some help should be given, but the most urgent help is not that which is given to salvage art treasures; it is that which is given to human beings, to persons like ourselves, to persons who are completely destitute. What can be done for them, I wonder.

The United States has been very generous in all sorts of ways in order to help alleviate misery and privation all over the world. We, too, are doing our share, but it must be done in a manner which is logical and as fair as possible.

The people of the beautiful City of Florence, who were of comfortable means, and who were perhaps wealthy, but who have lost all they had and were left in a city where they could no longer get the comforts to which they had become accustomed, are no less worthy than the people who suffer on the

sands of Pakistan or in Central Africa. They are all human beings.

When we speak of help to the Commonwealth countries, it may be meritorious, but, if you help anyone who suffers, you have the same merit and you are entitled to the same reward. It is not a question of countries; it is not a question of restricting aid to the Commonwealth. It is a question of helping mankind and showing that Canada makes no distinction between races or colours when giving help to any country in the world.

One must, however, keep in mind that the money given comes from the pockets of the taxpayers of Canada, and in my view the people of Canada should have the first opportunity and the first chance, although I have no objection to helping the other parts of the world which suffer. Therefore I would ask the Leader of the Senate if there are amounts which have been earmarked for some specific countries, and if so, how much for each one. He mentioned grain to the value of $1.5 million for Pakistan. I would like to know where that money will go in terms of currency or in terms of food, and I would like to know who are the people who will benefit from it. I do not believe that the Leader of the Government can answer this question today.

Hon. Mr. Connolly (Ottawa West): Yes, I can.

Hon. Mr. Pouliot: You can? Then, I shall stop at once.

Hon. Mr. Connolly (Ottawa West): May I tell the honourable senator that the money goes first to the Canadian farmers and the Canadian millers who produce the flour. The flour and wheat then go to the distribution agencies in the countries which it is intended to assist. I should also tell him that the Government is at the moment giving serious consideration to the question of aid for some of the distressed parts of Italy. The grounds for this, of course, are somewhat different from those which prevail under this bill. I should tell him too that in the supplementary Estimates, in the food aid program, in addition to what we are doing today, the amount allocated to India for wheat was $56 million, to Pakistan for wheat $5.9 million, to Ceylon for flour $2 million, to Ghana for flour $2 million, and to Indonesia for flour $350,000. For the total world food program, which includes many countries other than those I have mentioned here, there is a total of $8.7 million, plus, in the same vote, a contingency fund of an additional $50,000, making a total, before we come to consideration of this bill, of some $75 million for the food aid program Canada is giving to the world in this fiscal year.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Acting Speaker: Honourable senators when shall this bill be read the third time?

Hon. Mr. Connolly: Honourable senators, in view of the unanimity of feeling about this matter today, and also in view of the fact that we shall have Royal Assent this afternoon, I move, with leave, that the bill be read a third time now.

Hon. Mr. Pouliot: May I say just a word on third reading?

We all agreed on the expenditures but in order to meet them, perhaps some curtailments could be made in the actual expenditures of the Government. It would not be a bad thing to use the scissors on the Estimates. The first cut I would make would be in the sums allocated to the B and B Commission, the Laurendeau-Dunton Commission, which has served no useful purpose and which is the most expensive of all the commissions. The money that would be saved by that curtailment would help to pay the aid to other countries who are in dire need of assistance. There are many other cases I could mention, but for the moment I shall mention just that one. I shall check the Estimates and have more suggestions next time I have the opportunity to do so.

Motion agreed to and bill read third time and passed.

MEDICAL CARE BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Honourable Mr. Macnaughton for the second reading of Bill C-227, to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans.

Hon. Joseph A. Sullivan: Honourable senators, I neglected yesterday to inform the Leader of the Government in the Senate, when I adjourned the debate, that a very momentous event had occurred in the Sullivan family. One of my nephews was ordained to the priesthood in the Order of the

Basilian Fathers at St. Michael's in Toronto, and today he is praying for his Uncle Joe because he knows he needs it, and he is putting in a word for the Leader of the Government in the Senate so that he may see the light.

Hon. Mr. Connolly (Ottawa West): I congratulate the honourable senator.

Hon. Mr. Sullivan: Without wishing to be designated as being perfunctory, I wish to congratulate the sponsor on his diplomatic manner of introducing this legisation, which I am sure he does not altogether believe in. He has been one of Canada's distinguished Speakers of the House of Commons, and I sincerely trust that when legislation on legal care comes to this house that he will show the same unbounded enthusiasm for it as he did for medicare.

I would like to make clear that I yield to no person in support of humanitarian legislation, for that has been the basis of my whole life's work. I further state that the medical profession wholeheartedly supports medical services for the people because that again is the basis of their life's work.

The sponsor of this bill is a Montrealer and an outstanding member of the legal profession of Canada. I will introduce my remarks with the words of another Montrealer, the internationally famed scientist and one of the greatest, if not the greatest, neuro surgeons living today, Dr. Wilder Penfield. Dr. Penfield has advised Canadians never to make medical services entirely free. He said:

> Give support to hospitals and medical education, but never make medical service free. This would only increase total cost to the taxpayer without providing more efficient care, and would deprive the patient of the direct, friendly guidance of a family doctor.
>
> The poor patients have rarely been forgotten by our hospitals, and doctors do care for a significant proportion of patients free of charge. The present situation can be made worse by legislation.

I further quote from Dr. Penfield:

> Socialization of British medicine has decreased scientific achievement which would have been more forthcoming if universities had been allowed greater freedom and independence. Dependence of British medical schools on government support and control had an unfortunate effect on academic initiative. Unnecessary treatments also are more frequent under their socialized system and hospital workers lazier and less productive, causing a great increase in the total cost of hospital care.

"Medicare and the Politicians." Medicare is the word now used to describe, in short, government-controlled health services. It is inconceivable that any government in a free country would compel or even ask the lawyers, engineers, architects, actuaries, accountants, economists, scientists, professors, journalists or the citizenry of its own country to become in effect employees of the state.

It is my considered opinion that doctors are being singled out among the professions. Why? It is the most worthwhile vote-getting scheme that politicians can perpetrate on the general public at large in order to be returned to office for their own gain and security. Bureaucratic meddling has caused many of the complaints against Britain's national health service. We can learn from the experience of other countries.

If there is a lesson from life, it is that none of us can afford to be lookers on, the critics standing on the side lines. It was Lord Acton who said, "Power tends to corrupt, absolute power corrupts absolutely."

Some political leaders are unquestionably innocent of any desire—and this is the theme of my whole discourse this afternoon—or intention to limit freedom of expression or profession, but even measures introduced to serve innocent purposes are frequently later perverted to serve evil purposes. Who can tell what future administration itself might twist the law, or colour the law, as once promulgated. Clause 8 of this bill, as described by Senator McCutcheon last evening, vindicates that opinion.

I speak to you as a doctor, and a member of this venerable chamber, not as a member of a political party; as a physician, vitally interested in the individual welfare of each physician and surgeon in this country; as one who has devoted his life to his profession, both in medical scientific research and surgery. What I have to say is in the interests of the people of Canada as a whole, and with the full support of the Canadian Medical Association. There are about 24,000 doctors in Canada, 22,000 of whom are practising doctors, and 2,000 postgraduates, interns and residents. The Canadian Medical Association consists of a membership of about 20,000 doctors, representing 95 per cent of the profession in Canada.

The philosophy of the minister—Professor of National Health—is only too apparent. Is Canada a tired old country with a tired, sick and incompetent population that some of our politicians think she is? Not yet, thanks be! But how soon will she be?

Sweden, the model socialist country, with the highest suicide rate in the world—which I have visited numbers of times and have lectured in—is frustrated and unhappy. Socialist Great Britain is almost bankrupt, yet we rush into socialism with far costlier schemes than ever thought of. The minister's edict that we must keep everyone that refuses to work, his contemplated scheme to guarantee an adequate yearly income for all Canadians—to a degree that is right—and now this compulsory medical services scheme, only portrays too well his philosophy and his thinking—mere textbook economics. But just as economic servitude makes for political helplessness, so does economic freedom make for political independence.

In a speech in Toronto recently the minister, when talking about automation and cybernation, made this remark:

> It may well pioneer a new system of income maintenance and social welfare for all the population...

The wrongness of this legislation lies in the opportunism with which it has exploited a few splinter party votes, to make basic changes in the fabric of Canadian life. These rash and radical political pressures have left us in an economic mess in which the Minister of Finance has indirectly attempted to forestall the onrush of socialism. We face a tangle of welfare programs which have so institutionalized poverty as to make the practice of being poor, and on the public dole, a legitimate job classification in the eyes of many.

In his remarks on automation and cybernetics—the latter word coming from the Greek word meaning myth, the study of communication and control in living organisms or machines, which the medical profession have been doing for years—he stated it was the building of a new and great society. We cannot have the so-called new and great society until we have the responsible society—the society where it is more profitable to work than not to work. You do not help a man by constantly giving him more handouts. I accept the opinion of Penfield rather than that of the minister.

For centuries, philosophers and patriots have repeatedly warned mankind to guard against unchecked majority rule. Popular sovereignty is a safeguard against certain forms of tyranny: it can also be as tyrannical as any other form of despotism. It may ignore all restraints, claim an unlimited power and justify that power on the grounds that its actions represent the general will. Madison, the great constitutionalist, said:

> There is nothing to check the inducements to sacrifice the weaker party or an obnoxious individual.

Alexander Hamilton added:

> You must first enable the government to control the governed, and in the next place oblige it to control itself.

In the western democracies the doctrine of the general will, which places the power of governing in the hands of the majority, emerged only after the people's basic individual liberties were firmly established and powerful non-governmental organizations and institutions existed to defend individual liberty.

It must be remembered that individual liberties were not created by the relatively simple act of granting the franchise.

Liberties and freedom were created by various interests so organizing themselves that they were in a position to fight for their rights. The franchise was the reward of such determination and conviction. In this regard, John Stuart Mill has stated:

> The rights and interests of every or any person are only secure from being disregarded when the person interested is himself able, and habitually disposed to stand up for them...Each is the only safe guardian of his own rights and interests. Human beings are only secure from evil at the hands of others in proportion as they have the power of being, and are, self-protecting.

And, as Pope John XXIII stated in *Mater et Magistra*—Mother and Teacher:

> Experience, in fact, shows that where the private initiative of individuals is lacking, political tyranny appears.

John goes on further to state:

> At the outset it should be affirmed that in economic affairs first place is to be given to the private initiative of individual men who, either working by themselves, or with others in one fashion or another, pursue their common interests.

Economic control is present whenever any agency, government or private, becomes the sole buyer and seller of medical services or any other service in the community. Government control which must exist over any "free" service carries with it a real danger to the freedom of those providing the service. For example, if the legal profession were socialized—God forbid—who would represent the individual against the state? Or if citizens enamoured of the slogan "Cleanliness is next to Godliness" advocated "free" plumbing as a right, would the guilds and unions agree to the principle of economic control by the state, to the principle of compulsory arbitration, or to the principle of the state having power to legislate its own idea of a fair wage? Are not the advocates of "free" services with government control and compulsory arbitration only advocates of such measures when control and compulsory arbitration are applied to others?

Free men and institutions have the right to place a value on their labour and services. These freedoms are endangered when the state promises to the people the "free" services of others in the face of the expressed opposition of those who would provide the services.

There is general agreement that free essential services should be provided for the deserving needy, and it would seem more reasonable to grant more generous benefits to those in need than to grant equal benefits to all regardless of need. Everyone is concerned for those with real needs—that is a doctor's life—but there is a growing feeling we are acting unwisely to the extent that we are actually using the federal treasury to encourage and reward laziness and malingering.

The concept of medical care as a right, and the relationship of this concept to basic rights and freedoms, desire careful analysis. The advocates of the welfare state, and socialized medicine in particular, have recently adopted the slogan "Medical Care as a Right," and are already demanding this new "right."

What are the implications and possible consequences if this demand is accepted as an established right? This concept of "medical care as a right" must be examined in the light of the postulates of right and duty arising from the philosophy and laws of western democracy.

A curious paradox of some contemporary social philosophy is the idea that a man should spend what he earns for his pleasures rather than for what he needs. It is appropriate, so this reasoning goes, that he should buy a television set, a vacation in Florida, or an outboard motor boat, because these are cardinal rights. But, for something that he really needs, such as his life or his health, or the life of his child, someone else should pay. This may be the government, his employer, his union, his great aunt, or anyone else who can be cajoled or coerced into paying the price for him. If no one else will pay for it, then the doctor should serve him for nothing. This is the philosophy of the child whose needs should be met by his parents, but whose Christmas money or earnings for sweeping the front porch should be spent for his personal pleasures. This may be acceptable for the child of an indulgent parent, but it is not appropriate for a free man in a free society.

It is fairly obvious that the government believes that the payment for the provision of medical care should be a tax-supported right for every Canadian. It would also appear that they hold that when one purchases a medical care insurance policy they should not be provided with a copy of that policy unless they purchase it from the Queen's Printer, and employ a lawyer to interpret it for them. The benefits provided in the policy should not be dictated by sound insurance or economic principles, but should be subject to the whims of political expediency.

If one holds to the foregoing, then this is good legislation. If, however, one holds as I do that the Government's interest in medicine is not, and never has been, medical but was, and is, political, designed to extend a greater degree of control over the individual and to extend socialism by taxation, then it is bad legislation.

As the Canadian public has accepted the above-mentioned principles as applied to the hospitalization plans for some years, it is doubtful if they will object to this act until after it is passed and the necessary taxes levied.

Numerous supposed rights are based more on imagination and emotion than on fact. In general, those who contribute nothing to the values and freedoms of society have very small rights to its protection.

The Canadian Bill of Rights defines the rights of the citizen against those of the State in accordance with democratic philosophy. I hasten to bring to your attention, and emphasize some basic economic truths—not theories or fanciful crudities. In evaluating the socialistic welfare state it might be timely to reflect on a few basic economic truths which have been proved many times in the course of history. The first is: Governments cannot give to the people what they do not first take

away from the people. The second is: You cannot multiply wealth by dividing it. Third: You cannot legislate the poor into economic freedom by legislating the wealthy out of it. Fourth: That which one man receives without working for, another man must work for without receiving.

Nothing can kill the initiative of a people more quickly than for half of them to get the idea that they need not work because the other half will feed them or take care of them, and for the other half to get the idea that it does no good to work since someone else receives the rewards of their labours.

I am well aware of the trend of conditions, not only in my own country but in other countries as well—countries that I have visited, worked in, attended seminars in, and lectured in. I am firmly convinced that this does not come so much from the people.

In a society of free men, competence is a primary duty. The man who does his job well tones up the whole society, and the man who does a sloppy job—whether he is a janitor or a judge, a surgeon or a mechanic—lowers the tone of all society. But, excellence implies more than competence. It implies a striving for the highest standards in every form of life. We need individual excellence in political life, in education, in industry, in medicine—in short, universally—and, not the least, we need excellence in standards of individual conduct.

A truly democratic society cannot force any person or persons, or professional group into any service unless in time of national emergency, and then under emergency powers. The great advances in medicine have come under free medicine—that is, in countries where government does not control or direct the practice of medicine. Who raised the average life expectancy from 49 years in 1900, to 72 years and better today? Was it labour leaders, radio and TV wise men, or newspaper columnists? Assuredly it was not the members of political parties. It was, and is, medical science.

Germany's unprecendented prowess in this regard came almost to an end 15 years after Bismarck's scheme was introduced. Today most of the advances are coming from the United States of America. As William Pitt stated in 1783:

> Necessity is the plea for every infringement of freedom. It is the cry of tyrants; it is the creed of slaves.

The planners cry for preventive medicine, but beyond good food, exercise, clean water, milk, and vaccinations, this is shibboleth. Who can tell when a man is going to have a heart attack or cerebrovascular accident, arthritis, pneumonia, or cancer?

Let me illustrate a little further. In Great Britain for the fiscal years 1949-50, $1,410 million was the budgeted cost of the new health scheme, which is just about 75 per cent more than what the brilliant minister had figured nine months earlier, and a good third over what the Beveridge Plan estimated for 1955. In 1965-66 it was $4 billion a year.

It is only in recent years that doctors have become exercised about politics and economics, being forced into this by the pressure of politicians and latter-day socialist economists. Until a few years ago it was rare to see in any medical journal an article on medical economics. These journals were filled with scientific articles and clinical data on medical progress. Indeed, the only concern was the patient and the advancement of medical knowledge.

The British National Health Service, for example, although it was a comprehensive, ambitious and Utopian undertaking, incapable of being realized, remains, despite superficial alterations, a sacred cow of British politics. The labour party seems to be busily engaged in trying to kill whatever remains of a medical service market. Why should this be so? It may be due to the inability of the public—and this assuredly is not confined to Great Britain—to dispel the illusion that they are receiving something for nothing. Doctors are not trained to think politically; they are trained to think scientifically. Physicians, individually or as a group, have never tried to win any popularity contests. They have tried to protect the dignity of the profession.

Young British doctors are quitting their nation's program of "free" health care, and are emigrating, presumably to the United States. This disenchantment points up the extent to which reality has intruded into a socialist dream. Although the British Government now says it plans to build some hospitals, and to expand medical schools, it is apparent that a socialist vision has been blurred by some harsh economics. According to the *London Illustrated News* of September 17, 1966, they are not only walking to get out—they are running.

The adage, "People who get everything for next to nothing think next to nothing of everything they get," epitomizes a human reaction so automatic that it is scarcely even conscious. Given the meagreness of our pocketbooks, we cannot help but be rational to the extent of economizing with things which are

expensive, but that which is cheap is cheap as dirt and need not be treated with care and consideration.

The new apostle of social security, Sir William Beveridge himself, had warned that "the danger of providing benefits which are both adequate and indefinite in duration is that men are creatures, adapt themselves to circumstances, may settle down to them." They settle down, indeed, and smarten up to them. What is done at first surreptitiously by uninhibited persons only tends to become common practice.

In agreement with the Canadian Medical Association, I submit the following very positive form of program for the Government. I realize that I am exercising a piece of futility in doing this, but I intend to put it on record. The program can be classified under nine points:

1. It is not in the interest of the sick that medical care should ever become a subject of political dispute, nor should the physicians' services ever become an item of meretricious party political value.

2. There must be no compulsion or abrogation of the citizen's right to determine the method and extent of his participation in prepayment insurance of his medical care. Any such abrogation of his rights constitutes a measure of civil conscription.

3. The fiscal arrangements for the provision of personal medical services must not be all wed to become a monopoly of any agency, but it must be open to competitive carriers within the framework of existing insurance laws.

4. The proper and only role of government in the fiscal arrangements for the provision of medical care is to undertake to defray the cost of insurance premiums in respect of those who are unable to assume their responsibility—the needy and the indigent.

5. In the interest of their patients and also to safeguard its own democratic freedom, it is my opinion that the profession will not participate in any plan which involves a measure of coercion or civil conscription.

6. The contract to provide medical care lies solely between the patient and the physician of his choice. The contract to provide payment for this care lies between the insurance carriers and their clients and must not intrude upon, or bind in any way the physician providing the medical care.

7. Any insurance system for the fiscal arrangement for medical care must foster individual responsibility and discourage abuse by ensuring that the individual shall bear directly part of the cost at the time of the provision of the physician's services.

8. The prospective carriers should be encouraged to evolve an insurance policy which will not discriminate against any individual or group on the basis of age or pre-existing infirmity.

9. The profession can undertake and guarantee to maintain its traditionally high standards only if it continues to enjoy autonomy and control of its own destiny.

In a democracy, can the citizens allow the state to coerce any minority group, let alone the citizens themselves, and reduce it to servitude? Are Lincoln's famous words, "Government of the people, by the people, for the people" to become, "Government of the people, by the majority, for the majority"?

Medicine and doctors are being exposed to changes which they themselves have not initiated and do not really want. Our society has decided that we, the profession, have given inadequate care to our nation. Our apparent shortcomings have caused our governments both federal and provincial to implement medical care legislation to assure every citizen the right to medical care.

Medical men have never backed away from their professional responsibilities. While doctors are less than perfect expendable commodities, they have gone unarmed into the beaches of Dunkirk; they have sacrificed their health and wellbeing in the interests of human suffering. They have laboured through nights of tragedy, with no thought to overtime and no thought for themselves.

This has been all too little for our social system. Our society wills to see the profession as a group of well off, self-satisfied autocrats with special rights and privileges.

Dr. George Scott, the eminent psychiatrist of the Faculty of Medicine at Queen's University, said, rather pungently:

> Political life, ridden with patronage and scandal, has betrayed medicine in an effort to preserve its narcissistic images.
>
> Psychologically bankrupt political parties have revitalized themselves through the life blood of the medical profession. "Medicare" actually has been a political manoeuvre cloaked in puritanical robes of altruism.

The medical profession moves into a new era of service. People seem to think they now have a right to demand treatment for an illness which may or may not exist. All one

has to do is to read the books of Dr. Penfield. The latest book to which I shall refer is entitled "Medicine in Transition" by Iago Galdston, M.D. I will quote from the foreword by Lord Cohen of Birkenhead, President of the Royal Society of Medicine:

> Dr. Galdston's earlier writings on the social science of medicine in a world of change stamp him as one of the outstanding medical philosophers of our time.

Here is a very important point as to what we are running into as all these services are being given. Dr. Galdston, at page 173 of his book, states:

> With the recession of the infectious diseases, but not necessarily because of their recession, the functional and physiological disorders have now come to the fore. It is possible that some of these disorders have become demographically significant because in time past many of their victims would not have successfully run the gauntlet of the infectious diseases. But, whatever the reasons, a great many of the present-day disorders requiring medical service are distinctively functional and physiological in nature.

It is a most difficult problem to get a patient out of the hospital. The article continues:

> The list is extensive and includes not so many disease entities as discomforts, dysfunctions, complaints, anxieties—symptoms not necessarily ascribable to any gross or definable pathology.

If there was ever sufficient evidence for this chamber to exercise its constitutional authority, namely, as that of the chamber of sober second thought, it is in this legislation.

It appears to me that the minister is mesmerised with his own power. He has been adamant in introducing his own version of medicare. He has rejected almost all suggestions for improving the plan. He has spurned the plight of the provinces. Technically, all that needed doing was a change in the bill so it would cover only the low income 30 per cent of the population. This 30 per cent of the population which the Canadian Medical Association rightly asked the Government immediately to institute care for was facetiously commented upon by the leader of the New Democratic Party. That is not unusual for him. However, let me tell him right straight that the medical profession has been taking care of that segment of the population from time immemorial for nothing. I speak, as the standing evidence of that basic truth before you today, with my colleagues in the Senate, Dr. Gershaw and Dr. McGrand.

Both the Government and the socialists are so firmly committed to universal medicare, that anything short of that—even needicare now, universal medicare later—could topple the Government. The elected representatives have been chary of charging the Canadian Medical Association with putting forward its proposal in bad faith. Yet behind the coolness of the Government and the socialists undoubtedly there is apprehension that medicare for only the needy 30 per cent of the population would be so popular with the provinces, with the medical profession—the men who are to carry out the program—and perhaps even with the taxpayers, that pressure to leave it at that would be irresistible. Indeed, there is more than apprehension; there is suspicion that this is the result the doctors hoped to achieve.

The plan has worked very well in Ontario, Manitoba, Alberta and British Columbia, and to all intents and purposes is working satisfactorily in Quebec.

This bill, in brief, legislates so that the state will provide supported medicare for millionaires along with every other group.

Now I will quote freely from the past President of the Canadian Medical Association, Dr. Jones, on the need for markedly increased medical personnel of all kinds, that is, doctors, nurses, physiotherapists, occupational therapists, and so on. To meet this need, we need vastly stepped up recruitment. One of the principles that must be borne in mind is that any scheme for medical services must do more than gain grudging acceptance by my generation of doctors, but must be of such a sort that it will attract the best young people of this country to the health professions. This seems to me to be one of the greatest dangers in the introduction of new plans. In all honesty, one already hears of young people who are turning away from medicine because of the present unrest.

On page 180 of Galdston's book are figures in support of that view that are extremely revealing.

In this regard, I wish to make a few comments on what my colleague Senator MacKenzie said in this chamber on November 15 last. He quoted my associate of World War II, Dr. John F. McCreary, Dean of the Faculty of Medicine at the University of British Columbia. I have all of this in my presentation,

so I will not repeat it, except to say that I agree with him completely.

Senator MacKenzie then referred to the members of the Association of Canadian Medical Colleges, which is written up in the Canadian Medical Association Journal of November 5, 1966.

I wish to quote a few remarks of Dr. McCreary to show you exactly how he feels about it. Dr. McCreary expressed the view that the Canadian medicare scheme could drive away immigrant physicians and cause a serious shortage of doctors in Canada. He said that Canada must register about 1,300 new physicians each year to maintain its present physician-population ratio. "However," he said, "our 12 medical schools only produce 850 new doctors each year."

Regarding immigrants, he said:

> Canada would have been in serious difficulty during the period of post-war population growth if it had not been for the large number of immigrant physicians. Now, Canada will cease to be one of the two remaining countries in the world where health services are provided entirely on the free enterprise system. It may well become a less attractive place to foreign physicians than it has been in the past.

Regarding the expansion plan, Dr. McCreary said the Royal Commission on Health Services also recognized the effect medicare might have to diminish the number of immigrant doctors, and had urged immediate expansion and construction of medical training facilities.

The *University Toronto Graduate*, of December 1966, page 22, quoted Dr. Chute, the new Dean of the Faculty of Medicine, in answer to the question, "Is there any answer for the doctor shortage?" as follows:

> No matter what we do, there will be a shortage of doctors for the next 15 or 20 years. There just is not enough doctors in Canada.

I do not often quote from newspapers, with all due respect to Senator O'Leary (Carleton). I have not made much use of the big scissors they gave me when I first came here. There is a smaller type of scissors I would like to use on some people down here. However, I would like to quote from the *Montreal Star* of March 2, 1966. That paper carried an extract of an editorial in the Journal of the Canadian Medical Association. The *Montreal Star* then said:

> The editorial is an urgent appeal for government to heed the warnings and the proposals of the Gundy Report on Medical Education.

It is one of the most informative reports that ever has been produced in this country as regards medical science and education, but it has been disregarded completely. It has been sent to everybody but it was never made any use of.

This is what the *Star* said:

> The editorial is an urgent appeal for government to heed the warnings and the proposals of the Gundy report on medical education. It refers to the "twilight sleep of lethargy" which enfolds both the public and those in high place.
>
> Canadians complain endlessly about their abject position vis-à-vis the United States. But they refuse to face the fact that much of it is simply due to failure to spend money where it will do the most good. We are prepared, apparently, to institute medicare at vast expense. We do little to improve medical science and education upon which, obviously, medicare ultimately depends. The amount of money involved is trifling in comparison to the global budget total.

I would quote further from Dr. Jones, and I shall be brief, because I could talk until midnight about this subject.

This matter has been studied by many bodies, most recently in the Gundy Report, and all have come up with staggering figures about our needs for increased medical research. Let me emphasize that this is not to have large break-throughs in medical knowledge, though that would be very nice and such things have occurred in Canada in the past, but because unless we do have adequate research facilities of our own, we cannot properly teach modern medicine and we will not attract or hold our qualified teachers.

All groups agree that we need a vast extension of facilities, hospitals, laboratories, and so on. All groups are exceedingly concerned by the very poor conditions in the mental health services in this country, for example, taking up almost 50 per cent of the hospital beds of Canada.

This has been Government responsibility for years. I want this on the record carefully, and every word of it.

Then, to show why we are foolishly rushing into this medicare scheme, this is in a field of medicine which is supposed to require a more expensive kind of care than others and, incidentally, has been almost entirely Government administered for the last one hundred years.

Here is a real sore spot in the body-medical of Canada, and the Canadian Medical Association have urged that steps be taken to correct this. Up to date, these urgings have fallen on pretty deaf ears.

All groups agree, including the medical profession, that there are groups of Canadian citizens who are unable to pay for medical care because of their financial difficulties. The Canadian Medical Association believes the Government has a real responsibility here and urges them to provide total or partial help to Canadians who need it.

Until midsummer of this year, the Canadian Medical Association had some reason to believe that Government authority agreed with the association, and we were somewhat complacent about the future of health care in Canada. This complacency was rudely jolted on July 19, 1966, when the Prime Minister listed his famous four points, in which there was to be a Government agency, to be initiated, at that time, on July 1, 1967, and which is now deferred until July 1, 1968.

The provision of this so-called "opting out" right of the doctors I believe to be essential in any plan desiring the co-operation of Canadian doctors. That is, the right to opt out of the plan as an amendment, as I said in the earlier part of my remarks and as Senator McCutcheon referred to under clause 8.

Only in this way can we preserve our rights —our patients' rights to receive and our right to provide the kind of medical care dictated by the patients' need and the doctor's conscience—rather than by the deputy ministers or by the treasury officer.

The present situation regarding the Health Resources Fund—of which Senator Burchill spoke, and also my fellow colleague on the Board of Governors of the University of Toronto, Senator Lang—illustrates the ever-present possibility of control. I emphasize this on the record. It seemed logical that the informed bodies in the training and research fields, for example, the Association of Canadian Medical Colleges to which Senator MacKenzie referred, as I did, should at least be well represented on the final administering body. The Canadian Medical Association then confidently sat back to await such action.

On February 1, 1966, a two-day meeting of the federal and provincial ministers of health concluded. The communiqué emerging from this conference reported as follows:

> In considering the composition of the advisory committee, the ministers decided that a body of this kind should consist of representatives of the federal and provincial ministers of health.
>
> The advisory committee would be empowered to call upon professional bodies for advice on technical matters.

The position of an on-call advisor to an advisory committee scarcely reassures the informed professionals of this country that they will have much of a voice in planning for facilities which are of vital importance to them.

I quote again briefly from Dr. Galdston's book some comments on the British National Health Service:

> In Britain, the National Health Service is virtually the sole purchaser of the services of the doctors.

Galdston concludes his remarks on the British National Health Service as follows:

> What stands forth in terms of its effect on the profession is bureaucratization with all its attendant evils, principal among them the conversion of medical practice into the pursuit of a vocation rather than that of a profession. In effect whether medicine is practised as a vocation or as a profession cannot but prove of great consequence to the recipient of medical care. It must affect the moral and intellectual fibre of the medical corps, it cannot but deleteriously affect medical education and the advancement of medical science. Only those ignorant or unmindful of historical experience, can doubt that these must be the inevitable sequelae of the bureaucratization of the profession and of the practice of medicine.

Let me add another telling voice to this debate. For many years the late Henry Sigerist, the Professor of the History of Medicine at Johns Hopkins University, a man who surveyed the Saskatchewan situation and was most influential in shaping the thinking of Mr. T. C. Douglas and who was an outstanding medical spokesman advocating the nationalization of medical service.

The chapter to which I have reference in Sigerist "On the Sociology of Medicine", published by M. D. Publications, Incorporated, New York, N.Y., 1960, at page 209, vividly describes his association with their plan.

Sigerist retired to his native Europe and in 1956 published "Landmarks in the History of Hygiene" by the Oxford University Press, page 72. It is perhaps worth noting here that, having been an ardent proponent of the complete socialization of medicine, Sigerist retracted on his return to Europe and wrote as follows:

> Now that I am back in Europe, I am no longer in favour of health insurance and I think that better solutions should be found. Health insurance in many a European country has become rigid and is in the hands of groups that have a vested interest in it. The machinery is frequently very clumsy and we generally find the tendency to perpetuate under a Government insurance scheme an outgrown type of medical service. Hence the time has come to re-consider the whole set of problems and to seek new ways of solving them, ways that will make the best possible use of the present technology of medicine.

In speaking to this legislation in the other place on December 6, 1966, the Leader of the New Democratic Party stated he did not want to be a "spoil-sport." He said:

> I would make a special plea that optometric services be included because of the importance of these services to children and elderly people.

How considerate of him!

Honourable senators, this latter remark could not be further from the truth. These two groups, children and elderly people, require medical services not technician's services. The examination and diagnosis of a child's eye disability requires all the skill and diagnostic acumen of a highly qualified eye specialist. It would be just the same as sending a young child or an elderly person with a hearing disability to be evaluated by a hearing aid salesman.

Speaking to an amendment to the bill the other day, the minister rejected a series of opposition amendments designed to cover a variety of para-medical services. The medical profession has no objection to that, but it does object to the word "services". We feel that it should be a separate piece of legislation, and should not be considered in this bill.

However, the minister saw fit to shelve this problem of para-medical services, and conveniently relieved himself of any responsibility in this regard by passing it on to the provinces. Commenting on that, I would like to fall back on my legal friends and quote a very fine phrase, *lex dubia lex nulla*, a doubtful law is no law.

Canadian doctors recognize and support the need for government aid in making possible high-quality medical services for a proportion of our population. They believe that this can best be provided by the provision of a voluntary plan, available to all Canadians with government subsidy to the individual according to his needs. In setting up such a plan they believe that the ancient but vital medical doctrine, *Primum Non Nocere*—Do not harm —should be respected.

Attention should be directed to first things first—personnel, training, and our mental health services. The introduction of a plan or plans should be constantly accompanied by research into their effectiveness and, especially, their effect on the quality of medical care. Mechanisms should be built in for the correction of faults which are bound to appear in any plan actually in operation. The freezing of patterns of medical care which will inevitably result from massive Government intervention with centralized bureaucratic administration and with rigidly conceived rules, may well produce lowering of the quality of medical care exceedingly difficult to reverse in the future. Our ultimate goal is to retain that which is sound, precious, and essential in and to medicine and to the profession, and give up that which is harmful and outgrown or merely habit and not essential. To conclude in Dr. Galdston's words,

> This adaptation must be attained by reasoned study, by consultative statesmanship, mindful of changing conditions but mindful also that whatever is grievously injurious and disruptive to the medical profession must prove evil to the people as a whole.

To such a reasoned study and collaborative effort to improve medical services in this country with built-in self-corrective safeguards, the Canadian medical profession will gladly pledge itself.

When this bill goes to committee, I will discuss certain parts of it and move two amendments. I apologize for taking so much time, but I felt that it had to be said, and I thank you for your attention.

Hon. F. W. Gershaw: Honourable senators, may I first congratulate the sponsor of this bill on his clear explanation. I also may say that we know Dr. Sullivan has reached the very highest place in the Canadian Medical Association, and his discourse today has been listened to with rapt attention. It has been comprehensive and he has placed material on record which will be of great value.

This is a very important bill for the reason that, when this measure comes into force, it will affect the financial planning of almost every individual in this country.

I take it that the members of the House of Commons and the members of this Senate are all anxious to see medicare made available for every person in Canada. The only point is that there are different ways in which this may be brought about. Medical men try to preserve a certain image. A doctor likes to be closely associated with his patients. He likes to be friendly. He likes to be helpful. He likes to work with his patients.

I am a little afraid, from what has happened in other countries, that this measure will tend to separate the doctor from his patient. Doctors will be in a group negotiating for better terms and better conditions against another group, and there will be some loss of that very fine association between the doctor and his patient.

My chief object in saying a few words today is to bring to your attention something that has already been done and which I think might be a good foundation at some future date for this particular medicare bill. In Alberta, in Ontario and in British Columbia there are plans now in operation whereby any person who is short of money can have a premium paid for prepaid medical care. This scheme has been in operation in Alberta since 1963 and it works very well. The doctors like it and the patients like it. It is now in operation in the other two provinces that I mentioned, Ontario and British Columbia.

It seems to me that if that were general, poverty and hard times would not prevent everyone from getting medical care, and probably later that could be a foundation for further advancement in that line.

The cost of medicare is a factor. It is just one of the factors, but it is usually increased where the fees are paid by the Government instead of by the individual.

The Hall Report at page 879 states that the costs by 1971 will be increased by $466 million. Now, that has been interpreted as meaning that the Government costs will be that much more than the individual costs would be for the same form of expanded service. On close reading it really does not say that but, as a general thing, we can be pretty sure that when the Government pays for something, it pays a little more than the individual would be able to pay.

It is estimated that the cost for each individual in Canada will be from $35 to $40 per year. Taking as an average 20 million people, that brings you from $700 million to $800 million that the taxpayer will have to raise; whereas, by this other plan that I have mentioned, where those who need help get help, it would not be $700 million, but would be $157 million.

The Premier of Alberta says that a sales tax will have to be put on there, that there will have to be an increase in gasoline tax and an increase in income tax, to cover these expenses.

Now, as Dr. Sullivan has said, this medicare has been in operation in many countries in the world, and I just want to mention briefly some of the difficulties that they have run up against. For instance, New Zealand has had socialized medicine for a long time, but everybody who goes to see a doctor has to pay part of the fee out of his own pocket. He has to make a payment himself.

In Australia they have had to set up a special discipline committee to prevent fraud in connection with medicare. In Sweden, a country that is always spoken of as a great socialist country, they have completed their scheme in easy stages. First, they had compulsory accident insurance, and then they built it up from one thing to another. But even there, the individual, if he has the money, pays the doctor and then sends his receipt in to the government and gets three-quarters of it back again.

It is said that in Russia the doctors spend more time on documents and forms than in examining patients. Half their time is spent filling in documents, reports and forms of different kinds.

Even in Germany and Austria, where they have had a system of medical care for 70 years, there are frequent disruptions, and it is said today that a doctor sees from 40 to 60 patients in his office every day and makes 15 to 25 calls. He cannot possibly do that much work in one day and give the patient the care he should really have.

Reference has been made to Great Britain. Lloyd George, back in 1911, started the scheme in Great Britain and the national

health plan came into being in 1958. But there has been constant debate, negotiations, turmoil and even friction, and the doctors there have gathered into a group and are constantly bickering with the Government. This is not a desirable state of affairs.

As regards costs, when it was first brought in there it was thought it would cost $480 million, but instead it is costing $2,800 million at the present time.

In closing let me say a few words about the scheme in Alberta, which started in 1963, Under that scheme one can insure with any carrier one likes, but there is a law which says that carriers may only collect a certain premium, which is limited. The Government looks after that. There are about 1,400,000 people there and 1,100,000 have protection at the present time. Of course the Government provides medical attention to those who qualify under the Old Age Assistance Act or who are in receipt of any pension, if they need the help. They also have a plan by which if you have no income tax to pay they will pay 80 per cent of your premium. If your income on which you pay tax is $500 or less, they pay 50 per cent; and if your income on which you pay tax is up to $1,000 a year, they will pay 25 per cent. They are also helping out in the payment of chiropractors and optometrists and such people.

Before concluding let me put this statement on the record. The Canadian Medical Association, Alberta Division, said recently:

> We sincerely believe that the Alberta Plan insures a high quality of medical care while preserving for the individual citizen the important principle of freedom and responsibility.

I have been unable to find out how much demand there is for medicare, but I know there is a great demand for educational facilities. As Dr. Sullivan has said, there is a great demand for mental health requirements and education, and there should be more inquiry into the cause and treatment of heart disease, the cause and treatment of cancer and pneumonia and the cause of accidents, because these are the captains of the men of death, and research is needed. Research brings more knowledge in the ways of preserving good health and it brings more ways of preventing disease. It brings more happiness, more accomplishments and more good to the whole of your country.

On motion of Hon. Mr. Phillips, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of reports of the Standing Committee on Divorce Nos. 910 to 1041, inclusive, which were presented yesterday.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted on division.

RESOLUTIONS PRESENTED

Leave having been given to revert to Presentation of Petitions:

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 891, for the relief of William Peter Reid.

Resolution 892, for the relief of Marie Thérèse Fernande Brais Archambault.

Resolution 893, for the relief of Mary Renee Frenette Menard.

Resolution 894, for the relief of James Hubert Carlin McMahon.

Resolution 895, for the relief of Joseph Jacques Girard.

Resolution 896, for the relief of Odette Ladouceur Mathieu.

Resolution 897, for the relief of Adrienne Landry Fournier.

Resolution 898, for the relief of Donna Audrey Joyce Heckman Gleason.

Resolution 899, for the relief of Doris May Lillian Brabant Tessier.

Resolution 900, for the relief of Helmut Hubert Hermes.

Resolution 901, for the relief of Rebekah Naomi Paltiel Lowi.

Resolution 902, for the relief of Joseph Ulric André Gagné.

Resolution 903, for the relief of Evdoxia Argyriadou Halivelakis.

Resolution 904, for the relief of Anna Lazar Baron.

Resolution 905, for the relief of Marie Cécile Martel Lavoie.

Resolution 906, for the relief of Nicole Le Petrie Denis.

Resolution 907, for the relief of Sheila Louise Hayes Shepherd.

Resolution 908, for the relief of Freda Beatrice Cooper Stutt.

Resolution 909, for the relief of Edith O'Sullivan Hack Johansson.

Resolution 910, for the relief of Shirley Ann Cecillia Everitt Cunningham.

Resolution 911, for the relief of Barbara Ann Kelly Miner.

Resolution 912, for the relief of Ruth Jacqueline Julien Bohbot.

Resolution 913, for the relief of Pauline Drimer Kreaden.

Resolution 914, for the relief of Arnold Ritchie Rogers.

Resolution 915, for the relief of Rachel Suzanne Capraro Leonard.

Resolution 916, for the relief of Gunda Elizabeth Radbill Haas.

Resolution 917, for the relief of Régean Réal Roberge.

Resolution 918, for the relief of Janet Frances Smith McLachlan.

Resolution 919, for the relief of Norman John Black.

Resolution 920, for the relief of Huguette Gagnon Huard.

Resolution 921, for the relief of Lucien (Luciano) Bellemo.

Resolution 922, for the relief of Donald Patrick Joseph Brown.

Resolution 923, for the relief of Harold Auty.

Resolution 924, for the relief of Hector Quintal.

Resolution 925, for the relief of Elisabeth Heseltine Nesbitt.

Resolution 926, for the relief of Joyce Slapcoff Stuart.

Resolution 927, for the relief of George Stinton.

Resolution 928, for the relief of Eileen O'Dair Ryan Sheahan.

Resolution 929, for the relief of Michel Pierre Paul Van Schendel.

Resolution 930, for the relief of Laurel Fay Lyons Rugg.

Resolution 931, for the relief of Wilbertson Wilks.

Resolution 932, for the relief of Joseph Bernard Schachter.

Resolution 933, for the relief of Ernest Maurice Mayer.

Resolution 934, for the relief of Antonin Josef Vyvial.

Resolution 935, for the relief of John Herschorn.

Resolution 936, for the relief of Andree Paquette Mudie.

Resolution 937, for the relief of Maureen Harling Watmore.

Resolution 938, for the relief of Nicole Desroches Lauzon.

Resolution 939, for the relief of Marie Jeanne Pauline Gauthier Tremblay.

Resolution 940, for the relief of Michel Tamilia.

Resolution 941, for the relief of Yvon Chevrette.

Resolution 942, for the relief of Gerard Barbeau.

Resolution 943, for the relief of Honnie Nadler Pedvis.

Resolution 944, for the relief of Bella Cooper Gohenberg, (otherwise known as Belle Cooper Bond).

Resolution 945, for the relief of Dallas Kenny Proulx.

Resolution 946, for the relief of Gilbert Charles Roger Prevot.

Resolution 947, for the relief of Nicole Maxine Beaudry Hicken.

Resolution 948, for the relief of Ronald Alfred Perrier.

Resolution 949, for the relief of Elizabeth Agnes MacKellar Gillies.

Resolution 950, for the relief of Dawn Marie Downey Cross.

Resolution 951, for the relief of Hedy Theresa Kukulski Hynes.

Resolution 952, for the relief of Maria Eczet Berkovits Devereaux.

Resolution 953, for the relief of Ernst Friedrich Rude.

Resolution 954, for the relief of Anita Dubois Barbeau.

Resolution 955, for the relief of Margaret Eleanor Tucker Harding.

Resolution 956, for the relief of Elizabeth Opritian Doyle.

Resolution 957, for the relief of Steve Nona Hayden Middleton.

Resolution 958, for the relief of Annette Rita Brown Leavitt.

Resolution 959, for the relief of Georges Campeau.

Resolution 960, for the relief of Veronica Geraldine Canniff O'Sullivan.

Resolution 961, for the relief of Wendy Eve Milne Radmilovic.

Resolution 962, for the relief of Gertrude Salomons Rosenberg.

Resolution 963, for the relief of Charles Robert Belson.

Resolution 964, for the relief of Guy Beauchamp.

Resolution 965, for the relief of Roland Lefebvre.

Resolution 966, for the relief of Marcello D'Errico.

Resolution 967, for the relief of Barbara June Will Hunter.

Resolution 968, for the relief of Elinor Katrine Margrite Olafsen Rasmussen.

Resolution 969, for the relief of Andree Charlebois.

Resolution 970, for the relief of Elva Doris Joyce Gledhill Potts.

Resolution 971, for the relief of Constance Pouliot Meyers.

Resolution 972, for the relief of Robert Douglas Palmer.

Resolution 973, for the relief of Emily Patricia Mary Barber Chartier.

Resolution 974, for the relief of William Boyack Galloway.

Resolution 975, for the relief of Lillian Irene Marion Fraiberg.

Resolution 976, for the relief of Adrien Joseph Jacques Fontaine.

Resolution 977, for the relief of Georges Desjardins.

Resolution 978, for the relief of Maria Nora Strobach (Laszlo) Amar.

Resolution 979, for the relief of Marie Anida Eveline Melanson Lawrence.

Resolution 980, for the relief of Sonia Bigue Fiset.

Resolution 981, for the relief of Denise Lavallée Bissonnette.

Resolution 982, for the relief of Anne Pierette D'Angelo Fauchier.

Resolution 983, for the relief of Sidney Pryce Beattie.

Resolution 984, for the relief of Mary Mackay Wilson Rendell.

Resolution 985, for the relief of Daphne Mary O'Donnell Sweeney Conroy.

Resolution 986, for the relief of George Beverley Turnbull.

Resolution 987, for the relief of Marilyn Ruth Warren Moore.

Resolution 988, for the relief of Judith Witt Rifkin.

Resolution 989, for the relief of Marie Claire Rollande Charbonneau Brophy Langevin.

Resolution 990, for the relief of Shirley Alma Neumann Jebson.

Resolution 991, for the relief of Charles Franklin Dodge.

Resolution 992, for the relief of Sybil Ann Reynolds Southward.

Resolution 993, for the relief of Emile Doucet.

Resolution 994, for the relief of Real Couture.

Resolution 995, for the relief of Marie Luce Lorrain Chevalier.

Resolution 996, for the relief of Margaret Louise Desborough Blatherwick.

Resolution 997, for the relief of Joseph Rene Stinziano.

Resolution 998, for the relief of Anne Mae Pruder McAdam.

Resolution 999, for the relief of Reta Marjory Major Shaw.

Resolution 1000, for the relief of Yvonne Miron Charbonneau.

Resolution 1001, for the relief of Monica Eileen Dalton Girouard.

Resolution 1002, for the relief of Margaret Ann Adams Luck.

Resolution 1003, for the relief of Ronald Henry Johnson.

Resolution 1004, for the relief of Florence Anne Robinson Shaw.

Resolution 1005, for the relief of Margaret Winnifred McDonald Baird.

Resolution 1006, for the relief of Rene Gauthier.

Resolution 1007, for the relief of Suzanne Le Brun Barrette.

Resolution 1008, for the relief of Rollande Dupras Huguet.

Resolution 1009, for the relief of Catherine Margito Gorician.

Resolution 1010, for the relief of Giovanni dit John De Santis.

Resolution 1011, for the relief of Gisele Beaudry Fortin.

Resolution 1012, for the relief of Jean-Guy Demontigny.

Resolution 1013, for the relief of Marguerite Marie Rose Rotsky Gagnon.

Resolution 1014, for the relief of Martha Thomas Crampton Lazure.

Resolution 1015, for the relief of Claudette Boivin Groulx.

Resolution 1016, for the relief of Diane Marie Lalonde Forsythe.

Resolution 1017, for the relief of Catherine Jessie Murray Brodie.

Resolution 1018, for the relief of Greta Gibson Blampin Perkins.

Resolution 1019, for the relief of Bernard Chevrier.

Resolution 1020, for the relief of Andre Alix.

Resolution 1021, for the relief of Fernand Joseph Ducharme.

The Hon. the Acting Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck: Honourable senators, I move that these resolutions be placed on the order paper for consideration at the next sitting.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bills:

An Act respecting General Mortgage Service Corporation of Canada.

An Act to incorporate Income Life Insurance Company of Canada.

An Act to incorporate Income Disability and Reinsurance Company of Canada.

An Act respecting Canada Health and Accident Assurance Corporation.

An Act respecting the Boundary between the Provinces of Manitoba and Saskatchewan.

An act respecting the Boundary between the Province of Saskatchewan and the Northwest Territories.

An Act to amend the Canada Lands Surveys Act.

An Act to amend the Canada Labour (Standards) Code.

An Act to incorporate Bank of British Columbia.

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, December 15, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copy of an Agreement between the Government of Canada and the Government of the Province of Newfoundland for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Copies of fifty-six contracts between the Government of Canada and the Municipalities of the Provinces of Alberta, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Hon. Mr. Brooks: Are the provisions in the agreements with the various provinces the same in this case as they have been over the past few years?

Hon. Mr. Connolly (Ottawa West): I understand so.

POSTAL SERVICES INTERRUPTION RELIEF BILL

FIRST READING

Hon. John J. Connolly presented Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

Bill read first time.

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Mr. Connolly (Ottawa West): I think I should say at the next sitting, which will probably be two days hence. With leave, I move that it be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

MEDICAL CARE BILL

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Macnaughton for the second reading of Bill C-227 to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans.

Hon. Orville H. Phillips: Honourable senators, in rising to take part in this debate, I wish first to pay tribute to the sponsor of Bill C-227. While the honourable Senator Macnaughton is not directly associated with any of the health services—he chose a more lucrative profession—he has always taken a very keen interest in health matters.

Hon. John J. Connolly (Ottawa West): That is a mistake, on the average.

Hon. Mr. Phillips: I recall another occasion in more fortunate days in a different house, when he and I sat on different sides of the Speaker's chair, he introduced a motion concerning mental health, and I had the pleasure of suggesting to the Government of the day that they accept the motion; and, later in the day, it was accepted by the Government. I also want to pay a tribute to Senator Gershaw and Senator Sullivan. A little later I will be referring to Senator Gershaw's remarks, but I would like to pay a short tribute now to Senator Sullivan. He is one of Canada's most distinguished doctors.

Hon. Senators: Hear, hear.

Hon. Mr. Phillips: He is not only one of Canada's leading ear surgeons, but I can say, without fear of contradiction, that he is a recognized world authority in his field. This is borne out by the fact that he has been honoured not only by the Canadian and American medical associations but also by every leading medical association in the world. Yesterday he referred to Dr. Penfield's writings on a number of occasions. After reading his remarks in *Hansard*, I would suggest that he take up Dr. Penfield's hobby of writing, and I am sure that any book he produced would automatically become a best seller.

Hon. Senators: Hear, hear.

Hon. Mr. Phillips: Senator Sullivan referred to what he called socialized legal care. If I may, firstly I would like to make a suggestion to him. I have not had time to make an

accurate count, but I believe there are approximately 200 lawyers on Parliament Hill, taking in both the House of Commons and the Senate.

Hon. Mr. Connolly (Ottawa West): You can never have too much of a good thing!

Hon. Mr. Brooks: That is taking in everybody!

Hon. Mr. Phillips: I notice that many of these are ardent supporters of medicare and, in fact, some of them even go so far as to go along with the idea that it is a sort of cardinal sin for a medical man to charge a patient for services rendered. I would like to suggest that these people now take the opportunity of volunteering to provide free legal aid for all those who need it. This is the golden opportunity for the members of the legal profession. Their numbers are representative from Newfoundland to Vancouver.

Hon. Mr. Connolly (Ottawa West): This may be a *non sequitur,* but we now have it.

Hon. Mr. Walker: We have been doing this for the last 30 years.

Hon. Mr. Phillips: We will have to publicize that a little more, because not many people are aware of it.

Hon. Mr. Connolly (Ottawa West): You can get a lot of free legal advice here.

Hon. Mr. Walker: We will send you bills from now on.

Hon. Mr. Phillips: I get enough bills now—and I do not mean those we consider in the house.

In my remarks I want to make clear at the outset that I have no basic objection to the principle of the bill, but I do have certain disagreements in respect of the planning of it, which I will discuss for a few minutes.

The bill I think was prepared in haste. I understand that in 1919 medicare was part of the platform of the Liberal party. That was before I was born. I called the library to obtain a history of the Liberal party, and was referred to one written by Mr. Pickersgill. That left me with some doubts, so I decided to inquire of the more senior members of this chamber. I asked Senator Rattenbury if that was the case, and he, in turn, referred me to Senator Davies who told me that he has a distinct recollection of medicare being in the 1919 program.

Hon. Mr. Connolly (Ottawa West): You should have asked the honourable senator from Carleton (Hon. Mr. O'Leary).

Hon. Mr. Phillips: I can recall when Mackenzie King revived the matter again in 1937, and I remember my father making his usual complimentary remarks about Mackenzie King and medicare at that time.

In 1945 there was a great movement on for medicare in Canada. This, I think, was associated with the "from the cradle to the grave" coverage of the Labour government in Great Britain at the time. This did not come about because there was disagreement with the provinces. I believe it was a good thing, because the extreme socialism in England then, in my opinion, had a great deal to do with that country's difficulties today.

Canada, on the other hand, proceeded more slowly and on a somewhat different pattern. Firstly, we had the national health grants, then hospital insurance, and now we have medicare. We are all sort of bedded in a patchwork quilt of socialism, and a number of politicians keep reminding the people that these benefits are free. I dispute that fact, and I would like to illustrate my point by this reference to hospital insurance. Through the Canadian Dental Association we had a hospital insurance policy which cost $48 a year for family coverage. Admittedly, the first $25 was deductible—that is, it was paid by the patient—but that insurance coverage provided private room accommodation. Hospital insurance came into effect, and in the province in which I live we paid a premium of $48 a year, in addition to which the federal Government paid about 60 per cent of the cost of the program in that particular province, and we went from private room accommodation down to ward accommodation. This illustrates clearly, I think, the fallacy of believing that these benefits are free and cheaper when operated by a government agency. The socialists continue to advocate more and more social measures on the basis that they are free.

In case some honourable members opposite think I am being partisan, I will say here that although I think the Liberal party has a patent on most political sins, it has not exclusive use of them all. Those of us who are proud to call ourselves Conservatives must admit that our party commits a few sins along this line too.

We have all become familiar with Stanley Knowles' setting himself above God with his socialistic blessings, but I sometimes wonder whether the present Minister of National

Health and Welfare occasionally considers himself a sort of Canadian Father Divine who, as you all know, was a former slave who operated his own church in Chicago, and who built a number of Meccas throughout the United States in which the few enjoyed luxury which the rest paid for.

In the debate in the other house emphasis was placed on the fact that Canadians need not fear any extensive or expensive medical bills in the future as a result of this measure.

At one point in particular I feel the federal Government has been very negligent, namely in its treatment of tubercular and mental patients. Under the Hospital Insurance and Diagnostic Services Act, tubercular and mental patients are not covered if they are in a tubercular hospital or a mental hospital. It is true that they do get coverage if they are in a general hospital, but of course it is extremely difficult for a tubercular patient to be admitted to a general hospital. The larger hospitals do have active psychiatric treatment wards, but they account for a little over two per cent of the psychiatric beds in Canada. These are two of the most expensive and lengthy illnesses that can afflict individuals, and the federal Government does not touch or assist them in any way.

I wish to say something further about the drift towards socialism and its effect on Canada's development. We are all familiar with the division within the Liberal party concerning foreign investment and foreign ownership in Canada. Honourable senators, it grieves me to see a party split, as the threatened departure of Mr. Gordon from public life also grieves me. I would like to make a suggestion to those opposite which will allow them to heal the split in the Liberal party and retain Mr. Gordon, and do Canada a great service. I am basing that remark on the fact that a study of the welfare payments in Canada shows that as these payments increase so does foreign investment in Canada; they run almost parallel.

In all sincerity I suggest to you that if we stop this rush down the road to socialism we shall not only save Canada but also greatly assist the Liberal party. I hope they will take that advice in the sincere spirit in which it is offered to them.

Hon. Mr. Connolly (Ottawa West): Physician heal thyself.

Hon. Mr. Phillips: I wish briefly to mention the problem of the profession. Probably I should say professions, because I am mostly concerned with dentistry.

First, I will mention the medical aspect. No one will dispute that Canadian doctors maintain probably the highest standard in the world, and that Canadians without medicare at the present time enjoy the highest standard of medical treatment in the world.

Hon. Mr. Sullivan: Hear, hear.

Hon. Mr. Phillips: Our doctors are extremely dedicated. I have many friends in the medical profession who become rather annoyed when they read of and hear people asking for a 30- or 35-hour week. Doctors would like to get 35 hours in a week to rest. In presenting medicare to the public we must be most careful that it does not reflect upon the medical profession. I for one would deeply resent that.

Canada has, on the average, one doctor for 960 patients. Prince Edward Island is in a worse position, having one doctor for 2,000 people. The United States, in turn, has one doctor for every 740 patients. I mention the United States, because the workload of the American doctor is 30 per cent less than that of his Canadian counterpart.

As I have already stated, we did not have much time to plan for medicare. We made no effort to step up the training of doctors. The Hall Commission recommended that we add 471 students to our medical classes each year.

Honourable senators, this is an extremely expensive task and it is one, of course, that had to be done whether medicare was introduced or not. I am not blaming this on medicare but I want to point out the need of assistance to medical and other professional schools. The University of Toronto, I am told, will be adding 75 students to its class this year, but that is being done at a cost of $35 million. This illustrates the staggering cost that the medical schools are facing. In fact, I am told that to get the 471 students into medical schools, we would need to create ten new medical schools of approximately the size of Queen's University. The same shortage applies in my own profession, and in nursing. Canada presently needs 35,000 nurses.

One of the problems in keeping doctors in small rural areas is that about half of the doctors in Canada today tend to specialize. The general practitioner fears very much the regulations which will be introduced under medicare, that they may place him in a very awkward position in dealing with his patients. Those regulations may set out that only a specialist can perform certain forms of treatment, and quite often this type of specialist is not available in that area.

Another item bothering doctors is the question of increased workload. They say they are already overworked. It is human nature that when a person finds out he can visit the doctor and have his services paid for, there will be an initial rush. I do not say this rush will continue, but there will be an initial rush for medical examinations, whether they are needed or not. This will throw a heavy burden on a profession which is already short of members.

When you get into a program administered by bureaucrats, you naturally seem to accumulate a lot of paper work. When the doctor has worked all day seeing patients, sometimes listening to very sad stories, he does not feel like spending too much time doing paper work. The profession naturally hates it. This is going to take away much of the doctor's time to see patients or so-called patients. The filling out of forms can be very frustrating.

Honourable senators, I always like to tell this story. One night I was called back to my office to see a patient who had been in a car accident and was thrown forward on the dash, unfortunately fracturing his anterior teeth. A few days later I received a form from the insurance company which required me to answer a lot of questions on age, marital status, and so on, of the patient. I was asked to describe the accident, although I had not seen it. Then I came to questions 22 and 22a, set in a very attractive black box. In question 22 the company wanted to know if this claim had any origin or result in pregnancy, and question 22a asked if there were any complications during the pregnancy.

I looked at this and decided I had done enough paperwork in answering the other questions, and I sent the form back without filling this in. It came back from the insurance company with a note stating that I had not filled in question 22. I just marked in N/A, meaning not applicable, and returned it. It came back to me again with a note that I had not filled in the answer to question 22a, as to whether there were any complications during the pregnancy. I was about to write to the insurance company to explain to them that normally males do not become pregnant, but I decided that I had had enough of paper work and I let it go at that.

A doctor in one of the provinces mentioned to me that he is very concerned about the type of form some of the provinces are considering. In this computer age, the form is being designed for the computer. On each visit, the doctor will be required to check off 23 separate items, so that this card can be fed into a computer. This is a complete waste of valuable time, which the doctor could spend on another patient.

The medical profession also fears that measures of this nature in the practice of medicine may become controlled by economists, bureaucrats who do not understand medicine and who do not think along the line of medical men but will become more concerned with the statistics of medicine than with the actual relief of pain. One of the disturbing features of this bill is that in the act we have done nothing to protect the medical man.

I would like to spend a minute or two on the related or associated professions. I do not particularly like the term "para-medical", because it always conveys to me the idea of a rescue team jumping from an aircraft. I have had my day sitting on a parachute and I would not particularly care to go back to that. I prefer the term "associated professions." There are dentists working in a number of these plans now, such as OMSIP, the Ontario plan. I think there are 18 or 19 forms of dental treatment which can be carried out under this plan, and the dentist is paid from the plan.

A complaint I often hear from dentists is that, under this plan they cannot take X-rays to aid them in their work. This is the danger of having a decision made by someone who does not understand the problem. The dentist at work naturally takes the X-ray anyway, but he does not receive any fee for doing so.

Hon. Mr. Connolly (Ottawa West): Unless he gets paid by the patient, I suppose.

Hon. Mr. Phillips: It would be possible to get paid by some patients, but I think the average patient would be most reluctant to pay the fee if he felt that OMSIP was looking after his bill.

Recently I was talking with a dentist in Ottawa, a member of a small group who do charity work in one of the hospitals here. He told me that they see approximately 3,600 patients a year for which they receive no fees whatsoever. I was very impressed with the fact that these extremely busy gentlemen will give that much time to see that number of patients without receiving any fee.

The particular dentist in question told me that on one occasion he had gone back to his own office, and was so far behind in his appointments schedule that he told his nurse not

to take any more patients that day, otherwise he would be too late finishing his day's work. Later, the nurse received a call from the Department of Northern Affairs asking him to see an Eskimo who was down here undergoing training. The nurse informed the department that it was impossible for the dentist to see the Eskimo. Shortly after that the dentist received a call from an official in the Department of Northern Affairs who wanted to know why he had refused to see the Eskimo. The dentist explained the situation to the official who, in reply said, "Well, there is no problem. We will not keep you waiting. We will send him out in a taxi." The dentist asked about payment and was told, "Well, we have no money to pay for the dentist, but we can pay for the taxi. Don't worry, you won't be caught paying for the taxi."

To me it is a strange situation that the department would have no objection to paying the taxi driver but would balk at paying the professional man. I think at least the professional man is entitled to the same treatment. In general, dentists are not happy with this plan and for very good reason, I think.

I would like, before moving on to the bill itself, to pay particular tribute to the work of Dr. Rynard and Dr. Brand in the other house. They presented the viewpoints of the associated professions on this subject. It is interesting that at the turn of the century the medical man worked alone. Now that picture has completely changed and he is part of a team, the main member of a team, always willing to refer patients to other health services. Now, there is a danger that by including only one member of the team under medicare, it will weaken the structure or weaken the team.

After repeated requests from the Opposition, the minister moved an amendment which I would like to read to you. It is clause 4(3):

> In the application of this Act to a plan established by an Act of the legislature of a province, any health services of a kind prescribed by the Minister to be required health services rendered by a person lawfully entitled to render such services in the place where they are so rendered shall, under such terms and conditions as may be specified by the Governor in Council and if the provincial law so provides, be deemed to be services rendered by a medical practitioner that are medically required.

I am very glad to hear, Senator Connolly, that you give free legal advice, because I think anyone who reads that section is going to need assistance to interpret it.

Hon. Mr. Connolly (Ottawa West): I was not speaking for myself; I was speaking for all lawyers.

Hon. Mr. Phillips: It reminds me of those so-called artists who take pieces of metal that have been left over as junk and weld, solder, or anneal them together to fashion some form of creation to which they give a name, and then call it "modern art."

At any rate, in order to get the minister's interpretation, I looked at *Hansard* of the other place, and at page 10762, he said:

> The amendment which has been moved has been moved with the authority of the Government. It has been discussed, but I am not empowered to state that we will move in any direction.

I ended up wondering whether that was illumination or hallucination.

Hon. Mr. Choquette: Or a moving outfit.

Hon. Mr. Phillips: I do not think you could call it a moving outfit, Senator Choquette, because he gave a fairly strong indication that he did not intend to move on it.

The amendment indicates a certain dangerous pattern which I dislike to see developing in the legislation, and it is so strongly reflected in this amendment that I would like to spend a minute discussing it. The policy of legislation lately seems to be to grant the Governor in Council authority to draw up regulations, and Parliament is more or less giving the Governor in Council a blank cheque.

This amendment continues this dangerous trend. It is enabling legislation; it allows the Governor in Council to deal with the provinces, as a result of which we are placing each individual province at the tender mercies of the Governor in Council. I am sure that many of the provinces would rather be protected by Parliament than be left to the tender mercies of the Governor in Council. Furthermore, these agreements can be negotiated among the provinces, and Parliament will have no say as to whether or not they are satisfactory.

Honourable senators, I do not need to remind you that it is a sacred function of the Senate to protect the rights of the provinces. Therefore, I think that when this bill goes to committee we should have a particular look at this aspect of the amendment.

To mention the two provinces with which I am more familiar, Nova Scotia and Prince Edward Island—and I am sure the same situation exists in other provinces—mobile dental clinics are sent around to the rural areas where there is no resident dentist. The children are charged a fee of $2 for a complete treatment. If the parent is able to pay the fee, it is paid; if not, the treatment is free. Under this amendment, I ask what would happen if these provinces approached the Governor in Council and asked that this treatment be included under this medical care program? Will the minister reply that he is technically allowed to move but cannot move because no one has given him any instructions as to the specific direction in which he should move?

The amendment also weakens the influence and the stature of the national professional association. Each professional association—that is, the medical, dentistry, optometry, in the province—will be left in a position of having to negotiate directly with the provincial government, and in some of the smaller provinces the associations are so small they will be in a very poor position to negotiate with the government.

I come now to deal for a moment with the conditions necessary to qualify under this act. The first of these is the necessity for 90 per cent coverage. I do not quarrel with the fact that a certain percentage of our population needs to be covered, but I cannot go along with the 90 per cent coverage. This is entirely too high, and it is being forced—I would say crammed—down the throats of the provinces. It is not necessary for every person in a province to be covered, and I do not think the provinces are anxious to cover 90 per cent of the population. This is borne out by the Nova Scotia brief to the Hall Commission, in which they state:

> We would urge, based on our own experience, that the federal legislation should be sufficiently general and flexible that a province would be able to develop and implement a plan that meets its individual needs.

Prince Edward Island has a limited plan to cover those in receipt of old age assistance, widows' allowances and other welfare payments. An arrangement was made with the Blue Cross and Blue Shield to cover these people so that they would receive these benefits. The annual cost is, I believe, in the vicinity of $31 per person. As you all know, the province is not wealthy; in fact it is in serious financial difficulty. Why not let this province, if the provincial government so desires, or any other province for that matter, develop its own program according to its own specific needs and the ability of the province to pay? The Minister of Health in introducing the legislation in the other house emphasized that the figure of 90 per cent carried no compulsion, and he went on to say that the only compulsion was taxation. I say this bill is about as voluntary as income tax, and I do not see too many people rushing forward voluntarily to pay more income tax.

The public authority, according to the description given by the minister, can provide leeway for non-profit organizations to operate. I think this is a good idea and I would like to see the provinces pay particular attention to physician-operated plans.

The portability mentioned as a feature of this bill is very desirable and most necessary. But here again the amendment I referred to, this distorted piece of modern art, can weaken portability because, as I interpret it, one province may have oral surgery and optometry covered, while another may not.

Senator McCutcheon referred to clause 8 the other evening and mentioned the desire of the federal Government to move out of cost-sharing programs, and the sponsor of the bill indicated this possibility. This causes me to shudder. I hate to think of the possibility that in five years time the provinces will be left with the full burden of this expensive measure.

Hon. Mr. Connolly (Ottawa West): That is not suggested, is it?

Hon. Mr. Phillips: I would remind the honourable senator that in the introduction of the bill it was stated that the federal government may wish to move out of this field, and that, in my view, is why clause 8 is in the bill. I hope the sponsor had no advance notice that the federal Government was considering leaving this field at some time in the future.

Hon. Mr. Smith (Queens-Shelburne): May I ask a question to clear this matter in my own mind? Was there not an addition to that statement which seemed to point out that there would be a certain number of income tax points turned over to provinces which might decide to take this over and run its own program? There was a *quid pro quo* arrangement.

Hon. Mr. Phillips: There is a suggestion of that, but let us apply it to our own particular

area of the country. I cannot see how a point or two yielded on the income tax can take care of this problem in any of the Atlantic provinces. I suggest to you that you are familiar enough with the Atlantic provinces to know that they would not meet the requirements of the provincial governments.

Hon. Mr. Connolly (Ottawa West): Will the honourable senator allow me to deal with this point? There is no suggestion in the debates on this bill in the other place that at the end of five years, when the fiscal review is made, there would not be adequate compensation given by way of tax adjustment so that the provinces would not be in any worse position than they are under this measure.

Hon. Mr. Phillips: I am very happy to have the assurance of the Government Leader in the Senate in this regard, and while I do not wish to say that I hope he is still a member of the Cabinet in five years' time, because I would rather see the situation reversed—

Hon. Mr. Connolly (Ottawa West): I will say that.

Hon. Mr. Phillips: —I hope the honourable senator is still there, so that I can remind him of the assurance of protection which he has given here today.

The sponsor of the bill stated that it would be referred to a committee, and I would like very much to see this done. However, I think it should be referred to the Standing Committee on Public Health and Welfare. We have a tendency to refer most measures to the Standing Committee on Banking and Commerce, which is an excellent committee with a very capable chairman. But why have a committee on public health and welfare if we are going to refer this bill to another committee? As I said earlier, I would like to refer to Senator Gershaw. He is a respected physician and one who has long experience in public life. He is chairman of this committee, and I cannot think of any greater reason for referring this measure to that committee, where we will have the benefit of his experience both in practice and in public life.

I thank you, honourable senators, for your attention, and again let me thank the Leader of the Government in the Senate for his assurance.

Hon. Mr. Connolly (Ottawa West): Free legal advice on behalf of my colleagues.

Hon. Mr. Phillips: I do not expect him to be in the Cabinet in five years time, but should that be the unfortunate situation, politically, I shall remind him of his assurance given here today.

Hon. Arthur W. Roebuck: Honourable senators, may I have the privilege of answering a question asked by honourable Senator Phillips in the early stages of his remarks? He said he had been looking up the early history of the subject in question and had seen the book by Mr. Pickersgill, which had not much impressed him. Perhaps he will give more credence to a statement by one of his own colleagues who speaks from personal knowledge of what took place a very long time ago. I have had on my shelves for 47 years a book entitled "The National Liberal Convention, Ottawa, August 5, 6, 7, 1919." I turn to page 126, where I find a resolution on the subject of Labour and Industrial Relations, moved by one Honourable W. L. Mackenzie King, in which I find this paragraph—and I would like to place it on the record, as well as answer the question put, for the benefit of all senators and others, because this same question has been raised in the House of Commons—

> And Further Resolved:
>
> 2. That in so far as may be practicable, having regard for Canada's financial position, an adequate system of insurance against unemployment—

I pause there to say that I am rather proud of the fact that I was a member of the committee which brought in the bill that established unemployment insurance.

The resolution continues:

> sickness—

It is 47 years ago that the Liberal Party, in convention assembled in the City of Ottawa, adopted the principle of the bill that is now before us.

Hon. Mr. Choquette: It took them a long time!

Hon. Mr. Roebuck: It took them a long time, that is true; and during all that time there has been no waivering, so far as I know, from the general principle of paternalistic, shall I call it?

Hon. Mr. Choquette: "Socialistic."

Hon. Mr. Roebuck: No, it is not socialistic at all. Call it "paternalistic," if you like, but it is not socialistic by any definition I know of "socialism."

Hon. Mr. Brooks: It might be "politicalistic."

Hon. Mr. Roebuck: Of course, politics is the science of what is possible, and at last we have come to the time when this sort of legislation is apparently possible—although there are some people who are of the opinion that we are still somewhat ahead of the times. But here, however, we have a resolution that has never been repudiated by the Liberals, in convention or anywhere else, for an adequate system of insurance against sickness—that is, medicare;—and I am rather proud to say that we are here carrying out that long-since resolution. It goes on to say:

> dependence in old age—

We have also accomplished that in the interval.

> widows' pensions—

There is something in legislation with regard to that, particularly in the provinces.

> and maternity benefits, should be instituted by the Federal Government in conjunction with the Governments of the several provinces; and that on matters pertaining to industrial and social legislation—

That is what this is, social legislation and not socialism.

> —an effort should be made to overcome any question of jurisdiction between the Dominion and the Provinces by effective co-operation between the several Governments.

That has taken a long time to work out, and I am not quite sure it has been worked out yet.

Hon. Mr. Choquette: Those promises were good for 20 elections!

Hon. Mr. Roebuck: Oh yes, the general principles of the Liberal party have been endorsed in election after election, and I have no doubt they will continue to be in the future.

There is just one other part I would wish to read—and perhaps you will smile when I do so:

> **Hon. Mr. Stewart (Acting Chairman):** The resolution will be seconded by Mr. Arthur W. Roebuck, of Toronto.

Some Hon. Senators: Hear, hear.

Hon. Mr. Willis: May I ask the honourable senator when unemployment insurance was first introduced?

Hon. Mr. Smith (Queens-Shelburne): In 1940.

Hon. Mr. Willis: I think it was introduced by the Bennett Government.

Hon. Mr. Smith (Queens-Shelburne): No; in 1940.

Hon. Mr. Willis: I think it was introduced by the Bennett Government between 1930 and 1935.

Hon. Mr. Roebuck: No, my friend is in error there. I was on the committee, and I was in the House of Commons in 1940.

Hon. Mr. Willis: The Liberal committee—you were on the political committee at the 1919 convention, is that not right?

Hon. Mr. Choquette: Senator Roebuck, we all remember the Bennett administration originated unemployment insurance. It was sent to the Supreme Court of Canada, and they decided, on some technical point, it was *ultra vires*—until the Liberals got hold of it and passed it.

Hon. Mr. Willis: My second question of Senator Roebuck is: Who are you quoting from the Conservative side? You said at the outset you wondered if my friend Senator Phillips would listen to one of his own. Who is "one his own"?

Hon. Mr. Roebuck: Myself!

Hon. Mr. Willis: I do not consider you a Conservative sir.

Hon. Mr. Roebuck: I do not think my honourable friend Senator Phillip doubts a word of what I have said when I read it from the original record of the convention.

Hon. Mr. Willis: You said "one of his colleagues," and I assumed wrongly it was a Conservative.

Hon. Mr. Roebuck: No.

Hon. Mr. Willis: I am glad to know it was not.

Hon. Mr. Roebuck: Senator Phillips has a number of colleagues—and I will go further than that—he has a number of friends on this side of the house.

Hon. Mr. Sullivan: Honourable senators, after such an extreme degree of tranquility as we have witnessed, I wonder if I could make a special plea to all senators to use the expression "medical services" in future?

Hon. Alan Macnaughton: Honourable senators—

The Hon. the Acting Speaker: I must inform honourable senators that if the honourable Senator Macnaughton speaks now it will have the effect of closing the debate.

Hon. Mr. Macnaughton: Honourable senators, in closing this debate I want to thank all those honourable senators who have taken such an active and most interesting part in it. It was very interesting to me to listen to different political theories, some of which I like and some of which I do not agree with. However, in closing this debate, with your permission I will not try to answer all the questions, because to do so we would be here for days. Furthermore, I have not yet acquired that facility that so many senators in this exalted chamber have displayed in this debate.

There are one or two points I feel I should try to explain very briefly because, like yourselves, I am hopeful that this bill will be referred to committee, where a complete explanation can be provided, where all questions can be asked and complete and satisfying answers given.

There were some very important points made by the honourable Senator Sullivan, Senator Phillips, Senator Gershaw and perhaps one or two others; so, without taking much time, may I put a statement on the record by way of general information.

I am, of course, mindful of the interest shared by all in the vital subject of medical care, and I am particularly appreciative of the views so ably presented by those of our colleagues who are members of the medical profession. For while there is significance for all of us in the provisions of this legislation, its significance is that much greater for physicians, including honourable senators who are physicians, as providers of services.

As honourable senators are aware, I am a member of the legal and not the medical profession; and, as you will also appreciate, I have not had the privilege of studying in depth some of the problems which have been set out during this interesting debate.

In order to acquaint myself with the views of those better versed than myself, therefore, I have turned to the Report of the Royal Commission on Health Services, popularly called the Hall Report, with which the honourable Senator McCutcheon was originally associated. I appreciate that the honourable senator was no longer a member of that commission when its report was completed; and I am not overlooking his statement here that he would not have concurred in all of its recommendations. Nevertheless, I am sure that honourable senators will agree with me when I say that this commission based its report on an intensive study in depth of the problems with which it was dealing at the time.

In studying this report I have endeavoured to seek an answer to the suggestion made by some speakers in this debate that the medical care program for which provision is made in this Medical Care Bill which we are discussing should be limited to those individuals who lack the means to provide medical care coverage for themselves, the rest of the population being left free to avail themselves, of their own volition, of insurance coverage against the risks posed by ill health. This view has been eloquently enunciated here, and it is one that certainly merits consideration.

I find that the conclusion drawn by the Hall Commission, after careful study and based upon reports of experts, was that public medical care plans should be designed so as to cover the whole population. In connection with a consideration of partial plans, the report points out the following:

> The number of individuals who would require subsidy to meet total health services costs is so large that no government could impose the means test procedure on so many citizens or would be justified in establishing a system requiring so much unnecessary administration. The health services will make enough demands on our resources. We must not waste them.

A number of speakers in this debate have mentioned existing provincial programs under which government subsidies are made available for persons needing some financial assistance. I am told that the Canadian Medical Association has advocated this type of a partial plan. In fact, I have received the courtesy of a letter from that association outlining its various points. I believe that this is the type of plan that some honourable senators had in mind when they suggested that federal legislation should be directed towards the more limited type of coverage. I should like to bring to the attention of honourable senators, however, the estimate made by the Canadian Medical Association recently of the number of persons who would require this type of subsidy, namely, five million Canadians. This would mean that a means test would have to be applied to at least this number, although probably it would be more since there would be inevitably those who on examination were found not to be eligible. I am sure that the

enormity of the task of means-testing this number of persons, quite apart from other administrative problems, can be well appreciated by all honourable senators here.

As honourable senators are aware, of course, the federal Government is even now able to share in the costs of health services for those of our people who are in receipt of social assistance. These health services include medical care until such time as programs are universally available. When the Canada Assistance Plan came into operation it became possible, for the first time, for the federal Government to share with the provinces the costs entailed in providing these services to the recipients of welfare aid.

To this extent, therefore, the federal Government has been empowered to assist the provinces in certain programs based on a needs test. The number of persons involved in these programs, however, is not comparable with the number which would require some form of subsidy under a partial plan such as that suggested by the Canadian Medical Association.

While other significant and important points have been raised during this debate, I have endeavoured to discuss coverage in particular because, frankly, I was impressed by the views put forward in this regard. However, in committee there will be ample opportunity for discussing both this problem and others which have been raised.

Under the heading of "public administration" I should like to mention very briefly a point which seems to me to be self-evident. Public administration is the second basic principle in this legislation. The need for public responsibility, public administration, and nonprofit operation is obvious because public funds are concerned. When we spend public funds it seems to me that we must have public control.

The manpower situation has been raised this afternoon, and without getting into an argument I will say that there is a point in this particular discussion that I want to bring out. There is a need for more doctors and other health professionals. However, the Royal Commmission on Health Services came to this conclusion:

> While we are aware that shortages of physicians, dentists, nurses and other paramedical personnel will make it difficult to establish the full personal health services program our charter envisages, nonetheless the fact there are shortages must not be used as an excuse to delay initiating programs and plans.

For example, the United Kingdom, France, West Germany and Sweden have a less favourable doctor-population ratio than Canada, yet these countries have had universal prepaid medical care in effect for many years,

The same arguments concerning inadequate resources were advanced prior to the introduction of hospital insurance in 1958. Experience has shown that the establishment of a new program stimulates efforts to increase resources, and assists in their effective utilization. The Health Resources Fund established this year in an amount of $500 million to support the capital costs of medical schools and training facilities for the other health professions is just one example of this. It will, of course, not have an immediate effect in increasing the number of doctors, but it is a very large step in the right direction.

In concluding these brief remarks I should like to express once more my appreciation to honourable senators for their kind comments on my initial participation in the debates of this chamber.

It is my hope that this bill will receive second reading today and be referred to committee for a full and frank discussion.

Motion agreed to, and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Macnaughton: Honourable senators, I move that this bill be referred to the Standing Committee on Banking and Commerce.

Hon. A. J. Brooks: Honourable senators, certain of those who have spoken in this debate—Senator Sullivan, Senator Phillips and Senator Gershaw—rather indicated that this is the type of bill that should be referred to the Standing Committee on Public Health and Welfare, of which Senator Gershaw is the chairman. I know that the honourable senators I have mentioned are very anxious that the bill should go to that committee.

It may be argued that this is a financial measure, because by it the federal Government is guaranteeing the provinces that it will pay a certain proportion of the expenses incurred in carrying out the scheme. But, I should like to point out that the bill is the Medical Care Bill, and it does deal with mat-

ters of health. Any honourable senator who has read the debate on this bill in the other house will know that the emphasis there was on the health aspects of the bill, namely, the scarcity of doctors, the improvement of the health of the people, and related matters.

For these reasons, honourable senators, it is my humble opinion that this bill should be referred to the Standing Committee on Public Health and Welfare. After all, what is the use in having a Standing Committee on Public Health and Welfare if we do not refer to it matters pertaining to health. I would suggest that the honourable sponsor of the bill (Hon. Mr. Macnaughton) move that the bill be referred to the Standing Committee on Public Health and Welfare.

Hon. John J. Connolly: Honourable senators, I should have spoken to Senator Brooks before he raised this issue. I spoke to Senator Gershaw, chairman of the Standing Committee on Public Health and Welfare, the other day, and we came to the conclusion that because that committee has not sat for some time and the Standing Committee on Banking and Commerce has been sitting regularly, that at this stage of the session, with the possibility of many members of this house being away, it was desirable that this bill should be referred to the Banking and Commerce Committee. However, the real reason that moved me to suggest to the sponsor of the bill that it be referred to the Banking and Commerce Committee was that the bill is primarily a financial bill. It concerns the expenditure of public money.

I would point out that there is no prohibition against any member of the Senate attending the meeting of that committee and taking part in its proceedings. If an honourable senator who is not a member of the committee wishes an amendment made, I am sure there will be no difficulty about arranging for a member of the committee to make the motion.

For these reasons I ask the Senate to agree to the motion of the honourable sponsor of the bill.

Motion agreed to, on division.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 891 to 1021, inclusive, which were presented yesterday.

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 891, for the relief of William Peter Reid.

Resolution 892, for the relief of Marie Thérèse Fernande Brais Archambault.

Resolution 893, for the relief of Mary Renee Frenette Menard.

Resolution 894, for the relief of James Hubert Carlin McMahon.

Resolution 895, for the relief of Joseph Jacques Girard.

Resolution 896, for the relief of Odette Ladouceur Mathieu.

Resolution 897, for the relief of Adrienne Landry Fournier.

Resolution 898, for the relief of Donna Audrey Joyce Heckman Gleason.

Resolution 899, for the relief of Doris May Lillian Brabant Tessier.

Resolution 900, for the relief of Helmut Hubert Hermes.

Resolution 901, for the relief of Rebekah Naomi Paltiel Lowi.

Resolution 902, for the relief of Joseph Ulric André Gagné.

Resolution 903, for the relief of Evdoxia Argyriadou Halivelakis.

Resolution 904, for the relief of Anna Lazar Baron.

Resolution 905, for the relief of Marie Cécile Martel Lavoie.

Resolution 906, for the relief of Nicole Le Petrie Denis.

Resolution 907, for the relief of Sheila Louise Hayes Shepherd.

Resolution 908, for the relief of Freda Beatrice Cooper Stutt.

Resolution 909, for the relief of Edith O'Sullivan Hack Johansson.

Resolution 910, for the relief of Shirley Ann Cecillia Everitt Cunningham.

Resolution 911, for the relief of Barbara Ann Kelly Miner.

Resolution 912, for the relief of Ruth Jacqueline Julien Bohbot.

Resolution 913, for the relief of Pauline Drimer Kreaden.

Resolution 914, for the relief of Arnold Ritchie Rogers.

Resolution 915, for the relief of Rachel Suzanne Capraro Leonard.

Resolution 916, for the relief of Gunda Elizabeth Radbill Haas.

Resolution 917, for the relief of Régean Réal Roberge.

Resolution 918, for the relief of Janet Frances Smith McLachlan.

Resolution 919, for the relief of Norman John Black.

Resolution 920, for the relief of Huguette Gagnon Huard.

Resolution 921, for the relief of Lucien (Liciano) Bellemo.

Resolution 922, for the relief of Donald Patrick Joseph Brown.

Resolution 923, for the relief of Harold Auty.

Resolution 924, for the relief of Hector Quintal.

Resolution 925, for the relief of Elisabeth Heseltine Nesbitt.

Resolution 926, for the relief of Joyce Slapcoff Stuart.

Resolution 927, for the relief of George Stinton.

Resolution 928, for the relief of Eileen O'Dair Ryan Sheahan.

Resolution 929, for the relief of Michel Pierre-Paul Van Schendel.

Resolution 930, for the relief of Laurel Fay Lyons Rugg.

Resolution 931, for the relief of Wilbertson Wilks.

Resolution 932, for the relief of Joseph Bernard Schachter.

Resolution 933, for the relief of Ernest Maurice Mayer.

Resolution 934, for the relief of Antonin Josef Vyvial.

Resolution 935, for the relief of John Herschorn.

Resolution 936, for the relief of Andree Paquette Mudie.

Resolution 937, for the relief of Maureen Harling Watmore.

Resolution 938, for the relief of Nicole Desroches Lauzon.

Resolution 939, for the relief of Marie Jeanne Pauline Gauthier Tremblay.

Resolution 940, for the relief of Michel Tamilia.

Resolution 941 for the relief of Yvon Chevrette.

Resolution 942, for the relief of Gerard Barbeau.

Resolution 943, for the relief of Honnie Nadler Pedvis.

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Resolution 944, for the relief of Bella Cooper Gohenberg, (otherwise known as Belle Cooper Bond).

Resolution 945, for the relief of Dallas Kenny Proulx.

Resolution 946, for the relief of Gilbert Charles Roger Prevot.

Resolution 947, for the relief of Nicole Maxine Beaudry Hicken.

Resolution 948, for the relief of Ronald Alfred Perrier.

Resolution 949, for the relief of Elizabeth Agnes MacKellar Gillies.

Resolution 950, for the relief of Dawn Marie Downey Cross.

Resolution 951, for the relief of Hedy Theresa Kukulski Hynes.

Resolution 952, for the relief of Maria Eczet Berkovits Devereaux.

Resolution 953, for the relief of Ernst Friedrich Rude.

Resolution 954, for the relief of Anita Dubois Barbeau.

Resolution 955, for the relief of Margaret Eleanor Tucker Harding.

Resolution 956, for the relief of Elizabeth Opritian Doyle.

Resolution 957, for the relief of Steve Nona Hayden Middleton.

Resolution 958, for the relief of Annette Rita Brown Leavitt.

Resolution 959, for the relief of Georges Campeau.

Resolution 960, for the relief of Veronica Geraldine Canniff O'Sullivan.

Resolution 961, for the relief of Wendy Eve Milne Radmilovic.

Resolution 962, for the relief of Gertrude Salomons Rosenberg.

Resolution 963, for the relief of Charles Robert Belson.

Resolution 964, for the relief of Guy Beauchamp.

Resolution 965, for the relief of Roland Lefebvre.

Resolution 966, for the relief of Marcello D'Errico.

Resolution 967, for the relief of Barbara June Will Hunter.

Resolution 968, for the relief of Elinor Katrine Margrite Olafsen Rasmussen.

Resolution 969, for the relief of Andree Charlebois.

Resolution 970, for the relief of Elva Doris Joyce Gledhill Potts.

Resolution 971, for the relief of Constance Pouliot Meyers.

Resolution 972, for the relief of Robert Douglas Palmer.

Resolution 973, for the relief of Emily Patricia Mary Barber Chartier.

Resolution 974, for the relief of William Boyack Galloway.

Resolution 975, for the relief of Lilian Irene Marion Fraiberg.

Resolution 976, for the relief of Adrien Joseph Jacques Fontaine.

Resolution 977, for the relief of Georges Desjardins.

Resolution 978, for the relief of Maria Nora Strobach (Laszlo) Amar.

Resolution 979, for the relief of Marie Anida Eveline Melanson Lawrence.

Resolution 980, for the relief of Sonia Bigue Fiset.

Resolution 981, for the relief of Denise Lavallée Bissonnette.

Resolution 982, for the relief of Anne Pierette D'Angelo Fauchier.

Resolution 983, for the relief of Sidney Pryce Beattie.

Resolution 984, for the relief of Mary Mackay Wilson Rendell.

Resolution 985, for the relief of Daphne Mary O'Donnell Sweeney Conroy.

Resolution 986, for the relief of George Beverley Turnbull.

Resolution 987, for the relief of Marilyn Ruth Warren Moore.

Resolution 988, for the relief of Judith Witt Rifkin.

Resolution 989, for the relief of Marie Claire Rollande Charbonneau Brophy Langevin.

Resolution 990, for the relief of Shirley Alma Neumann Jebson.

Resolution 991, for the relief of Charles Franklin Dodge.

Resolution 992, for the relief of Sybil Ann Reynolds Southward.

Resolution 993, for the relief of Emile Doucet.

Resolution 994, for the relief of Real Couture.

Resolution 995, for the relief of Marie Luce Lorrain Chevalier.

Resolution 996, for the relief of Margaret Louise Desborough Blatherwick.

Resolution 997, for the relief of Joseph Rene Stinziano.

Resolution 998, for the relief of Anne Mae Pruder McAdam.

Resolution 999, for the relief of Reta Marjory Major Shaw.

Resolution 1000, for the relief of Yvonne Miron Charbonneau.

Resolution 1001, for the relief of Monica Eileen Dalton Girouard.

Resolution 1002, for the relief of Margaret Ann Adams Luck.

Resolution 1003, for the relief of Ronald Henry Johnson.

Resolution 1004, for the relief of Florence Anne Robinson Shaw.

Resolution 1005, for the relief of Margaret Winnifred McDonald Baird.

Resolution 1006, for the relief of Rene Gauthier.

Resolution 1007, for the relief of Suzanne Le Brun Barrette.

Resolution 1008, for the relief of Rollande Dupras Huguet.

Resolution 1009, for the relief of Catherine Margito Gorician.

Resolution 1010, for the relief of Giovanni dit John De Santis.

Resolution 1011, for the relief of Gisele Beaudry Fortin.

Resolution 1012, for the relief of Jean-Guy Demontigny.

Resolution 1013, for the relief of Marguerite Marie Rose Rotsky Gagnon.

Resolution 1014, for the relief of Martha Thomas Crampton Lazure.

Resolution 1015, for the relief of Claudette Boivin Groulx.

Resolution 1016, for the relief of Diane Marie Lalonde Forsythe.

Resolution 1017, for the relief of Catherine Jessie Murray Brodie.

Resolution 1018, for the relief of Greta Gibson Blampin Perkins.

Resolution 1019, for the relief of Bernard Chevrier.

Resolution 1020, for the relief of Andre Alix.

Resolution 1021, for the relief of Fernand Joseph Ducharme.

Resolutions adopted, on division.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from November 30, the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Jacques Flynn: Honourable senators, I yield to honourable Senator Belisle.

Hon. Rhéal Belisle: Honourable senators, I was going to request permission to speak instead of Senator Flynn, since he is not ready to proceed today. Thank you for allowing me this privilege.

Honourable senators, in rising to take part in the discussion of this bill, I do so with a certain amount of trepidation, due to the discussion and comments already made by so many able and experienced senators.

It is not my intention to discuss the legalism of this bill if it becomes law. In the first place, not being a lawyer, I am not qualified to do so. Secondly, that point was so well covered by experts such as the honourable Senators Walker, Choquette and Hayden, that we all feel this bill will only add confusion and annoyance to the already burdensome Criminal Code. Even Senator Roebuck admitted that the proposed legislation is almost a codification of the law of libel as embodied in the Criminal Code.

While I was listening with great interest to all the previous speakers, I was deeply impressed by the honourable Senator Walker's argument, and also by the logical and thoroughly exemplified thesis of the honourable Senator Choquette. However, when the honourable Senator Hayden commenced his impressive and legal argument about genocide, I could not help but think that he was giving the bill the "kiss of death". Having concluded his remarks in such an able fashion, he tried not to disagree with the intent of the bill that was advocated by the distinguished Leader of the Government in this house.

Again, I could not evade the thought that Senator Hayden was performing the same service to this house as the honourable Senator Crerar did on many occasions. I hope honourable senators will permit me to quote Senator Crerar's remarks, which appear on page 735 of Senate *Hansard* of 1963:

> What this country needs today, above everything else, is clear thinking on these matters. It needs wisdom and sometimes I wonder, when I read the debates in the House of Commons, if we have a clear thinking and as much wisdom as the country requires at this juncture of our affairs.
>
> At any rate whatever that may be, let this house, this chamber, be an illustration to our country of what temperate, well-considered, wise judgment may produce in the way of our contribution to the national business.

If I may be permitted to add, I would say we need it more now than ever before.

I am sure that if Senator Crerar were here he would strongly object to this bill. After reading the contents of this bill, with due respect for those who composed it, I cannot help but agree with Senator Crerar that wisdom and sagacity are found to be lacking.

We all agree that hate propaganda is an undesirable thing, but it is most difficult to find effective means to eliminate it.

May I present a suggestion in this regard? The crux of the problem was stated by the Prime Minister when he posed the following question to the Canadian Jewish Congress:

> How to discourage wanton incitement to racial hatred while preserving the right to free expression of opinion?

He obviously believes it can be done by legislation.

There are two main assumptions upon which this legislation is based. One, that there is a great enough quantity of hate propaganda being circulated and distributed in Canada to justify the passage of legislation to control it; secondly, that the Canadian people do not have enough common sense or sense of fairness or fair play to be able to recognize and reject such propaganda on sight. To put it another way, the Government does not have enough confidence in the Canadian people to believe that they are capable of recognizing and rejecting such propaganda outright. By introducing this bill, the Government must be convinced that such literature will poison the mind of the Canadian reader.

With regard to the first point, do honourable senators truly believe that there is enough hate literature being circulated in this country to warrant and justify outlawing it by bringing down an amendment to the Criminal Code? I do not believe there is, when talking strictly in terms of quantity.

Honourable senators know the amount of mail we receive, from every nook and cranny of Canada dealing with every subject imagin-

able. However, we do not receive that much hate propaganda through the mails. Some senators might say, "Oh, but they will not send their publications to legislators. They are afraid we will raise a fuss about it. Therefore other people must receive it, not those in a position to do something to curtail it." In this respect, I will say that to my knowledge, members of Parliament do not receive all that much mail from constituents on this subject; nor do I. In other words, the people themselves do not appear overly concerned.

Therefore, in terms of the quantity of hate propaganda circulating in Canada this legislation, in my opinion, is not justified. With regard to point two, I only wish to re-affirm my own confidence in the ability of the Canadian people to recognize and reject publications and propaganda of this nature. Here is something that the Government has not done. This Government is essentially paternalistic, which has been shown in a number of areas. In the field of welfare, they have not reflected that confidence that Canadians are able to care for their own health and welfare. In the economic sphere they have not reflected confidence in our businessman, since they do not believe that he can do the job himself. However, the thing that disturbs Canadians is that they refuse to use this paternalistic attitude towards the C.B.C. where it is greatly needed.

The Government has made the incorrect assumption that Canadians need help in certain fields. In the field of hate literature, they are, in effect, telling us that the Canadian people have not the common sense or the ability to discriminate between hate literature and the daily newspaper.

The Government has become known as an administration that continually retreats from the legislative and policy positions it takes in Parliament. Why does it retreat, alter, backtrack and change horses in mid-race? Because it is confused, and this confusion is reflected in bills such as this.

There is an important connection here. I believe that confusion breeds disrespect. An example of the actions of this confused Government are reflected in part in this bill. How can we have any respect for the bill—this bill of all bills—which has as its essence the protection of the individual? Was it not for this and other purposes that the Bill of Rights was passed?

I sincerely feel that, instead of enacting new legislation which will but erode our existing legislation and create disrespect for our laws, we should do some soul searching and find ways and means that will command respect for our laws and authorities.

No wonder our youth and citizens at large are losing respect for our laws and traditions when we, as legislators, are unsteady and indecisive in our aim to protect and conserve this priceless title of being a Canadian. In this new age it should not be surprising to find crackpots who would try to abuse our already limited freedom. It should not be surprising to find emerging a new liberalism, a new conservatism, and a new socialism.

The new world is being increasingly fettered by automation, electronics, the amazing speed in communications and the media of press, television and radio. It seems that the theory of obsolescence is making a sharp impact on political persons, theories and programs.

Honourable senators, may I ask a lingering question, whether or not this onrush is totally wise. To what extent can a nation afford to toss into the ashcan much of its proven past in preference for the untried, as the new generation ventures into the unknown future? I am not too easily impressed by those johnny-come-latelys with theories brainwashed by modern-day propagandists and history re-writers.

My point is this. The fact that we have the opportunity to debate this bill is a tremendous thing for Canadians. It gives us the opportunity of showing them that we have confidence in their ability to make up their own minds. Therefore, we should block this bill. Here we have an opportunity to say to all Canadians who will listen, that we have confidence in their judgment regarding hate literature. It is one of the duties of our Canadian Senate to protect the sovereign right of the people themselves to decide what is good literature and what is bad literature, which is harmful and which is not.

I want to thank the Government for providing us with the opportunity of stating something which they are reluctant to say, but even more reluctant to demonstrate—that at least some legislators believe that the Canadian people should be left alone to handle those affairs which only they can handle best.

I know Canadians will treat hate propaganda as they treat the common housefly—they will simply whisk it off their sleeve because they know that while it is dirty and might pester them, it will not hurt them. Or, as Canadians can kill the nuisance fly, they can destroy hate literature by throwing it into the fire.

Hon. Douglas D. Everett: Honourable senators, in continuing the debate on Bill S-49, I would, in making my maiden speech, beg your indulgence to allow me to thank the Leader of the Government and the honourable Senator Beaubien (Provencher) for having introduced me to this chamber, and the Leader of the Government and the honourable Senator Thorvaldson for their kind references to me.

Honourable senators, I would also like to refer to my predecessor the honourable Thomas Crerar, and I shall do so, very briefly, for there are far better orators than I who have spoken of this great man. I would like to make just one point in reference to him: In 1921 he had an opportunity to become the Leader of the Opposition of the other place, but he was sent here as the head of the Progressive movement that had as its objective the enshrinement of certain principles in the laws of the country. He was prepared to forsake that opportunity. For Thomas Crerar is a man who always put principle before power.

Hon. Senators: Hear, hear.

Hon. Mr. Everett: Honourable senators, in the years I might spend in this chamber, I can never replace Thomas Crerar, but I shall attempt to emulate him.

In regard to Bill S-49, and in particular in regard to clause 1 thereof, which proposes to introduce section 267A into the Criminal Code, and which deals with persons who advocate or promote genocide, it has been said in this chamber that if such a section had been in the laws of Germany prior to the Second World War, it would not have prevented the frightening things which happened during that war. Yet, in the period prior to the time that Hitler took power, he was constantly advocating and promoting genocide. He created the conditions in which genocide took place when he did come into power.

It has been said in this chamber that this matter should be dealt with by the United Nations. I question whether the United Nations can really deal with the problem of the advocacy and promotion of genocide. I agree that it may be they can deal with genocide itself. But would we permit the United Nations to invade our law to punish the advocating or promoting of genocide? I doubt it very much. What we are really proposing to do here is implement a United Nations convention which was ratified by the Parliament of Canada.

It has been said in this chamber that the criminal code already protects against that which is contemplated by section 267A. But surely there is nothing wrong in covering in a specific way what the Code already protects? And further, honourable senators, I question whether the Code indeed does protect against the act of

> deliberately inflicting on the group conditions of life calculated to bring about its physical destruction.

Section 267A (2) (c) does.

It has been said in this chamber that the Bill of Rights, through the operation of Section 107 of the Criminal Code, would protect. I wonder. I wonder whether a charge could really be successfully framed against one who advocates or promotes genocide, under the Bill of Rights and the operation of that Section 107. Again I suggest to you that, if the Bill of Rights protects, then there is nothing wrong with implementing it in the Criminal Code. I cannot find anything wrong with doing so.

Honourable senators, I have no hesitation in endorsing the principle of this legislation. The United Nations convention on genocide has been ratified by 66 countries of the world. We have a duty and an obligation when we ratify a convention to implement that ratification, and that is what we are doing. I suggest to you that we should do it.

There are demagogues, there are people even in Canada who can sway crowds, and Canadians, no matter what we may like to think, are not exempt from being swayed. This section is required.

Honourable senators, while I say I endorse the principle of the section, I am concerned about certain aspects of its drafting. It says, "in this section, genocide includes..." The word "includes" gives rise to a dictionary definition. The United Nations convention, however, states in this regard "that genocide means..." In forming laws such as this we should be precise. We should define genocide in all its aspects.

Furthermore, section 267A refers to "any group of persons." I believe that if we turn to the dictionary, we find that the word "group" means any three persons. I cannot believe that that was the intention. Again, I think the drafters of the legislation should be precise. I would like to know why in section 267A they use the word "group" when in section 267B they used the words "identifiable group" and then defined "identifiable group".

I would also like to know why there were five categories, when the Special Committee on Hate Propaganda used three. Admittedly, the UN Convention definition does use the

same five categories, but, again, we are trying to protect against any encroachment on the freedom of speech, and I would like to see us examine whether we should not reduce the categories. Frankly, on my reading of the proposed act I would think paragraph (a), "killing members of the group", and paragraph (c), "deliberately inflicting on the group conditions of life calculated to bring about its physical destruction", would be sufficient for the purposes at hand.

I am also concerned, honourable senators, with the drafting of section 267B which talks about an "identifiable group." In our legislation we say an "identifiable group" means any section of the public distinguished by colour, race, or ethnic origin. The Special Committee talked about religion, colour, race, language, and ethnic or national origin. If I am correct, the words "religion", "language" and "national origin" have been omitted. Now, the honourable Senator Roebuck said that the omission of those words widened the definition but that the inclusion of them would narrow the definition. Well, I am in favour of narrowing the definition.

Honourable senators, I also feel that perhaps the consent of the Attorney General of Canada should be required before an action could be brought under this act. That may restrict it too much, but at the outset I do not think that that would be a bad thing; and, if we found that it was too restrictive, then Parliament could amend it to include the Attorneys General of the provinces.

What then are my conclusions in reviewing this act? I find fault with it from a procedural point of view, but I am in favour of it from a substantive point of view. I think that we have to extend the law of defamation to groups.

Admittedly, in doing so, we are limiting free speech. But we do not live under a laissez-faire society; we live under a society which believes in the rule of law. So, we have provisions of the Code on defamatory libel which restrict the freedom of speech but make freedom a more perfect thing. The question we have to ask ourselves is: are we better preserving freedom by restricting by a slight amount the freedom to speak? I suggest an examination of this act would indicate that we are indeed better preserving freedom by doing so.

Honourable senators, there is a real and present danger. I admit to my honourable colleague who has just spoken that the number of occurrences are not great, but they are vicious and they are occurring now. Listen to this example given by the Committee on Hate Literature:

> We do not say that every Jew is a Communist, but that the majority of the Communist leaders and spies were and are Jews. Therefore, Communism is Jewish. Christians unite! Boycott Jewish filth! Nazism is dead, but Communism lives. Fight Communism or die a slave!

That is a vicious attack. It does not have to be repeated over and over again.

Senator Croll, in his great speech, said that hate is a corrosive force. Indeed it is, and with today's modern communication methods it is a force whereby a drop of water of hate can be a tidal wave of hate tomorrow. I suggest to you, honourable senators, that we have to stop this and stop it now.

There is ample precedence for what we are doing. There is the United Nations' Genocide Convention, as I told you, ratified by 66 countries, including Canada. There is the Declaration on the Elimination of Racial Discrimination passed, I believe unanimously, by the General Assembly. This sort of act is to be found in the laws of most western European countries. It is to be found under the Public Order Act in the United Kingdom. Even in my Province of Manitoba, we have had since 1934 an act which extended defamation laws to groups. I might point out that while that same law may be ultra vires and only provides for an injunction, there is only one hate case recorded by the Special Committee on Hate Propaganda in Manitoba between 1963 and 1965, whereas Ontario has had 40.

I suggest to you that if this act errs, honourable senators, it errs on the side of free speech. Look at Section 267A. It requires an "attempt to destroy"; Section 267B requires an action which is "likely to lead to a breach of the peace." Section 267C requires someone who "willfully promotes", and 267C provides two defences: truth and a condition in which the utterer reasonably believes the statement is true so long as it is within the public interest.

These two defences are not found in the British act. I suggest to you that Bill S-49 puts no ban on the advocacy of any viewpoint, except genocide and grossly abusive statements.

There are those who have said that education is the answer. Of course it is. But that does not mean that we should dispense with the law. The law is still required, and I suggest to honourable senators that legislation is

a form of education. I think the Human Rights Code in Ontario has not only created a law; it has, by its very existence created an attitude, a new attitude. I cannot help but believe that the civil rights legislation in the United States has created a better attitude towards civil rights in that country.

I would like to make two final points that to me are the crucial reasons why I support this legislation. First, if you examine the membership of the Committee on Hate Propaganda, you will find that for the most part the members are advocates of civil liberty. Can you imagine that men like Corry, Dion, MacGuigan, Trudeau or MacKay would proscribe free speech unless they felt there was a compelling reason? And, honourable senators, the most compelling reason to me is that it is essential in Canada that we extend the law of defamation to groups.

When I came to the Senate I tried, like all new senators, to find out something about its history and its traditions. I found that the three things that we are here to protect are provincial rights, minority rights and individual rights. In this legislation we have a dichotomy between minority rights and individual rights, and the question is how are we going to solve that dichotomy? Well, honourable senators, this country is unique, because it is a cultural mosaic. We say that what really distinguishes this country is that we have strong groups who maintain their individuality but who have a common allegiance to Canada. We seek unity in diversity, and I suggest that we should enshrine this principle in legislation: that the group is an essential part of the Canadian makeup, that this is the thing that distinguishes us from the cultural melting pot theory of the United States, and that the group has the right of the individual in Canada.

I have no hesitation, honourable senators, in supporting the principle of this bill.

Hon. Senators: Hear, hear.

On motion of Hon. Mr. Connolly (Ottawa West), for Hon. Mr. Flynn, debate adjourned.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Friday, December 16, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Acting Speaker informed the Senate that messages have been received from the House of Commons to acquaint the Senate that the name of Mr. Orange has been substituted for that of Mr. Isabelle on the Special Joint Committee on the Public Service; that the name of Mr. Brewin has been substituted for that of Mr. Fawcett on the Special Joint Committee on Immigration; and that the names of Messrs. Saltsman and Lamontagne have been substituted for those of Messrs. Scott (Danforth) and Duquet on the Special Joint Committee on Consumer Credit and Cost of Living.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, December 14, 1966, pursuant to section 7 of the Regulations Act, Chapter 235, R.S.C., 1952. (English and French texts).

MEDICAL CARE BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. A. K. Hugessen, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-227, to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hugessen: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hugessen, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-227 to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Alan Macnaughton: Honourable senators, I move, with leave of the Senate, that this bill be read the third time now.

Hon. Joseph A. Sullivan: Honourable senators, I pray the indulgence of the House for a few moments. I shall not be long.

It is better to have fought and lost than never to have fought at all. However, throughout life, praise God, I have had more wins than losses.

In all sincerity, I am greatly disturbed that this chamber of protectors of minority rights should easily dispose of this legislation. The honourable sponsor of this bill (Hon. Mr. Macnaughton) has commented on the shortage of doctors in this country. Well, I hope my prophecy will prove wrong, and that he will not see an exodus the like of which he never dreamed.

He mentioned other countries at the conclusion of the debate on second reading yesterday, namely, the United Kingdom, France, West Germany and Sweden. It has been my privilege to have visited each of those countries, and in them to have participated in seminars, to have lectured at scientific meetings, and to have performed surgical operations in an attempt to give what I had learned to others. I cannot accept his enthusiasm about the medical services rendered in those countries when compared to what we have today in Canada and in the United States of America. I suggest he read the Gundy report,

and not the Hall Commission's report which practically ignored the recommendations of the Canadian Medical Association after Senator McCutcheon resigned as a member of that commission.

However, I wish to place on record today a judicial decision of the High Court of Australia. In Australia a compulsory state medical care plan was declared illegal because it abrogated fundamental rights defined in the Australian Constitution. Chief Justice Latham, Chief Justice of the High Court of Australia, referring to the Pharmaceutical Benefits Act on which the decision turned, noted that it involved "civil conscription." He stated:

> There could in my opinion be no more effective means of compulsion than is to be found in a legal provision that unless a person acts in a particular way he shall not be allowed to earn his living in the way, and possibly in the only way, in which he is qualified to earn a living.

Thus the High Court did not declare the plan invalid because it proposed to give medical benefits contrary to any provision in the constitution; it declared it invalid because the court regarded the proposals as an act of civil conscription, and therefore ultra vires the constitution.

In Australia the state was thwarted in its attempt to impose involuntary servitude and civil conscription. In that country, our sister dominion, both citizens and physicians appear to be content—a principle consistent with individual rights, duty and liberty. The citizen has not surrended his rights to the state and the state has not abrogated the rights of the physician.

With the enactment of this legislation, this Government will be responsible for the deleterious effect that will be done to the people of Canada in the provision of quantity, not quality, medical services. Pass the bill!

Hon. Mr. Burchill: Honourable senators, I was present this morning at the meeting of the Banking and Commerce Committee as a member. I attempted to ask the minister a question in relation to this bill, but unfortunately he had to leave shortly before the meeting adjourned. Perhaps the sponsor of the bill (Hon. Mr. Macnaughton) can give me the information I wanted. Has there been any estimate made of the initial cost of this legislation?

Hon. Mr. Macnaughton: Honourable senators, there has been an estimate. Just what the exact terms are, I would not want to state this afternoon because I am not sure of my information. I have heard estimates of from $53 million up to $200 million. I regret to say that I am not in a position to give an exact figure; I suppose no one is able to do so at this stage. However, it would be 50 per cent of the cost of a provincial medical claim inside a province, depending on the number of provinces participating.

The Hon. the Acting Speaker: Honourable senators, with leave of the Senate, it has been moved by the honourable Senator Macnaughton, seconded by the honourable Senator Hays, that this bill be now read the third time. Is it your pleasure to adopt the motion?

Hon. Mr. Sullivan: On division.

Motion agreed to and bill read third time and passed, on division.

NATO PARLIAMENTARIANS

TWELFTH ANNUAL CONFERENCE AT PARIS, FRANCE

Hon. John B. Aird rose pursuant to notice:

> That he will call the attention of the Senate to the Twelfth Annual Conference of NATO Parliamentarians held at Paris, France, 9th November to 14th November, 1966, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

He said: Honourable senators, it is my pleasure to give you a brief report of the recent meeting of the NATO Parliamentary Group in Paris, and of the visit to the Canadian army and air force bases in France and Germany, as well as a special trip made to Berlin as guests of the Federal Republic of West Germany. As you know, the Senate was represented by Senator Brooks, Senator Lefrançois and myself. We had a very active trip and, as no doubt other senators will be speaking in due course, I will confine my remarks to several impressions and conclusions which have occurred to me personally.

I would like to discuss the current NATO situation from a Canadian point of view, under three headings: firstly, NATO and Canada; secondly, Britain and the European Common Market; thirdly, the Canadian delegation.

Turning to my first heading, NATO and Canada, I believe that the present NATO dilemma requires that Canada reassess her position as a member of the Alliance, because there is no doubt that the French decision to withdraw from the integrated NATO defence system has brought to a head the whole question of the form and functioning of the Atlantic Alliance. It is now up to Canada, as it is to the other member countries, to make up its mind how it envisages future NATO co-operation.

Honourable senators, what I am concerned about is the possibility that Canada and her NATO allies may be lulling themselves into a sense of false security because of the apparent thaw in the cold war, the emergence of France as a power to be reckoned with, and an economic approach as contrasted to a political and military approach to the problems of the NATO Alliance. This is not to suggest that I believe that there is a short term danger of war in Europe.

What I am suggesting is that it is premature to move away from the maintenance of a first-class common defence system in the peacetime that we presently enjoy. Furthermore, I am suggesting that this common defence system has been the decisive factor in making Europe a relatively stable area. The ability of the leading member of the Alliance, the United States, to retaliate effectively in the case of aggression—and, equally important, the credibility of this deterrent—has given the European countries of the Alliance the security and the confidence necessary for effective policies in relation to the Soviet Union and the other communist-governed countries of Eastern Europe.

In this regard I would like to refer to you some excerpts from the address delivered by the Secretary General of NATO, General Manlio Brosio, at the Paris meeting, He said, in referring to the Soviet threat, that it was "no longer immediately a military one" but that there "remains the threat of an implacable political and diplomatic struggle backed by the presence of a huge and constantly improving military force." "The doctrine of peaceful co-existence," says Mr. Brosio, "was formulated not to end the east-west struggle but to shift it to the less dangerous arena of political pressures and diplomatic manoeuvre..." The communists are convinced, Mr. Brosio says, "that if they only wait, economic or Asian preoccupations will force the United States to reduce its interests and influence in Europe, NATO will break up, and the east will find itself able to deal bilaterally with a fragmented series of small and medium-sized states."

At the moment, therefore, I believe that NATO is at a policy crossroads. Will it allow itself to fragment into separate units or will it adhere to the policy that has worked so admirably to date? What is Canada's position as it surveys this rapidly changing scene? Surely it is unwise to move too quickly away from a defensive position which should be maintained, I believe, at the same time as discussions on a political level are going forward with eastern Europe and with the countries behind the Iron Curtain.

It was my good fortune to be named coordinator of the Canadian delegation on the economic committee. I believe that economic problems are one of the fundamental causes of the deterioration of the NATO Alliance, so I felt that this forum would be most interesting and productive. In the result, this proved to be only partially the case. The committee restricted itself to somewhat general debate and in the final analysis passed three resolutions of a very wide nature.

The first was a general resolution reaffirming the desirability of European unity and once again reiterating the dual-pillar approach to an Atlantic Alliance. The two pillars envisaged are America and a united Europe. I, of course, was concerned as to the meaning of the so-called "American pillar" and where Canada stood in relation to it. I believe that Canadians will need to think a good deal about exactly where Canada fits in the American plan.

The second was a general resolution supporting the GATT negotiations and expressing the hope that these negotiations will come to a successful conclusion by the spring of 1967.

The third was a general resolution concerning international liquidity and an endorsement of the studies being conducted by the Group of Ten in their efforts to develop a new form of international reserve asset to supplement gold and reserve currencies. In recent years it has been recognized that the growth of reserves in the form of gold and reserve currencies will probably be insufficient to satisfy growing needs. The problem is essentially one of the total quantity available for all countries. This proposed development of a new form of international reserve asset is now generally regarded as a feasible creation, but no mutually

acceptable agreement has yet been reached. There is a basic concern that the creation might constitute a temptation to many countries to postpone or evade actions that are needed to run their own economies properly.

Because of the general and universal scope of these resolutions, I think that the Canadian delegation was justified in expressing its support in their carriage, but I was disappointed that the economic committee did not discuss in some detail what I consider to be the fundamental economic problem currently facing NATO.

This problem, as I understand it, was very well expressed by C. L. Sulzberger in the *New York Times* international edition on Monday, November 21, 1966, and I quote:

> The United States of America, Britain and West Germany are all beset by special economic worries. The United States burden in Vietnam is now reflected in worried stock and capital markets. Britain still lives beyond its modest means and West Germany approaches the brink of inflation.
>
> Therefore the United States of America, although it knows any withdrawal might risk serious political damage, has told the Germans it cannot maintain its forces there at existing levels unless Bonn continues to buy, in American goods and services, the equivalent of what we spend on this NATO army. The British, who operate on a less extensive scale, have said about the same thing. The Germans meanwhile insist they can't afford and don't intend to continue spending in "offset agreements" the entire cost of allied garrisons.

Continuing the quotation:

> Economic-military *quid pro quo* seemed to be working all right when everyone except the poor English was prosperous and the other allies were continually prepared to bail Britain out. But economists now worry that prosperity may be slipping behind us. The allies maintaining troops in Germany therefore mutter about troop costs, and Germany begins to mutter about not needing to spend so much on weapons and services.
>
> Thus, as NATO tries to recover from its troubles with France, it finds itself faced with another problem—how to have both guns and butter when the bank account has been diluted by inflation. The embarrassed answer is to substitute missiles for guns—because fewer are needed.

Put in the simplest of terms, the truth is that each of the principal NATO partners is suffering from a shortage of money and as a result NATO is changing its defence strategy. Generally speaking, I have the greatest respect for the laws of economics, but in this particular situation it seems to me that it may not be the wisest nor the safest course to have NATO strategy dominated by economic thought or the excuse of economic distress rather than by political or military considerations.

It is of interest to note that most reports indicate, in fact, that while the Russians are cutting down their conventional strength in Europe, they are at the same time increasing their nuclear missle strength. Therefore, both sides are going back to the strategic defence concept of massive retaliation.

On analysis, it seems that the real problem of NATO is a sagging economic situation which has caused a return to the previous strategy of massive retaliation which was given up five years ago because it was too dangerous although it was obviously cheaper. Until we have a much better appreciation of what the Russians are doing, it seems to me that it is foolish to allow these economic considerations to become dominant, and it is my belief that it is much too early in the game to cut down or thin out the NATO European defences. There is simply too much at stake for NATO—or for the United States—to conclude that the present level of NATO forces is not absolutely vital to the peace and prosperity of Europe.

In addition to the foregoing comments concerning economics and the shortage of money and how they are affecting NATO strategy, it also seems clear that there is a definite shift in posture by the United States in its position vis-à-vis West Germany. It is a hard truth, but it is now apparent that the federal republic is no longer the principal military and political partner of the United States in European affairs. That completes my section on Canada and NATO.

I would now turn to my second heading, which is Britain and the European Common Market. Quite apart from NATO's specific problems, there is of course the introduction of Prime Minister Wilson's commitment to bring Britain into the European Economic Community. This newly adopted British position was very much debated and, of course,

carries all kinds of ramifications far beyond the scope of this brief report. But I would like to point out the amazing position of power that General de Gaulle seems to have achieved for France. What will happen if he slams the door in Britain's face again? If Mr. Wilson is sufficiently unwise as to approach General de Gaulle directly, surely it gives the French the chance to set the terms for Britain's entry. From my observation of the silence from France since Mr. Wilson's statement, it seems that there has been no change of heart since the previous rejection. It seems that the General still concludes that the presence of Britain and Germany together inside any economic community would drown the hitherto preponderant voice of France and would put him in permanent danger of isolation.

On the other hand, every other issue in Britain is now subordinate to the question of whether Mr. Wilson's new effort will succeed. He has every incentive to find out exactly what Britain must, and must not, do to qualify for EEC membership.

And what of Canada's position in the event that Britain does join the European Common Market? In this regard, I agree with the editorial in the *Financial Post* of November 19, 1966, which reads as follows:

NO BLEATS THIS TIME PLEASE

> A few years ago, when Britain made its first bid to join the European Economic community, Canadians had some reason to deplore the threat this posed to Commonwealth ties. But even though Britain's entry into ECC would temporarily cut into the major gains Canadians were making in selling more to Britain's newly reopened economy, most knowledgeable Canadians involved in world trade believed, all other things notwithstanding, Canada's best long-term interest would be improved if Britain joined Europe. A stronger Britain in a prosperous EEC, it was reasoned, in the long run would create bigger markets for Canada.
>
> Since then, Canadian economic policy has followed a consistent line of self-interest. In so doing, it has freed Britain from any obligation it may have felt toward preserving traditional British markets for Canadian goods.
>
> Among Canada's moves that have clashed with the interests of Britain are the United States-Canada auto production deal, United States-Canada defence production sharing, slowness in reinterpreting our anti-dumping laws, quickness to buy United States airliners and French executive transports and the recent decision to buy United States, not Britain, naval power plants. The list is long and the North-South, not East-West, trend in our buying and selling is clear.
>
> Because business and government have been pursuing policies profitable to Canada and have by-passed Britain at a time it needed help, there will be no room for complaint if Britain negotiates EEC entry on terms that may tramp on some Canadian toes. Ottawa must now prepare a basic list of trade items of particular concern to Canada and work toward tariff compensation from EEC for losses in Britain. Beyond that, all we can do is assist the British in their bid.
>
> The truth is this: a healthy Britain, playing a full role in Europe has much to offer the world and all traders. It profits no one if Britain's EEC bid fails a second time.

I must say that I agree whole-heartedly with this position.

Turning now to my third heading, the Canadian Delegation, I would also like to make a few remarks concerning the performance of the Canadian delegation at Paris. Everyone was most diligent in both attendance and in performance and I believe that Mr. Perry Ryan, the leader of the delegation, is to be sincerely congratulated on this performance. However, there is a great deal of room for improvement as to the method of preparation and briefing. This is true not because of a lack of effort on the part of the Department of External Affairs but because of a lack of appreciation of what a delegate really needs, particularly when he is seated at the conference table and is required to perform and to take a position on matters of some importance.

I was a last-minute replacement for Senator David Croll and therefore was unable to attend any of the briefing sessions in Canada prior to departure, but I did take one full day with the Department of External Affairs in an effort to educate myself as to the matters on the agenda. The Department were most helpful and I am grateful to them for their assistance. However, it is my opinion that each of the delegates was supplied with far too much reading material and background data, which

was interesting but not very useful. It was simply impossible to assimilate it all. What is needed, in my opinion, is a short precis or an appreciation of Canada's position on each of the subjects to come under discussion.

It is true that this is a conference of parliamentarians and not of countries and, therefore, the official line is not necessarily the individual line, but it seems to me very clear that the delegates must know the general Canadian position. For instance, where does Canada stand on the two-pillar approach? It would have been of benefit to me to have had an appreciation by an expert of what exactly this resounding phrase means to Canada. Then, if I felt so inclined, I could either agree or disagree in my capacity as a parliamentarian.

After all, there are only five standing committees—political, military, economic, scientific and educational—and it seems to me that as the agenda is more or less known prior to a conference, it would be a simple matter to prepare a situation appraisal for the benefit of those participating. Canada is looked to by other nations for leadership, for knowledge and for the necessary courage to speak up in affairs of this nature. If it is to properly discharge this role, its delegates must be properly armed. I understand that this year the briefings were more extensive and more intensive than ever before but, believe me, when you get on the ground and are required to carry the burden of representing not only yourself but your country, you cannot have had enough training and/or education.

I am not aware of the budget required to send this delegation, but it seems to me that two members per committee, plus three or four leaders would be sufficient for future meetings. I would rather see budget dollars spent in back-up staff who could assist the delegates on the ground. Canada goes to considerable expense to discharge its obligations to send a worthwhile delegation and I can see no reason why it should not adequately support its delegates with expert opinion and expert help both in Canada and at the conference.

In conclusion, you will note that I have generally tried to stay within my own field, namely, the economic side of the events that took place, but I would be remiss if I did not tell you of the great impression that I received of our troops overseas, both army and air force.

I spoke to as many of them as possible and believe me I conclude that the morale is high. They are proud to be Canadians; they are proud to be in the front line; and they are good at what they are doing.

In many ways our NATO forces receive little attention and no publicity. Perhaps this is as it should be, but it should be recorded that we have every reason to be proud of them and to support them in every way we can. They are doing their part in preserving the peace of the world, and if one needs a reminder about the ravages of war, I wish to tell you of standing at the war memorial at Verdun in France where in a period of ten months, 600,000 soldiers of Germany and France were killed and where they are still discovering bodies. Or if one needs to be reminded about the desirability of peace, one should stand at the Berlin Wall and see the quarter mile of no man's land guarded by barbed wire, planted with mines, patrolled by Soviet troops with machine guns at the ready, and searchlights in position. In every sense of the word, Berlin is a beleaguered city, an island in a "red sea" surrounded by a wall of shame.

Finally, as I have said before, I believe that NATO is at a crossroads. Its strength in a very large measure has enabled the recovery of Europe and I think that it is too early to move away from its basic premise. I hope that it will remain strong and a force to be reckoned with in maintaining the peace of the world.

Hon. John J. Connolly (Ottawa West): Honourable senators, having had a number of years of experience with the work of NATO parliamentarians and because of the importance which I consider this Parliament should attach to the concept of NATO, I rise to participate in this debate. I do so not as a member of the Government but rather as a member of the Senate, and in the capacity of a member of the Canadian Parliament who has attended these very important meetings.

I am sure that you have all been impressed this afternoon, as I have been, with the report we have had from Senator Aird. What strikes me, perhaps more than anything else, is that as the years have passed and Canadian parliamentarians have attended meetings of the NATO Parliamentarians' Association, we have here heard reports in greater depth as to the real meaning of the problems that are faced, reports that involve more personal involvement in looking for solutions and, I think too,

an increasing experience and capacity for facing up to these problems in the meetings that take place at the Porte Dauphine. This is a good thing for the Canadian Parliament. I hope it is helpful for the Canadian public, because unless there is within the Canadian public an awareness of these problems, then the parliamentarians who are concerned about them and the governments which must do something about them will be operating in somewhat of a vacuum.

I am particularly pleased to hear what Senator Aird said about his visit with Senator Brooks and Senator Lefrançois to Soest, where the brigade is stationed. I am sure he could have said the same about the air force units they visited and about their very poignant experience at Verdun.

One fact we must be particularly proud of in this country is that the brigade, which is located near Soest in Germany, is not considered to be in any sense an army of occupation. They are friends of the German people, and are so regarded because they feel they are there as part of the shield. I am sure it is a source of gratification to all Canadians to know that just a year or so ago the brigade itself was given the freedom of the City of Soest. That is a tribute to the kind of work they do, and indeed to the kind of people with whom they are living.

NATO itself not only was but remains, in my personal view, a great concept. It was established in the spring of 1949. Originally it had some 12 members; now there are 15. It was established before the problem facing the world was nuclear proliferation, because at that time the United States alone had the bomb. It was established because Russia was deploying conventional forces in massive groups just east of the Iron Curtain. The answer, to the people in western Europe—indeed, the answer, to the people in the West—was NATO. It was the shield which provided, and was intended to provide, security in anxiety. It provided, and was intended to provide, confidence for the period of reconstruction that would be political, economic and social.

Almost immediately after its establishment, the great debate began. In the event of a conflict, with the Americans only having the bomb, the great moral and political question was: Should the bomb be used in the face of what were, in fact, overwhelming conventional forces on the other side of the Iron Curtain? The conventional forces of the West did not measure up in striking capacity to the forces with which they were confronted.

That great debate did not continue for long, because in the fall of 1949 the Russians had their first atomic explosion. Since then France has tested; China has tested. In fact, what has been ushered in is not a balance of power quite so much as a balance of terror.

Some progress was made in 1963, when the treaty was culminated for the banning of tests in the atmosphere, but the problem of the banning of the bomb, the problem of international inspection and the wider problem of disarmament, still face the peoples of the world.

How is this to be accomplished? Can it be accomplished? These are problems that must be ever present in the minds of legislators in every part of the world. Are these objectives to be achieved by treaty? Are they to be achieved on the basis of a balance of terror or a balance of strength? Is it too much to expect that they might be achieved as a result of a growing sense of international morality? But if this is to develop, the question that we must ask ourselves is: What moral standard is to be set? Is it to be the standard of western Christendom? Is it to be some revolutionary standard? Is it to be some standard based upon power, upon some imperialistic approach? All these are not moral standards, but they are standards that are looked upon, and I wonder whether some of the ones we consider to be amoral, if not immoral, are the standards that might govern policy in these fields, say, as between Russia and China.

I have been reading a book called *The Proud Tower* by Barbara Tuchman, which in many respects, I have found completely fascinating. She has written a number of books. Among other significant but isolated items in the history of the nineteenth century, she describes an attempt made in approximately 1900, at the instance of the Czar of the Russias, for a conference on disarmament in Brussels. I would recommend this book for reading to all honourable senators, because to me it is one of the most fascinating I have seen—apart from Senator Power's book—in a long time.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): It is most amazing to me to read the account of the attempts that were being made at that time by the powers of Europe, and indeed of the world, based on ideas of disarmament and

warfare; and they did not yet have the airplane, but they thought of it. After reading that work, I think you will all agree that we have come a long way in our international gatherings in having so much of the information we require for the discussion of these problems. In those days they simply did not have the will or the material with which to work.

I have talked about trying to achieve these great objectives leading ultimately to disarmament, from the point of view of the standards that should be applied.

What is the standard to be applied when Russia confronts the United States, or when Russia confronts China, with ideologies so different that it seems almost impossible that there could be reconciliation between them? Inevitably you come to the question as to what should be done in a place like Viet Nam. Should the Americans back out of there? Are they to abandon those people, and indeed all of South East Asia, to Chinese Communism, which is another phrase for Chinese Imperialism? The Japanese are certainly concerned about this prospect, as are our sister dominions of Australia and New Zealand.

I was glad to hear Senator Aird quote the Secretary-General of NATO, Manlio Brosio, who spoke recently at the Washington Press Club and said, amongst other things, that he was not sanguine about the long-term goals that Russia had. He thought that the prospect of military aggression on the part of Russia had diminished, but he still believes that Russia is pursuing a diplomatic struggle to dominate both Europe and Asia.

Russia, as Senator Aird has indicated, is suspicious of a re-armed Germany. But then we have the British Foreign Secretary, George Brown, saying that the Germany of today is completely different from the Germany of the two world wars. First of all, Germany is a divided Germany. Mr. Brown is convinced that the German people today are devoted to democracy. Certainly they appeared to be when Mr. Adenauer was their Chancellor and they appeared to be when their Chancellor was Mr. Erhard, who so impressed us when he visited this country not so long ago. But, the recent elections in which the Christian Democratic Party was successful, with Mr. Keisinger becoming the Chancellor, and his forming a coalition with Mr. Brandt, whom we know, has raised questions in the minds of some people as to the direction in which Germany is heading.

For my part, I am prepared to rely upon the good faith of those people and upon their realism in the face of the balance of terror that is before us at all times. I am concerned—and I think we all should be—about the rise of the new nationalism in various parts of Europe. In this I do not exclude Germany, and I certainly do not exclude France because the French nationalism which has taken a stand against the philosophy of the common market and the philosophy of NATO, which Senator Aird has discussed so ably today, presents a challenge to a concept which I thought could only be fruitful of good. We must be concerned and Europeans must be concerned as to whether Europe will revert to a collection of relatively weak separate nationalistic states. We must be concerned with whether this is to be the permanent concept for pan-Europeanism or, on the other hand, whether in the interests of world peace there should be a strengthening of the international federation established by the Treaty of Rome, not only in the economic but in the political sphere as well.

Senator Aird raised also the question of the participation of Britain in Europe. If Britain joined the community would her participation arouse French antagonism with respect to leadership within the community? For my part I believe, and I believe it fervently, that not only would the heartland of western civilization and Europe itself be strengthened by the addition of Britain to the community but, as Senator Aird has so well said, that for all parties concerned a prosperous Britain will make for a more prosperous West. I believe that if Europe did have Britain as part of the community there would be an outward looking viewpoint from the community headquarters, particularly in economic affairs. There would be an anti-protectionist viewpoint because the British are freer traders.

Is Britain a part of Europe? Certainly the British are independent individualistic people, but we should never forget that Britain was the last rampart that was able to stand when Europe was overrun by the forces of oppression that began in 1939, and Britain belongs as much in Europe as any of the countries in Continental Europe. I think that the contribution she can make to the community, both politically and economically, is enormous.

We must all be grateful for the establishment of NATO, and this country played a large part in its establishment. I remember meeting Leon Blum, who was the head of the

European Coal and Steel Community which started the European Economic Community, at a meeting of the Atlantic Congress in London. He was talking with a very distinguished French philosopher, Jean Danielieu, whom I had known. I was at the time with the President of the Canadian Bar Association, Mr. Walter Owen of Vancouver. I was young, and I looked it—more so than I do today. The Atlantic Congress was really a meeting of NATO parliamentarians, plus people who were not from the parliaments in the NATO countries. I remember being flattered that M. Blum should put his arms on my shoulders and say that if it were not for Canada we would not be here today, that Canada had had much to do with the establishment of the NATO Alliance.

Well, that may have been an overstatement of the case, because there was so much done before Canada's part became significant in respect of the establishment of the Alliance. I think that one of the greater steps of international statesmanship was the establishment of the Marshall Plan in 1947. The sum of $12.5 billion was poured into 16 different countries of Europe, to be managed not by the Americans but by an organization called the Economic Co-operation Administration, upon which Americans sat but which was mainly guided by the Europeans. That organization turned into O.E.C.D., which was one of the important elements not only for NATO and for the community but, indeed, for the economies of the west in providing the kind of information that is necessary for these establishments if they are to live and make progress.

But then NATO did come, and NATO did provide these people with not only protection but with a source of confidence which enabled them to go on and develop their political and economic institutions.

The European Free Trade Association, although it did not have as much an impact, also played its part, and can and will continue to do so.

I was glad to hear Senator Aird talk about the economic committee of the NATO Parliamentarians. My experience with that committee was under the chairmanship of Senator Javits. We all felt, as I am sure Senator Aird and Senator Brooks did, that there was really not ample opportunity to come to grips with the problems which were facing not only the Alliance but the West itself. However, it was a forum which at least enabled persons such as Senator Aird and Senator Brooks, and so many senators and others who have been at these conferences, to become acquinted with the problems and to return to their parliaments and to their people in the hope of acquainting them with these problems, so that they could see them in a proper perspective.

Honourable senators, my remarks this afternoon have been somewhat rambling. However, from the NATO experience I have had, and I am sure every Canadian senator and member of parliament has had, there does emerge an ideal for Europe, because it is the birthplace of the civilization we call the West. The civilization of the West is not the only or the oldest civilization of the world. It has not always been proved to be the most benevolent civilization of the world, but if it uses its resources, human and otherwise, properly, it can become one of the greatest forces in being for peace and security.

I think also that the concept of the Atlantic community, to which Senator Aird referred, with all that it implies, involving the difficulties of solving the problems of GATT and the Kennedy Round, with all the economic and political struggles that are entailed in establishing a strong Atlantic community, not inward looking but outward looking, particularly to the developing and underdeveloped countries of the world, is an ideal in which all parliamentarians must at all times be interested. These are objectives that we must always keep before our minds, and they should actuate our approach not only to international problems but to our domestic problems as well.

Hon. A. J. Brooks: Honourable senators, we have listened this afternoon to two eloquent and instructive addresses on NATO. I agree wholeheartedly with all that has been said by the honourable senators who have spoken.

As Senator Aird mentioned, I had the honour of being on the military committee of NATO. That committee met this year in an atmosphere of confusion, uncertainty, and sometimes of uncontrolled resentment. The military situation is extremely uncertain at the present time. Our Minister of National Defence has been meeting in France with the other 14 members of the Alliance, and will no doubt make a report shortly.

Honourable senators, it is not my intention to speak on this subject this afternoon, but I would like to speak at a later date. Therefore, I now move the adjournment of this debate.

On motion of Hon. Mr. Brooks debate adjourned.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, as we are all aware, a deadline is set for a strike in the air controllers' division at all airports throughout the country, on Tuesday next at 8 o'clock in the morning.

The information I have been receiving from time to time today leads me to believe that there is a possibility of a settlement. I cannot confirm that a settlement has been reached. All I can report to you at the moment is that the talks are continuing. If it becomes necessary to have legislation, it will have to be passed by Parliament this weekend. That may involve sittings in the House of Commons tonight and tomorrow, and it could also involve our sitting tomorrow. It is desirable, of course, that this matter be drawn to a conclusion quickly and satisfactorily, but the difficulties are not inconsiderable.

In the circumstances, I would now suggest, and I hope there is unanimous consent to the proposal, that the Senate recess, to reassemble at the call of the bell at approximately 5.45 p.m. The normal hour for rising in the House of Commons on Friday is 6 o'clock, and it may be that before that time there will be word of settlement or word as to whether or not legislation will be necessary.

The Senate adjourned during pleasure.

Upon resuming at 5.45 p.m.

Hon. John J. Connolly: Honourable senators, I desire to make a short announcement to the effect that the Government has reached an agreement on terms which have been separating them from the three organizations representing the air traffic controllers of Canada in all airports.

The representatives of the air traffic controllers have agreed to recommend these terms of settlement to their membership and, in the meantime, to withdraw the strike date, which was set for December 20, pending confirmation of the terms of settlement.

For practical purposes, as it affects the Senate, it is not necessary for legislation to be brought down or for the Senate to assemble tomorrow. If there are no questions about the matter—and I doubt that I would be able to answer them all—we will adjourn now.

The Senate adjourned until Monday, December 19, at 3 p.m.

THE SENATE

Monday, December 19, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

SUPPLEMENTARY BUDGET SPEECH

ACCOMMODATION FOR SENATORS IN IN COMMONS GALLERY

The Hon. the Acting Speaker: As honourable senators are aware, the Minister of Finance will deliver a Supplementary Budget Speech in the other place this evening, at 8 o'clock.

May I be permitted to mention to honourable senators that none but senators will be admitted to the Senate Gallery of the House of Commons on that occasion. This step is being taken for the purpose of providing accommodation in the gallery for as many senators as possible. In this manner, senators will not be excluded from the gallery on account of many of the places being occupied by relatives and friends of senators.

Such instructions were first issued in 1931 by the then Speaker of the Senate, the Honourable P. E. Blondin, and this practice has been followed ever since by succeeding Speakers.

ADMINISTRATION OF JUSTICE

JOINT COMMITTEE TO CONSIDER REMOVAL OF MR. JUSTICE LANDREVILLE— COMMONS MEMBERS

The Hon. the Acting Speaker informed the Senate that a message has been received from the House of Commons to acquaint the Senate that the following members of the House of Commons will serve on the part of that House on the Special Joint Committee to inquire into and report on the expediency of presenting an address to His Excellency praying for the removal of Mr. Justice Leo Landreville from the Supreme Court of Ontario: Messrs. Bell (Carleton), Brewin, Cashin, Choquette, Coates, Fulton, Laflamme, Patterson, Richard, Stafford, Tolmie and Woolliams.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report of Temporary Loans made out of the Consolidated Revenue Fund to The St. Lawrence Seaway Authority between August 18 and November 29, 1966, pursuant to section 26(4) of the St. Lawrence Seaway Authority Act, chapter 242, R.S.C., 1952. (English and French texts).

HON. C. G. POWER, P.C.

FELICITATIONS ON FORTY-NINTH ANNIVERSARY IN PARLIAMENT

Hon. John J. Connolly. Honourable senators, I should like to draw the attention of the Senate to the fact that on Saturday last the Honourable C. G. Power, the senator from Gulf, one of the very distinguished and popular members of this chamber, celebrated the forty-ninth anniversary of his entry into Parliament.

It is not my intention on this occasion to make a speech, nor to give his book another boost, although I understand that the Christmas sales have surpassed the expectations of the publishers and, indeed, of the author. But, I do think it is appropriate to congratulate him upon 49 continuous years in the service of the public of this country. I would suggest to him that if he will bear with us—and I use those words in just that way—the Senate for centennial year will have a built-in centennial project, because he will then have been in Parliament for half of the first century of this country's existence.

Hon. A. J. Brooks: Honourable senators, may I join with the Leader of the Government (Hon. Mr. Connolly, Ottawa West) in congratulating my colleague of many years, Senator Power, in having become a 49'er. We shall certainly be pleased next year when he becomes a 50'er.

My first acquaintance with Chubby Power was when I came to the House of Commons in 1936. I recall that at our first opposition caucus the Right Honourable R. B. Bennett, who later became Lord Bennett, gave an appraisal of Mr. King's Cabinet, which, may I say, was not too complimentary of the cabinet. Indeed, I just wondered how the country was going to be able to carry on. However, I do remember that when he came to Senator Power's name, Mr. Bennett said, "He has quite often given me a pretty tough time, but I will say this for him, he has more brains than any other man in King's cabinet." I found out later there was considerable truth in this statement, having been with Senator Power for a number of years in the Commons.

Honourable senators, I offer Senator Power my congratulations.

Hon. C. G. Power: Honourable senators, 49 years' experience in the House of Commons and the Senate has taught me to say very little. Thank you.

Hon. Mr. Brooks: The record speaks for itself.

POSTAL SERVICES INTERRUPTION RELIEF BILL

SECOND READING

Hon. Azellus Denis moved the second reading of Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

[*Translation*]

Honourable senators, the bill which I have the honour to introduce for consideration and second reading is so simple that I myself had no difficulty understanding it. It would almost be an insult to your intelligence to try to add a few words of explanation.

That reminds me of a story a friend told me recently. It seems that when he was in college the teacher said to him one day: "Mr. Fournier, do you understand this problem?" "Yes, professor," he replied. "Very well then, let us take up something everyone understands," said the professor. Likewise, I say we should take up other business because Denis understands.

Honourable senators, the purpose of this bill is to provide relief against hardship due to interruption of postal services. As you undoubtedly know, certain laws provide periods or limits of time for the accomplishment of an act or the exercise of a right, otherwise the act or the right may be forfeited or declared null and void.

This is what happened when postal services were interrupted in 1965, more particularly with respect to the Patent Act, where some two dozen known applications for the production of papers, payment of taxes, etc., were delivered too late, which resulted in damages and losses for those who had made use of the postal service.

At the present time, neither the minister nor the commissioner of patents has discretionary powers to cope with this situation. Moreover, the only relief available at the present time is by means of a private bill, and this occurred a few times in the past, at the request of persons whose rights had been interfered with.

[*Text*]

Honourable senators, may I refer now to a note I have here dealing with foreign countries which are surely interested in this bill.

Because of the Paris Convention for the Protection of Industrial Property, of which Canada is a member, along with 73 other countries, this bill has some international implications. Most of the patent agents in Canada, besides acting for Canadian inventors, represent foreign associates who are dispersed all over the world. It might be of interest to realize here that approximately 95 per cent of the patents granted in Canada are granted to foreign applicants.

The proposed bill, therefore, covers not only correspondence between the Canadian agents and the patent office but also correspondence between the patent agents and their foreign associates who, I may say, unlike some of our Canadian patent agents, had no forewarning of the impending strike of 1965. Without the benefit of this legislation, these foreign inventors would be left powerless in so far as the exercise of their patent rights in Canada is concerned.

[*Translation*]

After consultations with the Patent Office officials, the Registrar general, who is responsible for the administration of the Patent Act, and the officials of the Department of Justice, it was recommened that this bill, providing relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services, firstly be applicable to the interruption which occurred between July and August 1965—this act is therefore retroactive to that date—secondly, to any subsequent interruption of more than 48 hours duration; it was recommended, thirdly, that it apply not only to the Patent Act, but to any law of Canada; in the fourth place, it enables any person who has been aggrieved by an interruption, to apply to a judge of the Exchequer Court of Canada for relief.

Honourable senators, that is the gist of clause 2 of this bill.

Clauses 3 and 4 provide for additional functions and powers of a judge of the Exchequer Court. For instance, section 3 authorizes, (a) the establishment of the loss suffered by the applicant; (b) the establishment of the reasonable steps taken by the applicant to comply with the time requirement or the period of limitation; (c) the establishment of the fact that the applicant submitted his application without undue delay; (d) the power to make an order waiving the time requirement

in relation to the applicant; (e) the power to make such further order as is necessary to enable the applicant to do any thing or exercise any right, within the time limit provided under any law of Canada.

Finally, section 4 authorizes the judge of the Exchequer Court to require that public notice of the hearing of the application be given, so that any interested party may be heard.

Honourable senators, I do not think I can add anything to the few remarks I have just made—and I hope they will not tend to complicate the consideration of a bill which is quite simple, as I said. I do not know whether the honourable senators will find it necessary to refer the bill to a committee, but they can rest assured that I will comply with their wishes.

As the Yuletide season is at hand, I wish to take this opportunity to express to all, to you, Your Honour, to the honourable senators, to the officials and to other members of the staff, my best wishes for a healthy and a happy New Year and, as we say at home, Paradise at the end of your days.

[*Text*]

Hon. A. J. Brooks: Honourable senators, I wish first to congratulate our honourable former Postmaster General of Canada for his explanation of this bill. As he pointed out, it is "an act to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services." He mentioned only one particular type of case, such as would come under the Patent Act.

Hon. Mr. Denis: That was just one example, but it is a common occurrence under the Patent Act.

Hon. Mr. Brooks: There must be many other cases that would come under the Patent Act. As a matter of fact, just before coming into the house, I received a copy of the honourable member's speech, and I noted that it emphasized that this bill was being introduced to overcome difficulties relative to the Patent Act. His explanation of the legal aspects was both clear and understandable but it does seem to me that there must be numerous cases other than those under the Patent Act which would come under this legislation. For instance, I think of contracts which are confirmed by mail, and the interruption of normal postal service could result in considerable loss.

Honourable senators will note that the bill contains the words "loss or hardship," and aside from financial losses one can readily imagine many other hardships arising from the fact that people fail to receive their mail. I have no doubt that when this bill is passed there will be many applications for relief under its terms.

As can be seen in the bill, it is introduced as a result of the postal strike in 1965—a year and a half ago. Perhaps the honourable sponsor (Hon. Mr. Denis) can explain why we have waited so long for a bill of this kind, particularly in the present situation where persons seeking relief are advised to do so almost immediately if they expect to get any results.

However, honourable senators, in my view strikes that give rise to the necessity for this kind of legislation should not happen. There must be some unfortunate lack of responsibility somewhere when civil servants, such as those in the Post Office Department, can strike and cause serious trouble and hardship to the public of Canada, as is pointed out in the bill. I am not now referring only to civil service bodies, but also to the employees of other branches of the Public Service, such as crown corporations, the railways and others. I think the time has come when adequate machinery should be set up to prevent such strikes, and also to ensure that civil servants get the fair wages and fair treatment due to them. Surely there is some way this can be done.

It has been said this is not a very important bill. Possibly it is not, but I can see where the results of these strikes can have very serious consequences. I have here some press clippings which deal with the postal strike of 1965 and subsequent strikes. Parliament was not sitting in July and August of that year, hence there was not as much publicity as there might have been had it been sitting. On August 3, 1965, the Montreal *Gazette* had this to say:

> A situation that could have been settled with much public sympathy has been forced into a position of facing settlement only amidst public indignation. The injury done to relations between the public and those who serve it will be long in coming back to that mutual respect that need never have been lost.

That is quite a severe criticism.

The *Sun-Times* of Owen Sound, of Wednesday, July 28, 1965, had as its heading in the editorial column: "Must Resolve Postal Department Trouble." It then went on with a long dissertation against a strike of this nature.

The Hamilton *Spectator* had the following heading: "Hamilton Mayor Studies Callup for Emergency Mail Deliveries."

The *Globe and Mail* of August 27, 1966, had this to say about the threatened strike:

> A postal strike is a great calamity; it invades the life of every citizen, brings the economy virtually to a standstill and robs the public of millions. It cannot be lightly undertaken.

The *Sherbrooke Daily Record* of July 27, 1965, had an editorial dealing with this matter headed, "Government inept in mail strike."

In its editorial of November 8, 1966, the *Edmonton Journal* castigated the Government for allowing the strike to continue. Among other things, it said:

> But it must be remembered that, thanks largely to the intervention of the Pearson government in wage disputes, recent pay increases, directly or indirectly concerned with public funds, have been greatly in excess of Mr. Sharp's guideline.

I am sure you all know what Mr. Sharp's guidelines were. The editorial continued:

> For example, St. Lawrence seaway workers (seasonal) were given 36 per cent; Expo 67 and other Montreal construction workers, 35 per cent; railway workers, 18 per cent over two years (interim); armed services, 14 per cent over two years; RCMP, 14 per cent over two years.
>
> Perhaps a reasonable solution would be to treat the postal workers as well as the armed services and RCMP and give them an increase of 14 per cent spread over two years.

As you will have noted in the press today, the Canadian National Railway employees have been given a 28 per cent wage increase. The public is beginning to wonder to what extent these increases should go in settling strikes. Of course, a strike can be settled if the employees are given all that they demand. However, as I said a moment ago, I believe there must be some other way of settling strikes, whereby through arbitration or other means the contending parties can get together and agree upon a solution without the employees going out on strike and interrupting the comfort, rights and necessary requirements of the people.

Hon. A. K. Hugessen: Honourable senators, I should like to see this bill go to committee. It does establish a rather important principle, and I think we should be quite certain what we are doing before we pass it

I have had a chance to look at the bill only during the last few minutes. In some ways it is a good deal broader, and in other ways it is a good deal narrower than I had anticipated it would be. It allows relief to a person who has suffered damage as a result of interference with normal postal services, only in cases where there is some limitation of time prescribed in any law of Canada. It does not in any way interfere with any conditions contained in a private contract between individuals, in which you must give 14 days' or 28 days' notice, or anything of that kind. So, to that extent, it is really very limited.

As I understood from the speech of the mover, there is something in the Patent Act which requires certain specific delays, and it is primarily for this purpose that the present relief bill is introduced. Am I correct in that?

Hon. Mr. Denis: I am afraid I did not understand you. Would you please repeat your question?

Hon. Mr. Hugessen: It is primarily in connection with the Patent Act requirements as to certain delays being necessary that this bill of relief is being introduced?

Hon. Mr. Denis: The main reason for the introduction of the bill is because such instances have arisen in connection with the Patent Act. The Patent Office has reported a couple of dozen such cases, and others might arise.

Hon. Mr. Hugessen: On the other hand, the bill does go a good deal further than dealing only with the postal strike of 1965, because there is reference in section 2 not only specifically to the postal strike of 1965 but to any subsequent interruption of normal postal services in Canada of more than 48 hours' duration. That invites speculation as to all sorts of possible interruptions of normal postal services.

Hon. Mr. Brooks: It even mentions embarrassment, I think.

Hon. Mr. Hugessen: Yes. For instance, some town might be surrounded by floods for two days. Would this bill then apply?

Hon. Mr. Denis: It could be a storm.

Hon. Mr. Hugessen: Yes, but I was thinking of occasions that my friends from British Columbia know about, when the Fraser River overflows its banks and Vancouver is isolated

from the rest of the country. Would this bill be applicable in a case of that kind?

Hon. Mr. Denis: Yes, of course, if the interruption lasts more than 48 hours.

Hon. Mr. Hugessen: Then my next question is: Why 48 hours?

Hon. Mr. Denis: There may be dozens and dozens of cases in which the interruption lasts for just one day, and will not affect the time taken to have mail delivered from one point to another. If the interruption lasts for only 12 hours, then there is some chance that the mail will reach its destination without any real delay.

Hon. Mr. Hugessen: I am not criticizing the bill. I am addressing these observations to the point that this bill should go before a committee so that we may know exactly what is involved.

Hon. Mr. Connolly (Ottawa West): I agree.

Hon. Gunnar S. Thorvaldson: Honourable senators, I wish to make only a few remarks in connection with this bill. I do not want to criticize it, or to praise it. I shall follow the injunction urged by Senator Power a few moments ago, that it is always the better part of wisdom for members of legislative bodies to talk very little. I will modify that somewhat and say that I shall not talk too much.

This is, however, a very important bill, and it does seem to me to be a new type of legislation of which we do not have many other examples. For that reason it would be very beneficial, I believe, to have it referred to a committee, as was suggested by Senator Hugessen, presuming that we have sufficient time to do so before the Christmas recess.

In respect to referring the bill to committee I have in mind exactly the same reasons put forward by Senator Hugessen, one of which is in connection with the limitation of 48 hours as provided in clause 2 of the bill. Why should it be 48 hours rather than 24 hours, or some other length of time? We should have an explanation from the officials of the Department of Justice in respect to that.

There are various other phrases in this bill, some of which are of a most general nature, and these might be the subject of revision if the minds of the committee members are applied to them.

There has also been reference to the fact that this bill applies only to legislation of Canada. Quite obviously that is so, because there is no authority in the Parliament of Canada to interfere with provincial statutes. Nevertheless, this bill points up the fact that there are many provincial acts which provide for limitations on periods of time. There are, for instance, the motor vehicle acts of the various provinces under which a plaintiff must sue before the expiration of one year or lose all his rights to sue. One can understand that there might be situations where legal offices in faraway places write to a legal office in, say, Vancouver and instruct that action be taken two or three days before the expiration of the time limit. In a situation such as that of the postal strike of 1965, which was of 15 or 16 days' duration, one can well see that a great number of situations might arise in which the rights of individuals could be affected most prejudicially.

Hon. Mr. Hugessen: If I may interrupt my honourable friend, I wonder whether we can deal with the laws of provinces, or the laws of other countries. It seems to me that by this bill we are giving power to a judge of the Exchequer Court to vary such laws. I do not think we can do that, can we?

Hon. Mr. Thorvaldson: I quite agree with what Senator Hugessen has said, and I think it would be of value if a committee could question officials of the Department of Justice as to their opinion on the constitutional limits of this measure.

Hon. Mr. Hugessen: Yes.

Hon. Mr. Thorvaldson: However, I want to say again that this bill points up the tremendous harm and damage that can be done to this country and its people if there ever occurred another postal strike such as that of 1965. It points up also the importance of the debate we now have on the Order Paper, namely, Order No. 4, the debate on the inquiry of the Honourable Senator Cameron calling the attention of the Senate to the disruptive and costly effects of strikes in services affecting the public welfare. I can think of no department of government which is more important to the public welfare than the Post Office Department. Consequently, I am in hearty agreement with the purposes of this bill.

At the same time I want to urge upon all honourable senators the necessity, as has been indicated by my leader (Hon. Mr. Brooks), of finding some way in the near future of dealing more comprehensively with these problems that arise, not only in the public service but in services where much more than local interests

are at stake. I am referring in this regard to the situations that would arise if the workers in power plants, for instance, in any of the great cities of Canada were allowed to go on strike. The result of anything like that happening would be disastrous.

I do not intend to continue this discussion any longer, but I do wish to point out the importance of the bill, and consequently the importance of the debate in which we are presently engaged.

Hon. John J. Connolly: Honourable senators, before the honourable sponsor of this bill (Hon. Mr. Denis) closes the debate I should like to say a word or two. First, I want to thank Senator Denis very much indeed for taking on the responsibility of sponsoring this measure. He has done it most admirably.

Secondly, I want to thank all honourable senators who have participated in the debate. This is the kind of bill which I am always glad to see come to the Senate, and for the reasons given by the speakers this afternoon.

This is a nonpolitical and noncontentious bill, but it is of great importance, and one with which the Senate is particularly well qualified to examine the draftsmanship and consider its purposes. This bill is before this house, quite frankly, because of some misgiving on my part about its contents. The Legislation Committee of the cabinet does not always have an opportunity of ferreting out defects that a body constituted like the Senate and its committees has. I am particularly pleased that this kind of discussion has taken place.

I would welcome the reference of this bill to a committee for detailed discussion and for questioning of the officials, particularly of the Department of Justice, as Senator Thorvaldson suggested, in order to make sure we are doing the right thing. We must, of course, stay within our own jurisdiction. Generally speaking, I think the purpose behind the bill is a proper and desirable one.

Coming now to the question of strikes—and I know I may be out of order in speaking about them—I think what Senator Brooks has said is worthy of more than passing attention.

Hon. Mr. Brooks: May I point out to the honourable leader that it is on account of the strike that this bill is being introduced. I do not think he is out of order, nor that I was out of order in my remarks.

Hon. Mr. Connolly (Ottawa West): I do not think you were out of order, and perhaps I was not right in saying that I may be out of order; however, we will not argue the point as to whether either of us has the right to speak.

Strikes in industries which can be deemed to be essential have crippling effects upon the economy of this country, and the question, first of all, of governments dealing with these issues presents major problems, and when Parliament itself has to deal with some of the more protracted strikes, the problems are that much greater.

I would hope that in some way or another the people in the trade union movement, as well as those on the employers' side, in the private sector of the economy, could develop some civilized and reasonable way of dealing with strikes which paralyse the economy.

Hon. Mr. Brooks: Hear, hear.

Hon. Mr. Connolly (Ottawa West): The Industrial Disputes and Investigation Act has been on our statute books for perhaps 35 or 40 years, and probably without amendment. Some countries in the world have made some progress in the way of settling disputes without using the strike weapon. The strike weapon was used here because these people had a union, and they simply pulled their employees off the job.

It is easy, as the Leader of the Opposition has already said, for newspapers to state that the Government should have taken action sooner. The Government was alerted early enough, and was worried and gave serious consideration to it day after day. I recall how many days of the summer holidays were lost as a result of this strike in 1965, not only for me but for many others in the Government. Such problems are not easy to handle, for one has to deal with people who have rights given to them under the Industrial Disputes and Investigation Act. One has to go through the processes, and it is not always easy to come up with the right answers.

The Government has been criticised for making strike settlements in certain cases at levels that are too high. It is never commended for making settlements which in certain cases fall below the level sometimes described as the "Pearson formula". The fact that such situations arise in this country points up the difficulties that confront any government, in an economy where there is virtually full employment and in which every wage increase puts that much more pressure on the inflationary process.

I do not minimize the criticism that has been made by certain newspapers, but I make

no apology for the attention, time and effort that has been given by the members of the Government in each of these strike instances, to do everything within their capacity to try to resolve the situation in a reasonable way. There is only so much time in the course of the day at one's disposal to work at these problems. I have seen some of my colleagues on the west coast—I do not say this to excite pity—work all day with a group of people, and fly all night in order to get back to Ottawa, then sit down again and work all that day and sometimes all of the following night, to try to reach a solution on a strike. That has happened within the last month.

Other ministers, whether of this or any other Government, are going to be faced with this kind of problem, unless we can reach a solution somehow along the lines of that which Senator Brooks would like to see reached.

In justification for what has been said about many of these strike situations, I think I am right in saying what I have said today. However, I am glad this particular bill will be referred to a committee. We shall not be investigating a strike situation.

Before leaving that aspect of the matter, I hope that the inquiry of the honourable Senator Cameron, calling the attention of the Senate to the disruptive and costly effects of strikes in services affecting the public welfare, and which Senator Farris adjourned, will be the subject matter for consideration and of speeches by many senators. Senator Farris has not been able to come here lately, but when the Senate resumes again and there is an opportunity, I hope that honourable senators will rise in their places and discuss this most important issue.

[*Translation*]

L'honorable M. Denis: Honorables sénateurs,—

[*Text*]

The Hon. the Acting Speaker: May I say that if the honourable Senator Denis speaks now, it will have the effect of closing the debate.

[*Translation*]

Hon. Mr. Denis: Honourable senators, I have only one word to add to the important and constructive remarks made by the honourable senators.

I also thank them for their kind words but, as I said in my opening remarks, I do not deserve much credit: the bill is very simple. May I repeat the words of the poet:

I really don't deserve
The apple-green paper
You wish to offer me;
'Tis no doing of mine
That I should feel so well.

I merely want to answer the question put to me by the honourable Leader of the Opposition, namely, why wait so long to introduce that bill? I would point out to him that the complaints to the patent office did not reach it simultaneously, when postal services were interrupted. They reached the office over a period of time. I would add that similar complaints may well be made later on, because some people, being aware that no such statute enabled them to have recourse simply waited, either to introduce a private bill, or for one to be introduced similar to the one we are now dealing with.

With regard to the matter mentioned by Senator Thorvaldson, concerning the application of this act insofar as provincial legislation is concerned, I feel that we do not have the jurisdiction required to amend that legislation. It should suffice for the provinces themselves to legislate on the matter.

[*Text*]

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): Honourable senators, before the bill is referred to a committee, I wish to say that I will make arrangements for the committee to be convened tomorrow morning, subject to the availability of facilities. In any event, notices will be delivered to honourable senators' mail boxes.

On motion of Hon. Mr. Denis, bill referred to the Standing Committee on Banking and Commerce.

Motion agreed to.

BUSINESS OF THE SENATE

Hon. Mr. Connolly (Ottawa West): As honourable senators are aware, we are now waiting for the pension legislation which has been before the other house. There are but two or three clauses to be considered in committee, and the bill will be available for third reading. A supplementary budget will be presented in the House of Commons this evening at 8 o'clock. I was hopeful the bill I mentioned might have been ready this afternoon, but my hopes were not realized. If any honourable senators have any influence with friends in

the other place, perhaps they would use that influence to get the bill to us as soon as possible. I know that many senators will be inconvenienced in making satisfactory travel arrangements for the holiday if we do not receive the bill soon.

I am anxious to accommodate all honourable senators. If we get the bill this afternoon we could consider it this evening, and if necessary tomorrow morning, and then refer it to a committee. In that way, we might dispose of it expeditiously.

Honourable senators, I propose that we now recess, to reassemble at the call of the bell not later than ten minutes to six.

The Senate adjourned during pleasure.

Upon resuming at 5.45 p.m.

Hon. Jean-Paul Deschatelets: Honourable senators, after consultation with Senator Brooks, the Government Leader has asked me to announce that the Senate will adjourn until tomorrow afternoon at 3 o'clock. We are informed that the other place will be sitting until 8 o'clock tonight to consider the Old Age Security Act. If the bill is ready for presentation in the Senate tomorrow afternoon, it is hoped that we can dispose of it some time during the day, so that the committee will be able to study it on Wednesday morning. The bill might come back for third reading at an early hour on Wednesday.

The Senate adjourned until tomorrow at 3 p.m.

23031—95

THE SENATE

Tuesday, December 20, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Copy of Supplementary Agreement, signed at New Delhi December 16, 1966, amending the Agreement between the Government of Canada and the Government of India relating to the Rajasthan Atomic Power Station and the Douglas Point Nuclear Generating Station signed at New Delhi on December 16, 1963, together with copies of correspondence exchanged. (English and French texts).

POSTAL SERVICES INTERRUPTION RELIEF BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. A. K. Hugessen, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hugessen: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hugessen, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Denis: With leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

CONSUMER CREDIT (COST OF LIVING)

SECOND REPORT OF JOINT COMMITTEE

Hon. David A. Croll, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living presented the second report of the committee, as follows:

Your committee recommends that it be authorized to adjourn from place to place.

The Hon. the Acting Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Croll: With leave of the Senate, I move that the report be adopted now.

Honourable senators, it is the intention of the committee to hold some further hearings on food prices and then turn its attention to housing and clothing costs. It is planned that by the end of February a subcommittee will travel in order to obtain some regional viewpoints. It is not possible to ask all interested persons, such as small merchants and people in credit unions and co-operatives, to come to Ottawa to be heard. It was thought that a subcommittee would be able to handle that aspect much better by doing an on-the-spot job.

This same motion was put to the House of Commons earlier today. The committee has asked for this, and I commend it to the Senate.

Hon. Mr. Burchill: I understood from the press that you had completed your hearings.

Hon. Mr. Croll: No. We have an interim report, which I will be presenting in a moment or two.

Hon. Mr. Brooks: How many members will be on the subcommittee?

Hon. Mr. Croll: We have not made up our minds on it, but we think that five or six would be the number, so as to represent all the parties. That was the tone of the discussion, but as yet it is quite indefinite.

Report adopted.

THIRD REPORT OF JOINT COMMITTEE TABLED

Hon. Mr. Croll tabled the third report of the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living.

He said: Honourable senators, may I ask the indulgence of the Senate. This is an interim report which the committee promised to deliver before Christmas. It is not long, as reports go. It occupies seventeen foolscap pages. You can read it in twelve minutes, but I hope you will take somewhat longer to digest it. It is an interesting story and there are 14 recommendations. If I may, I will take a few minutes to outline them to you so that you may have the highlights of the report.

The recommendations are as follows:

That a joint committee of the Senate and House of Commons be established for the life of a parliament to review consumer affairs and the state of the Canadian economy.

That a department of consumer affairs, headed by a minister, be established.

That immediate steps be taken to promote standardization and simplification of grades, nomenclature and packaging for commonly purchased consumer items.

That non-price competition by retail food outlets should not be allowed to become sufficiently important to outweigh price competition.

That "cents-off" labels, in view of their tendency to cause confusion and to distort price relationships, should be prohibited.

That the minister to be responsible for consumer affairs undertake a review of the effectiveness of the investigation and prosecution procedures under existing statutes relating to misleading advertising.

That more care should be used in re-marking the prices of goods in the inventories of retail food stores.

That additional staff resources be provided to the Dominion Bureau of Statistics to improve the collection of urgently needed statistical information on price movements.

That more information concerning consumer prices be made available to the public in as simplified a form as possible.

That a thorough review be made of the governmental system of collecting, analysing and issuing other types of economic statistics in addition to price statistics.

That increasing attention be devoted to consumer education both through the educational system and by the wider distribution of information useful to consumers through Government channels.

That the distinction between disclosure requirements by private companies of significance to the public and public companies be eliminated.

That the disclosure requirements for both public and such private companies be enlarged to assure full and complete disclosure of corporate activities to give to the public sufficient information for meaningful continuous analysis and comparison.

That the Joint Committee on Consumer Credit and Cost of Living continue with its investigation of concentration in the food industry.

You will find some elaboration under each one of these headings. I merely indicate the form which the report took, so as to give you some idea of its contents. Again I suggest to honourable senators that the report is easy to read.

Hon. John J. Connolly: Honourable senators, before the next order is called, and without making a speech upon the matter, I think the Senate, and indeed Parliament and the country, are indebted to the joint chairmen and to all the members of this committee for the arduous task they have undertaken and carried out since this important order of reference was made for their consideration last summer. This work has kept many members of both houses in Ottawa at times when others of us have been enjoying time off. That they have done a painstaking and a thorough going job so far, has been indicated by the kind of attention that has been given to their work by the press and the other news media across the country.

We have nothing but commendation to offer the members of the committee, through its distinguished, able and energetic chairman from this house, for the work they have done. I am sure we will read their report with much interest, and that it will be the subject matter not only of concern but of debate in due time in this house.

Hon. Senators: Hear, hear.

Hon. Gunnar S. Thorvaldson: Honourable senators, as a humble member of the committee, I would like to support the remarks made by the Leader of the Government, particularly in regard to the capable, efficient and effective work done by the joint chairmen, and especially by Senator Croll.

Hon. Senators: Hear, hear.

Hon. Mr. Thorvaldson: May I also add that apart from any legislation that might in due course result from the committee's work, it seems to me that the publicity given to the work and proceedings of the committee have already been of inestimable value. I believe it has had the effect of at least bringing home to every person in this country the danger of the inflationary conditions that are being experienced throughout the world as well as in Canada. This type of education has brought home, as I say, the danger of inflation to the individual, and particularly to the women of this country who are the buyers of most of the goods purchased in our stores—certainly groceries, clothing and furniture.

Hon. Mr. Connolly (Ottawa West): And Christmas presents!

Hon. Mr. Thorvaldson: Yes, and Christmas presents. This education will be of great value in our fight against inflation.

Report tabled.

MOTION TO PRINT AS APPENDIX TO DEBATES OF THE SENATE AND MINUTES OF PROCEEDINGS

Hon. Mr. Croll moved, with leave of the Senate, that the third report of the Joint Committee be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

Motion agreed to.

(For text of report see Appendix, pp. 1307-13.)

UNIVERSITY FINANCES

The Senate resumed from Tuesday, November 15, the adjourned debate on the inquiry of the Honourable Senator MacKenzie calling the attention of the Senate to the question of university finances.

Hon. T. D'Arcy Leonard: Honourable senators, I am rather in the position of a stopgap, in that while waiting for more important matters to reach the Senate, the opportunity is afforded me to continue the debate in connection with the inquiry launched by Senator MacKenzie.

At the outset I should like to tender my thanks to Senator MacKenzie for having initiated this debate, and also to compliment him on his presentation. He has had a long experience in the university world as well as in the world of public affairs, and this has qualified him as one of the outstanding authorities on university matters in Canada. We are very fortunate, not only because of his knowledge of this subject but his knowledge of other matters as well, in having him as a member of the Senate.

My own qualifications to deal with this subject are quite modest, the chief being the fact that I have had for a long time a keen and abiding interest in the subject of university education, and in discussing this subject today I shall be dealing only with its practical aspects. In my view there are other functions of universities that are more important than this, namely, the search for truth and the imparting of cultural, aesthetic and intellectual qualities and standards to the individual and to the country. However, no matter how important, these are not within the realm of my discussion today. I shall confine myself to the purely practical side of university education—the university and its relationship to the economic life of our country.

As I look back over the years to my own days as a student at the University of Toronto, now over 50 years ago, I recall the time when the academic world was a world apart from that of business and government. College Street in Toronto was a boundary line dividing gown from town, and academic life went on in a cloistered, sequestered retreat. Student fees were very small. I think my own fees were less than $50 a year. The contribution to the finances of the university from the province was meagre. There was no contribution whatsoever from the federal Government, and practically none from business generally. Yet, the academic life of the university went on, largely due to dedicated professors who worked for very small stipends. Nevertheless, there were many great men in the universities in those days.

Great changes have taken place over the past 50 years, and particularly since the Second World War, even more particularly in the last five or six years, and I should like to make reference to some of those changes or some of the aspects of those changes that have occurred during the last five years. First of all, I should like to refer to the report of the Special Committee of the Senate on Manpower and Employment, dated June 14, 1961. This is one of the basic documents dealing with this subject. Not only has it been quoted often, but I think it has led to a number of measures and changes that have taken place in respect to the problems of manpower and employment.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Leonard: At page 8 that report says:

> Nothing has impressed the committee more than the very heavy incidence of unemployment among young people, the unskilled, and the inadequately educated.

And it goes on to say:

> This situation must be viewed with a sense of urgency. Without any question we must devote a much larger proportion of our resources to education and training of all kinds—academic, professional, vocational, and technical. To a much greater degree than in the past our national investment must include investment in people—and we must begin now.

The same note has been struck by the Economic Council of Canada in its annual reviews. At page 94 of its Second Annual Review, the Economic Council said:

> To advance educational levels through the formal education system, attention currently needs to be focused on five particular areas.

The third of these areas is:

> The tremendous expansion required especially at the university and post-secondary technical school level in terms of higher enrolment ratios and retention rates for those of post-secondary school age, in the circumstances of an unprecedented upsurge in the numbers of young people who will be moving out of the 15-19 (mainly high school) age group to the 20-24 (post-secondary) age group over the coming decade.

The same report, at page 92, estimates that the average real income per person in the male labour force was roughly one-quarter higher in 1961 than it would have been if the average educational attainment had remained at the 1911 level. In other words, the increase in education alone contributed to a 25 per cent increase in the productivity per male in the labour force over that period of time.

At this point I should like to quote from an editorial headed "Land of the the Second Rate" in the *Financial Post* of November 26, 1966. This editorial makes very interesting comparisons between Canada and the United States in regard to figures pertaining to education. For example, in the age group of 20 to 24 years 39 per cent of the population of Canada has completed high school or better. In the United States the same age group with the same qualifications comprises 73 per cent of the population. The editorial says:

> These figures suggest several hard truths. Much of the remarkable productivity and efficiency of the United States economy reflects workers better equipped than we to make most of the factors of production. Until the education gap is closed, we won't make similar advances in productivity or earn the living standards which they imply. Wage parity under these circumstances is so much nonsense.
>
> Canadians are plainly going to have to devote a growing share of their income to education.

So much for the importance of the subject. Let me go over the last five years and relate some personal experiences in dealing with the problems of university education. At the end of 1959 or the beginning of 1960 I was appointed to the board of a new university in Ontario—the first of a group of new universities—York University. At that time it was a university in name only. It had a charter. It had a president in the person of Dr. Murray Ross. It had a chairman of the Board of Governors in the person of the Honourable Robert Winters, and it had a Board of Governors of seven persons. It had no students, no professors, and no buildings. This was in the spring of 1960. It opened for business in the fall of 1960 in Faulkner Hall which was loaned to it by the University of Toronto, and it had 76 students. Faulkner Hall was the former residence of Sir Robert Faulkner. Here I should interject that without the assistance and aid of the University of Toronto, York University would never have made the progress it did in its beginnings.

That was in the fall of 1960. Six autumns later, in 1966, York University has over 5,500 full-time and part-time students. It has two campuses, a faculty that in numbers and quality is adequate for the number of students, an imposing set of buildings and equipment, the cost of which was in the neighbourhood of $40 million. All this has been accomplished in six years, and this is just one example of the explosion that is going on in university affairs, not only at York but in Ontario and the whole of Canada.

It fell to my lot also to see something of the whole picture in Ontario during these past five or six years. In April 1961, I was appointed to the Committee on University Affairs set up by the government of the Province of

Ontario to advise and make recommendations in connection with the problem of the expanding demands upon the universities. I was a member of that committee for some four and a half years, until I resigned last year, but in that time, in addition to York, five other new universities have opened—Brock, Trent, Lakehead, Laurentian, and Guelph—making a total now of 15 universities in Ontario. In the same time, all the older universities have greatly expanded.

The student population has risen from approximately 35,871 in 1961-62 to more than 60,000 this year, and the annual operating grants by the provincial government rose from $19 million in 1961-62 to $81 million, or a four-fold increase in that same period. In addition to the operating grants, the Province of Ontario has set up a Crown corporation called the Ontario Universities Capital Aid Corporation. In the current fiscal year 1966-67 that corporation has allocated the sum of $150 million for advances to the universities on capital account for the erection of buildings.

Hon. Mr. Connolly (Ottawa West): Is that for loans?

Hon. Mr. Leonard: That is for loans. However, the loans are repaid both as to principal and interest by the operating grants of the Province of Ontario, because naturally the universities are operating at a deficit.

I pay tribute to the government of the Province of Ontario for the way in which it has dealt with that problem, by its good timing, good planning, efficient operation, and for the generosity of its treatment of the universities. Up to the present there has been a place in Ontario universities for every qualified applicant; however, when one looks to the future the outlook is still formidable, because we are moving into a stage of even greater acceleration of expansion.

The best information on what we may face is contained in what is known as the Bladen Report. The Bladen Commission was so named after Dean Bladen who was Chairman of a commission that was formed by the Association of Universities and Colleges in Canada. That report is dated June 1965.

The forecast in the report is that, compared with the student enrolment today of 234,000, it is expected that in 1970-71 it will reach 340,000, and by 1975-76 it will reach 460,000, and all indications are that these forecasts are conservative.

Total university capital and financial requirements, which for 1966-67 are of the order of $750 million for the whole of Canada, and are expected to be $1,314,000,000 by 1970-71 and $2,032,000,000 by 1975-76.

At page 57, the Bladen Report states that this increase could be frightening, were it not related to the growth in our gross national product.

To take care of these substantial sums, the Bladen Commission made certain specific recommendations. It particularly recommended greatly increased grants from the present level by the federal Government. It also recognized that there would have to be increased provincial support, and indeed increased private and corporate support would also be necessary if the universities were to meet the demands upon them. It recommended no increase in student fees, but that such fees be continued at about the present level. Since the Bladen Report was issued in June 1965, it has been the subject of study by universities, by governments and other interested bodies throughout Canada.

The latest development in this field has been the meeting of the federal and provincial governments, held in October of this year. In his statement to that conference, the Prime Minister of Canada, Mr. Pearson, stated:

> Today among Canadians in the age group 18 to 24, one in ten is a full time student at university; in ten years time the ratio is expected to be almost one in five.

He said further:

> Moreover, if there is to be, as we all desire equality of opportunity of Canadian youth, there must be increasing funds for student aid.

The proposal of the federal Government at this conference took the form of a radical departure from the method that had been used by the federal Government up until now for assistance to the provinces in the field of education. Hitherto, so far as the universities are concerned, ever since the Massey Commission Report the federal grant had been on a per capita basis, commencing with 50 cents per head of population. Immediately following the Massey Report, and advancing in stages until now, the federal grant has increased to $5 per capita. It is based on the population of the various provinces; the amount so determined is then allocated to the universities in the province on a per student basis, the distribution being made through the Canadian Association of Universities and Colleges.

In so far as vocational schools are concerned, the federal Government assistance has been by way of a cost-sharing program. These two methods have been used: the per capita method in the case of universities, and the cost-sharing basis in the case of vocational schools.

The proposal made at the conference was to do away with the per capita grant and the cost-sharing program and to substitute fiscal transfers. The federal Government would transfer to the various provincial governments four percentage points of the basic personal income tax, and one point on corporation profits; that is to say, the federal Government would reduce its individual income tax by four per cent of the basic tax and its corporate tax by one per cent of corporate profits, thus enabling the provinces to step into the field to that extent and raise their money relatively painlessly by corresponding amounts. One can see at once that the result of this would be that the wealthier provinces with heavier personal income taxes and corporate taxes would benefit, where the less wealthy provinces would not.

Therefore, the federal proposal went further and said that where the tax abatement did not amount to at least 50 per cent of the operating cost of the universities in a province, an equalization grant would be made by the federal Government to bring the amount received by that province up to 50 per cent of these operating costs, so that half of the operating cost of all the universities of all provinces would be paid by the federal Government. Even that, however, would not take care of those provinces where the amount spent on university education was low in comparison with other provinces. So the federal Government has taken the national average of university expenses of all provinces, which works out at $14 per capita, and any province, after receiving the amount of income tax and corporation tax that is made available to it, after receiving up to 50 per cent of its operating cost, is also entitled to receive an amount to bring it up to $14 per capita. This is a long step forward.

Hon. Mr. Connolly (Ottawa West): Is that per capita of the population within the province?

Hon. Mr. Leonard: Per capita of the population of the province. In other words, with a population of 20 million in Canada, that is $14 per capita, or $280 million. This is a long step forward, and it seems to me to go far toward meeting the problem of financing post-secondary education. The Prime Minister himself said that it goes further than the Bladen Commission Report in so far as the federal Government is concerned, and he gave the figures that the federal grants, plus the abatement of the tax field in 1967-68, would mean federal assistance in all of $359,974,000.

I should mention that there is also to be a phasing-out of the federal grants towards the construction of vocational schools, and these grants are included in that figure, but the total increase by the federal Government towards post-secondary schools would be from $75 million to $100 million. That I think is a very substantial increase toward meeting the problem we are facing.

One aspect of the federal policy, however, that disturbs me is that in connection with church-related institutions. Until now the moneys from the federal Government have been made available to all universities in Canada, whether church-related or not, and to me that is the right policy. For reasons that are largely historical, the Province of Ontario does not make its university grants as such available to church-related universities. Waterloo Lutheran University, of which Senator Ross Macdonald is chancellor, is the only university in the Province of Ontario which is church-related. However, there are church-related colleges affiliated or federated, or connected with other universities. These church-related institutions in general have not been receiving assistance from the Province of Ontario. They have been obtaining their share of the federal grant, and this I submit is the right policy. Had it not been for the substantial amounts given to these institutions by the federal Government, their condition in the last few years would have been extremely difficult.

If the result of this fiscal transfer is that the provincial policy is to be applied not only to the grants that the provincial Government makes in its usual or ordinary way, but also to the amount now made available by the federal Government, through the vacating of the tax fields and through the equalization grants, then the position of these institutions would be really calamitous.

In its figures, the federal Government has taken the cost of these institutions into account. It is prepared to make its funds available for these institutions and from a national standpoint I think this is right.

If the federal Government, in pursuance of a national policy, deems that it should assist a

province in a matter that is under provincial jurisdiction, so as to assist the economy as a whole, I think it is entitled to prescribe terms or conditions to see that this national policy is not impeded or obstructed by the application of a provincial policy.

I would think it is strictly wrong, for example, for Waterloo Lutheran University to be excluded from sharing in these additional federal grants. If the provincial policy is applied to it, the university will lose not only the additional moneys being made available by the federal Government, but would in fact lose the amount it is already receiving from the federal Government. I would hope that, in some way or other, between the Province of Ontario and the dominion Government, this problem will be worked out so that this very wrong result would not ensue.

I am not quarrelling with the right of the province, in the ordinary case in dealing with education, to establish its own policy. I am not quarrelling with what they do in regard to their own tax money, but when the federal Government moves in this way, then I think that there is a different aspect of it.

Honourable Senators, I really have concluded what I wish to say on this subject. The point I want to make is that, from the time of the conditions such as existed some 50 years ago, we have moved now into a situation where university education is interwoven into the economic fabric of this country, along with business and along with governments, and there it is, and this is what we are going to have to deal with throughout the years to come. We are going to have to spend larger and ever larger amounts of money on university education.

The justification for the size of the expenditure is the contribution that university education makes to the increased prosperity and productivity of the country. Through the spread and growth of knowledge, through the application of science and research, through training in skills, through reduction in unemployment and through increased productivity, higher education will make a substantial contribution to the increase in our gross national production. It will help to meet the challenge that Canada faces in the fierce competition today in world markets. By so doing, the expenditure on university education will not only justify itself but will repay itself.

On motion of Hon. Mr. Lang, for Hon. Mr. Burchill, debate adjourned.

BUSINESS OF THE SENATE

Hon. Mr. Connolly (Ottawa West): Honourable senators, from what I can gather, the discussion continues in the other place, but there is a prospect that the bill for which we are waiting will be available to us later this day. Having consulted the honourable Leader of the Opposition, I think it might be more convenient and expeditious if we adjourn now until the call of the bell at approximately 8 o'clock.

The Senate adjourned during pleasure.

Upon resuming at 4.30 p.m.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I must make an apology, not to you but to the honourable senators who have already left the building on the understanding that we would reassemble at 8 p.m. The fact of the matter is that third reading of the pension bill in the other place has been deferred until tomorrow. It is unnecessary to bring honourable senators back this evening, because there is no prospect of our receiving the bill for consideration tonight. I would hope that we might receive it early tomorrow afternoon. I have no alternative but to move that the Senate do now adjourn.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*See p. 1302.*)

CONSUMER CREDIT (COST OF LIVING)

INTERIM REPORT OF JOINT COMMITTEE

December 19, 1966

The Special Joint Committee of the Senate and House of Commons on Consumer Credit and Cost of Living makes its third Report, as follows:

1. Preamble

During the first two weeks of September, 1966, the Senate and the House of Commons agreed to expand the terms of reference of the Joint Committee which had been appointed earlier to enquire into the problems of consumer credit. The added responsibility given to your Committee was "to enquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months." Because of public concern over increases in food prices, your Committee decided to concentrate its attention initially on the reasons for the upward movement in food prices. It also undertook to present an interim report to Parliament sometime during December. Your Committee met on forty-two occasions in the period from September 28 to December 13, 1966 and heard testimony from a representative cross-section of individuals and organizations. Because of the pressure of time, many of the witnesses appeared on very short notice and your committee wishes to record its appreciation to them for their invaluable assistance in its efforts to throw light on the factors influencing consumer prices.

Recently, Parliament has also referred to the Joint Committee on Consumer Credit and Cost of Living the Third Annual Review of the Economic Council of Canada entitled "Prices, Productivity and Employment." This important and complex report obviously requires detailed study and because of the shortness of time, it has not been possible to do more than refer briefly to some of the conclusions of the Economic Council of Canada which impinge directly on the work of your Committee.

This interim report is necessarily brief. It is not and could not be expected to be an exhaustive analysis of the evidence. The limitations of time meant that the report could deal with a limited number of issues. Many other problems referred to during the committee hearings require additional evidence, study and research before useful conclusions can be drawn.

2. General Observations

The economic experts both from the public service and the academic community who gave evidence to your committee made it obvious that the factors influencing the cost of living in Canada were many and varied. Some changes could be explained by the increased price of imports. Canada's trading relations with other countries are intimate and important and it is therefore natural that the general increase in price levels in the recent past in most western countries has had a contagious effect on Canadian prices. In addition, domestic changes in the price of goods and services interact and reinforce each other. A great deal of the evidence presented to your committee emphasized the fact that consumer prices moved in response to changed market conditions in other sectors of the economy or in markets outside Canada. These changing market conditions, in turn, affected the share of the national income going to labour, to farmers, to business and to others, but there was nothing to indicate that the recent changes in the cost of living in Canada arose out of unusual or unwarranted increases in the sizes of their respective shares. Your committee's review of the evidence has not yet revealed any group or sector of the economy which could be singled out and blamed for the recent increase in consumer prices. Its general conclusions were that there have been many factors contributing to the changes in the cost of living, particularly the price of food.

While there are many groups in the economy which are able to protect themselves against the rising costs of living, your committee must recognize there are many such as the handicapped, the aged and the unemployed upon whom the burden of price increases falls most heavily.

Since your committee commenced its hearings on September 28, food prices as reflected in the food component of the Consumer Price Index have declined slightly and it is believed that the information which reached the

housewife through the committee hearings has had a stabilizing influence. The hearings have had a significant educational value for the members of your committee, for the housewives and for the business community. Public attention has been focussed on the importance of the price and quality of consumer goods and it is the earnest hope of your committee that Canadian housewives will shop both selectively and carefully.

For the first time, full public disclosure of the business practices and affairs of companies appearing before your committee was requested. This applied to Canadian companies as well as to subsidiaries of non-Canadian corporations. In some instances, new light was thrown on extensive inter-corporate relationships which had not been made public before. In one case, one newspaper reported "for the first time, amazing extent of holdings revealed" and a press service referred to the "Stunning scope of food empire" All the proceedings were open and no information was given to your committee in confidence. There was extensive coverage of the work of your Committee in the newspapers and on the radio and television.

3. The Need for Improved Statistical Information

Your committee experienced some difficulty in obtaining satisfactory statistics on the prices of a number of important commodities at the farm, wholesale and retail levels. This was particularly true of meats. In part, this arose from the division of responsibility between the Department of Agriculture and the Dominion Bureau of Statistics. It is the view of your committee that there will be continuing interest in the trend of prices. For purposes of economic analysis and studies of distribution, improved statistics concerning prices at all distributive levels are essential. For this reason, it recommends both a greater degree of interdepartmental co-ordination in the compilation of price statistics and the diversion of professional staff to expand and improve the statistical information on prices throughout the public service, and particularly in the Dominion Bureau of Statistics. While the quality of the work performed by the Dominion Bureau of Statistics is very good, your committee firmly believes that its work in some fields was being impeded by shortages of professionally qualified staff.

The principal way of informing the public of the changing level of prices is the monthly Consumer Price Index issued by the Dominion Bureau of Statistics. This is a sophisticated and valuable economic measuring device but it is nevertheless difficult for an ordinary consumer to interpret it as it applies to her normal purchases for her family. While the existing published consumer price indexes provide a very useful measure of price movements affecting consumers nationally and in major urban centres, additional statistical indicators are required. In particular, there is a pressing need for the Dominion Bureau of Statistics to broaden the scope of its retail pricing program to encompass a wider range of qualities of goods and services and to allow more useful item price averages to be derived, by cities, on a continuing basis. It is recognized that an expansion of available retail price statistics along these lines will require additional resources, both in the field collection of price data and in its evaluation, processing and analysis. A good deal of information on various aspects of consumer prices is published by the Dominion Bureau of Statistics but it is not usually easily available to the consumer. The consumer appears to be less well served in this respect than some other groups in the community. For example, her ability to detect seasonal and other trends in food prices is impaired by a lack of information. Your committee recognizes that there are technical problems in compiling accurate price statistics but nevertheless believes that it is an appropriate governmental function to disseminate price information as widely as possible to the consuming public.

Although your committee's primary concern was with prices, it necessarily became involved on several occasions with other kinds of economic statistics. Specific evidence was given, notably by the Chairman of the Economic Council of Canada, that there were serious deficiencies in the government system of collecting, analyzing and issuing statistics relating to economic conditions. Moreover, your Committee was impressed by the urgent need for comprehensive, accurate and timely statistics in the formulation of government economic and fiscal policy. Because of the importance of having good and current information about short-run economic changes, your committee proposes that a detailed review of the government statistical system be undertaken with a view to modernizing, improving and co-ordinating the whole process of collecting and compiling economic data.

Recommendations:

(a) That additional staff resources be provided to the Dominion Bureau of

Statistics to improve the collection of urgently needed statistical information on price movements.

(b) That more information concerning consumer prices be made available to the public in as simplified a form as possible.

(c) That a thorough review be made of the governmental system of collecting, analyzing and issuing other types of economic statistics in addition to price statistics.

4. Parliamentary Responsibility for Consumer Affairs

The experience in Canada and in many other western countries demonstrates the need for Parliament to be informed on both general and specific economic developments. Economics cannot properly be the exclusive province of experts, even though it has aspects which are technically complex. The study of particular legislation or special problems by ad hoc parliamentary committees does not meet the continuing need of Parliament to become familiar with the issues of current economic policy. For this reason, your committee has concluded that it would be desirable to establish a Joint Committee of the Senate and House of Commons whose primary aim would be to keep under continuous review the whole field of consumer affairs. In addition to this, the proposed committee should have the responsibility for surveying economic developments in the Canadian economy which affect employment, income and consumption levels. A Committee of Parliament would be immediately responsive to parliamentary or public concern over problems affecting the consumer.

It is recommended further that such a Joint Committee be established for the life of a parliament in order to provide continuity to its work and that it should act on problems referred to it by Parliament.

It is essential to provide the Joint Committee with the services of a professional staff. It is of interest to note that the Third Annual Review of the Economic Council makes a somewhat similar suggestion and outlines some specific tasks which a Joint Committee might undertake.

Recommendation:

That a Joint Committee be established to review consumer affairs and the state of the Canadian economy.

5. The Influence of Consumer Demand on Food Prices

It was brought out in testimony before your committee that there is an increasing tendency for consumers to buy convenience foods. Such foods require a minimum of preparation before cooking and in some cases merely need to be thawed. In part, this is a consequence of increasing numbers of married women in the labour force and the unwillingness or inability of many consumers to devote much of their time to food preparation. Your committee has no views on the cultural aspects of this development but does recognize the fact that the price of convenience foods must inevitably include some allowance for the costs of preparation. If consumers prefer partially or completely prepared foods, they should be perfectly free to exercise their choice. However, if their time spent in the kitchen is reduced, it is to be expected that the cost of eating will be increased.

In the past few months, there has been widespread publicity and controversy concerning rising food costs. Public interest has been stimulated by the formation of consumer protest organizations, by the hearings before the Joint Committee on Consumer Credit and Cost of Living and by discussions in the press and on the radio and television. Your committee has gained the impression, based partly on the volume of its mail from the public, that consumers are looking at prices more carefully. There are quite acceptable substitutes for many types of food and consumers can affect the prices of particular items simply by not buying them if they think the price is excessive. It is also true that some consumers could reduce their food budgets by shopping carefully provided the retail food markets available to them are truly competitive. The conclusion of your committee is that if consumers are well informed and discriminating in their shopping practices they can reduce their food bill appreciably in many cases. Consumer education is a matter of such importance for the welfare of individuals and families that increasing attention should be devoted to it in the Canadian educational system beginning in the secondary schools. A vast amount of information useful to consumers is available through newspapers, magazines and the publications of government departments. Your committee's opinion is that increased efforts should be undertaken by the government departments involved to distribute as widely as possible attractive and informative material which will help the Canadian housewife to be a well-informed and careful shopper.

Recommendation:

That increasing attention be devoted to consumer education both through the educational system and by the wider distribution of information useful to consumers through government channels.

6. Consumer Standards and Consumer Protection

The problems of the consumer in the market place are accentuated by the changing nature of retailing itself. The rise of the supermarket has meant that for a wide range of commonly purchased items retailing has become impersonal. At one time the retailer was a source of information about the products he sold but the modern supermarket offering many thousands of products usually relies on the consumer to select her own purchases on the basis of her own knowledge.

Product information must be provided. Consumers must be informed about physical properties or products they are buying such as weight, volume quality and number of units and this information should be immediately available at the time of purchase and should be expressed clearly and unequivocally.

Your committee could cite many examples taken from letters received from dissatisfied consumers about merchandising and packaging techniques which annoy the consumer and make it difficult if not well nigh impossible for the consumer to compare price and quality of different products effectively and quickly.

Facts should be presented in a prominent place on the package or container in a form which is legible and free from graphic distortion. Where applicable, the ingredients should be revealed both by name and percentage of composition, and the consumer should also know about the quality of the product. In particular:

(1) the product should be described by its generic name where this is meaningful;

(2) where products are of a certain type, variety and quality, they should be graded;

(3) packages should be designed in terms of size, shape or dimension in a way that will not deceive or mislead retail purchasers;

(4) the net quantity of the contents in terms of weight or measure should be expressed as simply as possible and in terms which can be easily interpreted;

(5) the essential information about a packaged product and its physical contents should be stated in a prominent place on the label.

It is essential for the government to take all measures within its power to foster the welfare of the consumer. In particular, the government has a responsibility for protecting the consumer against all forms of exploitation.

One aspect of this responsibility was referred by the Government in July 1966 to the Economic Council of Canada for investigation. The terms of reference of the study to be carried out are:

"In the light of the Government's long term economic objectives to study and advise regarding:

(a) the interests of the consumer particularly as they relate to the functions of the Department of the Registrar General;

(b) combines, mergers, monopolies and restraint of trade;

(c) patents, trade marks, copyrights and registered industrial designs."

In the normal course of events the findings of the Economic Council of Canada will not be available until late 1967. Your committee, however, feels that the function of consumer protection is of such urgency as to require the establishment of a Department of Consumer Affairs. Because of the special responsibility of the Department of Health and Welfare, the Department of Agriculture, the Department of Fisheries and the Department of the Registrar General, your committee is not prepared to recommend the nature of the administrative structure for such a department until the Economic Council of Canada reports. However, because of the need for consumer protection, for co-ordination of existing legislation and for the immediate establishment of machinery to receive and investigate consumer complaints, the Economic Council of Canada should be asked to report on item (a) of their reference as soon as possible.

Additional legislative authorization may be necessary ultimately for the protection of the consumer but this should not stand in the way of immediate action which could be carried out under existing regulations. Your committee reached certain specific conclusions, which are:

(a) with particular respect to food, that the establishment of standards and grades should be extended to cover all commonly purchased foods for which standards or grades would be useful to the consumer.

(b) that a standardized nomenclature for designating grades for different

classes of food should be developed as quickly as possible and that an intensive campaign should be undertaken to acquaint consumers with the meaning of the grades;

(c) that manufacturers of consumer products should be required to modify their packaging techniques so that, where applicable, the weights or contents are expressed in terms which minimize the difficulties of calculating and comparing prices.

Recommendations:

(a) That a Department of Consumer Affairs headed by a Minister be established.

(b) That immediate steps be taken to promote standardization and simplification of grades, nomenclature and packaging for commonly purchased consumer items.

7. The Promotion of Retail Sales

Your committee noted, with interest, the variety of promotional schemes which had been introduced by the major retail chains to encourage customer loyalty. One senior executive of a corporate chain expressed the view:

"A lot of people are anxious to play games and have these contests. It is all part of their present-day life to engage in these adventurous things. It is a challenge...Have you ever considered how dull it would be for a housewife to go into a store and see nothing but price tickets and a display of produce."

The competitive significance of promotional devices was emphasized by another chain store executive when he said, "If stamps are in fashion, then you had better be in style yourself."

The impact of stamps, premiums, games and contests on the retail price level is difficult to assess and clear differences of opinion were expressed by responsible officials of the chain and other stores. Your committee did not have sufficient evidence at this time to reach any final conclusions about the effect of promotional devices on prices but it did conclude that the different forms of promotion should be used with restraint. Its opinion was that competition not based on price should not be allowed to diminish unduly the healthy effects of vigorous price competition at the retail level. It is your committee's intention to conduct further investigations for the purpose of making final recommendations on promotional devices such as trading stamps, games and contests.

Your committee, however, saw at least one example of a technique of price competition which it considered to be objectionable. This was the system, evidently sponsored by manufacturers or processors, of labelling packages to imply that the product was being sold below the regular retail price. The use of the so-called "cents-off" labels seems to be of fairly recent origin and now to be quite common for such classes of commodities as detergents and processed foods. Your committee feels that this device tends to create uncertainty about what the regular retail price is, particularly in a period of change. Cents-off labels therefore, confuse the consumer and lead to abuses. Anything which smacks of deception in advertising and merchandising is unacceptable. Competition or promotion on the basis of price or quality is a desirable goal but competitive methods which create doubt or confusion should be prohibited.

Your committee learned much about the methods used by chain stores to attract customers. On the other hand, it observed some actions by food retailers which were poor from the viewpoint of their public relations. Your committee's attention was repeatedly drawn to the practice of re-marking goods on the shelves with a new and higher price without removing the old price. Whatever the reason for this practice, your committee's view was that some adjustment in the method of inventory management and more care in marking prices on containers would eliminate this irritant to consumers.

Recommendations:

(a) That non-price competition by retail food outlets should not be allowed to become sufficiently important to outweigh price competition.

(b) That cents-off labels, in view of their tendency to cause confusion and to distort price relationships, should be prohibited.

(c) That the Minister to be responsible for consumer affairs undertake a review of the effectiveness of the investigation and prosecution procedures under existing statutes relating to misleading advertising.

(d) That more care should be used in re-marking the prices of goods in the inventories of retail food stores.

8. Public Disclosure

In times of both depression and prosperity, Canada has in the past resorted to a series of

royal commissions or parliamentary inquiries on prices and price spreads, each of which has had to compile its own information on costs, profits and return on investments. Your committee was no different, and used its parliamentary privilege to ask for and receive from corporate witnesses information never before made public. However, your committee feels strongly that if those responsible for or concerned about the management of public affairs are to be properly informed, such information should be available publicly on a continuous basis for the scrutiny of parliamentarians, public officials, consumer groups, investment analysts and the academic community. Such public disclosure would also be a spur to greater efficiency and productivity by preventing inefficient entrepreneurs from hiding their inefficiency from shareholders or public scrutiny. Further, your committee sees no reason why large public companies should be compelled to compete in the market place against other large private competitors whose operations are almost wholly secret and many of which are privately held wholly-owned subsidiaries of non-Canadian parents.

Recommendations:

(a) That the distinction between disclosure requirements for private companies of significance to the public and public companies be eliminated.

(b) That the disclosure requirements for both public and such private companies be enlarged to assure full and complete disclosure of corporate activities to give to the public sufficient information for meaningful continuous analysis and comparison.

9. Profits of Corporate Food Chains

The Joint Committee on Consumer Credit and Cost of Living asked for and received detailed statistical information concerning the experience of the companies which appeared before it. One of its principal purposes was to determine if there had been any significant recent changes in the levels of costs, prices or profits which would help to account for the upward movement of the cost of living. In particular, your committee concerned itself with the profit levels of the corporate food chains. This whole question was looked into by your committee.

One way of measuring profitability is to examine net profit after taxes as a percentage of gross sales. Your Committee is aware that this method of comparing profit levels has some deficiencies and that an analysis should also be made of profits in relation to invested capital. Such an examination raises theoretical and practical accounting problems and while the necessary research has been started, the results are not available for this interim report. Your committee has retained the services of a firm specializing in management consulting and accounting which has undertaken to conduct a study in this field.

The level of profits in the Canadian economy as a whole was discussed by several expert witnesses who testified before your Committee. Their opinion was that in the late stages of an expansionary period there tended to be a squeeze on profit margins. This resulted from rising costs and the inability of sellers in competitive markets to raise prices sufficiently to offset them. Although the statistical evidence was not conclusive, it did appear that profit levels or ratios had not risen generally and that one would have to look elsewhere to explain the changes in the cost of living after a long uninterrupted period of prosperity.

10. Advertising.

Your committee heard lengthy arguments concerning the economic consequences of advertising. It also accumulated a considerable amount of information relating to advertising expenditures and the way in which advertising costs are shared among different distributive levels in the food industry. There was evidence that the market power of the retail level of the food industry was sufficiently strong to shift some of the burden of advertising costs to food processors or manufacturers. In the time available to your committee, it was not possible to ascertain all the facts necessary to reach any firm conclusion. However, your committee decided that more information was needed.

11. Concentration and Cost Levels in the Food Industry.

The terms of reference of the Joint Committee on Consumer Credit and Cost of Living necessarily meant that primary attention was focussed on factors influencing recent changes in consumer prices. Your committee was not, as a result, able to devote more than passing attention to some of the longer run influences at work in wholesale and retail food distribution.

Although the preliminary judgment of the committee was that profits in the different levels of food processing and distribution had not increased substantially or generally in the recent past, this does not answer a very relevant question, namely, whether the cost levels in the industry were reasonably low in the light of Canadian conditions.

Your committee uncovered specific evidence of great concentration of market power. It came to public attention as a result of questions by your Committee and disclosed more particularly the so-called Weston Empire.

This disclosure was an astonishing revelation and the enormity of the Weston complex surprised even the sophisticated. The far-reaching implications will take some time to assess. The Weston Empire reveals for the first time vast holdings and control over food and other related aspects of the economy which will need further investigation to reveal all the implications and to do this, more specific information will, of course, be required.

The detergent and soap industry, it appears from the evidence, is controlled by three giants which among them have between 85 and 90 per cent of the total business.

The five great corporate food chains and the voluntary chains control more than 75 per cent of the grocery business in urban areas and their percentage is increasing.

In one part of the food processing industry, one firm controls 100 per cent of the market in the Maritimes and Western Canada and at least 80 per cent of the market in Ontario and Quebec.

The domination of a few large corporations in some sectors of the Canadian economy is clearly evident and gives rise to the question, "Is this in the public interest?" Your committee feels that the implications of this question must be fully examined.

In view of this, your committee recommends that a thorough assessment should be made of the organization of the food industry with the object of publicizing any monopolistic tendencies which may exist, of determining whether the market power of any group or groups is sufficient to impair the workings of a competitive market and whether there are any undue barriers to entry.

Recommendation:

That the Joint Committee on Consumer Credit and Cost of Living continue with its investigation of concentration in the food industry.

12. Price Control.

The view is sometimes expressed that price control by government edict is the easy answer to price stability. All the witnesses who were questioned on this matter disagreed with the opinion and demonstrated clearly that this was an unworkable and unrealistic solution. Your committee concurs in the conclusion that price control is a fallacious method of attempting to control any general increase in prices. It notes, furthermore, that the federal government does not have the constitutional power to enter this field.

13. Co-operatives

In order to meet its self-imposed deadline of an interim report in December, your committee did not have an opportunity to call witnesses on co-operative organizations, but recognizing the importance of the movement intends to do so.

All which is respectfully submitted.

David A. Croll
Joint Chairman

INTERIM REPORT OF JOINT COMMITTEE

SPECIAL JOINT COMMITTEE OF THE SENATE AND THE HOUSE OF COMMONS ON CONSUMER CREDIT AND COST OF LIVING

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THE SENATE

Wednesday, December 21, 1966

The Senate met at 3 p.m., Hon. Maurice Bourget, P.C., Acting Speaker, in the Chair.

Prayers.

EXPORT CREDITS INSURANCE ACT

BILL TO AMEND—FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-253, to amend the Export Credits Insurance Act.

Bill read first time.

SECOND READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read a second time?

Hon. T. D'Arcy Leonard, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, I have just received a copy of Bill C-253, and therefore I assume that copies have been distributed and are on the desks of all senators.

Perhaps I may commence by refreshing our minds on the act itself. This legislation was originally enacted in, I think, 1944. At any rate, the first policy under the act was issued in 1945.

The principle of the act is to assist in the sale of Canadian goods to foreign countries, that is, to assist Canadian exporters. This type of assistance is general throughout the great trading countries of the world, and nearly every government is assisting in building up its export business.

Over the twenty-one years during which this Crown corporation has been in business, since it was set up by the original act, it has been extremely satisfactory and successful. It has had the support of all governments in those intervening years, and I think I can say it has had the support of all parties and also of Canadian businessmen.

The corporation has power to insure credit contracts where the Canadian exporter sells on credit terms, to insure the payment of that credit by the foreign buyers.

The act has been amended from time to time. Its powers have been extended and the limits to which it might enter into risks have also been increased. In addition to its power to insure, the corporation also has power to make loans on behalf of the federal Government, again in connection with the export of Canadian goods.

This bill makes some four amendments to the main act. As the principles applying to these amendments are contained in the sections themselves, it seems to me that the most simple way of explaining the principle of the bill is to deal with it directly, section by section.

Clause 1 of the bill makes an amendment to section 13 of the act, the section empowering the corporation to issue its insurance contracts with respect to sales by Canadian private organizations, such as the Canadian General Electric Company, to foreign buyers. The amendment now proposes to add the words shown at the top of page 2 of the bill, so that in connection with these policies, where a credit insurance policy has already been issued by the corporation, the corporation may issue unconditional guarantees to banks.

In the ordinary course of business, a Canadian exporter will have a bank loan or a line of credit in connection with the transaction affecting the goods which he is exporting. He insures those with the credit corporation but he is still under his liability to the bank. This proposed amendment in effect, enables the Export Credits Insurance Corporation to step into his shoes, so that he can be relieved of his liability to the bank, and the Export Credits Insurance Corporation gives a guarantee to the bank, the insurance corporation being already under liability itself through its insurance policy. Then the exporter is able to restore his line of credit to the original amount, or at any rate to have his liability to the bank thereby reduced.

The maximum amount of liability or risk of the credit corporation is not itself increased. That is taken care of by consequential amendments made by section 2 of the bill. Therein, section 14 of the act, incorporating the amendment now proposed, makes it clear that the total of the corporation's liability, which is ten times its capital and surplus now, with respect to insurance policies that it may issue, will include any of these guarantees. Therefore, the gross amount for which the corporation may be liable is not increased: it is the same maximum amount of risk, whether made up by insurance policies or by guarantees.

This amendment is very remedial and very helpful, and is one which the exporters of

Canada have asked for. With the experience the Corporation has had, it now comes forward and recommends this change, and having in mind the tight money situation in Canada, it should be very helpful. That, honourable senators, is the first change.

Clause 3 contains the second change. This clause deals with section 21 of the main act which gives the Corporation power to enter into transactions which otherwise they could not enter into under section 13 by reason of either the risk or the term involved. In those cases the Export Credits Insurance Corporation asks the Government whether or not it should enter into this transaction, and if the Government deems it is in the national interest that the corporation should do so, then it enters into the insured credit transaction, with the Government standing behind it with respect to the liability. This section has been in effect for some time, and the amendment made today adds the provision with respect to guarantees of bank loans in the same way as the amendment under section 13 deals with an insurance policy in a transaction in which the Government itself is not directly concerned. There is no increase in the maximum amount of liabilities that the insurance credit corporation may enter into in this type of transaction under section 21. The same maximum liability of $600 million holds good including the guarantees.

Clause 4 of the bill amends section 21A of the act. Section 21A does not deal with credit insurance risks, but with actual loans. These loans are made by the Government from Government funds, but they are made through the instrumentality of the Export Credits Insurance Corporation. Here, there are two amendments of importance. The first is that there is a power to roll over a debt. That is to say, where a foreign government or a foreign buyer is in any difficulty with respect to repayment of the loan to the Canadian corporation, then there is power under this section to reschedule the debt. As a rule these difficulties will arise from foreign exchange problems, and this section gives the Export Credits Insurance Corporation power to enter into a roll-over agreement with the foreign government so as to provide for a change in debt repayments to enable the transaction to be carried out over a longer period of time. That is the change made in subsection 1 of section 4. Then there is a further change made in subsection 2 of that section. This increases the total liability under section 21 from $400 million to $500 million.

This last amendment is the one in which there appears to be some sense of urgency, as the corporation has now entered into contracts or is prepared to approve loans under section 21A which will extend, if they are entered into, the total amount of loans beyond the $400 million figure. Therefore, this amendment increases the maximum liability to the corporation to $500 million. I simply want to reiterate that the urgency is that if this increase from $400 million to $500 million is not made, then loans that the corporation wishes to make, loans that the corporation has in fact already approved, cannot be made, and the total operation of the corporation will be confined to the present provisions.

In the light of the history of this corporation, its success, and excellent management, and the desirability of these amendments, I think the bill will receive the support of all members of the Senate.

I may say that I think it went through all three readings in the House of Commons in such a short space of time that it involved less than half a column of *Hansard*—not as much as it will take in the Senate *Hansard* today.

Hon. Mr. Connolly (Ottawa West): Not as good either!

Hon. Mr. Leonard: I feel that we will all be in favour of this measure, and I question in my own mind whether it is necessary that it be referred to committee, particularly as we have another very important bill to deal with which no doubt will go to committee. However, I leave that decision in the hands of honourable senators. As I say, it is urgent that it should be passed as soon as possible.

Hon. A. J. Brooks: Honourable senators, I may say that this bill has come to us more or less as a surprise. I feel sure that few honourable senators, and particularly those who unfortunately cannot be present this afternoon, expected the bill would be considered by us at this time.

Hon. Mr. Connolly (Ottawa West): Including the leader.

Hon. Mr. Brooks: Yes, including the Leader of the Government.

Hon. Mr. Connolly (Ottawa West): And the Leader of the Opposition.

Hon. Mr. Leonard: And the sponsor!

Hon. Mr. Brooks: As the honourable sponsor has pointed out, this bill received—I will not say "short shrift," but it passed through

the other place quickly, and the main reason, as the sponsor also pointed out, was that it was greatly overshadowed by another very important measure, Bill C-251, to amend the Old Age Security Act. Probably another reason was because we are getting very close to Christmas and there are many who would like to make reservations to get home, if possible, to greet Santa Claus.

This is nonetheless important legislation, and I am disappointed that the Government felt there was such urgency as to warrant its being considered at this time. Frankly, I do not think it would have mattered much had its introduction been delayed until after the recess, but I always take the word of my good friend Senator Leonard, in the manner in which he expresses it, and if he says it is urgent legislation, then we will not object; however, I am not altogether convinced of its urgency.

We are all familiar with the objects of this bill. No objection is being taken to it by any party in this house or the other place, and I believe that each member has been and is greatly in favour of it. I do hope, though, honourable senators, that some time before this session ends we will have another opportunity to discuss the Export Credits Insurance Act itself, because I know that there are those who are unavoidably absent today who have left their names with me with an indication that they intended to speak on this bill when it came before us for consideration after the recess, as anticipated.

I have no intention of undertaking an analysis of any of the sections of the bill, the chief reason being that I could not do so, even if I had intended to, on this short notice. Suffice it to say that I am satisfied it is an important bill, and that under the act itself the economy of this country is greatly assisted.

Taking these matters into consideration, there will be no objection from this side of the house to the bill receiving third reading expeditiously; and, frankly, I really do not see any necessity for its being referred to committee. However, I think my good friend Senator Thorvaldson, who is more familiar with these matters than I am, might possibly have a few words to say and might have other views.

Hon. Mr. Grosart: Honourable senators, may I ask the honourable sponsor of this bill a question with respect to the new subsection 2(b) in clause 1? I should like to know if it is clear that these unconditional guarantees are to be limited to the liability already undertaken by the E.C.I.C. in connection with these insured loans.

Hon. Mr. Leonard: My information is that the guarantee will extend to the full liability of the exporter to his bank. There is a possibility that the amount insured might be under a co-insurance policy, the full amount of which might not be sufficient to cover the full amount of the debt. My understanding is that so far as the guarantee to the bank is concerned, it is to the extent of the liability of the exporter to his bank. What the Export Credits Insurance Corporation might decide in those circumstances will be up to it. I would probably agree with the honourable senator that this change is not actually limited to the same liability that might exist under the policy. There could be that possibility, but I would be inclined to think that the Export Credits Insurance Corporation would not enter into a guarantee beyond the extent of its own liability without security or recourse against the exporter.

Hon. Mr. Thorvaldson: I should like to direct a question to the honourable sponsor of this bill, and it is a question that I would have asked if the bill was before a committee. What practical circumstances have arisen at this late date, after this corporation has been in existence for many years, to make it necessary for the corporation to issue insurance policies directly to a bank? I ask this question because I would have thought that the policy issued by the corporation to the exporter was assignable to the bank, and would have been assigned to the exporter's bank as a regular practice. I am wondering if something has happened to make it necessary to issue a policy directly to a bank covering the same transaction that is made with the exporting company.

Hon. Mr. Leonard: Honourable senators, I shall attempt to answer this question in my own way, and perhaps I should say that I am not as fully informed as I would have been had I had more time.

Two or three years ago I received representations from exporters who were very much interested in this act. They sent me a copy of a brief that was submitted by the Canadian Export Association to the Honourable Mitchell Sharp, in which the point was made that they could not get bank credit in connection with these transactions without full recourse. In other words, the exporter was still under complete liability with respect to this contract, notwithstanding that the credit was insured

by the Export Credits Insurance Corporation. What they asked for at that time was the very thing that this bill now provides. They asked that they be enabled to refinance without recourse, and this is what the bill now does.

Hon. Mr. Thorvaldson: That answers my question.

Hon. Mr. Leonard: It is much more urgent now than it was in 1964.

Hon. Mr. Thorvaldson: Yes, I understand.

Motion agreed to, and bill read second time.

THIRD READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time.

Hon. Mr. Leonard: Honourable senators, I move, with leave of the Senate, that the bill be read the third time now.

Motion agreed to, and bill read third time and passed.

OLD AGE SECURITY ACT

BILL TO PROVIDE GUARANTEED MONTHLY SUPPLEMENT—FIRST READING

The Hon. the Acting Speaker informed the Senate that a message had been received from the House of Commons with Bill C-251, to amend the Old Age Security Act.

Bill read first time.

SECOND READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, it was originally intended that the honourable Senator Connolly from Halifax would sponsor this bill. Unfortunately he was taken ill yesterday, not seriously, but enough to make it inadvisable for him to be present here today. Therefore, you have in his place another Connolly, and I am afraid a long-winded one, if I may quote my friend from Gulf (Hon. Mr. Power).

Yesterday Senator Leonard, in a notable speech dealing with education in this country, paid a special tribute to the initiative taken in this house some years ago by a special committee called the Manpower and Employment Committee, to which all parties gave their full support and great results followed.

The same type of tribute can be paid to another committee of the Senate in respect of the bill that is before us this afternoon, namely, the Committee on Aging. While I do not say that the idea of a basic minimum income provision was new with the committee on Aging, nevertheless, what it did over a period of time, with great devotion on the part of its Chairman, its members and the staff it employed, was to provide basic information as a result of its studies and research, which led to the legislation we are to consider this afternoon. I do not claim, and I am sure the chairman or any member of the committee would not claim, that all of the provisions of its report are embodied in this legislation, but I think they gave great impetus to the implementation of the proposal now before us.

In the first place, I should say that this is an act to amend the Old Age Security Act, which is chapter 200 of the Revised Statutes of Canada. Old age pensions were originally introduced in the Parliament of Canada in 1927, and a means test was attached. The original Old Age Security Act was enacted in 1951. At that time a payment of $40 per month was prescribed for all Canadians over 70 years of age, without any means test. Between 1951 and 1963, by successive parliaments and successive governments, that old age security payment of $40 a month was raised gradually from time to time until in 1963, by chapter 16 of the Statutes of that year, it reached a level of $75 a month.

I think we should remind ourselves also, honourable senators, that originally the Old Age Security Act was looked upon not as a be-all and end-all of income for our older citizens, but rather as assistance to them in their advanced and advancing years. It was not originally conceived and operated as a provision for a minimum income for the older citizens. Nonetheless, it has developed appreciably since that time as has the philosophy behind it.

There was some question, of course, as to the capacity of Parliament to deal with measures of this kind. In order to make it abundantly clear and, indeed, to confer jurisdiction on Parliament, an amendment was made to the British North America Act in 1951, and a new provision was introduced by section 94A. That section reads as follows:

> It is hereby declared that the Parliament of Canada may from time to time make laws in relation to old age pensions in Canada, but no law made by the Parliament of Canada in relation to old

age pensions shall affect the operation of any law present or future of a Provincial Legislature in relation to old age pensions.

So, I think the authority of the Parliament of Canada to deal with legislation of this kind, and which has been exercised a number of times over the years, is clearly set out in that section. It does not derogate from the authority of the provinces to legislate in this field, but it does confer authority on the Parliament of Canada to take action.

I think I should also remind honourable senators that in 1965, by chapter 21 of the Statutes of 1964-65, Parliament passed the Canada Pensions Act. Due to changes in the social structure of our country by industrialization, urbanization, the sophistication of our economy, the early retirement of people from their life work and avocation, there arose the need, as indeed in many other modern industrialized countries, for the provision of pensions for older citizens after their retirement.

Perhaps one of the factors which contributed to this situation is another deplorable fact of modern life, namely, the disintegration of the family unit. This did not happen so often when our cities were smaller, when many people lived in small towns or on farms. Urbanization and industrialization and the general development of the economy have all contributed to these general social changes which have evolved.

The first steps that were taken by Parliament in recognition of these facts, against the background I already placed on the record of this house when I introduced the measure to implement the Canadian Pension Plan, was towards the end of World War II, when there was recognition given in the Income Tax Act to private pension plans.

I do not want to go into details, but honourable senators are aware that as a result of the tax adjustments that were made in the Income Tax Act at that time, it was possible for some two million Canadians, about 30 per cent of the work force of the country, to be assisted for the most part by contributory pension plans and also by noncontributory plans. The contributions became deductible in the years in which they were made, and when the pension was paid out after retirement, then the tax was applied, of course. The income had fallen after retirement, and so the rate was lower.

In addition to the assistance that was given through private pension plans which were approved and registered with the Department of National Revenue, there was another provision in the Income Tax Act called the Retirement Savings Plan provision. That plan enabled individuals to allocate a certain percentage of their income to an approved fund, and such individuals would not pay the tax on the contributions to that fund in the year in which the contribution was made. That fund could be set aside and held for them on certain conditions to be used after their retirement as a source of revenue, as assistance, as a pension. These were two methods which were to be privately operated.

Finally, in 1965 Parliament passed the Canada Pension Plan. Under that plan some six and one-third million Canadians or more were covered, which would be approximately 92 per cent of the work force of Canada. The Canada Pension Plan was integrated with the Old Age Assistance Act. At that time the Old Age Assistance payment was $75 a month, payable at 70 years of age without a means test. However, it also provided that within five years progressively, one per cent year by year, the age date at which the old age pension cheque would become available was to be reduced until it reached 65, and that would occur in the year 1970.

Hon. Mr. Thorvaldson: You are referring to the Old Age Security Act, are you not? You mentioned the Old Age Assistance Plan.

Hon. Mr. Connolly (Ottawa West): I beg your pardon. Thank you, Senator Thorvaldson. Yes, I am talking about the Old Age Security Act.

The Old Age Security Fund was established at that time, in 1962. In 1965 that fund, which is of considerable size now, was made up of the proceeds of three per cent of the sales tax collected, three per cent of the corporate income tax collected, and four per cent of the personal income tax collected in a given year.

There was a ceiling then of a special tax for the old age security fund of $120. As honourable senators know, the mini-budget or supplementary budget, introduced in the House of Commons on Monday evening, doubled this tax from $120 to $240, and increased by one per cent the sales tax, except for certain items. That change will make funds available to look after the payments which this bill contemplates.

Honourable senators are familiar with the provisions of the Canada Pension Plan. Under it, contributions are payable by employers and employees, each paying 1.8 per cent of the

income earned by an employee, that is, income between $600 and $5,000. The maximum payable in a year is $79.20, and there is a matching contribution from the employer. Those who are self-employed pay premiums at the rate of 3.6 per cent of the income they earn between $600 and $5,000, provided they earn more than $800 in any one year.

Honourable senators, I have already said that under the Canada Pension Plan pensions in 1976 will be payable at age 65. The contributions to the Canada Pension Plan are compulsory for people in the labour force between age 18 and age 65. I should add that in 1976, but not before that, will the full advantage or benefit of the Canada Pension Plan be realized. In the meantime, there will be partial benefits realized by people who retire and who have paid into the plan. In 1976, after the plan has been in existence for a ten-year period, the initial maximum pension that can be payable, based upon an income of $5,000, will be $104.17 per month. There is a provision for the escalation of this amount, geared to the cost of living index, and there are provisions for death and disability payments.

Honourable senators, I trust that what I have said as to the background will be helpful in the circumstances in which we meet here today. What is now proposed is an amendment to the Old Age Security Act, to provide for older citizens who are not able to take full advantage of the Canada Pension Plan, and to provide for them as far as possible a basic income which is consistent with Canadian standards, with the Canadian way of life and with the dignity of the individual.

The bill before us provides a guaranteed income supplement to pensioners who require it. The maximum supplement proposed is $30 a month for the pensioner who needs it, whose income is inadequate, that is, below $1,260 a year.

The $1,260 per year is arrived at in this way. Under the Old Age Security Act, the $75 a month comes to $900 a year. Under this bill, the payment of $30 a month will come to $360 a year. Therefore, the maximum payment under this act would be the combination of those two, or $1,260 a year. As a matter of fact, the ceiling is actually $1,620 for a single pensioner and $3,240 for a married couple. This arises, however, from a special provision in section 8 of the bill before us, which permits a pensioner to earn $2 of income, but to lose not more than $1 of the supplement. It sounds rather complicated to say it in this way, but it is a neat expression of the fact and it can be and will be explained in the committee in more detail as honourable senators require. In any event, I will have something to say later about section 8. I should point out that pensioners only can qualify for the supplement proposed in this legislation.

In the year 1967, people will be able to obtain the pension at the age of 68. In 1970, they will be able to obtain the pension, and therefore qualify for these supplements if they are otherwise entitled to them, at the age of 65. Again, I say the purpose of this bill is to assist the older people in the community who are too old to get or to earn adequate benefits under the Canada Pension Plan.

In so far as residence is concerned, generally speaking the same rules which apply to a person who is about to qualify to become a pensioner under the Old Age Security Act apply specifically to those who desire to qualify for the supplement to be provided under this bill.

This is a transitional measure. Most people born in the year 1910 or earlier will never get the full benefit of the Canada Pension Plan or of the Quebec Pension Plan, because ten years of contributions are required to earn the full benefits under the Canada Pension Plan. On January 1, 1976 the best that those born in 1910 could do is to reach age 66 and just complete the ten years in the Canada Pension Plan, and therefore qualify for the full benefits thereafter. Most of those born before December 31, 1910, could not by 1965 get in their ten years, and they would reach pensionable age too soon to get the full benefit.

It is estimated that some 900,000 Canadians who are Old Age Security recipients will benefit to some extent under this plan, that is, they will have their incomes, supplemented under this plan to some extent. By 1970, when the pension is available at age 65, an additional 75,000 persons will be added each year to that number of 900,000. The cost of the program in 1967 will range between $260 millions and $280 millions. Three years hence, in 1970, the cost is expected to reach its peak of $350 millions. Thereafter, as the older age groups drop off, the cost will naturally decrease. As I said, the benefit will be $30 a month, which comes to 40 per cent of the old age pension. It is necessary to have the figure 40 per cent in this bill for the reason I gave earlier, namely, that the old age pension itself can escalate as the cost of living escalates.

Each applicant for the supplement to be paid under this bill will be required to make application yearly. The bill also provides that a person entitled to the supplement may be absent from the country for six months, plus the month in which the departure was made, and still not have the payment interrupted.

Clause 8 of the bill deals with the tapering-off provisions. The tapering-off provisions deal only with the supplement of the $30-a-month maximum, or $360 a year. The provision in this respect is as follows: For each full $2 of other income received by a pensioner, whether from investments, from earnings or from income as understood by the definitions in the Income Tax Act, $1 will be deducted from the $30 otherwise payable. Computed on a yearly basis, the $360 annual supplement will be reduced by $12 for every $24 of other income received by the pensioner.

Generally speaking, the income of the pensioner in each case will be calculated under the rules provided in section 3 of the Income Tax Act. There are some exceptions additional to these which are mentioned in this bill. Payments to supplement the old age security pension—for example, the $25 a month payable in Prince Edward Island—would not be considered to be part of a pensioner's income for the purpose of getting the additional supplement. Assistance payments of $30 a month are made for example, in British Columbia, under a needs test. These and other similar payments are not taken into account as income for the purpose of determining the pensioner's income. The same remarks would apply to payments made under the needs test of the Canada Assistance Plan.

The income for two pensioners who are married on the last day of the year preceding the year in which the supplement is to be paid will be considered to be half of the aggregate income of the two spouses. If I remember my Quebec law correctly, we are coming closer to the idea of community property in some of the Common Law legislation, and I think the gentlemen on my right and on my left would agree that that concept is not too far removed from the provisions in the bill.

The statement of the income of the pensioner must be made in an annual application, and will be based upon his income from the previous year. In other words, the income of the person who makes an application for the supplement to be paid in the year 1967 will be based upon his report of income received in 1966. In cases where retirement takes place during the year, an arrangement or a provision is made, and a formula is set out in Clause 10(3) of the bill which entitles the pensioner to elect to estimate the income that he will make in the year in which his retirement takes place, in the event that he might be qualified for a supplementary payment.

There are special provisions in clause 9 and in Clause 11 which deal with married applicants. First of all, in the case of married pensioners, both of them must file an application if they desire to have a supplement. But situations within the family and among married people are not all the same; sometimes it is not possible to arrange for consorts to file joint statements. Sometimes they are not even talking to each other, and this may even happen when they are living together. There are provisions which take care of situations in which difficulties of this kind arise. In the extreme cases, for the purposes of this act, I think it is quite appropriate to say that the minister may deem a married man or a married woman to be a single person, if he so desires and if the appropriate conditions obtain.

There are also options for relief available. For example, if a pensioner is widowed in the course of the year, there is provision for making an adjustment so that for the purposes of the Act and for the payments to be made, that woman will be recognized as having single status. Likewise, if during the course of the year two pensioners should marry—and it happens after 65 and sometimes after 70—in the appropriate circumstances the minister may deem them to be married as of the previous December 31 which allows them to have the married status and so be in a more advantageous position than they otherwise might be.

Hon. Mr. Hugessen: Will this encourage that sort of thing?

Hon. Mr. Connolly (Ottawa West): I do not know that it would encourage it, and I do not know that it would discourage it. I think it would depend on the individual case and what the income of either of the prospective spouses might be. Perhaps the honourable senator would like some of the officials to enlarge on that point at the committee stage.

When the appropriate information has been received by the department, the application can be approved, modified or rejected. But the minister, in any case of modification or rejection of the application as submitted, can be required to give his reasons.

Interim payments may be made for a period of four months, particularly if there is difficulty in the department in fixing the amount of the entitlement under the Act, or in cases where notice of intention to apply is made before December 31 in a given year by a person who formerly received a benefit but whose papers have not been duly processed.

There are provisions in the act—and clauses 14 and 15 deal with them—for providing additional amounts to those requested in the application if, in fact, it is found that an applicant is entitled to more because his income is really less than he or she thought. There is a provision too for an adjustment downwards if an individual claims too much and it is subsequently found that he or she is being overpaid. In such cases, the recoveries will be made out of future payments. These supplementary payments will be made at the end of each month, and retroactive payments will be made either in the month in which they are approved or in the month following.

There is an appeal provision too to a tribunal to be established by the minister, and the findings of this tribunal will be final and binding upon the parties in respect of the amount of the supplement. But if there is a dispute with reference to what constitutes income, then the appeal in that case must take the normal course of going to the Tax Appeal Board.

As honourable senators are aware, there is a strict privilege enshrined in the Income Tax Act with reference to information supplied by taxpayers under that act.

In clause 17 of this bill there is privilege established also with reference to information about income supplied under this Act. But there are certain exceptions. One is in favour of the Comptroller of the Treasury. He has to know something about it because he is the one who is going to write the cheques. An exception is also made in the case of the Department of Veterans Affairs for war veterans' allowances, because while these allowances are not taxable income under the Income Tax Act, the administration requires information about other income payable to a war veteran under these allowances. The Unemployment Insurance Commission is made an exception, simply to provide the possibility of using the computer system in due time and, therefore, the use of the social security number which is issued by the Unemployment Insurance Commission. The Dominion Bureau of Statistics is also listed among the exceptions, for the purpose of enabling general statistical information to be supplied to that body. The provincial welfare departments are also listed as exceptions under the regulations which are to be made, because they are the departments which are charged with the administration of the Canada Assistance Plan, and there may very well be cases in which payments under this act and under the Canada Assistance Plan have to be examined together.

The information concerning income can only be required to be produced in court under a court order in respect to cases involving administration under this act. This provision will not allow an order of a court to be made except in respect of a matter arising out of this act, and not a general court order with respect to income information generally.

There is a long section about regulations and, as is to be expected, details of the regulations will have to be worked out as experience develops.

There are certain amendments which are normally described as "consequential"—which perhaps should be described as "inconsequential"—towards the end of the bill. They are mainly concerned with the use now of the word "benefit" rather than the word "pension" as was formerly the case, because a benefit now can include not only a pension but also the supplementary benefit proposed to be made available under this act.

Honourable senators, this is obviously not the kind of bill that lends itself to a type of enthusiastic presentation, when it comes to describing the mechanical features that it embodies. I have often said that today in Government you have to have a course in higher mathematics; you certainly must know a little more than long division to get along.

Perhaps I have taken more time than I should have to explain the general structure and purposes of the legislation, but I hope that what I have said has been helpful, and I commend the bill to the Senate.

Hon. Senators: Hear, hear.

Hon. Allister Grosart: Honourable senators, the sponsor of the bill here has given us a complete background history and full explanation of the bill section by section. I congratulate him on the fullness of his presentation, and I think I understand his sentiments when he said at the end that this was not the kind of bill that lends itself to enthusiastic presentation.

Hon. Mr. Connolly (Ottawa West): I meant with regard to oratory.

Hon. Mr. Grosart: As I go along I may be able to indicate why he made that reservation.

Hon. Mr. Connolly (Ottawa West): I was just talking about the oratorical side.

Hon. Mr. Grosart: The sponsor of the bill here and the minister who sponsored it in the other place have stressed the fact that there is a relationship between this bill and the recommendations of the Senate Special Committee on Aging. It has even been said —though Senator Connolly did not go that far—that the bill is based on the Senate committee's report. The minister did go that far. I have too high a regard for Senator Croll to accept that as a fact. That there is some relationship, there can be no doubt, but I suggest to honourable senators it is at best a poor relationship—

Hon. Mr. Brooks: Hear, hear.

Hon. Mr. Grosart: —of which Senator Croll and others, like myself, who were members of that committee are not entitled to be very proud.

The principle of the Senate report was a good one. It is to be found at page 19 of the report, under the heading, "Summary and Recommendations." Because I am going to speak for a few minutes about the differences between this bill and what was recommended by this committee, perhaps I should read it—it is very short.

> The committee endorses in principle the institution of an income guarantee program for all persons aged 65 and over and recommends to the federal Government that this proposal be given immediate study.

The committee elaborates upon that further on, and I shall refer to that in a moment. What I want to point out at this stage is that the present bill does not constitute an income guarantee for all persons aged 65. As Senator Connolly has pointed out, it includes only those who are presently recipients of pensions under the Old Age Security Act.

Now, it is true that in some respects the bill goes beyond and improves upon the recommendations of the Senate committee. These are largely the mechanical aspects of the bill, though not all of them are unimportant. However, I would like to suggest that this bill falls tragically short of what the Senate committee proposed in at least four main aspects.

The first, of course, is that it does not provide any supplementary income, any financial assistance of any kind for persons now aged 65. It may be said that in three or four years the 65-year-olds will come under the provisions of this bill, but I should like to point out that as the committee heard the evidence of our senior citizens, and in its discussion of that evidence afterwards, the one point that impressed itself more than any other upon the members of the committee was that it was the duty of the committee to bring in a recommendation for immediate action—for action now—with respect to those of the age of 65 years. That was the crux of the recommendation of the Special Committee of the Senate. Why? The answer to that is that the committee had evidence time and time again of this fantastic gap that has arisen because of the general policy among business firms and the Government of Canada of compulsorily retiring persons at the age of 65. It is still a mystery to me why the Government of Canada insists on retiring people at 65 years of age. It is something for which the committee was unable to attain any reason.

Nevertheless, this was the area with which, by and large, the committee was primarily concerned, because at that time there was, and still is, no government action of any kind for taking care of this most urgent and pressing problem of people who are 65, 66 or 67 years of age. I suggest it is just simply not good enough to say, as the honourable Leader of the Government has said, "Oh well, they will be looked after by 1970."

Hon. Mr. Connolly (Ottawa West): Or under the Canada Assistance Plan.

Hon. Mr. Grosart: The honourable Leader of the Government mentions the Canada Assistance Plan. I will have something to say about its relationship to this bill in a few minutes.

My second point is that this bill takes this great principle, which the Senate committee enunciated, of a guaranteed annual income for all citizens over 65 years of age, and uses it only as a stop-gap to fill up a hole that they themselves thoughtlessly left in the Canada Pension Plan. It applies until 1975, as far as people coming under it for the first time are concerned. After that date what happens to the recommendation of the Senate Committee? After that date what this bill provides ceases to be a guarantee, ceases to be annual, and ceases to be income.

The third point I should like to make is that there is another large group of senior citizens

for whom this bill does nothing. Apart from those who are 65, 66, 67 or 68 years of age there is another very large group, namely, those who will not in any way benefit under the Canada Pension Plan when they reach the age of 65. This group includes housewives who will not have contributed and who will, therefore, get nothing under either this legislation or the Canada Pension Plan. It is true, of course, that they will be eligible for, and will automatically receive, the basic old age pension, whatever it may be at that time. I am referring now to the pension which is $75 a month, and which may be escalated upwards by two per cent a year in keeping with the rise in the cost of living. This bill does nothing for that group of citizens.

The Senate Committee used the words "all citizens 65 years of age and over". I have mentioned two groups of citizens whom we are almost callously disregarding in this bill.

Fourthly, the Senate Committee asked that there be an immediate study made of these problems. I cannot reach any other conclusion, honourable senators, but that no real study has been made, and I shall return to this point in a moment or two. It is enough to say for the present, perhaps, that there is no evidence in this bill, or in any statement made by the Minister, or in any discussion of this bill in the other place, that the Government did anything to ensure that the present payments, sometimes amounting to $30 a month, to our senior citizens under the assistance plans will not be cut off.

It is true, as the honourable sponsor of this bill (Hon. Mr. Connolly, Ottawa West) said, that these supplementary assistance payments are not considered income under this plan. That is a very generous gesture on the part of the Government. But, there are many assistance acts, some federal and some provincial, in which there is an income ceiling—an income ceiling that is higher than the ceiling created by this bill. I do not know what is going to happen. I am not saying that the provincial governments, or some departments of the federal Government, will immediately cut off this assistance. I do not say that, and I most certainly hope that that will not happen.

Hon. Mr. Connolly (Ottawa West): You are thinking of British Columbia, I suppose?

Hon. Mr. Grosart: I am thinking not only of British Columbia but also of Prince Edward Island, which the honourable Leader of the Government mentioned. Prince Edward Island, unlike any other Canadian province, has introduced not "assistance" but an actual provincial old age pension of its own. No other province has done this. It amounts to $25 a month. I am not going to say what will happen to that, but my complaint here is that there is not a tittle of evidence—and the Minister, when he was asked, was not able to give any—that the Government had said to the provinces: "Now, what will you do? Will you give us your assurance that you will not use the increase offered to our senior citizens here as an excuse for cutting them off from other assistance?" Many of these other assistance plans are tied also to free medical and other health services, and if there is a cut-off then those free services go as well. I am not saying that these provincial governments are going to do this, but even if they do not surely this legislation limits the benefits they are now paying. They are not going to increase these benefits.

The honourable Leader of the Government asked if I was thinking of British Columbia. I have before me, for example, a document entitled "Guide to Legislation and Services Related to the Wellbeing of Older People in Ontario", published by the Ontario Society of Aging. I must admit it is two or three years out of date but as I look through this long list of assistance legislation I find over and over again a ceiling. A ceiling is to be found in the Disabled Persons Act, the Blind Persons Act, and even in the War Veterans' Allowance Act, and there are others. This situation applies in every province, and I am concerned at the failure of the government to go to the provinces and obtain some kind of assurance—

Hon. Mr. Connolly (Ottawa West): Why?

Hon. Mr. Grosart: Is the honourable Leader of the Government asking me why the Government should obtain assurance from the provinces, or why I am concerned?

Hon. Mr. Connolly (Ottawa West): Why should the Government do this? The provinces have jurisdiction just as the federal Government has jurisdiction to operate in this field. Why should the federal Government attempt to dictate to the provinces as to what they should do?

Hon. Mr. Grosart: Of course, I made no suggestion that the federal Government should dictate to the provinces or attempt to dictate to them. I merely suggested the application of some co-operative federalism, which has become a sort of motto of this Government. The Government has gone to the

provinces on much less important things than this. It has gone to them secretly at times, and without disclosing to Parliament the discussions that took place with the provinces. I am surprised that the honourable Leader of the Government should ask me why the Government should discuss this with the provinces.

Hon. Mr. Connolly (Ottawa West): I am just as much surprised that you should make the suggestion.

Hon. Mr. Grosart: Yes, and I am surprised that the honourable Leader of the Government should ask me that question.

Hon. Mr. Connolly (Ottawa West): Then, we are both surprised.

Hon. Mr. Grosart: If we are, then I will say that this is certainly not the first time that that the honourable Leader of the Government has surprised me, but I should add that it is probably the only occasion on which the surprise has been unpleasant.

I say, honourable senators, that apart from these things I have mentioned, we have here more evidence of ineptitude on the part of the Government. It is almost trite or redundant to criticize the present Government for ineptitude, but I think we have a glaring case of it here.

The plain fact is that the Government has obviously amended the wrong act. This bill has nothing to do, or should have nothing to do, with the Old Age Security Act which, in our "jungle"—as some of the experts call it—of old age social legislation, is the bastion of the principle of universal old age security, available to all at the statutory age without means test, needs test, or any other kind of test.

This bill would certainly have been more acceptable had it been brought in, as it should have been, as an amendment to the Assistance Act, because all this is welfare assistance that is being offered, not a guaranteed annual income.

Hon. Mr. Thorvaldson: You mean the Canada Assistance Act?

Hon. Mr. Grosart: Yes. When I say the Assistance Act I am reminded that we have had a series of such measures, and I use that term to distinguish it from the Old Age Security Act and also to distinguish it from the Canada Pension Plan.

Honourable senators, sooner or later we shall have to add another measure to take care of those people I mentioned earlier, who will not benefit ten years from now under the Canada Pension Plan, because they will have made no contributions.

The Leader of the Government traced the history of security legislation back to 1927. Perhaps the highlight of that history was what was accomplished in 1952 when, partly as a result of the recommendation of a joint committee of the Senate and House of Commons, we made what was then labelled as a breaking of new ground and the establishment of a great principle for Canada. The idea was that we had at long last caught up with some of the other nations and were able to say that we had one act which grants the universal pension as of right without any needs test. We do not have that any more. We do not have a universal old age pension act any more.

It is significant, and the honourable Leader of the Government mentioned this, that it was necessary to change the wording of paragraphs (a) and (b) of section 2 of the present act. Paragraph (a) says:

> "Application" means application for a pension.

And the word "pension" is in italics. It has been necessary to change that wording so that "application" now refers to "benefits." There is all the difference in the world to the self respect of old age pensioners between a pension, which is something they earn as of right, and the benefit, which is something granted to them by a paternalistic government.

It has been said that the Government may be in trouble about this bill.

Hon. Mr. McDonald (Moosomin): I can't think why.

Hon. Mr. Grosart: I can, and to a greater extent when the old age pensioners and others come to realize what has been done by this proposed amendment. I think it is fair to say that it has been done thoughtlessly. However, the means test has been added here to our basic act for the first time since 1952. From 1927 to 1952 there was tremendous opposition by parliamentarians and by the pensioners themselves against this test. Now we have it back.

Honourable senators, this is not what the Senate committee recommended. I hope that when the Government finds itself in the kind of trouble it will find itself in, it will not try to shift the blame to Senator Croll's Committee on Aging. The senator, out of his un-

questioned understanding of the Canadian people, and particularly of this whole area of social justice, pointed a way out of the difficulty. They took a quick look at his signpost, misread it, and took off in another direction.

The Leader of the Government sketched the background. The rate of pension was increased over the years from $20 originally to $40 when the universal act came in. It was raised to $46 in that now notorious misjudgment of public sentiment which is associated with the phrase "Six buck Harris"—a misjudgment which, in my opinion, since I was fairly close to public sentiment at that time, was the major single cause of the defeat of the Liberal government of that time.

I am convinced that here today we have another example of the same kind of misjudgment, and in the same area. It is a misjudgment which affects today some 1,100,000 Canadians directly, and their relatives and friends indirectly. The "MacEachen means test" of 1967 may well take its place in current political history as a matching chapter heading to "Six buck Harris" of 1957.

Honourable senators, I am not going into the many defects of this bill in detail at this time. Some of my colleagues will be following me and will have something to say on that score. However, there are many other defects. One is the application form. My understanding of the Senate recommendation was that we asked for a simple form. My understanding was that this would be automatic. This bill is quite different from what the Senate recommended. May I read from page 18 of the Final Report of the Special Committee on Aging, under the title "Income Guarantee Program." The committee recommended:

> The establishment of an Income Guarantee Program to provide allowances throughout life to all persons beginning at age 65 on the following lines:
>
> (a) that the only conditions for eligibility under the Income Guarantee Program be age, as indicated above, ten years' residence in Canada, and net cash income from all sources, including Old Age Security and the Canada Pension Plan, below the above amounts.

The above amounts were the same as under this for the basic eligibility for single persons, a little higher for married persons.

The report continues:

> (b) that the program be administered and financed by the Federal Government.

To do that will be some job. The Prime Minister of Quebec announced in the Speech from the Throne that Quebec will enter the old age pension field. I shall not be surprised if he accuses the federal Government of a breach of faith. The Leader of the Government read to us section 94A of the British North America Act. The amendment to this act takes the federal Government beyond the terms of that original agreement, and I imagine it will find itself in trouble on this score.

Honourable senators, I should like to have commented about a number of matters in the bill, but the time is advancing. An alternative to this bill has been proposed by the Opposition. This is generally called a flat rate $25 increase in the universal pension without the means test.

In conclusion, I can only say that I think the Senate committee might have recommended that alternative had we had the figures that are available to the Government. We would have realized that the difference between the cost of this legislation and the universal pension would be $100 million rather than amounts ranging up to $800 million in the figures we have before us. I suggest that even with Senator Croll as chairman, the Senate committee might have supported the Opposition rather than the Government on this matter. It can happen here. It has happened before. And, if we had time to debate the bill as fully as we should, I can think of no better time than now for it to happen again.

Hon. David A. Croll: Honourable senators, I cannot resist the opportunity to say something on this bill. First, let me repeat what I have said on other occasions, that the report of the Committee on Aging was a collective report. I am glad to have my name associated with it. Senator Grosart was an active member of the committee, as were many other senators. It belongs to the Senate, and to the Senate completely.

On the other hand, what I have to say now is said with great enthusiasm. I appreciate what Senator Grosart has said, and I am disappointed, as he is and as others are, with that particular shortcoming with respect to those people who are now aged 65. Over and over again we emphasized that time was running out for them, and how well we know it. We said: "Do something for them while they are still here." But the Government, in the light of the Canada Assistance Act, decided to do something else. I am practical enough to know that when you are able to get your foot

into the door on this sort of situation, and when you can get half a loaf of bread at the same time, you should take it and not complain too much, especially if you can see something ahead.

What I like about this bill, more than the money and more than anything that has been said, is that by it we are recognizing a great principle, the guaranteeing of an annual income. That to me means more than the money it gives. Let me build up the record a little, as it needs it.

Senator Grosart has made reference to the final report of the Special Committee on Aging, as has my leader, but because this will be read, I hope, from time to time, let me put on the record what was actually said. I read from page 18 of the report:

> (3) The establishment of an Income Guarantee program to provide allowances throughout life to all persons beginning at age 65 on the following lines:
>
> (a) that the only conditions for eligibility under the Income Guarantee Program be age, as indicated above, ten years' residence in Canada, and net cash income from all sources, including Old Age Security and the Canada Pension Plan, below the above amounts.
>
> (b) that the program be administered and financed by the Federal Government.
>
> (c) that the procedure call for the completion of a simplified income form annually and that the amount by which the declared income falls short of the established minima in any year constitute the benefit for the year following.
>
> (d) that there be "sample checks" periodically, as under Unemployment Insurance, to catch abuses, but no means or needs test enquiries on traditional lines.
>
> (e) that income, capital and deductions be defined and treated as for income tax purposes so far as possible, except that all public transfer payments other than temporary needs-tested supplements would be included.

The report also says:

> (1) The establishment of a technically competent body to study the income needs of older people and to develop a socially acceptable minimum budget for single persons and couples, which would be adjusted automatically each year on the basis of a suitable index of consumer spending or of earnings, with a review every five years to reflect changes in the relative circumstances of the working population and the retired population.
>
> (2) until this study has been made, acceptance as a working standard of the maximum annual income permitted now under Old Age Assistance, namely, $1,260 for single persons, and $2,220 for married couples.

The committee also said:

> The committee endorses in principle the institution of an Income Guarantee Program for all persons aged 65 and over and recommends to the Federal Government that this proposal be given immediate study.

It was on Wednesday, February 2, 1966, that the final report of the Committee on Aging was tabled in this house. It endorsed this guaranteed income, and that recommendation, as has already been stated, was intended to fill a very wide gap in our social services which the Canada Pension Plan was unable to fill.

The Government was attempting to close the gap, by taking steps to have the Old Age Security Pension payable at 65, but coming into effect over a five-year period. Then the Government created the Canada Assistance Plan, which had a great potential for providing further assistance, with provincially administered help on the basis of need rather than on the basis of a means test.

This measure incorporates the basic recommendation of the Senate Committee on Aging and, no matter how you speak about it or what you say, you cannot get away from it. It attempts to improve on its concept. It does improve on its concept, but unfortunately it leaves out those people we wanted so much to help immediately, that is, those who had reached age 65 and needed assistance. Now of course they are diverted for the time being to the Canada Assistance legislation.

I said at the beginning, what intrigues me about this bill and what draws me to it is the principle involved. The Senate has always been referred to as the chamber of sober second thought. By the very endorsation of this principle, we can well in this case earn a regard for this Chamber as being that of imaginative first thought.

Hon. Senators: Hear, hear.

Hon. Mr. Croll: The bill improves on our thought to the extent that it provides a higher maximum pension for married couples. One must realize that we were walking on eggs, so

to speak, when we were making recommendations as to the spending of large sums of money. It was February, and we were not in the Christmas spirit at the time we were making the recommendation; we were careful not to have it said that the Senate was recommending the expenditure of large sums of money. So we took the minimum figure under the Old Age Assistance Act at the time, $1,260 for a single person and $2,220 for a married couple. The bill raises the second figure to $2,520, which is more realistic.

Moreover, it incorporates the committee's recommendation, as it automatically increases the pension whenever there is any increase in the index which reflects changes in the cost of living. There is a built-in escalation in our recommendation, which is carried forward, and that too is very good.

The additional payment to the recipient is based on income, as proposed by the committee. The committee spoke very loudly against a means test and a needs test. It is not the means test that we have in the Old Age Assistance Act; and it is not the needs test that we have in the Canada Assistance Act. Let us recognize these things for what they are.

The Old Age Assistance Act provides for payments up to $75 a month per person who is more than 65 years of age, subject to a means test, to take into account the assets and the financial status of relatives. It is administered by the province, and the federal Government pays 50 per cent of the cost, up to $75 per person.

The Canada Assistance Act is a new umbrella. It provides for the totality of the family need. It looks on it as the family. It considers the old age assistance; it considers the schemes for the blind and the disabled and for the mother of dependent children. There is no upper limit. The federal authority pays 50 per cent of the cost, but up to the present time some of the provinces have been dragging their feet on it. They have not made too much progress, although most of them have come in under it.

The Canada Pension Plan is contributory, self-financing and portable. The contributions began on January 1, 1966, and the plan will not be fully operational for ten years. It will begin to pay benefits on January 1, 1967 to persons of 65 years and over who have made contributions and who have retired; and advertisements are already appearing in the newspapers that persons who think they are entitled should make application. It will eventually pay a maximum of $104 a month.

When one comes to the guaranteed income, here one has to fill in a form. We avoided the use of the words "means test." In our report you will find the words used are "income requirement form." There was to be no snooping, no prying, no demanding questions, no investigation. Information was to be obtained, but it was to be asked for and received and to be interpreted under the Income Tax Act. In that respect there certainly has been no change. I understand what is now proposed is the same provision as that with which we comply under the Income Tax Act. A pensioner may own a car, have money in the bank, have a TV, own a home, his relatives may contribute, he may receive social assistance from the government, from compensation boards, or there may be widows' allowances, but none of these is considered as income. The form to be used is a simple one setting out the income for the previous year. The benefit to result will be the difference between the income and $105 a month, the amount he is entitled to get.

Hon. Mr. Brooks: How many of these old age pensioners do you think would qualify for the children's allowances?

Hon. Mr. Croll: Not too many, and I have not suggested that.

Hon. Mr. Brooks: They would only qualify with the small pensions they get.

Hon. Mr. Croll: But certainly this test is not a means test or even a needs test. I do not mind telling you that when we sat down to prepare the report, and when we talked about a means test or a needs test, I particularly was qualified to speak on that particular subject. I administered means tests as Minister of Welfare in the Province of Ontario during the depression, and I tried to humanize them as much as possible. I know exactly what it means. For years in this Chamber and in other places I have fought against a means test to the point that the party felt a little uncomfortable in having me around. That was my view then, and it is my view now. But we do not consider this to be a means test. This new concept of the guaranteed income which we embody today in our legislation will be enshrined as a new, imaginative, progressive program. I hope, as I know others are hoping, that it will soon be extended to the disabled, the blind, to widows, to the sick and to the maimed.

Hon. Mr. Brooks: May I interrupt the honourable senator? Would he consider that the war veterans' allowance, for instance, is

comparable to this particular pension or so-called allowance? It is not necessary for me to explain to him that the war veterans' allowance was raised to $105, and I gather it was raised on account of the work of this committee. But the ceiling under the war veterans' allowance, where there is also a means test, is $1,740. Would my honourable friend not consider that it would have been consistent to have raised the general ceiling to $1,740, so as to give them the possibility of getting $25, $35 or $45 in addition to their pensions, because many of them are only getting part under this legislation?

Hon. Mr. Croll: I certainly share your view that it would be a good thing to do. However, they attempted to meet it, as I understand it, by allowing them a certain amount of their earnings, and in that way there was some differential. We have always made some difference between war veterans' allowances and other allowances for a very good reason, which I support. Now that we have started, I hope this too will be incorporated.

I have always been one of those people who believe that government expenditures on welfare are bound to grow, but to what limits I do not know. In all my years of political life I have found no inexpensive solutions. Certainly it will be cheaper in money and will do less damage than the heritage of poverty we have built up in this country in attempting to deal with it in piecemeal fashion. Our social welfare programs were basically designed to save money rather than to save people, but usually they did neither. However, we have not done too badly. We pioneered family allowances on the North American continent, in fact in the world, and now we introduce the concept of a guranteed income. When we look about us we see that the United States is still talking about it, and the United Kingdom is talking about it, but here in Canada we are doing something about it. In my view this is a fine inaugural for our centennial years. It is something we will remember.

My good friend Senator Hugessen, if he carries out the decision he has made which will result in his not being with us next time we meet, will have as a rememberance the knowledge that before he left the Senate Chamber he supported a measure embodying a great new imaginative concept that will help many people in need of help.

In this country we have lost sight of something which I consider worthwhile talking about for a moment. I have been associated with public welfare in this country for 30 years, first as the Mayor of Windsor, at the beginning of the depression, and then as Minister of Welfare in Ontario where one person in seven was on relief. Honourable senators will remember what a problem that was. My interest in this has been intimate and close. From time to time I have admitted to myself, but this is the first time I have said it in public, that our efforts have ended in failure. The work we have done did not achieve what it should have achieved. Why has it been a failure? Because our welfare programs did not adequately meet the needs of the people they were intended to serve; they did not cover all those in need. The administration was costly and burdensome, and it did not sufficiently emphasize social rehabilitation. It provided no incentives for people to get off relief, to go to work, or to live within a family unit because if they earned a dollar their relief was immediately reduced. We started this in the 1930's, but even today we see situations where we have had four generations on relief in this country. That is nothing to brag about. Anything we can do to change that condition is in the interests of all of us.

So, honourable senators, we find ourselves here today with this bill, and if this guaranteed income can dismantle our horse and buggy welfare system it will mean a great step forward. It will mean that this is a day of which Parliament can be proud. We are striking a new blow in a direction that will be in the interests of the people who need assistance. As I have said, I hope that arising out of this, greater help will be forthcoming for the disabled, the blind, the sick, the maimed and others who need help, to put them on a basis where they are not worried from week to week, where they can plan in the knowledge that they will have a guaranteed annual income, and where they will have a few dollars to jingle in their pockets. They will be able to look forward to a monthly cheque. If we can achieve this, it will be cheaper in money and it will be a genuine accomplishment from the point of view of the welfare of human beings.

Much as I regret the fact that this bill does not cover people aged 65 and over, I feel it has much to recommend it, and I support it.

Hon. Edgar Fournier: Honourable senators, first may I congratulate the Leader of the Government on the fine explanation he has given of the bill in his usual charming manner—even if at times there were moments of embarrassment.

I would also like to congratulate my colleague Senator Grosart on his enlightening explanation, and Senator Croll, who did very well in fighting his own war.

In making my short observations, I do not rise to be unduly critical of what the Government of the day is doing to help the needy people of this country. I simply rise to be somewhat critical of the things that will be done in the future and the way in which they will be done.

Bill C-251 has some good in its contents. It reminds me of the mini-jupe of today, exposing enough to create interest and leaving much to the imagination.

We are told that approximately 900,000 people in this country are recipients of Old Age Security payments, and that approximately 500,000—according to what I have read in the reports of the other place—will receive the full benefit of the extra $30 per month. It occurs to me that when the screening machine is put into operation at the local, provincial and federal levels, this 500,000 figure will be reduced. Senator Croll called it a new concept in respect of the means test, but I would say that is only adding another evil to the old concepts.

Honourable senators, I do not for one moment advocate that the extra $30 should be paid across the board to everyone. No one disagrees that the needy should receive the extra allowance. However, my worries are based on how the selection will be made in some areas—Who and who will not qualify?

The Government spokesman in the other place told us that it will be very simple. His observations appear on many pages in *Hansard* of the other place. He says it is a very simple test: just fill out a simple and easy form, and that is it—no postage stamp required.

Under our present way of living and the day-by-day approach of socialism and bureaucratic administration, whether we want to admit it or not, many forms of various types have to be filled in, in order to survive. On many occasions the filling in of a form is like placing a rope around your neck—there is usually someone at the other end to pull on it. This is why we have so much discrimination in our social services and so many sad cases of which many examples could be given.

For many years I have felt very sorry that our aged people have become the victims of politicians and that a price tag is put around their necks at election time. Are we not at this moment placing a two-faced tag on their heads?

The minister may have good intentions and may be sincere—and there is no doubt that he is sincere in his thinking—but once the bureaucratic machine is in operation he will not have very much to say. New victims will be created daily. Problems and discussions and confusion will arise. Some may even be punished, and those who will fall in this field of persecution will be the honest and conscientious old people who, throughout their lives, have thought seriously of their old age: people who have put aside a few dollars; people who have sacrified all their lives and built themselves a little home; people who have done without many things they needed in order to provide themselves with a little income upon which to retire. They too will have to fill in a form.

I am asking you, honourable senators: Is that the reward which the aged are to expect from their Government for all their years of good behaviour? For good behaviour, are they not entitled to a little better or a little more than a neighbour who has lived a jolly life, without a care for anyone? What about the veterans who spared nothing, who were even ready to give their lives to save our democracy? They will also have to fill out this little form. Believe me, much more could be said about it.

Another thing: Are we not going to encourage the aged to stop being of good behaviour, and ask themselves, "Why should I be working? Why should I earn a few dollars after retirement if it is going to be taken away, or I am going to be punished for it?" Will the young people say, "Why should I save money for my old age, because it might be taken away from me by filling in this simple, little form?" These are some of the things I am worried about.

Will our older people continue for a long time to be the victims of local social assistance patronage, provincial administration, confusion and federal dictatorial meddling? Today, usually when a man receives $10 assistance from one group it is taken away immediately by another group which can always find a reason for doing so. By just filling in this easy little form, are we going to better the situation? Will it prevent the hundreds of Government and partisan employees from checking the colour of your eyes after this easy little form is filled in?

Many pieces of legislation were passed this year which, on the surface, appear to be a movement in the right direction, but in sev-

eral instances the intention and the purpose of such legislation is destroyed by having to fill out a simple little form which serves to advise you later that you do not qualify. Today ARDA is the victim of this type of administration.

May I mention another piece of legislation, the act to amend the assistance being offered for vocational education? The purpose of this bill was to fill the gap for various groups of students who could not qualify for assistance under the existing legislation. I was much in favour of this bill, for I had always taken an interest in vocational education, and I had faith in the bill and felt it was long overdue. However, again a simple little form has to be filled out by the applicant, with the result that today hundreds of students receive no assistance, not even under the most pressing hardship, while others are receiving up to $85 per month, resulting in great confusion for the administration. And why? Because of a simple little form.

Hundreds of thousands of elderly people who will be required to fill out this form have never seen an income tax form in their lives. Are we not going to invite thousands of honest elderly people to be hesitant in some cases about telling the truth? Much could be said about that also. Are we not going to affect the economy of our country by inviting older people not to work any longer?

Honourable senators, pension or no pension, work is the basis of a healthy moral and spiritual life. Why do we have in this honourable chamber so many older senators? I am sure you are not staying here because of financial need, but because you believe in work and wish to continue, as you have in the past, to contribute to building a better Canada. You are to be complimented, and I trust that you will continue to contribute to our deliberations for many years to come. Honourable senators, if you believed in idleness you would not be here today, and yet, are we not presenting a bill that in many instances will promote idleness?

The days are not far away when we will be paying for our weakness in avoiding facing the facts in the most serious way. I believe we have too many laws today providing handouts without requiring effort—security without responsibility. Are we going to build a strong Canada by having one-half of the population sitting idle? We will find out very soon that retiring a wealth of knowledge, ability, experience and know-how at an early age will not give the results we anticipated. I, for one, never have believed that the policy of sending home a good, producing citizen just because he has reached the age of 65, to make room for a newcomer to maturity, is the wisest thing to do. The results would have been much better had we created new jobs for the newcomers and left the older ones to continue their role in life and to contribute their share towards the development of Canada. This early forced retirement has placed hundreds of thousands of our citizens at the humiliating door of social assistance, or has condemned them to live out their lives in a state of poverty and misery.

Let us not depart from the principle that responsibility and obligations make democracy. Economy is governed by production, and production is the result of work.

Honourable senators, let us not continue to build up a population of handout seekers. Rather, let us devote our efforts to creating suitable employment for the various age groups—up to a certain limit, of course. We know that today the greater part of the Unemployment Insurance Fund is not always paid for the purpose for which it was intended. I am afraid that the same will happen with regard to this supplementary pension. It cannot be otherwise, unless you have an army of inspectors or snoopers, which will be costly and unpleasant.

Furthermore, it will open another door for politicians at the next general election, and I need not elaborate on this. I will support this bill with all my heart if it will help all the needy ones, but from past experience I have at the bottom of my heart some doubts.

I am sure that there are easier ways of finding the required $280 million. An intelligent look around would have disclosed waste, extravagant and unnecessary expenditure that could have been curtailed, and by this means the necessary amount could be obtained.

I regret to say that due to poor administration on the part of this Government the members of the Senate and the House of Commons have to be here this week, at a time when parents want to be at home with their families and to feel for a short time the spirit of Christmas. I can see no reason in times of peace for forcing members of Parliament to sit during Christmas week. This bill could have been presented weeks ago, and with respect to the so-called mini-budget the Minister of Finance presented on Monday last, I would say that he could have done that also some weeks ago. In any event, the funds will

not be required yet for some months. I am sure that the Canadian people are not appreciative of these last-moment decisions that members of Parliament, strangled by time, have had to make. Let us hope that it will not happen again.

Honourable senators, in concluding my remarks may I depart from the subject of this bill? In a few days it will be the time for making our resolutions for the coming year. The new year will be Centennial Year—the only one that we senators will live to see. What could be finer for Centennial Year than for us to pledge ourselves to the promotion of highway safety? If by our efforts we prevent only one accident, and save one life, they will be well rewarded. This can be done by dedicating ourselves to improving our driving, obeying the rules of safe driving, becoming a defensive driver, reducing our speed, practising courtesy and, above all, always remembering that alcohol and driving lead to disaster.

Early in 1967 the Canadian Highway Safety Council will promote a safety program called "Hospitality on the Highway." The Council will need the assistance of every Canadian driver. Pamphlets, recommendations and advice will be publicized early in the new year by means of radio, television and other forms of information media. Let us associate ourselves with the Canadian Highway Safety Council, and do our part to ensure that Centennial Year will not go down in history as a year of highway massacre.

[*Translation*]

I would like to thank honourable senators and offer them my best wishes for the coming holiday season.

(*Text*)

Hon. Hazen Argue: Honourable senators, it is my pleasure at this time to add my voice in support of the measure now before this house. I wish to congratulate the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) for his full explanation, and Senator Croll for his outline of the very important work done by the Senate Committee and its advocacy of the guaranteed annual income. This measure is a great step forward and a valuable addition to the body of social security legislation of this country.

I have followed the remarks on this matter made by many leading citizens of our country, and I am pleased that the leadership that has been given demonstrates most clearly, at least to me, that this is but another step forward, with others to follow, in the building up of a body of social security legislation of which this country can be proud. It is also proper that the Minister of Finance brought in his budget the other night to show that these things are not manna from heaven, that they are not gifts, but that they have to be paid for. The thinking public of this country will decide, I am sure, that this is a measure that can be afforded by our nation at this time.

The present Minister of National Health and Welfare, the honourable Mr. MacEachen, has done an admirable job in giving leadership in this field. I have read the speeches he has made across this country. They are most enlightening and advanced. His grasp of the fundamental political questions facing this country demonstrates to me that our nation is indeed fortunate in having a man of his calibre head the important portfolio of Health and Welfare.

Hon. Mr. Deschatelets: Hear, hear.

Hon. Mr. Argue: As a nation, we have made great advances in the last few years—not all of them under any one government—in this field of social legislation. We have a medical care program. I know it will not come into effect for some time, but it has received support. I for one hope that when it does come into effect in the various provinces it will be comprehensive. I am convinced that it will not be confined to ordinary medical expenses as we know them, but that very soon after its implementation it will be extended in one province after another to include drugs, dental care and the like.

Honourable senators, I am new in this chamber. I have a great deal to learn—and I am learning, I hope—but I thought perhaps this afternoon we would hear some very able and impassioned speeches to the effect that the country needed to be more careful of its finances, that there is no inexhaustible fund from which monies can be obtained for this kind of social advance, but I have heard no remarks along those lines. In this august chamber, this chamber of sober second thought, those who have spoken seemed to say that the members of the other place have been too cautious, too careful, and that if this house would but give them some leadership we would go all out for these and other measures.

I am pleased to read that this bill passed the other place with only one dissenting vote, and that was not by a member of any official party. That particular member sits, I believe, as an independent. This legislation received in the other place, and I know it will receive in this chamber, the unanimous support of all

political parties. This fact demonstrates very clearly that the leadership of the political movements in this country today, certainly those on the national field, is in favour of this or similar, legislation, and of further steps forward.

I have read statements made by the Premier of Alberta from time to time. He heads up what is probably, on an income per capita basis, the wealthiest province in Canada. I suppose he can afford to take the position he does. He seems to say that the country has gone far enough. that all governments are becoming spendthrift, and there should be halt called to social security legislation. But then he spreads his arms wide and invites representatives of all the free enterprise parties to come in with him to beat the N.D.P. on the question, as he puts it, of halting social security and other progressive legislation. This is a short-sighted attitude, in my opinion, and it is a mistaken attitude. It is mistaken in its initial judgment about the legislation itself. I am certain it is mistaken as a piece of political strategy, because if anything would help bolster the N.D.P. in this country it would be an amalgamation of the other political parties because that would leave the N.D.P. alone to promote in their own way social security measures and the like.

So, I think the Parliament of this country has given a decided answer to those who might be accused of being the radical right by saying that it is going forward with schemes to provide social security legislation.

I hope I am not taking a reactionary point of view, however, when I say that I am very much in favour of the principle of this bill which states there shall be a guaranteed annual income, and that we shall not ask the treasury of this country and the taxpayers to pay a $25 general supplement to a lot of people who do not need it.

In Saskatchewan I live in a very small community. It is a hamlet. It is not even big enough to be incorporated as a village. I know that in election campaigns—and I say this with respect to the individuals involved —some of the strongest advocates among the older people of a higher across-the-board and without-means-test increase in the old age pension have been people who do not need it. If they got an increase, they would not spend it; it would go into a bank account and merely increase the size of their estate when they passed on. I say at once that this is a minority, but it is an important minority. I have asked these people individually, as I ask here, why should this country adopt measures to tax the public generally, including a lot of poor people, as well as young people, in order to give money that is really not necessary to increase the bank accounts of those who already have adequate money? I do not know if I can be called young or old. We all like to think we are young. However, looking back over my experience in raising certain members of our family, and still in the process or raising others, and in trying to look at the experience of older and young people—

Hon. Mr. Connolly (Ottawa West): Which makes you young.

Hon. Mr. Argue: Thank you very much. Well, the Senate is getting younger all the time, but I am a long way from being the youngest.

One cannot make general statements, but it is the young people who are the poor people. When a young person gets married and starts to raise a small family, he often has great difficulty in making ends meet. When I hear about fires in Ottawa, and of people living in the second or third storey of an old house, and when the temperature gets so low they have to turn on all the burners of the stove to keep warm—those are the people with whom I am especially concerned. I do not see why the country should undertake to tax people with low incomes, young people with small families, in order to pay more money to a certain group of people who do not need it.

I hasten to say that I am all in favour of paying to our older people the assistance they require, and I think that is a step in the right direction.

I have been reading what the N.D.P. have been saying about this. In the past they have been in favour of removing the means test. Later they were in favour of a guaranteed annual income, but as soon as it was put forward they called it all the rough and mean names they could find, and applied the same terms to the Government and anybody associated with the committee. They used such names as "Scrooge," "callous" and "indifferent," and they said that the measure now before us means, not $260 million, but a few more cents. It seemed to me rather a strange role for them to play.

Hon. Mr. Brooks: May I ask how long ago that was?

Hon. Mr. Argue: Yesterday, or the day before. Even right now that is what they are saying.

Hon. Mr. Brooks: Were you with them at that time?

Hon. Mr. Argue: No, I was not, but I think they have changed adversely since the time I was with them. When I was with them we were a group of individuals. Some of us may have been a little off base once in a while. I may still be, and I hope I shall be once in a while in the future; but we were not under the control of an elite in the labour movement or any other movement. I think this is the position they have since acquired for themselves, and I think it has been and is a great mistake. However, they have certainly by their speeches followed a course of "Tax the poor to pay the rich," and that would seem to me a kind of policy that no one should be following. Oh, I know they are crying about the people on $200 or $300 a month.

Hon. Mr. Brooks: I think they were crying about the people who are on $105 a month.

Hon. Mr. Argue: I do not think they were crying about them. I think they were crying about the people on higher incomes.

Senator McDonald from Saskatchewan can remember when the leader of the N.D.P., Mr. T. C. Douglas, in 1961 brought a measure before the Saskatchewan legislature to pay to himself a pension of $4,200 per year, so that when elected to Parliament he would get a provincial pension from the taxpayers of Saskatchewan in addition to his pay as a member of Parliament, and this he is now receiving. I would far rather see members of this chamber promoting legislation that will provide funds for people who are in need. I was glad to hear Senator Croll this afternoon say that he looks forward to the day, and that day soon, when there will be guaranteed annual income legislation for the blind, disabled, the sick, the maimed and others in need.

The whole concept of guaranteed annual income, of course, is going even beyond that. The present Minister of National Health and Welfare, the Honourable Mr. MacEachen, made what I believe to be a most important speech on the whole concept of a guaranteed annual income, when he said that whenever there are increases in welfare measures in this country they will have to be paid for out of taxation, that they will have to be paid for out of the production of this country.

We have to take action to provide increases from time to time, for the cost of living has been rising at a rapid rate. I think it is a mistake for corporations or others who are in a powerful position to increase the prices of their products or to raise wages, on the basis of "all that the traffic can bear." When I see people in public life advocating increases in wages of 30 per cent and 40 per cent over a two-year period, I think that is completely irresponsible and is the kind of thing that is adding to inflation. It means that legislation has to be amended to take care of that inflation and the unnecessary increase in the cost of living.

We can pay for our social security measures out of tax revenue, of course, but we can gain more tax revenue by increasing the annual production of our country. When our nation talks about increased legislation in the social security field we should consider not only the taxation required, but should start to think about how we can increase productivity in our country, and how we can produce more in the hours we work. Perhaps some people may be encouraged to work somewhat longer hours in order that the productivity of our nation can be increased.

I was pleased to read in the *Financial Post* about a week ago a statement that, according to statistics, living standards in Canada have risen more in the past five years of steady business growth than in the previous 13 years.

The key to providing a guaranteed annual income for older people is to undertake in every way possible to increase the productivity of our nation. I think the Government and the Senate should be giving real thought to this question.

I have read the report of the Economic Council of Canada. It is a brilliant report, and many things in it show that the Economic Council has done excellent research and it provides guidelines on how we can improve the economic position of our nation. However, it says little about increasing productivity. I think the council itself would admit that the attention it has given to the question of productivity is inadequate. That is a field to which we might apply ourselves, for if we succeed in increasing production we can afford this and other important social security measures.

Hon. Orville H. Phillips: Honourable senators, my remarks will not be extensive. I had intended to rise and ask one question of the Leader of the Government (Hon. Mr. Connolly, Ottawa West), because earlier in the debate this afternoon reference was made to the old age supplement paid in Prince Edward Island. Perhaps I can explain to the Leader of the Government what Senator Grosart meant by consultation with the provinces.

One unfortunate aspect of the legislation in Prince Edward Island was that the Department of Veterans Affairs moved in and began deducting this amount from the recipients of War Veterans Allowances. In turn, the Province of Prince Edward Island said, in effect, if it is going to be taken off by the Department of Veterans Affairs, we are not going to pay it. Consequently, while this was being straightened out, there were many cases where for a period of two or three months the veteran received $25 a month less than he had normally received before. I believe this is what Senator Grosart had in mind.

The comment I would direct to the Leader of the Government is that last week when we dealt with medical care, it was clear that the Government was insistent on a 90 per cent to 95 per cent coverage. This was for the young, the healthy, and for those who are able to take care of themselves. I find it rather strange that this figure, that was described, I believe, as the "magic of averages", is completely missing in the case of our senior citizens who are unable to care for themselves. I am sure that when he comes to close the debate, he will, with all his Irish charm, explain why the 90 per cent covers only the benefits to the young and not the aged.

Hon. Gunnar S. Thorvaldson: Honourable senators, my few remarks on Bill C-251 will be directed solely to the new principle now being adopted or—as it might be described—the change of direction which is now taking place in our country in respect to federal involvement in the field of old age pension legislation.

Let me say at the outset that I have a feeling of sorrow and frustration that any Government of Canada should abandon, as is being done by the measure before us, the principle of the universal old age pension system. This system was recommended to Parliament by a Joint Committee of the Senate and the House of Commons many years ago, after painstaking study. Then it was concurred in by Parliament practically without dissent.

The measure which followed, namely, the Old Age Security Act of 1951, adopted a universal pension scheme for Canada, provided for a fixed monthly sum to all persons in Canada meeting qualifications as to age, residence, and so forth, and without any requirements concerning means or income. These payments commenced at $40 a month and, as the wealth of Canada grew, as the gross national product went up, and as the cost of living rose, periodic increases in the pension were made, until we have now a universal pension of $75 a month. The basic and fundamental consideration was that the plan was universal and no income or means test of any kind was required.

One known result of the scheme was that a considerable amount of the payments made under the plan would be returned to the treasury in the form of income tax payments from those persons who were in tax paying positions.

The next development, which is laudable if the country can afford it—which I believe it can—is a gradual reduction in the age of beneficiaries under that act until the minimum age of qualification in a few years reaches 65.

A later development, only a few months ago, was the enactment of the Canada Assistance Act, having as I understand it objectives very similar to those under this bill and as a result of which any investigations with regard to persons seeking to qualify for assistance would be made on the provincial or municipal level, by welfare workers engaged by those bodies who, I submit, are the only persons properly qualified to determine the welfare or the financial needs of lower income people.

Senator Grosart said in his speech to the house this evening that the wrong act was being amended. With that statement I agree wholeheartedly. If we desire to give a supplementary pension, as is being done now, I submit that that should have been done under the Canada Assistance Act or through similar means, in co-operation with the provinces and municipalities. They, I submit, are the only governmental authorities who should have anything to do with a means test or a needs test in the case of our older people.

It is my conviction that up to now Canada has had the fairest, the most generous and the most up-to-date welfare system in the world, not excluding even the United States, which has per capita wealth and income much in excess of that in Canada, and excluding also any reference to the Canada Pension Plan which is expected eventually to have a beneficial effect on the living standards of Canadians. In the light of these facts, I simply cannot understand why our Government should embark on a formerly discarded theory of old age pensions. To me, everything about the system adopted in this bill is wrong.

Honourable senators, what will be some of the results of this legislation? One will be the establishment in Ottawa and elsewhere throughout Canada of an additional bureaucracy which will not only deprive our country of the services of all these extra people from other useful and productive endeavours but will entail a further needless expenditure of public funds amounting to many millions of dollars. It may and likely will complicate further our present and proposed complicated relations with the Province of Quebec in the field of public welfare services.

Worst of all, it will re-establish a principle which was wholly—and I would have liked to think, permanently—rejected 16 years ago, in the field of federal old age pensions, namely, the principle of a means or a needs test, or whatever else one may wish to call it, in relation to a federal pension plan for the aged.

As I say, this principle of a means or needs test in regard to the Canadian plan was wholly and unanimously rejected by the Joint Senate and House of Commons Committee, which so assiduously studied this problem for practically two years during 1950 and 1951. And, as I say, that rejection was concurred in by Parlament, practically without dissent.

This bill also has the effect of breaching for the first time, as far as I am aware, the principle of the inviolability of information given in income tax returns. Where this may lead to, no one knows. To me this is simply another serious step in the constant erosion of the privacy and the freedom of the individual in this country.

I believe that nothing that I have said so far rejects the basic principles of the report of the Senate Committee on Aging, in so far as the needs of some people are concerned. This point has been fully explained by my colleague, Senator Grosart, and I will not repeat his argument.

On the contrary, I believe that the course of wisdom would have been for a continuous and indeed scientific adjustment of payments made under the universal old age pension plan, thereafter leaving it in the hands of the provinces and municipalities to operate assistance schemes on the basis of means or needs as required by the circumstances of certain people who may be afflicted with undue poverty.

In the light of these remarks, I sincerely believe that, even if the cost to the public treasury should be somewhat increased at the moment, it would have been highly preferable to raise the universal old age pension to $100 for the present, allowing for adjustments upwards in, say, five-year periods, based upon the gross national product from time to time, and combined with considerations relative to the cost of living.

Honourable senators, what will be the effect of this legislation on the old age pensioner? First, I believe there will be thousands of marginal cases where personal judgments of government employees will be required to decide who are eligible and who are not. One can appreciate the personal conflict and difficulty that will be involved with individuals in regard to this phase of need or means.

Secondly, a vital principle of administration of the income tax laws will have to be violated, namely, as I said a moment ago, the granting of access to outsiders, that is, to people from another department, to private income tax records.

Besides this, there will be employed an army of civil servants who will inevitably be termed snoopers, whether they are or not—and they are already being termed "snoopers"—and the amount of animosity and ill-will created will be without measure.

Furthermore, there will be no end to the number of marginal cases, those who will make it their business to divest themselves of their savings and other property to their children or relatives, and who will indeed pauperize themselves in order to qualify for the supplementary pension. Also pensioners in good health who now try to earn a few dollars each day, week or month, will discontinue these employments. This system will encourage idleness and indolence to a degree that may shock us all.

Honourable senators, for these and other reasons too many to dwell upon, it is my sincere conviction that this legislation should not be passed, but that in the alternative our universal old age pension system should be continued unimpaired.

Now, honourable senators, having made these remarks on Bill C-251, may I offer Christmas greetings to everyone here.

On the question of sending this bill to a committee, may I add that we are all aware that this bill has been in the other place for a long time and has been debated at length both on second reading and in committee of the whole, and we on this side see no good purpose at this late date for sending it to committee here.

Hon. John J. Connolly: Honourable senators,—

The Hon. the Acting Speaker: Honourable senators, I must advise honourable senators that if the honourable Senator Connolly speaks now, it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, we have had a most interesting afternoon. I, for one, regret that this bill came to us so late because, while I think there has been agreement by and large on the need for the principle embodied in this bill to be translated into legislation, I think there may be much misunderstanding on the part of individual critics of the bill of some of the details.

First of all, let me say to Senator Grosart that I am sorry about the surprise he expressed when he suggested that before a measure of this kind was presented to Parliament there should have been consultation with the provinces to ensure that they would not reduce payments they were going to make in the light of prospective payments that could be made under this bill. I take exception to this suggestion, not on any personal or political grounds, but simply on constitutional grounds. I have already, for good reason, read Section 94A of the B.N.A. act into the record. I shall read it again:

> 94A. It is hereby declared that the Parliament of Canada may from time to time make laws in relation to old age pensions in Canada, but no law made by the Parliament of Canada in relation to old age pensions shall affect the operation of any law present or future of a Provincial Legislature in relation to old age pensions.

To me that means that the province has the clear power, as has the federal authority, to legislate and operate in this field. And if some of the provinces desire to supplement old age security payments while others do not, this is a capacity they have under the Constitution of the country. That is the only point, I assure Senator Grosart, with which I was concerned. The federal Government has responsibility for legislating on a national basis with a view to establishing national standards and that motive has prevailed in much of the social legislation the federal Government has put on the statute books. Now to go to the provinces and say, "If we do this, will you keep yours going?" is not, in my view, a valid principle upon which the federal Government should direct its work in this field.

However, I would remind honourable senators that this bill first came to the public notice in the summer, and there have been federal-provincial meetings since then. The provinces were all aware of the provisions in this measure. Certainly the bill was available to them. I want to assure Senator Grosart this is not a personal matter; I look upon it as a matter of some substance based upon the jurisdiction of Parliament.

Senator Phillips asked me a direct question. He asked why, if under the medical care legislation it is required that 90 per cent increasing to 95 per cent of the population be covered, some similar standard should not be applicable in this bill. In answer, let me say at first that I feel it is difficult to compare the two. Perhaps it is not quite the same as comparing apples and oranges, but as far as medical care is concerned, I think the federal Parliament in legislating in this field should try to cover as much of the population as it can. Secondly, from the point of view of spreading the risk, it is desirable that it should do so. That is a very important aspect. I would point out also to Senator Phillips that potentially under this bill every pensioner, if he was poor enough to qualify, could receive 100 per cent coverage. Of the 900,000 to be affected immediately, there may be many who will not qualify for any part of the supplement. Others will qualify for varying amounts.

Hon. Mr. Brooks: May I at this stage ask the honourable leader a question which I would have asked in committee if the bill had gone there. How was the figure of 900,000 arrived at?

Hon. Mr. Connolly (Ottawa West): I understand that this is the estimate by the department of the people who will qualify in some measure under this legislation.

Hon. Mr. Brooks: They may receive anything from $1 to $30.

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Benidickson: Will this be done by computer?

Hon. Mr. Connolly (Ottawa West): That method has not been brought in at the moment. I understand it is hoped the computer system will be introduced to facilitate the work.

Hon. Mr. Brooks: I am sorry to interrupt the leader's line of thought, but I think he

said that the initial cost is estimated as high as $360 million.

Hon. Mr. Connolly (Ottawa West): It is estimated it will range from $260 million to $280 million in 1967, rising to $350 million in 1970.

Hon. Mr. Brooks: Would that be the average as between the possible $1 and the possible $30 per month payment? What would be the situation if the $30 were paid to each of the 900,000?

Hon. Mr. Connolly (Ottawa West): Then the estimate would be much higher.

Hon. Mr. Brooks: In that situation it would be $360 million? But in many cases pensioners will not be entitled to this supplementary amount.

Hon. Mr. Connolly (Ottawa West): Many pensioners will be in receipt of other income which will reduce their entitlement.

Hon. Mr. Hugessen: Was there a figure estimated to show what the cost would be if it were universal?

Hon. Mr. Connolly (Ottawa West): I was coming to that, because Senator Thorvaldson made a point about the increased cost. If instead of doing this on an income test basis, it was done on an across-the-board basis and applied to the amount paid under the Old Age Security Act, the actual cost would amount to an extra $100 million.

Hon. Mr. Brooks: It would be $100 million more than has been estimated already?

Hon. Mr. Connolly (Ottawa West): It would be $100 million more than the $280 million estimated for 1967.

Hon. Mr. Brooks: I have seen that estimate in the other place.

Hon. Mr. Connolly (Ottawa West): Some of my colleagues seem to think it is more, but my recollection is that the estimated cost of the program proposed in this legislation for this year will range between approximately $260 million and $280 million. It is estimated that the cost of paying a $25 a month increase across-the-board as Old Age Security without any test will be an additional $100 million this year. That is my recollection of the figures.

Hon. Mr. Benidickson: Then some poor people will not get $30; they will get $25.

Hon. Mr. Connolly (Ottawa West): All right. It is a $25 increase and not a $30 increase in certain cases too.

However, the point I particularly want to make is this. We had a budget the other night in which a $280 million increase in taxes was proposed. I have no doubt whatever that the Opposition in the other place will be criticizing the increase in taxes of $280 million. Now what is proposed is that we should increase the expenditures by a further $100 million. So, if you are going to live by the rule that was proposed by the Minister of Finance and you are going to pay as you go in this program, then the kicking over the $380 million would have been that much more vigorous.

Hon. Mr. Brooks: They might have been satisfied with the other arrangement.

Hon. Mr. Thorvaldson: Do you not agree that basic and fundamental principles that are deemed to be valuable are not worth dollars, even if it is in high figures?

Hon. Mr. Hugessen: Might I ask my honourable friend a question? It is a very personal one. Why should I get an extra $30 old age pension a month?

Hon. Mr. Thorvaldson: Of course there is no reason in the world why you should, Senator; no one suggests that.

Hon. Mr. Connolly (Ottawa West): I might say that if there is anyone who is entitled to an additional pension it is my friend on my left.

Hon. Mr. Brooks: I move that he gets it!

Hon. Mr. Connolly (Ottawa West): I am feeling particularly low today, because this is my friend's last day in the Senate.

Hon. Mr. Brooks: Oh, no!

Hon. Mr. Connolly (Ottawa West): However, let me come back to Senator Thorvaldson's point. I take it that what he and Senator Grosart object to is the departure from what they say is the principle enshrined in the Old Age Security Act, that the payments are made to all those who have reached pensionable age without any test whatever, and that in this case the wrong act has been amended.

I do not think many are so doctrinaire on this subject. Certainly, I do not feel so doctrinaire as to say that in a case like this, when you are dealing with old age pensions in the field outlined in section 94A of the British North American Act, you need be so particular. We have the universal system without

any test at all up to $75. What is wrong with saying that you should have, not a means test and, I would say, not a needs test—though I would not object to its being called a needs test—but, in effect, an income test for the amount in excess of $75? If that is the only serious objection to the legislation, then I really do not think it is too serious an objection.

Hon. Mr. Brooks: Of course that is not the only objection; there are many others.

Hon. Mr. Connolly (Ottawa West): I realize that. Some honourable senators wanted a $25 straight increase across the board, which—

Hon. Mr. Benidickson: Instead of $30.

Hon. Mr. Connolly (Ottawa West): Yes —which, as I say, would cost an extra $100 million this year. But we must always remember that once you increase that $75 to $100 without a means test or any other test, as the population grows and as time goes on, this is going to mean a great deal more every year than the difference between the $280 million and the $380 million that is estimated for 1967.

Hon. Mr. Brooks: Well, of course, our gross national product will be increasing proportionately.

Hon. Mr. Connolly (Ottawa West): Yes, our gross national product will be increasing too, but at the same time you will be getting more and more built-in statutory payments that are going to be made and which are going to put that much more burden upon the finances of the country. Moreover, the life span is increasing.

I think this is a responsible approach. It does not go as far as the Senate committee proposed that it should in some respects: it goes further in other respects. However, as I say, I think this is a responsible approach to the question of providing a basic minimum income for elderly people who need it.

Hon. Mr. Grosart: Seeing that the honourble leader has stated as his objection to the $25 flat rate increase that it is a built-in expense which will go on and on, does not that same objection apply to the measure before us—or is he suggesting that this will not go on and on?

Hon. Mr. Connolly (Ottawa West): I think that in time—after 1975—the measure before us will begin to decline in cost and that ultimately, when the full benefit of the Canada Pension Plan is available to these pensioners, there will be practically no more payments to be made under the scheme proposed here. That is one of the reasons why I say this is a temporary measure. This is a measure intended to fill a gap which the Senate committee pointed out. I do not say it will fill the hole completely, but it goes a long way towards satisfying the purpose the Senate committee had in mind.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Acting Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave of the Senate, I move that the bill be read the third time now.

Honourable senators, I would just like to say that I feel rather like a lawyer in court, because my "client" is in the gallery. I have been defending him, and he will not have to defend himself at a later time in committee. I mean, of course, the minister, Honourable Mr. MacEachen.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Acting Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa

21 December 1966

Sir,

I have the honour to inform you that the Hon. Emmett M. Hall, Puisne Judge of the Supreme Court of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 21st December, at 9.45 for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General.

The Honourable
The Speaker of the Senate

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report by the Tariff Board, dated June 6, 1966, relative to the Inquiry ordered by the Minister of Finance respecting Machinery, Apparatus, Printing Plates and Related Products for the Printing and Allied Industries, Reference No. 133 (English and French texts), together with a copy of the transcript of the evidence presented at public hearings (English text), pursuant to section 6 of the Tariff Board Act, chapter 261, R.S.C., 1962.

Report of Expenditures and Administration in connection with the Family Allowances Act for the fiscal year ended March 31, 1966, pursuant to section 14 of the said Act, chapter 109, R.S.C., 1952. (English and French texts).

Report of Expenditures and Administration in connection with the Old Age Security Act for the fiscal year ended March 31, 1966, pursuant to section 12 of the said Act, chapter 200, R.S.C., 1952. (English and French texts).

Report of Expenditures and Administration in connection with the Youth Allowances Act for the fiscal year ended March 31, 1966, pursuant to section 13 of the said Act, chapter 23, Statutes of Canada, 1964-65. (English and French texts).

Copies of letters written by the Minister of Trade and Commerce to Canadian companies in the export field regarding expansion of Canada's export trade. (English and French texts).

Revised Capital Budget of Polymer Corporation Limited for the year ending December 31, 1966, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with copy of Order in Council P.C. 1966-2371, dated December 15, 1966, approving same. (English text).

ADJOURNMENT

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, January 31, 1967, at 8 o'clock in the evening.

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I remind honourable senators that, if this motion is agreed to, there is no guarantee that the adjournment will be until that date. This adjournment is subject to recall, as are all adjournments of this kind.

Hon. Mr. Brooks: May I ask the honourable Leader of the Government when the House of Commons will resume after the Christmas adjournment, and also what we may expect in the way of legislation when we return on January 31?

Hon. Mr. Connolly (Ottawa West): It is my understanding that the House of Commons will adjourn until January 9, but I cannot say what that chamber will produce in way of work for us between the 9th and 31st days of January. The Transport Bill is now engaging the attention of the other place, and perhaps it will be the first piece of legislation that we shall consider in the New Year. The Bank Act is on the Order Paper, and I think there are three measures that have emanated from the Special Joint Committee on the Public Service. Besides these, there is other legislation, some of which may be passed by the other place before we re-assemble.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Emmett M. Hall, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bills:

An Act to authorize the payment of contributions by Canada towards the cost of insured medical care services incurred by provinces pursuant to provincial medical care insurance plans.

An Act to incorporate League Savings Mortgage Company.

An Act to amend the Old Age Security Act.

An Act respecting the Boundary between the Province of Manitoba and the Northwest Territories.

An Act to amend the Export Credits Insurance Act.

An Act respecting the prevention of employment injury in federal works, undertakings and businesses.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

Hon. Jean-Paul Deschatelets: Honourable senators, this is the last Senate sitting before the Centennial Year. As Senator Hugessen, our distinguished colleague, may not be back with us after the recess, I would like him to move the adjournment of the Senate.

Hon. A. K. Hugessen: Honourable senators, I move that the Senate do now adjourn.

The Senate adjourned until Tuesday, January 31, 1967, at 8 p.m.

THE SENATE

Tuesday, January 31, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

NATIONAL TRANSPORTATION BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other Acts in consequence thereof and to enact other consequential provisions.

Bill read first time.

SECOND READING—DEBATE ADJOURNED

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Jean-Paul Deschatelets moved, with leave of the Senate, that the bill be read the second time now.

He said: Honourable senators, Bill C-231 is probably one of the most complex bills on transportation to reach us in a long time. I intend to cover in my remarks the most important features of the bill, and I will also say a few words about its background and its purposes.

It is not possible, honourable senators, to cover in every detail a bill of this proportion, which was examined during thirty-five sittings by a standing committee on transportation and debated during three weeks in Committee of the Whole in the other place.

If there is agreement on the principle of the bill on second reading, it is my intention to move that the bill be referred to our Standing Committee on Transport and Communications. The officials concerned will be in attendance, and proper answers on all questions of particular or regional interest can then be obtained, especially on points which I do not have time to cover completely.

As to the importance and scope of the provisions of this bill, we can fairly say, honourable senators, that in adopting Bill C-231 we will modify all existing legislation on transportation and all institutions or boards that have been created in Canada for regulating the various modes of transportation in so far as they are subject to the jurisdiction of Parliament.

In fact, the bill embodies the following modes of transportation:

(a) Railway transportation, now under the Railway Act;

(b) Air transportation, now under the Aeronautics Act;

(c) Water transportation, now under the Canadian Maritime Commission;

(d) Commodity pipe line transportation, falling under the jurisdiction of Parliament; and

(e) Motor vehicle transportation, so far as the federal jurisdiction applies under the Motor Vehicle Transport Act.

Before going further, honorable senators, I think I should deal with certain criticisms made of one aspect of the bill, that is, the constitutional right of Parliament to legislate on transportation, especially in connection with motor vehicle transportation.

We are all aware that the Minister of Transportation and Communications for the Province of Quebec has already stated that this bill impinges on the jurisdiction of the provinces. I do not think that anyone has ever seriously challenged the overall jurisdiction of this Parliament over railways that have been incorporated by Parliament. The same can be said of steamships and of all forms of navigation where Parliament's jurisdiction has always been considered supreme. As the Minister of Transport stated in the other place during the debate on this matter, even a canoe is not actually subject to regulations by a provincial government. Moreover, as all honourable senators know, Parliament's jurisdiction over aviation has been clearly decided by the highest courts. The only area where any conflict can seriously arise seems to be in the matter of the limitation of the jurisdiction of this Parliament over motor vehicle transport, and here a few words of explanation are necessary.

Until 1954, when the Privy Council made one of its last decisions applying to Canada, it might seem strange to say so but it was generally believed that the overall jurisdiction over highway transportation was exclusively provincial. However, the courts have decided that when a commercial carrier operating a bus or truck crosses a provincial boundary or serves more than one province,

or when he leaves Canada to go to a foreign country, he is under the jurisdiction, and the exclusive jurisdiction, of this Parliament.

Pursuant to this decision of the Privy Council, the federal Government had no administrative machinery ready in 1954 for carrying out the exercise of this jurisdiction. On the other hand, the provinces had been accustomed to this administration and Parliament passed the Motor Vehicle Transport Act, which enabled the Government of Canada to confer upon provincial agencies certain delegated authority in that field. In other words, we authorized these provincial agencies to act as federal agencies for purposes over which the jurisdiction of Parliament has been recognized by the courts, and on the whole, we can say that the arrangement has worked very well. Provincial governments were informed of our intention to introduce such provisions under Part III of the bill, and as far as motor vehicles are concerned it was pointed out that all we are seeking to do is to specify in the legislation a reserved right or power in case it becomes necessary to use it.

This explanation would not be complete if I did not add that when the bill was introduced in the other place, or just before, the Prime Minister wrote to the premiers of all provinces and made clear that the Government did not contemplate precipitate action in this particular field of road transportation; and the hope was expressed that a federal-provincial conference would take place not long after the passing of this legislation.

To summarize this aspect of the extra-provincial motor transportation, I think it can fairly be said that no immediate action is envisaged for the present time. The provisions of the bill are flexible enough to permit this. Honourable senators will note that the bill is divided into six parts, and after the adoption of the bill—if it is adopted—it is intended that these different parts will come into force by proclamation on different dates.

Honourable senators, there are 94 clauses in this bill which result in major amendments to several acts of Parliament and minor amendments to at least fourteen other acts of Parliament. Bill C-231, in fact, represents the charter of a national policy on all modes of transportation falling under the competence of Parliament.

We are always very proud indeed, and justly so, to praise the vastness of our country, extending from sea to sea. However, it is precisely this particular geography of Canada which is the crux of our difficult problems of transport.

There was a time when the railway companies exercised a monopoly, or a quasi-monopoly, in the field of transport, but with the rapid industrial and technological growth of our country this no longer applies, except maybe in some distant regions. Today the railway freight car is not the only device providing facilities to heavy and long-haul transport. Airplanes, trucks, and ships are built in such a way as to cover any distance, and to transport everything under the sun. The time has come, therefore, to combine the various means of transport into a sole organization and under a single piece of legislation. The result of this will not only improve generally our transport system but will serve the public interest as well.

Honourable senators, when I mention "public interest" the phrase implies the concept of a measure of equity for all regions of Canada, and in a vast country like ours this is not an easy thing to implement. I know that previous attempts were made in the past towards this aim, namely, in 1925 and 1948, when the government of the day, by orders in council, asked the Board of Transport Commissioners to examine the freight rates structure in order to provide a better measure of equity for all regions of Canada.

Having assumed this responsibility, the Board of Transport Commissioners required a number of years to make its examination, and in 1955, I think it was, the board reported that equalization of rates in Canada involved the establishment of a fundamental base and a statistical survey which would take many years to complete.

In 1959 the government of the day seems to have been faced with a two-fold problem as far as transportation was concerned: a horizontal increase in freight rates on the part of the railways, and also the important and complex problem of abandonment of certain branch lines. The Government decided in 1959 to disallow in part the horizontal increase—I think it directed the Board of Transport Commissioners to reduce this increase from 17 per cent to 8 per cent. At the same time the Government decided to appoint a royal commission.

The MacPherson Commission was set up to consider, among other things, the inequities in the freight rate structure and also the obligations and limitations imposed upon railways

through the years by law or by reasons of public interest.

The report of the MacPherson Commission was presented some time in 1961, and it is without doubt the genesis of the bill we have now to consider. However, as honourable senators will find, the delay which elapsed between the presentation of the MacPherson Report and the present bill has permitted the Government, with the experience of these years, to go much further in the provisions of the bill than the MacPherson Commission went.

If I may, I shall now say a few words about the highlights of the MacPherson Report.

In esence, the commission found that the inequities in the freight rate structure were the immediate result of horizontal freight rate increases. It was found that the railways applied the increases to traffic on which there was limited or no competition and omitted the increases where there was competition. Broadly speaking, this means that the increases were applied to the long-haul movement of relatively high-value commodities but were generally not applied to low-value commodities or to short hauls of high-value commodities. It is in the latter area, that is, high-value commodities and short hauls, that the effects of competition have been felt most keenly by the railways, although competition in recent years from trucks, ships, pipe lines and air transport has by no means been confined to short hauls or to high-value commodities. In addition, it was found that competition from air and the private automobile has been particularly effective in reducing the importance of the railway passenger service.

Looking further, the commission found that the rate increases by the railways were made necessary in part by obligations imposed upon the railways by law, custom and public policy. These obligations arose principally from operation of low-traffic density branch lines, operation of passenger trains and handling grain at low statutory rates. These obligations, the commission found, imposed burdens upon the railways which were not offset by related revenues.

If I said that the detailed recommendations made by the MacPherson Commission form the genesis of the bill, I must point out again that some experience gained since the report of the commission in 1960-61 and since the introduction of the first bill in 1964 has led the Government to modify the manner in which some of the recommendations were made. A good example of this is the somewhat different views reached by the royal commission on the question of branch lines abandonment, compared with the provisions of the present bill on this particular matter.

As far as the previous bill, edition 1964, is concerned, I must point out to honourable senators that it was merely an amendment to the Railways Act, though a substantial one. The real concept of the present bill was evolved between 1964 and 1966. The experience of recent years has convinced the Government that the economic regulation of transportation calls for unification, and not for division by mode of transport; and this of course is one of the highlights of the bill.

For this reason, the bill provides for and sets up a new body, the Canadian Transport Commission, whose duty it will be to implement Bill C-231, or the new national transportation policy.

I believe that the following three basic principles sum up the structure of this new transport policy. First, it envisages competition among transportation modes and companies as the chief regulator of rates and services. Second, it enunciates the principle that, where transportation facilities are provided at public expense, the user shall bear a fair proportion of the costs. Third, where burdens are imposed on transportation companies by law, the burdens should be borne by the public as a whole.

Honourable senators, I propose that we examine now, as briefly as possible, what I think are the most important clauses of the bill. Since the bill is divided into six different parts, we might comment on these parts, underlining in each one certain issues which I know are of national interest.

Part I covers clauses 2 to 21, inclusive, of the bill. Part I sets up the Canadian Transport Commission and outlines its powers and duties. As the Minister of Transport stated in the other place, probably with tongue in cheek, in the first place it will be one bureaucracy instead of three. It is important, I think, that we have at this stage an idea how this commission will work, at least the main line of its composition and duties.

As I indicated earlier, the new commission will replace three existing agencies, the Board of Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission. The present members and staff

of these bodies will be transferred to the new commission, with protection of their present terms of appointment. I believe that the authorized membership of these three bodies is about 13 officers, while the new commission will be composed of 17 commissioners.

The new commission is to have a president and two vice-presidents. It will be divided for working purposes into five committees—one each for rail, water, air, commodity pipe line, and motor vehicles—thus ensuring both expertise with respect to the individual modes of transport and efficient operation of licensing and regulatory procedures. The commission will have responsibility in two general areas, and I am summarizing here its powers and duties.

First, it will be responsible for the licensing and economic regulation, where appropriate, of all modes of transport under federal jurisdiction. Its second function will be to conduct investigations and to make recommendations to the federal Government on development and administration policy in all transportation fields. In this connection, the commission is given responsibility, in the legislation, for developing major research activities in support of these objectives.

I must say that a good deal of misgiving was expressed in committee in the other place about the possibility of conflict between what might be called the research, planning and development functions of the commission and its regulatory functions. The reason for appointing two vice-presidents is precisely to minimize such possibilities. One vice-president will deal with the research side, while it is intended to appoint as second vice-president a barrister, who will deal with the planning of operations.

This is the general structure of the new commission, and, as I said before, the existing appointments will just continue and all the rights which the present members of the various boards now have are safeguarded in the bill.

Normally, when hearings in one of the five committees is dealing purely with aviation matters, for example, the committee will be formed of those commissioners who are particularly competent in that field, and the same will apply to other matters such as railways and so forth.

Honourable senators, I might sum up here in a few words certain provisions of the bill dealing with the rates. The commission will not in fact set rates except under conditions where a particular mode of transport has a monopoly of common carrier transportation. Under such conditions, the commission may disallow existing rates or may require the carriers to substitute satisfactory rates or it may itself fix rates.

These rules apply only to commodity pipe lines, to motor vehicle transports and railways. So far as aviation and water transportation are concerned, the existing rules contained in the Aeronautics Act and the Transport Act are not changed.

The other general rule on rates which the commission will apply will be the rule that no rates may be below a compensatory level. In other words, a rate must cover the variable costs of the movement. What are variable costs? I think they can be defined as the directly traceable costs of the movement. They do not, of course, include any of the fixed or overhead costs of the carrier.

Hon. Mr. Pearson: May I ask what clause that refers to?

Hon. Mr. Deschatelets: I think I will give that information to honourable senators in a minute, because here I am summarizing at times many clauses of the bill in order to give at least a general view of what is contained in the bill. It will also be noted that all activities of the commission will have to be financed out of appropriations voted by Parliament.

My comments on Part I, honourable senators, would not be complete without saying a word about the general appeal and review provisions of the bill.

An appeal may be made to the commission on acts or omissions of a carrier or the effect of the making of rates under the new rules contained in the act. An appeal may be made also to the Minister of Transport on applications for licences to engage in transport by air, motor vehicle, by water or commodity pipe line. The right of the appeal to the Governor in Council that exists in the Railway Act is preserved under the new legislation and is extended to all modes of transport. But, in order to bring more flexibility to these matters of appeal, there are provisions covering the right to review a decision of a committee respecting one mode of transport which is objected to by another mode of transport.

Having said that, honourable senators, may I now proceed with Part II of the bill, which covers clauses 22 to 28 inclusive.

Hon. Mr. Brooks: Before the honourable senator goes on, might I ask him what goods he would expect to be carried by commodity pipe lines?

Hon. Mr. Deschatelets: I am coming to this point, honourable senators. Part II has to do with commodity pipe lines falling under the jurisdiction of Parliament, which means transport through pipe line of commodities from one province to another, or others, or extending beyond the limits of one province. I may say here, that oil and gas moved by pipe lines will remain under the National Energy Board.

Hon. Mr. Brooks: They are not under commodity pipe lines?

Hon. Mr. Deschatelets: No, but I am coming to another detail. As I said, oil and gas moved by pipe lines will remain under the National Energy Board, but if the pipe lines carries a commodity other than gas and oil it will come under the jurisdiction of the new transport commission.

Special rules are provided for the regulation of "combined pipe lines," that is, pipe lines designed to move commodities using a medium of oil or gas. An example of a combined pipe line would be a pipe line for moving sulphur in oil.

Honourable senators, I think we should now look at Part III of the bill, which covers clauses 29 to 37 inclusive. Part III deal with the federal control of motor vehicle transport. As I explained earlier, so far as federal jurisdiction applies, this mode is regulated under the Motor Vehicle Transport Act, which authorizes provincial highway transport boards to regulate extra-provincial trucking operations within their own borders as if they were intra-provincial operations.

I stated before that it is intended that these provisions will not be brought into force until the matter has been thoroughly reviewed with provincial authorities; I have some reasons for that, but there is another reason. The constitutional validity of the Motor Vehicle Transport Act has been challenged in an appeal to the Supreme Court of Canada, and the possibility that this act will be declared *ultra vires* makes it, for this reason alone, essential for the federal Government to be prepared to step rapidly into this field.

Part IV of the bill covers clauses 36 to 37 inclusive. It provides for the transfer to the Minister of Public Works from the Board of Transport Commissioners of the powers of the board with respect to the safety and construction of bridges that come under the jurisdiction of Parliament.

Honourable senators, we now come to the largest part of the bill, Part V, which deals with railways. This part of the bill is based broadly on the recommendations of the MacPherson Commission Report. It covers clauses 38 to 79, inclusive. Part V of the bill provides a new system for regulating the railway rates under conditions of growing competition, and for the assumption by the Government of Canada of burdens arising out of the maintenance of operation of branch lines and passenger services which lose money.

There are burdens which are imposed on the railways by law or custom. Some of these burdens date as far back as the building of the railway lines. The most important of these burdens in dollar terms is the burden of money-losing passenger services.

Under the rules established by the bill, if a railway wishes to discontinue a passenger service, it must first apply to the new commission.

The commission is directed to determine whether or not the service is losing money. If it is not losing money, there is no problem and the application will be dismissed. If it is losing money, the commission must decide whether the service should be discontinued according to a set of broad criteria which has been outlined with a view to safeguarding the public interest.

I must mention that under the provisions of the bill if any person wishes to present his views on the discontinuance of a service to the commission, it must hold hearings. If the commission, after reviewing the evidence, comes to the conclusion that the railway should continue a money-losing service, the railway may claim for the loss, and the commission may recommend that they be paid out of the Consolidated Revenue Fund.

Part V also has provisions dealing with the abandonment of money-losing branch lines, according to the same general principles as passenger train discontinuance, but because of their greater local importance in the Prairie Provinces especially, the procedure to be followed is spelled out in more detail. The commission can, where desirable, deal with abandonment applications on an area basis in order to avoid a piecemeal approach. The commission may make recommendations for

exchange of branch lines or of running rights or connecting branch lines to other lines of railway and even to the lines of other railways. There are provisions that the cost of such connections and exchanges may be borne by the Government.

I must remind honourable senators here that the provisions with respect to branch line abandonment must be considered in the light of the Government's announcement that a certain network of lines in the Prairie Provinces will be guaranteed by the Government until January 1, 1975. If the branch lines are not part of the now guaranteed network, the railways must apply to the commission for authority to abandon these non-guaranteed lines, and after a hearing has taken place, as explained earlier, the commission may either grant or refuse the application depending upon the evidence. In short, the bill carries out the basic recommendations of the royal commission, that railway operations that are required to continue for reasons of national policy or interest should not be a burden on the shippers or on the railways themselves.

There was in the other place a long discussion preceding an amendment to the original provisions of the bill having to do with the Crowsnest Pass rates. The present bill, which includes all the amendments which were brought to the bill since its introduction in the other place, renews the statutory provisions with respect to the Crowsnest Pass grain and flour rates and makes statutory the related grain and flour rates for movements to Vancouver, Prince Rupert, and Churchill, under clause 328, page 42, while the so-called related rates are protected indirectly under clause 470 at page 65. Contrary, however, to the recommendations of the MacPherson Commission, the bill does not provide for a subsidy to the railways with respect to Crowsnest Pass and related rates. Conditions have changed remarkably since 1959, as honourable senators are aware. This applies particularly with respect to the volume of grain moved to export ports, and the Government does not now believe that the recommendations of the royal commission on the matter are necessarily applicable in 1967. The commission has, however, under clause 15 broad discretionary powers to inquire into and report to the minister upon situations where financial assistance to railways is required.

Honourable senators, I regret to say that it is not possible for me to conclude my remarks on Part V without mentioning at least some important clauses with respect to three particular situations. Firstly, I said before that unfortunately the royal commission had not enough time to deal with the special regional problems of the Atlantic area. As many honourable senators are particularly interested in this region, I would like to mention that there are provisions in Part V stating that rates on movements into, out of and within the Atlantic Provinces, which were reduced by the Freight Rates Reduction Act, are now frozen for a further period of two years by this bill; these include rates on coal, coke and timber. In the meantime a thorough and comprehensive study of the transportation system of the Atlantic Provinces is now under way and it is expected that by the time this freeze expires the Government will be in a position to act on the recommendations in the report.

Secondly, there are provisions also regarding rates on grain and flour moving to ports on the St. Lawrence or the east coast for export from elevators or flour mills in eastern Ontario or Quebec. These rates are made statutory, and provision is made for payment of assistance to the railways by the Government in respect of such movements. However, I wish to add that the bill does not in any way touch the feed grain subsidies which are governed by and paid under entirely different legislation introduced by the Minister of Forestry.

The third point—and of course you would expect me to say a few words about this—has to do with the general transitional subsidy to the railway companies. To avoid a too radical change in the financial position of railways, because of the change from the present system of subsidies to the new system set up by this bill, the legislation provides a general transitional subsidy. This subsidy begins at the level of $110 million for all railways this year and will decline by $14 million per year until it disappears in 1975.

It will operate along the following lines. The special subsidies for passenger services, branch lines and eastern grain and flour are payable first; and it is provided that if the total of the special subsidies is less than the general subsidy—for example, $110 million this year—then the difference is payable in addition to the special subsidies. If the special subsidies are greater for a given year than the general subsidy, then only the special subsidies will be paid.

Honourable senators, the last part of the bill—clauses 80 to 95 inclusive—protects the present rights of members of the Board of

Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission.

Honourable senators, I am now coming to the conclusion of my remarks. Before preparing these notes I went over some of the reports of the Transport and Communications Committee meetings in the other place and read as carefully as I could the lengthy debate in the Committee of the Whole, as well as other sources of information; so, if there is one person in this room fully conscious of the incomplete and superficial presentation I have given you, I am the one. However, I think that I have covered the most important features of the bill, and hope that at this stage it will be found satisfactory.

I know that many aspects of this bill are controversial, as the discussion in the other place has shown; but I must remind honourable senators that 34 committee meetings were held, 73 witnesses were heard and 36 extensive briefs were examined on this bill. From the start in committee, and later on in Committee of the Whole, more than 60 amendments—though not all substantive—were made to the bill. This shows that the Government, and especially the Minister of Transport, during all these discussions, kept the door open to any amendment which appeared to be an improvement in the provisions of the bill.

A tremendous amount of work has therefore been done already, and I think it is right to say that all parties have contributed in this effort, and that the debate on this matter in the House of Commons has shown Parliament at its best.

[*Translation*]

I should now like, if you will allow me, honourable senators, to comment on the criticism published in this morning's *Gazette*—which matter has already been mentioned in the other place. I should then, in closing, like to comment on that criticism with a view to proving that it is not justified. This editorial praised the thoroughness of the bill submitted to you to-day, adding that it should have been brought down years ago. This, of course, seemed to indicate that the Government, having received the MacPherson Report in 1960-61, had been remiss in not having dealt sooner with a bill of such magnitude.

May I point out that that criticism is also shared by the former Government which in fact received the MacPherson Report in 1960-61. But I will try to refute that criticism aimed at the former Government and the present Government by saying this: if the former Government, upon receipt of the MacPherson Report, had introduced such a piece of legislation, we would not have today a bill as complete as the one we are introducing. As a matter of fact, I proved that the MacPherson Report sets up some general principles. However, it was not enough to make up a bill such as this one. That was true also of the first bill introduced by the Government in 1964 which, in our opinion, was only a major amendment to the Railway Act.

What I want to prove is that when a government introduces such a wide ranging bill which might serve Canadians for generations to come, one mistake must be avoided and that is to improvise, to go too fast.

I feel that we now have a complete bill on transportation. Of course, we owe it to the MacPherson Commission report. We owe it also to all the suggestions and advice given in all the studies made by transportation experts. I wish to say also that if after those studies the Government agreed to 70 amendments—not all of them major ones—it shows that the Government kept an open mind about all the suggestions likely to improve the bill which is now before us.

[*Text*]

Honourable senators, one distinguished member of the official opposition in the other place—I think it was the member for Qu'Appelle—in the course of his remarks said that he believed that the great majority of the people of Canada are willing to give this policy of competition a try. I would go a few steps further in my appreciation and say that although the bill may not solve all our transportation problems, it will permit the Government for the first time to contemplate not only short-term but long-term solutions to those transportation problems. It is for this reason that I am happy to propose it for your approval.

On motion of Hon. Mr. Brooks, debate adjourned.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Fairweather had been substituted for that of Mr. Coates on the Special Joint Committee respecting Mr. Justice Landreville; that the names of Mrs. Rideout and

Mr. Boulanger had been substituted for those of Messrs. Cashin and Lamontagne, and that the name of Mr. Asselin (Charlevoix) had been substituted for that of Mr. Clancy, on the Joint Committee on Consumer Credit and Cost of Living; and that the name of Mr. Winch had been substituted for that of Mrs. MacInnis on the Joint Committee on Penitentiaries.

CANADIAN NATIONAL RAILWAYS FINANCING AND GUARANTEE BILL, 1965-1966

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-229, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1965 to the 30th day of June, 1967, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

Bill read first time.

Hon. John. J. Connolly, with leave, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

JUDGES ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-262, to amend the Judges Act.

Bill read first time.

Hon. John J. Connolly, with leave, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

PUBLIC SERVICE

PROPOSED ENLARGEMENT OF REFERENCE TO JOINT COMMITTEE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Ordered, That the Special Joint Committee of the Senate and House of Commons on the Public Service of Canada be empowered to inquire into and report upon the matter of pensions paid to retired civil servants or their dependents under the provisions of the Public Service Superannuation Act; and
>
> That a message be sent to the Senate informing Their Honours of this resolution and requesting that House, if it concurs, to authorize the committee to inquire into and report upon this matter.

Attest

Léon J. Raymond
The Clerk of the House of Commons.

Hon. John J. Connolly moved that the message be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

NATIONAL ANTHEM

PROPOSED JOINT COMMITTEE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Resolved, That a Special Joint Committee of the Senate and House of Commons be appointed to consider and from time to time to report upon the subject matter of the following proposed resolution: "That the Government be authorized to take such steps as may be necessary to provide that 'O Canada' shall be the National Anthem of Canada while 'God Save the Queen' shall be the Royal Anthem in Canada";
>
> That 12 members of the House of Commons to be designated at a later date, be members of the joint committee; and
>
> Ordered, that a message be sent to the Senate requesting that House to unite with this house for the above purpose, and to select, if the Senate deems it advisable, some of its members to act on the proposed joint committee.

Attest

Léon J. Raymond
The Clerk of the House of Commons.

Hon. Mr. Connolly (Ottawa West) moved that the message be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

DOCUMENTS TABLED

Hon. Mr. Connolly (Ottawa West) tabled:

> Report on Activities under the Prairie Farm Assistance Act for the Crop Year

1965-66, pursuant to section 12 of the said Act, chapter 213, R.S.C., 1952. (English and French texts).

Copies of Agreement between Canada and the Republic of Korea regarding development of trade relations, done at Ottawa December 20, 1966, together with exchange of correspondence between the Secretary of State for External Affairs of Canada and the Minister of Foreign Affairs of the Republic of Korea, dated December 20, 1966, and between the Minister and Assistant Deputy Minister of Trade and Commerce of Canada and the Ambassador to Canada of the Republic of Korea, dated December 20, 1966. (English and French texts).

Public Accounts of Canada, Volumes I, II and III, and an Abridged Version thereof, for the fiscal year ended March 31, 1966, pursuant to section 64(1) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Copies of Statement made to the House of Commons by the Honourable Robert H. Winters January 13, 1967, together with statement relating to the final payment on wheat delivered to The Canadian Wheat Board during the crop year 1965-66. (English and French texts).

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, December 28, 1966 and Wednesday, January 11, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Consolidated Index and Table of Statutory Orders and Regulations published in the *Canada Gazette*, Part II, for the period January 1, 1955 to September 30, 1966. (English and French texts).

Report dated November 30, 1966, of the Restrictive Trade Practices Commission, under the Combines Investigation Act, relating to the Production, Distribution and Sale of Phosphates, other Phosphorous Chemicals and Sodium Chlorate. (English and French texts).

Copies of Ordinances, Chapters 1 to 17 inclusive, passed by the Council of the Yukon Territory, at its 1966 Second Session held from November 7 to December 2, 1966, pursuant to section 20 of the Yukon Act, chapter 53, Statutes of Canada, 1952-53, together with a copy of Order in Council P.C. 1966-2434, dated December 22, 1966, approving same. (English text).

Copies of Ordinances, Chapters 1 to 24 inclusive, passed by the Council of the Northwest Territories at its 1966 Second Session held in Resolute Bay, Northwest Territories, from October 31 to November 18, 1966, pursuant to section 15 of the Northwest Territories Act, chapter 331, R.S.C., 1952, as amended 1953-54, together with a copy of Order in Council P.C. 1966-2433, dated December 22, 1966, approving same. (English text).

Order in Council P.C. 1966-2427, dated December 22, 1966, authorizing under section 21A(2) of the Export Credits Insurance Act, long-term financing by the Export Credits Insurance Corporation for the sale by Montreal Engineering Company Limited and Montreal Engineering (Eastern) Limited of capital equipment, engineering and procurement services, and by Atomic Energy of Canada Limited of nuclear engineering services to the President of India, pursuant to section 21B of the said Act, chapter 105, R.S.C., 1952, as amended 1960-61. (English text).

Order in Council P.C. 1966-2428, dated December 22, 1966, amending Order in Council P.C. 1963-1763 of November 28, 1963 and Order in Council P.C. 1966-1570 of August 17, 1966, and authorizing under section 21 of the Export Credits Insurance Act long-term financing by the Export Credits Insurance Corporation for the sale by Montreal Engineering Company Limited of capital equipment, and by Montreal Engineering (Eastern) Limited of certain services, and by Atomic Energy of Canada Limited of nuclear engineering services to the President of India, pursuant to Section 21B of the said Act, chapter 105, R.S.C., 1952, as amended 1960-61. (English text).

Revised Capital Budget of The St. Lawrence Seaway Authority for the year ended December 31, 1966, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with copy of Order in Council P.C. 1966-2315, dated December 9, 1966, approving same. (English text).

Capital Budget of The Seaway International Bridge Corporation, Ltd., for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C.,

1952, together with a copy of Order in Council P.C. 1966-2316, dated December 9, 1966, approving same. (English text).

Report on the Administration of Part I of the Royal Canadian Mounted Police Superannuation Act for the fiscal year ended March 31, 1966, pursuant to section 25 of the said Act, chapter 34, Statutes of Canada, 1959. (English and French texts).

Report on the Administration of the Members of Parliament Retiring Allowances Act for the fiscal year ended March 31, 1966, pursuant to section 18 of the said Act, chapter 329, R.S.C., 1952. (English and French texts).

Report on the Administration of the Emergency Gold Mining Assistance Act for the fiscal year ended March 31, 1966, pursuant to section 10 of the said Act, chapter 95, R.S.C., 1952. (English and French texts).

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, January 25, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Statement prepared in the form of Schedule "Q" to the Bank Act, showing Composite Current Operating Earnings and Expenses of the Chartered Banks of Canada for the fiscal years ended in 1966, pursuant to section 119(1) of the said Act, chapter 48, Statutes of Canada, 1953-54. (English and French texts).

Capital Budget of Polymer Corporation Limited for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with a copy of Order in Council P.C. 1967-68, dated January 12, 1967, approving same. (English text).

Annual Report of the Minister of Trade and Commerce under the Corporations and Labour Unions Returns Act (Part II. Labour Unions), for the fiscal periods ending in 1964, pursuant to section 16 of the said Act, chapter 26, Statutes of Canada, 1962. (English and French texts).

Answer to inquiry of the Honourable Senator Brooks, P.C. in the Senate on November 29, 1966, on second reading of Bill C-248, Appropriation Act No. 9, 1966, regarding supplementary estimates for the Centennial Commission. (English text).

Capital Budget of Central Mortgage and Housing Corporation for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Copy of amendment made February 4, 1966, by the President and Puisne Judges of the Exchequer Court of Canada to the General Rules and Orders regulating the Practice and Procedure in Admiralty cases in the Exchequer Court of Canada, pursuant to section 31(4) of the Admiralty Act, chapter 1, R.S.C., 1952. (English and French texts).

Report of the Department of Forestry for the fiscal year ended March 31, 1966, pursuant to section 12 of the Department of Forestry Act, chapter 41, Statutes of Canada, 1960 (English text).

Report of the Department of Industry for the fiscal year ended March 31, 1966, pursuant to section 16 of the Department of Industry Act, chapter 3, Statutes of Canada, 1963. (English and French texts).

Copy of Statement made to the House of Commons by the Honourable Robert H. Winters January 31, 1967, together with copy of Press Release relating to the final payments on Oats and Barley delivered to The Canadian Wheat Board during the crop year 1965-66. (English and French texts).

Report of Operations under the Agricultural and Rural Development Act (ARDA) for the fiscal year ended March 31, 1966, pursuant to section 9 of chapter 30, Statutes of Canada, 1960-61. (English and French texts).

INCOME TAX AGREEMENTS ACT

BILL TO IMPLEMENT AGREEMENTS BETWEEN CANADA AND TRINIDAD AND TOBAGO AND CERTAIN OTHER COUNTRIES AND TO IMPLEMENT A CONVENTION BETWEEN CANADA AND THE UNITED STATES OF AMERICA—FIRST READING

Hon. John. J. Connolly presented Bill S-56, to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Hon. Mr. Brooks: Honourable senators, I do not wish to object, but it seems to me that we are placing a lot of bills on the Order Paper for the next sitting. As honourable senators know, we have all just returned to the Senate and it is rather difficult to pick up the loose ends, as it were. I am wondering whether we are not trying to do more than we really should in so short a time. I take it that some of the bills will be stood.

Hon. Mr. Connolly (Ottawa West): Most of them will be stood. May I say to the Leader of the Opposition, the purpose of moving as I have is simply to get the bills on the Order Paper so that we can proceed and be selective about them.

Hon. Mr. Brooks: With that assurance, I am satisfied.

Motion agreed to.

THE LATE HON. THOMAS V. GRANT

TRIBUTES

Hon. John J. Connolly: Honourable senators, at this time may I ask for unanimous consent to refer to the death since we last met of Senator Grant of Prince Edward Island.

I am sure that it is unnecessary to repeat what was so eloquently said of Senator Grant's career at the time of his retirement on January 19 last year by the then Leader of the Senate, Senator Bouffard. He spoke not only of Senator Grant's retirement from the Senate but referred to his career and mentioned his family, his service in the Legislature of Prince Edward Island, his service in the House of Commons from 1935, and his service in the Senate from 1949 until the time of his retirement.

I am sure that I express the views of all honourable senators when I say here on your behalf that we extend our deepest sympathy to Mrs. Grant and the surviving members of Dr. Grant's family.

Hon. A. J. Brooks: Honourable senators, I concur entirely in the remarks of the honourable leader, and on behalf of the Opposition I also express sympathy to Mrs. Grant and the family.

PENITENTIARIES

JOINT COMMITTEE—SECOND REPORT ADOPTED

Hon. W. M. Benidickson. Joint Chairman of the Joint Committee of the Senate and the House of Commons on Penitentiaries, presented the second report of the committee:

> Your committee recommend that they be empowered to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Benidickson: Honourable senators, with leave, I move that this report be adopted now.

Report adopted.

APPROPRIATION BILL NO. 9, 1966

ANSWERS TO QUESTIONS ASKED IN DEBATE ON SECOND READING NOVEMBER 29, 1966, PRINTED AS APPENDIX

Hon. John J. Connolly: I move, with leave of the Senate:

> That the answer, tabled today, to the inquiry of the Honourable Senator Brooks, P.C., in the Senate on November 29, 1966, on second reading of Bill C-248, Appropriation Act No. 9, 1966, regarding supplementary estimates for the Centennial Commission, and certain other questions and answers, be printed as an appendix to the *Debates of the Senate* of this day.

For text of answers see Appendix p. 1352-4.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*See p. 1351.*)

APPROPRIATION BILL No. 9, 1966

ANSWERS TO QUESTIONS ASKED BY HON. MR. BROOKS IN DEBATE ON MOTION FOR SECOND READING, NOVEMBER 29, 1966

1. Question

The Town of Oromocto is situated near Camp Gagetown. I am wondering whether that amount has become a yearly grant from the Department of National Defence to that town.

Answer

The amount of $1,750,000.00 is provided in the Estimates (Defence Services) for 1966-67 to cover an Operating Grant to the Town of Oromocto, New Brunswick, in lieu of Municipal Taxes. The amount represents the difference between the total estimated expenditures for the year and revenue received from all other sources, e.g., Provincial subsidies, Municipal and School, Municipal taxes, rents, fines, licences, etc. The Grant is made yearly but varies from year to year, depending on the total expenditures and revenues of the Town.

2. Question

Does item 45—Mutual Aid—have anything to do with the cost of moving our air force from France into Germany?

Answer

No.

3. Question

What will become of the buildings and the other military setup at Marville and other Canadian stations?

Answer

Under NATO arrangements and the bilateral agreement between Canada and France, the buildings and permanent fixtures revert to France as the host country. Canada has the right to remove or dispose of movable equipment, materials, etc., and prefabricated structures paid for by Canada.

4. Question

With respect to item 1 under National Gallery of Canada, as to administration, operation and maintenance, including the payment of $500,000 to the National Gallery Purchase Account for the purpose of acquiring works of art, could a list be furnished showing some of the items that have been acquired by the National Gallery of Canada?

Answer

The following is a list of the items purchased or intended for purchase from this account during 1966-67:

NATIONAL GALLERY OF CANADA

PURCHASES OF WORKS OF ART FOR THE 1966-67 FISCAL YEAR

Artist	Title
Canadian Painting, Sculpture and Decorative Arts:	
Cornelius Krieghoff	Indians Stalking Deer
Harold Town	Glory Hole
Paul Beaulieu	Gouffre d'Or
Kittie Bruneau	La Terre Tourne
Reynald Piché	Aout 1966
Kenneth Danby	Early Morning
Gershorn Iskowitz	Parry Sound Variation No. 14
John Chambers	Plus Nine
John Meredith	Presence II
Michael Snow	Clothed Woman
Jean Soucy	A celui qui a refusé le monde de l'objectif
Douglas Morton	Tiger Lily
Charles Gagnon	Space Blind with Blind Space, Yellow
Gino Lorcini	Red Beta
Jean Goguen	Chromatisme No. 6
Claude Goulet	Espace Surface
Guido Molinari	Mutation tri-violet
William Ronald	Green Fire
Jock Macdonald	All Things Prevail
Tony Tascona	Moon Bridge No. 2
Lee Nova	Ballad of a Wise and Curious Wizard—Acid Test No. 3
Esther Warkov	Memorial to a Dead Lover
J. P. Mouseau	Sans Titre
Willem A. Blom	Mexican Garden
Alex Colville	To Prince Edward Island
Jean-Paul Riopelle	Composition 1947
John Lyman	Jeux de Cartes
Jean Dallaire	First Prize

Artist	Title
Antoine Plamondon	L'Abbe Têtu
Louis Dulongpré	Colonel Felix Têtu
Charles Huot	Still Life: Hares
Antoine Plamondon	Virgin and Child
F. A. Verner	Ojibway Camp
Edmund Alleyn	Icarus
M. Bartolini	Présence-totémique II, 1964
Léon Bellefleur	Reminiscence 1962
Jack Bush	Tall Spread
Greg Curnoe	French Roundels or the Camouflaged Piano
J. Fauteux-Masse	Unite Première
Fernand Luc	Ocre-violet d'Egypte—violet de Cobalt
J. P. Pepin	Paysage, 1946
Jock Macdonald	Formative Colour Activity
Henry Saxe	Bandzeye
Louis Archambault	Des Dames Lunes
Robert Hedrick	Torso
Walter Yarwood	Tower
Robert Roussil	Le Cheval
Pierre Heyvaert	Balance des Forces
William P. Wolfe	Christ in Majesty
Baillargé	Deux anges provenant d'un tombeau d'autel avec les sculptures à l'avenant
Paul-Emile Borduas	Les mains levées
Paul Labrosse	Virgin and Child
Sarah Jackson	Form Balance No. 48
Unknown	Un coffre de la période 1790-1810
Unknown	Une commode Louis XV

European Paintings and Sculpture—

Liubov Popova	The Pianist
Jack P. Yeates	Drumcliffe Races
Giacomo Manzu	La Grande Chiave, 1959
Barbara Hepworth	Pierced Vertical Form
Joseph Nollekens	Portrait of a Lady
Unknown—Austrian	Tobias and the Angel
Unknown—French	Monk with a Patron Saint
Kees van Dongen	Souvenir de la saison de l'opéra russe
Fernand Léger	Le Mécanicien

Prints and Drawings—

Clarence A. Gagnon	Evening on the North Shore
Christiane Pflug	Frog
Christiane Pflug	Boats on Water
Christiane Pflug	View on the Railway Yard on Young Street
Stuart Davis	Ten + Ten
Gustave Doré	The Angels Carrying the Soul of Lenore to Heaven
Felix Valloton	Allée à Dax
Max Leibermann	Noordwijk
Bibiena	Scene with Ruins
Philip Galle	St. Catherine saved from Torture, 1565
Antonio Canale	Le Porte del Dolo
J. M. W. Turner	St. Catherine's Hill
Camille Pissarro	Baigneus and Luttant
J. B. C. Corot	Le Dôme Florentin
J. M. W. Turner	Apuleia in search of Apuleius
Bernard Meadows	Animal
Circle of Andrea Mantegna	Study of Male and Female Figures
Auguste Rodin	Nude
Harold Cohen	Untitled 19/40
Eduardo Paolozzi	Metallization of a Dream
Victor Passmore	Untitled 18/50
Bridget Riley	Circle 30/50
Vincent van Gogh	Portrait of Dr. Gachet
Rembrandt	Portrait of Jan Lutna
Aubrey Beardsley	Heading to Chapter 21 of Morte D'Arthur
Gustave Moreau	Le Génie de la Musique inspirant le berger Pâris
Crescentio Onofrio	Paysage d'Italie
George Richmond	Portrait Head of a Girl
Hubert Robert	Young Woman with a Child in a Cradle
Augustin St. Aubin	Two Studies of a Gentleman
David Wilkie	Sheet of studies
Bridget Riley	RF 1540
Colin Self	Sofa
Michael Ayrton	Portrait of Wyndham Lewis
Honoré Daumier	Moeurs conjugales
Honoré Daumier	Les Bons Bourgeois
Edgar Degas	Chanteuse en scène
H. A. Freeth	Firegod
Paul Gauguin	Le Calvaire Breton
Paul Gauguin	Titre de Sourire
Toulouse Lautrec	La Passagère du 54
Serge Poliakoff	Pavois

Prints and Drawings (cont'd.)—

Artist	Title
Odilon Redon	Parsifal
P. L. Debucourt	Le Noce au Château
P. L. Debucourt	Le Menuet de la Mariée
Albrecht Durer	Coat of Arms with Skull
Odilon Redon	Christ
Gerald Humen	Tree and Twisted Trunk
Jack Bush	5 colour prints
Helen Piddington	Dronningen
Wim Blom	Landscape
Paul Fournier	Oedipus 2
Don Jean Louis	Landscape, Marienbad
Jan Menses	Study for Kaddish Set
George Tiessen	Cleavage
Esther Warkov	Portrait of M. J. Warkov
Morris Danylewich	Marriage No. 1
Audré Dufour	Epreuve d'artiste
Michel Fortier	Traction à vent
Richard Lacroix	Variante III
Stanley Lewis	Archaic Memory
Roland Pichet	Terre de Glace
Jack Pollock	Remembered Image No. 82
Robert Savoie	Fête Foraine
Gordon Smith	Stripe of Blue
Serge Tousignant	Mono
Serge Tousignant	Sin Medio

5. Question.

In connection with the Centennial Commission, items 35, 40 and 45 specify the amounts that are to be paid to each of the provinces. Could this be broken down to show the amount that each province will receive?

Answer.

The following table shows the cumulative totals to October 20, 1966 and November 30, 1966.

The figures cover direct payments only; up to $200,000 will also be paid in total to the provinces by way of reimbursement. No breakdown of this amount is available at this time.

Centennial Commission

Cumulative Payments to the Provinces

	Vote 40			Vote 45	
	Fed./Prov. Youth Program	Other	Total	Per Capita & Memorial Buildings	Total
Newfoundland	7,887.15		7,887.15	1,265,400	1,273,287
Prince Edward Island	2,970.13		2,902,970.13	—	2,902,970
(Memorial Bldg & Charlottetown		2,800,000			
Celebrations)		100,000			
Nova Scotia	15,039.04		15,039.04	2,608,600	2,623,639
New Brunswick	12,070.93		12,070.93	2,664,800	2,676,871
Quebec	53,918.37		53,918.37	1,194,100	1,248,018
Ontario	35,916.26		35,916.26	1,353,300	1,389,216
Manitoba	19,615.55		19,615.55	1,418,800	1,438,416
Saskatchewan	34,548.01		34,548.01	1,152,700	1,187,248
Alberta	21,418.23		21,418.23	1,496,700	1,518,118
British Columbia	24,038.41		24,038.41	1,158,200	1,182,239
N. W. Territories	—	—	—	—	—
Yukon	3,120.00		3,120.00	184,800	187,920
TOTAL	$ 230,542.08	$ 2,900,000	$3,130,542.08	$ 14,497,400	$ 17,627,942

Note:

Vote 40—Payments to November 30, 1966.
Vote 45—Payments to October 31, 1966.

THE SENATE

Wednesday, February 1, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DEPUTY GOVERNMENT WHIP

APPOINTMENT OF HON. A. HAMILTON McDONALD

Hon. John J. Connolly: Honourable senators, I should like to announce to the Senate that the Honourable A. Hamilton McDonald has been appointed Deputy to the Honourable Senator Beaubien (Provencher) as the Whip on this side, for the convenience of all senators.

RETIREMENT OF HON. A. K. HUGESSEN

TRIBUTES

Hon. John J. Connolly: Honourable senators, in the *Debates of the Senate* of Wednesday, December 21, 1966, there is this short passage:

> HON. JEAN-PAUL DESCHATELETS: Honourable senators this is the last Senate sitting before the Centennial Year. As Senator Hugessen, our distinguished colleague, may not be back with us after the recess, I would like him to move the adjournment of the Senate.
>
> HON. A. K. HUGESSEN: Honourable senators, I move that the Senate do now adjourn.

With those words, simple and clear, there came to an end one of the most distinguished parliamentary careers, made entirely in this chamber, that this country has ever witnessed.

Senator Hugessen was appointed to this chamber in January 1937. He was born in Great Britain, and was educated at Eton and later at McGill University in Montreal where he took his degrees in Arts and Law.

Senator Hugessen came to Canada originally as a very young man to work for the railway. His father was Lord Brabourne who once entertained Sir John A. Macdonald when Sir John was in Britain at the time of Confederation attending the conference leading to the passage of the British North America Act. Both his maternal and paternal grandfathers were members of the British House of Commons, as was his father before his elevation to the peerage. They were indeed real nineteenth century Liberals.

I remember visiting Balliol College at Oxford a few years ago and examining the plaques at the entrance to one of the quadrangles. I saw there the name Knatchbull-Hugessen repeated several times among the names of Balliol men who had died in the war. All of these people were kith and kin to Senator Hugessen. He himself served in World War I with the Canadian Expeditionary Forces in France.

By profession, Senator Hugessen is a lawyer, and there can be no question but that he was a leader at the Bar of Montreal. He was a partner in a firm of distinguished lawyers which at one time included among its number the great Eugene Lafleur. He was treasurer of the Montreal Bar in 1958, later he was its Bâtonnier, and Bâtonnier of the Bar of the Province of Quebec in 1960.

He has a great many business connections, and has been a member of the board of directors of many commercial and industrial organizations in this country. He was Chancellor of the Anglican Diocese of Montreal. You will recall that in 1963 he represented this Parliament at the funeral service for Pope John XXIII in Rome. On his return I think he spoke as feelingly about that great man as anyone, to my knowledge, has ever done. His speech made a deep impression upon all of us.

Senator Hugessen was a Governor of McGill University.

He was never a member of the House of Commons. In 1935 he was a candidate in St. Lawrence-St. George, running against the Honourable C. H. Cahan, who defeated him. I do not know that I can vouch for its accuracy, but there is a story prevalent about that occasion. At the nomination meeting he was nominated but was not present, and so was sent for. When he arrived at the hall with his wife he was informed that the Liberal party desired him to represent them, and he accepted. On that occasion Mrs. Hugessen was presented with a beautiful bouquet of roses. Some weeks later, probably after the election and his defeat, not to his but to her consternation he received a bill for the roses! To Mrs. Hugessen, who was quite concerned about it, he remarked, "This is perhaps your real introduction to politics, my dear."

Senator Hugessen was Deputy Leader of this house from 1950 to 1952. He sat in this chamber under every Leader of the Senate since the time of Senator Dandurand. On one occasion he told this story about the days of Senator Dandurand and Senator Meighen.

After a committee meeting Senator Dandurand arose in the Senate to explain a bill or a report of a committee, which he did in his usual "Edward Blakian" thorough way. He was followed by Senator Arthur Meighen who put his side of the case just as thoroughly, completely and concisely. Senator Hugessen thought he had at least a contribution to make, so he rose from the back benches to do this. Whereupon Senator Dandurand turned around in his place on the front benches, with his mouth open down almost to his waist in wonderment that anybody should have the audacity to rise and speak after such a thorough discussion had taken place between himself and Meighen!

Senator Hugessen was Chairman of the Standing Committee on Transport and Communications from 1950 until his retirement. Everyone will agree, I am sure, that he displayed great judicial qualities in performing those duties. Some of the accomplishments of that committee under Senator Hugessen's chairmanship are I think worthy of notice. Some of them—and particularly the figure I am about to give—Senator Hugessen himself might not even remember.

During the time Senator Hugessen was Chairman of the Standing Committee on Transport and Communications there passed through his hands 188 important pieces of legislation, as well as four important references. This legislation ran the whole gamut of development of modern Canadian transportation systems. They dealt with railway reorganization and development, the establishment of the St. Lawrence Seaway, the revision of the Canada Shipping Act, the inauguration of the pipe lines, and the establishment and development of the National Energy Board. The whole problem of telecommunications, both domestic and overseas, was considered, as was the development of radio and television in Canada, the harbour authority development, problems affecting international and interprovincial bridges, legislation touching the field of aeronautics and that of national highways. In all of this his firm hand was evident. His sound judgment and clear thought not only helped the Senate and Parliament, but Canada herself.

If honourable senators could read the list I hold in my hand they could not help but be impressed with the volume of work that passed through his hands, and the capacity that he showed in dealing with it.

I have said that Senator Hugessen was of British origin. I have said too that he was schooled in the classical liberal tradition of the nineteenth century. We all agree that his patriotism for this country was indeed something resplendent.

In 1917 he was at Ypres at the time of the federal election, and on that occasion he voted for conscription. In World War II when the question of conscription arose again, he was against it. In the Senate he spoke in favour of the plebiscite, and had this to say:

> It seems to me fundamentally important that we as Canadians should see to it that there is no repetition in the future of the divisions which separated us in 1917.

Senator Hugessen felt his Canadianism deeply. Early in 1945, while speaking in support of a distinctive national flag, and in anticipation of what was accomplished many years later, he was asked what was wrong with the Union Jack, and he, with his British origin, said this:

> The fact remains that it is the flag of Great Britain. It has no particular designation to show that it has any special connection with Canada...I think it is now time for us, like other members of the British Commonwealth, to design a flag of our own.

At the same time, while making his speech on the flag, he said he would welcome any steps which would place more emphasis on our present status as Canadians and less on our racial antecedents.

In 1949 he sponsored the bill for the abolition of appeals from the Supreme Court of Canada to the Privy Council. No one could question his admiration for the British system of justice and for the integrity and capacity that he knew existed on the British bench. But he concluded a great speech on that occasion with these words:

> Honourable senators, as a Canadian of British origin passionately interested in the development of our country as a free, a united, and a self-reliant nation, I welcome this bill. I believe it is a great step on our way to complete nationhood and as such I welcome it.

The economic liberalism that he believed in was a liberalism pragmatically adapted to the conditions of his times. In 1939, when speaking on the question of the deficits of the Canadian National Railway and the public debt which was thus created, he pointed out the necessity of public debt in every civilized country in order that the Government might

provide the required services for the people. He saw public debt as an investment in the future, as an asset to the country and as a stimulus to growth. His thinking on this matter was much more advanced than that of his contemporaries.

Again, it was Senator Hugessen who supported a publicly owned Bank of Canada. In 1938, when speaking on that measure he said:

> I think it is quite conceivable that having this bank under our own control and in our own hands may result in a considerable extension of sound ideas about the relationship of currency and credit to the national policy.

Again, he was a steady supporter of the ever-continuing need for social reform. He said that there was no justification for extremes of wealth and poverty in this country. When speaking on the whole concept of social security in 1943—during the war years—he had this to say:

> I do not regard with any great alarm the prospects of high taxation. I am a believer in high taxation for purposes of social service, and in a redistribution by that means of the country's wealth, provided always that the taxation is fair and the social objects sought to be achieved are worthy of attainment. You can do a great deal by high taxation devoted to useful social purposes.

He insisted that even during the war the Government should implement social reforms to procure for all the people of Canada freedom from want and freedom from fear. To those who suggested that social reform should await the end of the war, he replied, quoting. Sir Winston Churchill's statement: "The true measure of nations is what they can do when they are tired."

In 1946, when the Government to which he gave his political allegiance proposed the extension of the Foreign Exchange Control Act in this house he opposed it. It is a measure of his foresight to note that within a year the board itself was abolished.

His speech in the debate on the bill to dismiss the Governor of the Bank of Canada may not have had the approval, on political grounds, of honourable senators opposite. No one, however, will deny that it was a debating speech of the first order. On that great parliamentary occasion his speech drew from one of the best informed press gallery correspondents—and not a supporter of the party to which Senator Hugessen belonged—the statement that it was one of the finest parliamentary performances he had ever witnessed.

Those present shall not soon forget the monumental speech he made a year ago on the Columbia River development. Not only was it an outstanding speech but, with a touch of genius, he reduced a problem of extraordinary complexity to its bare essentials, with a clarity and a cogency which commanded the respect and the admiration of us all.

In international affairs, Senator Hugessen believed that the Senate had a very special parliamentary role to perform for a country which was growing into a position of enlarged maturity in the international community. In 1945 he said this:

> Now, honourable senators, those are matters of vast import, and they fall outside the region of ordinary partisan activities with which we associate, and quite rightly, the Lower Chamber. It seems to me that the Senate of Canada can make a great contribution to the public life of this country by taking upon itself the function of deliberating upon international affairs in the same way that assemblies of similar character do in other countries. I refer particularly to the House of Lords in England and to the Senate of the United States.

At various times, indeed starting with his maiden speech in 1937, he promoted this idea. He deemed no part of this vast field unworthy of the Senate's attention, whether it be the United Nations, NATO, the Commonwealth, problems of trade, and of disarmament, problems of war and of peace.

Adrian Knatchbull Hugessen was a great parliamentarian and a great Canadian. Few knew him. He never sought publicity: he seldom got it. Yet his influence upon public affairs through the Senate was in my estimation so great as to be incalculable. He was and always will be one of Canada's great men of state.

For his contemporaries, his legacy here is the joy of having had an association with a great gentleman of great competence and great judgment. For those who follow him, his legacy is not only the inspiration but the challenge of a great career.

Hon. M. Grattan O'Leary: Honourable senators, I have always admired the fecility of

speech which Senator Connolly (Ottawa West) summons on an occasion such as this. Surely this term felicity of speech could scarcely be applied more appropriately than when applied to one who was himself a master of speech.

I shall return to the matter of Senator Hugessen's speech later, but first I want to say this. Here we had a man with a lucrative law practice, a distinguished member of the Bar, yet who felt it his duty and thought it a matter of pride to serve for so many years in this house. I say that his long career of service shouted back triumphantly to the cynics who say that men are in public life only for what they can get out of it.

Senator Hugessen, steeped as he was in British parliamentary tradition, did not regard the Senate as a theatre; he thought of it mainly as a workshop. All of us here remember, as Senator Connolly has made clear, the devotion, the dedication and the wisdom which he brought to the more important of our Senate committees. Yet I imagine it was for his speeches here, for his style and for his parliamentary manner, that most of us admired him.

It was my privilege more than 55 years ago to have sat in the Press Gallery of the House of Commons and to have heard there some of the greatest speeches of the most famous orator of his day, Sir Wilfrid Laurier. And in intervening years I have heard as well the great masters of words on both sides of the Atlantic. I would not put Senator Hugessen on that plane and I am sure he would not want me to, but I will say without hesitation that with his copious vocabulary, his effortless command of the right word and his remarkable gift of lucidity, he was surely one of the foremost parliamentary speakers of our time.

Honourable Senators: Hear, hear.

Hon. Mr. O'Leary (Carleton): He was not of the old school of purple rhetoric. He had not the literary grace or the beauty of a McGee, the searing phrases of a Meighen, nor the "Proud Full Sail" of a Laurier, but he did represent a type of speaking which Mr. Asquith, at Westminster, carried to its highest perfection.

Senator Hugessen's temperament would not permit him to soar into passion. He never became neighbour to the sun, and never tried to kindle an audience into flame, but, at the same time he never fell below a certain stately level, and it was a joy to hear him in exposition. Even when you disagreed with him you were compelled to feel that here was a remarkable example of what is known as "parliamentary style," here a master of parliamentary plausibility.

Honourable senators, the loss of such a man to this house is great, and the loss to our public life perhaps greater, for I have long held a conviction that we here in Canada, obsessed with materialism, obsessed with false gods of success, do not give to great public speech—to what Lord Morley once called "the glory of words"—the honour it deserves. Instead we are inclined to decry eloquence. We extoll what we call "the strong silent man," and some even sneer at what they call the "talking shop on the Hill." Whenever I hear people talk in that way, and especially young people, I think of lines by Rudyard Kipling which I have quoted often, incidentally spoken in Canada.

Kipling spoke of a masterless man who rose up and discovered words, words which walked up and down in the hearts of all his hearers, and he went on to say that after all it was the phrase, the naked phrase, which made or unmade the kingdoms and the glories.

That, honourable senators, is the truth, the truth of "words that call up transcendent meanings from the best passions of all bygone time," words which from Pericles to Lincoln and from Lincoln to Churchill have been the sentinels and safeguards of human liberty.

And so, honourable senators, speaking for this side of the house we say to Senator Hugessen, "Farewell and Hail!" We will remember him as one who adorned this house and was truly one of the great senators.

Fondly we wish for him and the gracious companion of his years an eventide of joy and glad grace, and all the brave and good things they both deserve so richly.

Hon. Salter A. Hayden: Honourable senators, you may think I am presumptuous to say a few words after the brilliant remarks which have been made by the previous speakers, but I have a few personal reflections gained over a period of 27 years of the 30 years that Senator Hugessen was in the Senate. These reflections are a personal assessment by me of this senator.

I can say that I prized his friendship very much and admired his ability tremendously. I say too that so far as the Senate is concerned,

and the concept of the Senate over this period, his personality, his capacity and his integrity so much became a part of the workings of the Senate that one might say that they had impressed themselves into the very fabric of this body.

I admired tremendously the objective, analytic approach he had to the business of the Senate. He dealt in a very incisive way with the matters which were before us and wasted no time on the fringes of legislation. In that connection I recall particularly his speech on the Columbia River Treaty. I thought it was the most masterful exposé I have heard in all the years I have been in the Senate.

Men of the ability of Senator Hugessen, in their devotion to the work of the Senate, have assisted greatly in maintaining in full measure the Senate's place in the scheme of government and in the performance of his responsibilities. I would say that the trade mark of the work of Senator Hugessen was his earnestness and capacity in relation to whatever task he took on. There was, nonetheless, always room for the point of view of others.

From my own personal reflections may I say that I found Senator Hugessen always a friendly and wholesome person who enjoyed his work and his associations in the Senate. He was a leader in his profession, a leader in the bar of his province, at one time being its Bâtonnier-Général. He was prominent in public service and in the field of education; he was a man of many parts, capable in every field in which he moved and worked. He was invaluable to the work in this chamber.

I respect his decision to retire from the Senate, and I wish him health and vitality to enjoy the freedom that may come from that decision. However much I would have wished for his continued association with his fellow senators, to him I say au revoir and good health.

Hon. George S. White: Honourable senators, I would like to add just a word about my old friend Senator Hugessen.

Senator Connolly made reference to the fact that our former colleague had served in the First World War. I regret that he did not enlarge a little more on that important part of his career. Senator Hugessen was a real fighting man. He was not an officer. He attained the rank of sergeant, which, to old soldiers, places him in a very special category.

Though there are few senators here who are veterans of the First World War, I am sure we will all regret very much the resignation of Senator Hugessen, and will remember him in the days ahead. In future days in this chamber we will miss his friendly and cheery smile, his old-world manners and courtesy.

I wish the honourable senator and his gracious wife the best of health and every enjoyment in the years ahead.

Hon. W. Ross Macdonald: Honourable senators, I hesitate to rise at this time, but for one reason, which I shall mention shortly, I am sure you will agree with me that I should say a few words.

I, along with the other senators, regretted deeply Senator Hugessen's decision to resign. He is one senator whom we can ill afford to lose, and it will be very difficult to replace him.

The Leader of the Government has referred to the fact that Senator Hugessen was deputy leader of this House in 1952. I came into this chamber in 1953, and on doing so found that the desk immediately to my left was vacant. I asked Senator Hugessen if he would sit there, and he did so throughout the term of my office. I will always be indebted to him for the help which he gave me. I asked him to sit next to me so that I could turn to him for advice and assistance, and those of you who were in the Senate during that time will remember how often I took advantage of his knowledge and of his skill. He would present the most complicated legislation so clearly and concisely that when he was finished his presentation no one had any doubt as to the meaning of any clause or indeed any word in the legislation. It was a joy to listen to him at all times.

Honourable senators, I concur fully in all that has been said this afternoon about Senator Hugessen and his dear wife. We shall indeed miss her too. How often did we see her sitting in the gallery following the debates. She seemed to give an added tone to the Senate. Then, too, it was most pleasant to meet her in the corridors and to have a cheerful word from her. I feel we owe them both a debt of gratitude for the service which they have rendered to the Senate and through the Senate to this country.

However, honourable senators, in regretting Senator Hugessen's retirement, we have some comfort from the fact that he will now be able to enjoy the company of his wife, his children and his grandchildren, freed from the demands of the Senate, a place where he will never be forgotten and where he will always have a host of friends who will ever

remember the great contribution which he made to the work of this house.

Hon. Mr. Connolly (Ottawa West): Would the Senate grant me the indulgence to do something unusual? Honourable Senator Pouliot is ill and has been in hospital for some time. He was very disturbed about the fact that he could not be present and pay his respects to Senator Hugessen on his retirement. He has sent a short letter of two paragraphs in this connection, and with your consent I would like on his behalf to place it on the record along with the other remarks made about Senator Hugessen.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): The letter reads as follows:

> For thirty memorable years, Senator Hugessen has been a tower of wisdom, logic and tolerance. He is remaining a beacon of legal knowledge in the Canadian Bar.
>
> Both Senator and Mrs. Hugessen have been known with deference as an ideal couple and they will be thus remembered with a great deal of affection.

IMMIGRATION

SECOND REPORT OF JOINT COMMITTEE ADOPTED

Hon. Leopold Langlois, Joint Chairman of the Special Joint Committee of the Senate and House of Commons on Immigration, presented the second report of the committee:

> Your committee recommends that:
>
> 1. It be empowered to sit at Toronto, Ontario, and Montreal, Quebec; and
>
> 2. The clerk of the committee and the necessary supporting staff accompany the said committee.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Langlois: Honourable senators, I move, with leave of the Senate, that the report be adopted now.

Report adopted.

ADMINISTRATION OF JUSTICE

FIRST REPORT OF JOINT COMMITTEE ADOPTED

Hon. Daniel Lang, Joint Chairman of the Special Joint Committee of the Senate and House of Commons respecting Mr. Justice Landreville, presented the first report of the committee:

> Your committee recommends that its quorum be fixed at seven members provided that both houses are represented.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Lang: Honourable senators, I move, with leave of the Senate, that the report be adopted now.

Report adopted.

STANDING COMMITTEE ON BANKING AND COMMERCE

ADDITION TO MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

> That the name of the Honourable Senator Macnaughton be added to the list of senators serving on the Standing Committee on Banking and Commerce.

Motion agreed to.

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

ADDITION TO MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

> That the name of the Honourable Senator Leonard be added to the list of senators serving on the Standing Committee on Transport and Communications.

Motion agreed to.

NATIONAL TRANSPORTATION BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Deschatelets for the second reading of Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other acts in consequence thereof and to enact other consequential provisions.

Hon. A. J. Brooks: Honourable senators, I realize that I am undertaking a rather difficult task and one to which I feel I shall not do justice. At the outset may I congratulate the honourable sponsor of this bill (Hon. Mr.

Deschatelets) who, I am sure you will agree, did an excellent job yesterday in explaining this very difficult piece of legislation.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: Sometimes I think that those who undertake those responsibilities deserve much credit, and indeed praise. As we say in hockey, "he scored a goal" but I am sure he must have had some "assists". I have no doubt he took full advantage of whatever advice and help he was given. I wish I had the same assistance.

I will begin my remarks this afternoon on a note of optimism. I was very pleased to read in the Montreal *Gazette* yesterday a corporate report on the C.P.R., which bore the headline: "C.P.R. net up 25 per cent in year." A little further on the report said:

> For the full year 1966 net rail operating income was $50,219,767 compared with $40,239,707 in 1965, while gross revenues were $553,830,250 against $518,035,410.

There has also come to my attention an article on the 1966 report of Mr. Donald Gordon for the Canadian National Railways, headed, "Passenger revenue up 18 per cent, C.N.R. reports."

In part, the article reads:

> The report of over-all improvement in the railway's financial outcome for the sixth successive year came from the C.N.R.'s chairman and president, Donald Gordon. The year-end review will be the last for Mr. Gordon, who steps down from his post on Saturday.

He went on to point out that it had been a very successful year for the Canadian National Railways.

May I say—and I think you will agree with me—that much praise is due Mr. Donald Gordon, who was President of the Canadian National Railways for many years. I believe the public of Canada owe him a vote of thanks, and now that he has retired from the C.N.R. and is taking on other duties, I am sure we all wish him every success in his new work.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: Honourable senators, as the sponsor of this bill explained yesterday, it is five years since we received the report of the MacPherson Commission. During the intervening period there has been much study of that report and much preparation on the road to the introduction of the bill now before us. A great array of specialists and particularly interested people have followed the progress of its preparation, and surely there is little more information that can be squeezed out of it in the Senate.

Yesterday evening the honourable Senator Deschatelets mentioned that between February and November 1966 a committee met steadily and brought out a report that was voluminous, as I am sure anyone who has tried to analyze or digest it will agree.

Furthermore, when this measure was considered in committee I understand that between 60 and 70 amendments were recommended; and when the bill was before the House of Commons there was lengthy debate, and these amendments were placed before the house and dealt with. So, as I mentioned a moment ago, I feel there is not a great deal that can be added here in the Senate.

I believe it was only right that there should be a thorough study of this problem. Frankly, I think it is one of the most thorough studies I have noted in my experience in Parliament. The members of the House of Commons who took part in the deliberations of the committee and in the debate in the house deserve great praise for the attention they gave this bill and the very serious problems of transportation.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: The Fathers of Confederation 100 years ago recognized transportation as one of our main problems. Perhaps in those days they placed it second only to defence, and also after the cementing or uniting of the two great races into one Canadian nation. Anyway, it was one of the serious problems at the time of Confederation, and for the succeeding 100 years, and it still is.

We all know that Canada is a difficult country in which to arrange transportation. From east to west, from Halifax to Vancouver, there runs a narrow band of inhabited land, in which there was little depth until recently, and the organization of transportation had to be based on the east-west theory.

One of the main arguments in favour of the two Maritime provinces, New Brunswick and Nova Scotia, joining Confederation in 1867 was that they would be given proper transportation and connection with the other parts of Canada.

We all know the history of the building of the Canadian National Railways. If it went through Canadian territory the railway had

to be built around a large state of the United States. The Maritime provinces comprise the only part of Canada where, in order to go from one part of our country to another, we have to make a detour around the territory of another country. This was and has always been taken into consideration in the cost of transportation in the Atlantic provinces. However, since those early days, as was so well pointed out by the sponsor of the bill yesterday, new methods of transportation have been developed. In the early days there was just rail and water transportation. Today we also have air transportation, pipe line transportation and, most competitive of all as far as the railways are concerned, truck and bus competition in the transport field in different parts of the country. Air transportation has opened up the great northern tracts of Canada. I do not know what the pipe lines will open up. As I understand it, as far as oil and gas are concerned, the pipe lines do not come under this bill, but there is the possibility, we are told, of pipe lines becoming a major conveyance in the future.

I was interested to hear the honourable senator say that sulphur, for instance, was already being shipped through pipe lines. I was interested also to read not so very long ago that a 300-mile pipe line was being built in the United States for the conveyance of coal. Coal is to be soaked in water and made into a sort of slush, and then conveyed by pipe line over this distance. If this can be done for coal and sulphur, then I am sure the time will come when other commodities will be transported in the same way.

I point this out to show that as far as the railways are concerned there is today in Canada tremendous competition. The picture, of course, has grown in this way. It has become evident over the years that a thorough overhauling of our transportation system and policies must be undertaken.

Five years is a long time to take making a study but, as we were told yesterday, possibly those years were justified because from the date of the report of the MacPherson Commission until this bill passed the House of Commons a few days ago many changes have taken place. Adjustments were needed, particularly on account of the freight rates which, of course, need very serious attention. The upshot of this proposed investigation was the appointment of the Royal Commission on Transportation by the Diefenbaker government in 1959, and which reported in 1962.

I am sure all honourable senators have a very good knowledge of that report. It is considered an excellent report. It dealt with transportation in all sections of the country, but particularly relating to the railroads. Bill C-120 was prepared in 1964 by the then government—they did not wait too long. The provisions of that bill were quite simple, as any honourable senator will see if he takes the trouble to compare them with those of the bill we now have before us. It can be said that in general both bills were based on the recommendations in the MacPherson report.

The late Mr. MacPherson, as my good friend seated behind me (Hon. Mr. Macdonald, Cape Breton) would be very pleased to tell you, was originally a Maritimer. He understood the problems of the Maritimes. He lived in the west for many years, and he understood the problems of western Canada. His appointment as chairman of the royal commission to study transportation was a very satisfactory one.

The honourable sponsor (Hon. Mr. Deschatelets) also told us that the bill provides for a national transportation policy, and contains the machinery, we hope, for the carrying out of that policy in connection with all modes of transportation under the control of the Canadian Parliament. It provides for amendments to the Railway Act based on the recommendations of the MacPherson Report, in which, we have been informed, national objectives are set out.

By this measure a body to be known as the Canadian Transport Commission is to be set up, and it will replace the existing agencies such as the Board of Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission. This, I may say, is all to the good. The Canadian Transport Commission will have two main responsibilities, and is given tremendous powers. If the expressed desires are to be carried out, it will see to it that all parties—firstly, the public; secondly, the producers; and thirdly, the transportation systems—receive fair play. In general, I think that that is what this bill seeks to provide.

The Canadian Transport Commission will, first of all, be responsible for the licensing and regulating of all modes of transportation—by air, water, railways, road transport and pipe lines. It will also investigate and make recommendations to the government on the development and administration of policy, and in this respect will undertake research and review. No moves will be made in this connection until it is well known what they should be and in what direction they should be applied.

The commission will also be responsible for the licensing and economic regulation of commodity pipe lines and motor vehicle transport as that becomes necessary in the public interest. The honourable sponsor of the bill assured us yesterday that in the event of any difficulty arising with provincial governments there will be consultation, and that any such difficulty will be resolved by mutual consent.

The commission will consist of 17 members and will be divided into five subcommittees dealing with, as we were told, the different branches of transportation.

Some of the main provisions of the bill that were emphasized were those in connection with branch lines. I have been long of the opinion that the railways should not be compelled to maintain branch lines that were not paying unless they were absolutely necessary to the economy of the country, and were the only means of transportation in their particular sections. I am glad to see that there is provision made for the elimination of branch lines which may not be needed, and which have been a burden for many years on the railways and on the economy of the country.

This measure deals mostly with freight rates in general. The idea is that there must be competition between all the different branches of transportation, but that the competition must be adjusted and controlled so that it will be fair to all.

Generally speaking, competition would be very easy to control if all parts of Canada were in the same position. But, they are not. Different areas have different problems, as was discovered when the horizontal freight rates were established. The competition between the trucks and the railways in the central part of Canada meant that the freight rates there were reduced. In eastern and western Canada where there was not this competition the freight rates were higher and thus a burden was placed on the people in those areas—a burden which was not commensurate with the charges being made in the central parts of the country.

Then there is the matter of water transportation. In this connection I, as one who comes from the Maritimes, point out that we have been very much concerned over water transportation and the ice-breaking activities on the St. Lawrence River, keeping it open during the winter months. That results in a serious situation for the winter ports of Canada, such as Saint John and Halifax. In 1960, from January to March, only six ships sailed up the St. Lawrence to the City of Montreal. The number has increased in the winter months over the past few years. I am told that today there is an expectation that over 200 ships will be diverted from the ports of Halifax and Saint John and will be moving up the St. Lawrence River.

The Minister of Transport has assured us that there will be no special effort made to keep the St. Lawrence River open. Of course whatever effort is made will be at the expense of the people in general. In any event, the river is being kept open. The harbours of Quebec, Montreal and Trois Rivières are being kept open, and they are also getting assistance from the many ships which are coming in from other parts of the world. Russian ships in particular come in with their heavy steel hulls, and they assist in keeping the river open.

Perhaps we of the Maritimes will have to recognize that much as our ports of Saint John and Halifax will suffer, we shall have to reconcile ourselves to a situation which seems bound to happen. However, it is a sad sight at Saint John or Halifax to see perhaps only one or two ships in the harbour where once were many, loading and unloading, and also to know that the means of livelihood of thousands of men who depended on the winter ports for employment to maintain themselves and their families has been affected.

I think it bears repeating that the economy of the Atlantic provinces is extremely dependent on the railroads.

Honourable senators, I hope I may be excused for mentioning my own particular part of Canada in trying to review this bill.

Hon. Mr. Connolly (Ottawa West): Everybody else does.

Hon. Mr. Brooks: I am sure they do. The debate on the Crowsnest Pass will illustrate that; it was a highly successful debate. I find that it is utterly impossible for anyone to try to analyze this bill and to speak for every part of this counrty, even though qualified to do so, which I am not.

We in the Atlantic provinces have been sufferers, along with the railways. I think the railways may be said to be victims of circumstances very much the same as are the provinces, politically, economically and, if you like, historically. It has been our mutual misfortune that attempted solutions of our separate problems have almost always been, in part at least, at the expense of one another, and mostly at the expense of the Atlantic provinces.

In my opinion, the solution which the new railway legislation proposes will be implemented two years hence. I say two years hence, because the Atlantic provinces will not know for two years just what benefits, if any, they will receive, from this legislation, and they are deeply concerned on that account. I feel that this proposed legislation could and possibly will be in favour of the railways as opposed to these provinces. Henceforth, unless the legislation gives fair and just treatment, the economy of the Atlantic provinces will in practice, not necessarily in theory, pay the railways a rate which at the very least will be compensatory—a word which is used frequently in the bill—and it will tend to be as much more compensatory as the traffic will bear. That is my fear in this regard as to what damage this may do to the economy of the region.

Honourable senators, this statement may sound extravagant and somewhat of an oversimplification of the facts, but I think it is essentially correct. It does not bid well for the future industrial growth of this region. In any event, this is the fear of the people living there.

No consideration of Bill C-231 can be meaningful unless one keeps in mind throughout the full significance of rail freight rates to our economy, and in relation to our industrial growth and population. We all know from past experience that many young people are obliged to leave our part of the country, that the better educated people move out, with disastrous consequences even for our existing economic base. We must have industry, and in order to have industry in these provinces we must have cheap rates so that we can sell our produce and our goods in other parts of the country.

I am not going to enlarge on this any further at the present time, but perhaps I may mention some of the recommendations which were made by the Atlantic provinces to the MacPherson Commission when that commission sat in our area. First: Extension of Maritime Freight Rates Act to all carriers of outbound traffic. Second: Removal of assistance on internal rail freight movements—except Newfoundland. Third: Special separate assistance for outgoing manufactured goods beyond the area of the Maritime Freight Rates Act. This assistance is designated at 20 per cent of assistance within the area and 30 per cent westward outside the area to certain boundaries such as Levis, I believe, and other parts of Quebec. Fourth: Road building.

In this connection, I do not think it is out of place to mention the recommendation which is in the minds of the people of my province, and also I believe of Nova Scotia and Prince Edward Island. They feel that where trucking has become such an enormous means of transportation, we should have through the State of Maine, which intervenes between us and other parts of Canada, a corridor road. I do not think that it is too much for the people of the Atlantic provinces to ask from the rest of Canada and I think it will come. We also ask for parity of Atlantic ports with American ports, and this is provided for in the bill.

We also protested the St. Lawrence Seaway. Canada today is paying very large sums of money for the seaway. It has been suggested that its tolls should be increased. The deficit runs somewhere around $40 million a year, of which Canada is paying a very high proportion, something like 70 per cent, although we receive far less than that in benefits. This should receive attention. This is of course an international matter, for consideration by Canada and the United States.

There is also a recommendation regarding flour and grain, which has been provided for in this bill, and we are very pleased to see it.

I would like to read from an editorial of January 25 in the Saint John *Telegraph-Journal* which I think expressed very well indeed the feeling of most of the people in the area I have spoken of. This editorial deals with the transportation bill under the headline, "No Worse Off—Maybe". I quote from the editorial:

> Changes in the government's transportation bill have apparently removed the immediate causes of Maritime alarm. They still provide no new benefits and no assurance that the act does not contain a time-bomb that will go off in our faces one day.

They say that because we do not know just what the bill will provide for us after this two-year term of review. The editorial continues:

> Transport Minister Pickersgill has reworded the legislation, under pressure of Atlantic protest, to delete the direct menace written into the original.
>
> The act still says that railway tolls and conditions must not leave any region at unfair disadvantage "beyond that disadvantage inherent in the location or volume of the traffic"—

There is a disadvantage as far as we are concerned in the location and in the volume of traffic. The article goes on:

> —which is just the nub of the region's problem—so there's no help there. But a phrase has been added to provide that the act is not to be interpreted to permit any "undue obstruction...to the movement of commodities through Canadian ports."

We are glad therefore to have that assurance. However, there is no definite assurance in the bill that the Atlantic provinces will not suffer through their location and their volume of traffic. This editorial is quite a long one but I should like to read another paragraph from it, if I may.

> The section of the act that may yet time-bomb Maritime ports and industry is Section 334, which will require the railways to charge "compensatory" rates on all traffic. It would be possible for such rates to push freight costs so high that even Maritime Freight Rates Act subsidies would not bring them down within competitive reach in relation to other regions. Meanwhile, the federal government is spending millions of dollars each winter on St. Lawrence River ice-breaking, is planning to spend $100 million for improvements to the St. Lawrence route, and is spending further millions to subsidize the St. Lawrence Seaway.
>
> So we are left hoping that the new Maritime deal promised after the transportation study will be a fair deal. And while we wait to find out, the weapon that could destroy us will be primed and ready, and its name is "compensatory freight rates."

Honourable senators, perhaps I should apologize for placing so much emphasis on this situation, but I feel that it is very important and that we are as much, if not more, concerned than other people in Canada in this new bill.

We may not be as good at putting up a fight as those from western Canada. I remember the debate on the Crowsnest Pass. They called it their charter. I congratulate them on having succeeded, though I do not know what was the particular danger.

Hon. Mr. Aseltine: The Magna Carta.

Hon. Mr. Brooks: It does not go back quite as far as that, but it goes back to 1897, which is far enough. It brings to my mind that some years ago when I first entered politics I attended a meeting in a little country school. The main speaker took most of the time discussing the Crowsnest Pass. I do not think he knew anything about it but at that time it was politics, as it has been politics for a great many years. He harangued the audience and I listened to him, trying to learn something. I did not learn very much regarding it. In any event, near the end of his speech, he asked, "What are we going to do about this Crowsnest Pass?" Some fellow at the back of the hall, who may have been drinking something stronger than tea, shouted, "We will shoot the damn crow and tear the nest down."

Having listened to the western members in the other place the other day, it seemed to me that anyone who tries to shoot their crow or tear their nest down would have a difficult task. As I was brought up on a farm, I know that a crow is a pretty hard bird to shoot, for he can look after himself very well and keep out of the way.

Honourable senators, I have little more to say, as there are other members who will speak on this bill and will go over other sections of it and bring up points which I have not been able to touch.

I hope and trust that the new 17-man commission will be composed of outstanding persons who will understand the problems of all parts of Canada. I hope that in their deliberations they will assure equity for all parts and have regard for all Canadians. I hope they will show good judgment in deciding, for instance, on the abandonment of branch lines, that those abandoned will be those not needed and those retained will be needed in the public interest and for the public good.

I hope that careful consideration will be given to these so-called compensatory rates.

Honourable senators, I may say that I am in favour of the bill. I believe it holds tremendous possibilities for the future of our transportation. There are possibilities in it for good or evil, but I feel that those appointed on this commission will do justice to all parts of the country.

Honourable senators, before I resume my seat, may I say I was pleased to hear the honourable sponsor of the bill (Hon. Mr. Deschatelets) say that he would move later that this bill be referred to the Standing Committee on Transport and Communications. This brings to my mind the former chairman of that committee. I was pleased to

hear the eulogies expressed this afternoon in honour of Senator Hugessen. I recall the tremendous work that he did, here on the floor of this chamber and as chairman of that committee and in every other committee which he attended. He set a splendid example of dedication to duty which could proudly be followed by any senator.

I heartily agree with all the statements that have been made. My only regret is that a man of his tremendous experience so far as transportation is concerned—and I doubt if there is a man in Parliament today who has his knowledge—is not here to look after this very important bill which will be going to the Transport and Communications Committee. That is no reflection, honourable senators, on whoever may have that responsibility. I am sure no one would consider it was, realizing the background Senator Hugessen had in transport matters in this country.

On motion of Hon. Mr. Macdonald (Cape Breton) for Hon. Mr. Phillips, debate adjourned.

PUBLIC SERVICE

ENLARGEMENT OF REFERENCE TO JOINT COMMITTEE

Hon. Maurice Bourget, with leave of the Senate, moved:

> That the Senate do agree that the Special Joint Committee of the Senate and House of Commons on the Public Service be empowered to enquire into and report upon the matter of the pensions paid to retired civil servants or their dependants under the provisions of the Public Service Superannuation Act; and
>
> That a message be sent to the House of Commons to acquaint that house accordingly.

The Hon. the Speaker: Honourable senators, is it the pleasure of the Senate to adopt the motion?

Motion agreed to.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, December 15, 1966, the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Jacques Flynn: Honourable senators, I will give my introductory and closing remarks in English, but the rest I will give in French. I have been away for such a long time in the old City of Quebec where one does not hear English very much that I do not feel as sure of myself in English as I might otherwise feel.

Hon. Mr. Macdonald (Brantford): It does not show.

Hon. Mr. Brooks: You do not have to worry.

Hon. Mr. Flynn: Honourable senators, this debate, which goes back to the middle of November, has been more or less irregular, but the speeches have regularly been good.

I will not refer to the sponsor's speech; the honourable Senator Roebuck is always very interesting. I do want to single out one speech, however; that made by our new senator from Manitoba, Senator Everett. His maiden speech was excellent, and he has proven himself a powerful speaker. I am very pleased that his addition to this chamber has sort of re-established the balance of debating power, should I say, between the two groups or two sides of the house.

[*Translation*]

Honourable senators, it is obvious that during the present debate on this bill there is unanimous agreement against genocide and hate propaganda. We all agree and there are no dissenting voices. In addition, the same unanimity exists on another point: there is no urgency or any emergency situation in Canada which would prompt us to pass this bill without delay. As a matter of fact, the matter has been under discussion here for over two months, and nobody has put or attempted to put pressure on members of the Senate to hasten the passage of this bill. Besides, in the other place, the question of joining with the Senate to set up a joint committee in order to consider the matter is still in abeyance. Furthermore, the speeches indicated an almost complete unanimity on the necessity of amending this bill and the most ardent advocates of this legislation themselves recognize this; they are very few—I would say there are only Senator Roebuck and Senator Everett. Most of the other senators were severely critical and noted several errors and obvious defects. There are then two main criticisms, first, the uselessness of the act since we already have in the Criminal Code all the means required to meet the problem as it exists in Canada at

this time, and, as I have said, there is no urgency. Secondly, the provisions specifically referring to hate propaganda involve a great risk of limiting freedom of speech.

I agree with those two main objections. I do not intend, in order to justify my stand, to go into the details of the bill. The senators who spoke before me proved fully the worth of those objections.

I merely wish to point out the anomaly which would result from the passing of this bill. It provides a five-year prison term for whoever promotes or advocates genocide, that is, the destruction of a group or several members of a group, while the Criminal Code already provides for imprisonment for 14 years. It seems most illogical to stipulate a lesser penalty for the destruction of a group than for a single individual. It strikes me that imprisonment for five years for a group, as compared with 14 years for an individual, is quite illogical, and because I am no expert in criminal law, further explanations would be needed to convince me of the merits of that proposal.

The object and the principle of a legislation are two things entirely different. The object may be excellent. It is excellent for the time being. Generally speaking, we cannot say that the legislator always has a good intention. But the principle does not include only the intention of the law-maker. It includes also his approach to the problem. If the bill is useless, its principle might be tainted. If it is not urgent, its principle may be tainted. It might create a disadvantage and when there is no emergency as in this case, the principle becomes wrong.

Senator Hayden, who made a remarkable speech, said this on page 1227 of the *Debates of the Senate*, concerning the provisions with regard to genocide:

> My first observation is that the provisions with respect to genocide should not appear in this bill. This is my firm belief.

Further on, on page 1229, he said with regard to the committee:

> But let the joint committee study it and tell us so. I would not have committed myself, in my view, to the principle of the bill beyond this.

The Senate has already made known its intention to set up a joint committee which will study the subject matter of this bill. For one reason or another, the other place has not yet approved the setting up of that committee. I would not like to vote for the bill because, in my opinion, since I do not approve of its principle I would therefore bind the committee which eventually will be set up.

Moreover, I wonder what would be the reaction of the members of the House of Commons appointed to sit on the joint committee before a bill whose principle had been approved on third reading by the Senate.

The committee has not yet been set up. Therefore, I will not move to refer the bill to a committee even before second reading, as I intended to. However, I intend to ask for postponement of the debate today, even though I might add some remarks later. That will make it possible to keep this item on the orders of the day as long as the other place has not decided to appoint its own members to a joint committee of both houses to study the bill.

[*Text*]

I have just said that I intend to move that this bill be not now read a second time but that the subject matter be referred to the special joint committee which has been proposed. Since this committee has not yet been formed in the other place, I now move the adjournment of the debate and reserve further remarks on the bill until such time as the other place has made a decision on the formation of the committee.

On motion of Hon. Mr. Flynn, debate adjourned.

JUDGES ACT

BILL TO AMEND—SECOND READING

Hon. Eric Cook moved second reading of Bill C-262, to amend the Judges Act.

He said: Honourable senators, Bill C-262 is a short one and it will be quite apparent upon reading it and from the explanatory note that it requires very little further explanation. The purpose of the bill is to authorize provision of salaries for one additional County Court judge in British Columbia and one additional County Court judge in Ontario.

With respect to the additional County Court judge for British Columbia, it is proposed that the appointment be made for the County Court of Westminster County. Westminster County has at present two County Court judges. The county, I am informed, includes not only the cities of New Westminster and Chilliwack, but also the greater part of the lower Fraser Valley, and the growth of the population in this area has made the services of a third judge necessary. The appointment of an additional judge to the court was requested by the Attorney General of the Province of British Columbia and by both

judges of the County Court of Westminster County.

The provision for an additional County Court judge in Ontario was made by the legislature of that province in July of last year by an amendment to The County Judges Act. Following passage of this amendment, the Attorney General of Ontario requested that the Judges Act be amended to provide a salary for this position. It is intended that the additional judge will be appointed for the county and district courts of the counties and districts of Ontario, and not for a particular county. Judges so appointed have authority to hear cases throughout the entire Province of Ontario and are assigned by the Chief Judge of the County Courts to the area where their services are most urgently required. The new judge will be Judge at Large, otherwise known as a roving judge.

Honourable senators, if it is considered desirable that this bill should be referred to committee, I shall move that it be referred to the Standing Committee on Banking and Commerce.

Hon. David Walker: Honourable senators, it is an interesting situation that in this great country we should have one of our colleagues from Newfoundland move that new County Court judges should be created in British Columbia and Ontario. This shows how broadminded are the members of this chamber.

Hon. Mr. Connolly: Hands across the continent.

Hon. Mr. Walker: Despite the view held by some members on the other side, I think it is fair to say that we have in this country a magnificent judiciary, and this applies to all the provinces. At the present time, because of the tremendous explosion in the population of Ontario, we are greatly in need of an additional County Court judge, perhaps two or three. I understand the same situation exists in British Columbia, and I know that everyone on this side of the house is very much in favour of this bill.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Cook: If it is not considered desirable to send this bill to committee, I move, with leave, that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, February 2, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DIVORCE

PRESENTATION OF PETITIONS

Hon. Arthur W. Roebuck: Honourable senators, I desire to present a number of petitions in divorce.

May I take advantage of the fact that I am on my feet to ask permission to place on record a number of statistics in connection with the work of the Standing Committee on Divorce.

Hon. Senators: Agreed.

Hon. Mr. Roebuck: I have now been Chairman of the Standing Committee on Divorce for approximately thirteen years, having succeeded my friend Senator Aseltine, who was chairman for the previous ten years. I would like to place on *Hansard* some figures showing how the cases have grown in number during my tenure of office. In 1952-53 there were 282 cases, and in 1962-63 there were 513.

Evidence was given before the special joint committee studying divorce that in the first 12 years following Confederation only eight cases were tried—eight cases in 12 years! Honourable senators perhaps will be interested to know that in 1966 we tried more than 1,000 cases.

We have had very few cases in which there was a remission of fees. Each petitioner has paid $210, and some of the mathematicians in the chamber will no doubt figure out what that amounts to. A thousand cases at $210 a piece means quite a substantial revenue.

I have the cases that we have tried listed according to the various times of approval. A total of 1,106 cases were dealt with. As of January 17, 52 had not yet been moved in the Senate. There were 13 annulments, 19 withdrawals, and 14 cases held for further evidence.

There were 235 cases ready for hearing and unopposed—this shows that we were pretty well up with the work as of the date I mentioned. Forty-eight opposed cases are ready for hearing. It will be seen that the number of cases being opposed is increasing.

Cases heard but waiting approval at the next committee meeting, number between 80 and 100. As a matter of fact, we have just a few minutes ago approved as many as 111 cases. If we were in business I would say that we were doing a pretty brisk business.

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 1042 to 1098 inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

INCOME TAX AGREEMENTS ACT

BILL TO IMPLEMENT AGREEMENTS BETWEEN CANADA AND TRINIDAD AND TOBAGO AND CERTAIN OTHER COUNTRIES AND TO IMPLEMENT A CONVENTION BETWEEN CANADA AND THE UNITED STATES OF AMERICA—SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly: Honourable senators, with the agreement of Senator Brooks, I ask that we proceed now with Item No. 5 on the Orders of the Day, namely, the second reading of Bill S-56 to implement certain tax agreements.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Hon. Salter A. Hayden moved second reading of Bill S-56, to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

He said: Honourable senators, Bill S-56 is divided into five parts, and each part approves and declares to have the force of law in Canada and agreement made between Canada and, in the first case, Trinidad and Tobago; in the second, Ireland; in the third, Norway; in the fourth, the United Kingdom; and in the fifth case, as to a supplementary convention with the United States.

In relation to these different countries we have had a tax convention with the United Kingdom. We have one presently existing with the United States and we have one presently existing with Ireland.

The agreement with Trinidad and Tobago is new. We ventured part way a year or so ago with Norway, and I believe the matter got to the stage of first reading in the House of Commons and did not get further at that time, for reasons with which we are not now concerned.

With respect to Trinidad and Tobago, we are taking advantage of the opportunity of a new agreement with the United Kingdom to make a separate tax convention with Trinidad and Tobago, because in the interim it has become more or less a self-governing country. The treaty or convention we had with the United Kingdom before that also included the then colonies of the United Kingdom, and hence Trinidad and Tobago were covered.

The duration of each of these agreements is provided in each case. The provision as to Trinidad and Tobago, Ireland, Norway and the United Kingdom is that when the agreements come into force they will continue indefinitely, with provision for notice of termination by either country, and provides the date when the termination becomes effective.

As to the United States, the provision with respect to termination is a little different. The provision in the main agreement—and this is only a supplementary agreement—is that on six months' notice the agreement may be terminated at the beginning of the calendar year following the year in which the six months' notice was given.

Honourable senators, I shall devote a reasonable amount of time to explaining the convention with the United Kingdom, and then give you the necessary means by which you can gather the information in relation to the other treaties. I shall deal briefly with the United States.

I should state that we had a tax convention with the United Kingdom dated 1946. In 1960, as a matter of government policy, we changed our withholding tax provision in relation to the percentage of withholding tax, and at that time provision was made for a 15 per cent withholding tax in relation to dividends distributed by a company in Canada to a non-resident shareholder. In the United Kingdom agreement there was a provision under which, in the case of a wholly-owned subsidiary, the dividends flowing from Canada to that wholly-owned subsidiary in the United Kingdom would flow without tax.

Canada endeavoured over a number of years to secure an amendment to that tax convention so as to reflect this change in the withholding tax rate. It was difficult to secure an arrangement with the United Kingdom. Then, during the latter part of the period of the negotiations they were revising and changing their own tax structure. Accordingly, in 1964 Canada served a notice of termination, as a preliminary to negotiating a new agreement.

You will recall that because there were certain items in the relationships between Canada and the United Kingdom that required a high degree of certainty as to tax, an interim agreement, or a stop-gap agreement, was entered into between Canada and the United Kingdom. We had that measure before us here in the Senate; and you will see by *Hansard* of May 5, 1966, I was privileged to give the explanation on the second reading of that bill. The headings which were dealt with at that time were only four in number, as being the items that required particular certainty. They were the business, commercial and industrial profits, the relationship of a permanent establishment to that kind of operation, copyright royalties, pensions, and the profits earned by ships and aircraft operating in international traffic.

There were many other things that could have been said to have been very important, but these which I have mentioned were regarded as requiring immediate certainty.

Now we have an agreement which deals fully with all the various heads of relationships that might attract tax as between Canada and the United Kingdom, and that is what we have before us at this time.

I can tell you that the provisions of the stop-gap agreement were approved last year, and I might observe, too, that Senator Thorvaldson spoke on the bill when it was in the Senate in May of last year. These provisions are assimilated into the present treaty.

In giving the explanation in May—from which I am not going to read at this time, because you will find it in *Hansard* of May 5, 1966, pages 441-443—I took particular care to develop how government pensions and non-government pensions, payable from a Canadian source to residents in the United Kingdom, and then the reverse situation, were dealt with both under the old treaty of 1946 and in the period when there was no treaty or convention, and how they were dealt with by the stop-gap agreement of 1965. Since those provisions are now assimilated into the present agreement, it is simply a matter of reference to what was said at that time.

So far as Ireland is concerned, they were requested to consent to an amendment by reason of our settling on a fixed rate of withholding tax of 15 per cent. They had enjoyed a situation where, in certain relationships of a percentage of voting shares, they would have a 5 per cent withholding tax instead of 15. Now, the Irish were reluctant—I think that is the right word—to amend the existing agreement, for two reasons. One was that they had a few other matters that they wanted to put forward. Secondly, they felt it desirable to consider the work of the organization which had developed, which had been in existence for some time in Europe, and was then enlarged by the addition of the United States and Canada into what is called O.E.C.D.—the Organization for Economic Co-operation and Development—which is really now, and probably has been since 1960, made up of most countries in the world who are interested in the business of development of trading among countries. The fiscal committee of O.E.C.D. had evolved what may be called a standard form of tax convention. I can say that this standard form in skeleton has been pretty well followed in the tax conventions which you have before you now. The Irish felt that, since this had been set up, the treaty should be pinned upon the skeleton of the standard form settled by the O.E.C.D.

Now, as to the provisions of these treaties, first I want to tell you about what the United States treaty does, because it has only one item. It deals with a situation where you have a company organized in Canada which afterwards becomes a nonresident company by taking the necessary steps to change its head office and relocate itself somewhere outside Canada and the United States. It would then do its housekeeping and its business operations from its new location.

As a result of that, the United States withholding tax of 15 per cent applied to dividends and interest being paid out of the United States to this company, because this company was a Canadian company in the sense that it had been organized in Canada. The United States general rate of withholding tax is 30 per cent. This procedure had been adopted—I was going to say fairly generally in Canada, but perhaps that is the wrong description. Perhaps I should say that there were many cases where use was made of this method of incorporating a Canadian company and then transferring residence so as to accomplish what has come to be known in the income tax branch as the practice of stripping dividends, and things of that kind, and getting the benefit of the 15 per cent rate.

The amendment in this supplementary tax convention provides that in such circumstances where the Canadian company is a nonresident of Canada, the 15 per cent convention rate will not apply, but that the general 30 per cent rate will apply. That, of course, will increase the tax revenues of the United States. So far as Canada is concerned, however, it does not change in any way its tax revenues.

In the meantime, we amended our own law last year. I think you will find that in section 139 (4a) of the Income Tax Act, where we provide that a company incorporated and organized in Canada after April 26, 1965, or if so incorporated before April 27, 1965, and if it carries on any business in Canada at any time in the taxation year, or has done so at any time in any preceding taxation year of the incorporation ending after April 26, 1965, or if it was resident in Canada during such times, then such corporations shall be deemed to have been resident in Canada throughout the whole taxation year.

So we have covered the situation with respect to companies that, as of and from April 1965, are incorporated in Canada. They are barred from taking this sort of proceeding and thereby escaping from Canada into a nonresident status—and whatever may be the tax implications or the advantages. They are also affected insofar as the United States situation is concerned.

There are still quite a number of companies that had achieved their nonresident status before this legislation came into force, and I would say the supplementary tax convention is designed to deal with those. Our amendment last year was designed to bring them back into the fold as full-fledged Canadian corporate residents, if they made any step by way of carrying on any operation in Canada after this critical date.

Now, that is all I have to say about the United States supplementary tax convention. That is all it does.

I should tell you that the United Kingdom agreement is a general treaty covering a wide variety of headings. At this time, in order to expedite the explanation and not wear your patience thin in the course of giving the explanation, I have prepared a memorandum which takes in all the headings that are dealt with in the tax relationships between Canada and these various countries whose tax convention agreements are before us in this bill.

Under the headings U.K., T. & T.—which is Trinidad and Tobago—Ireland and Norway, and in relation to those topics that are dealt with so far as tax is concerned in the convention, I have indicated where they occur in the four different treaties. I have given the article number in relation to each country so that for ready reference you can look at the headings and can turn to that particular convention and find the article and read it in its entirety. I must admit I was a little selfish in doing that; I thought by taking a little time on this tabulation it might save some time in my explanation of each of these treaties.

I would therefore ask your permission to have this document included in the record of my remarks on second reading of this bill.

Hon. Senators: Agreed.

Hon. Mr. Hayden: You will notice in some cases that there is a blank under one or more countries in relation to a particular item. It simply means that item is not developed in that particular tax convention.

(The table follows)

CONTENTS OF COMPREHENSIVE AGREEMENTS TO BE IMPLEMENTED IN THE 1967 TAX AGREEMENT BILL

Subject	Article Number			
	U.K.	T. & T.	Ireland	Norway
Scope of Conventions	1	I	I	1
Definitions	2	II	II	2
Fiscal Domicile	3	III	II	3
Permanent Establishment	4	IV	II	4
Income from Immovable Property	5	—	VIII	5
Industrial or Commercial Profits	6	V	III	6
Shipping and Air Transport	7	VI	V	7
Associated Enterprises	8	VII	IV	8
Dividends	9	VIII	VI	9
Interest	10	IX	VI	10
Copyright Royalties	11	X(3)	VII	11(3) (a)
Film Royalties	11	X	VI	11(3) (b)
Other Royalties	11	X	VI	11(3) (c)
Income from Estate or Trust	—	—	—	12
Independent Personal Services	13	—	X(1)	13
Income from Employment	14	XI	X	14
Public Entertainers	15	XI(5)	X(5)	15
Pensions and Annuities	16	XIII	XI	16
Income from Employment (Government functions)	17	XII	IX	17
Income of visiting teachers	18	XIV	XII	18
Income of visiting research students	19(2)	—	XII	—
Payments received by visiting students or business apprentices	19(1)	XV	XIII	19
Alimony	20	—	—	20
Tax Credit or Exemption	21	XVI	XIV	21
Non-discrimination	22	XVII	XVI	22
Branch profits tax	22(3)(c)	XVII(3)(b)	—	22(4)
Mutual Agreement Procedure	24	XVIII	XV(2)	23
Exchange of Information	25	XIX	XV(1)	24
Territorial Extension	26	—	—	25
Diplomatic and Consular Officials	—	—	—	26
Entry into force	27	XX	XVII	27
Termination	28	XXI	XVIII	28
Capital Gains from Sale of Movable Property	12	—	—	—

Honourable senators, I want to make a slight comment on some of the topics and headings dealt with in the United Kingdom convention. You will see there the numbers of the various clauses dealing with the various classes of income and how they are dealt with.

As to dividends and interest, it is agreed that withholding tax on dividends and interest payable from sources in the United Kingdom to a resident of Canada shall not exceed 15 per cent of the gross amount, and Canada agrees that in the reverse situation this withholding tax on dividends and interest shall not exceed 15 per cent. So far as the United Kingdom is concerned this is a substantial reduction from their general rate, which I believe is 41½ per cent. In this con-

nection I would mention that copyright royalties are exempt, and you will find the enumeration in Article 11 of the United Kingdom treaty with the extended meaning following the use of the words "copyright royalties".

In connection with patent royalties and royalties other than copyright royalties, withholding tax shall be at a rate not to exceed 10 per cent of the gross amount of such royalties. This represents a concession on the part of Canada because these were 15 per cent. It was felt that since the United Kingdom had reduced their taxation from 41½ per cent to 15 per cent on the withholding tax on interest and dividends, we should make some concessions too. We have reduced our rate from 15 per cent to 10 per cent. This is the only item in which there is this reduction. In others it remains at 15 per cent for this type of royalty.

As to United Kingdom surtax, by the new agreement individuals resident in Canada are in effect exempt from United Kingdom surtax from dividends, interest, patent and copyright royalties and alimony.

There is a new item in here dealing with alimony and maintenance payments. Before we assembled today I searched in vain for something which might possibly add a bit of romance to the consideration of tax conventions. I finally decided that this was not possible, but I have an item which might be described as the negation of romance. In connection with alimony or maintenance, it is provided that such payments are to be exempt in the country from which they are paid. For example, where the source of the payments is in Canada there will be no Canadian withholding tax of 15 per cent levied on such payments to United Kingdom residents. This also works in reverse.

In relation to teachers and students we have a number of provisions. In the first, professors or teachers resident of one country and teaching for up to two years in the other country are taxable on their remuneration for teaching only in the country of residence and not where teaching. You may find a few words of limitation in there, but they are easy to understand.

Furthermore, a person in receipt of a grant, allowance or award for the primary purpose of research from a government, religious, charitable, scientific, literary or educational organization in one country who goes to the other country for a period not exceeding two years to perform such research is not taxable on the amount of such grant in the country where he is carrying on the research.

The third type in this category is a student or business apprentice of one country who goes to the other country for instructions and who is not taxable in the country where he is studying on remittances for his maintenance, education or training received from outside such country.

Then we come to the general rules on salaries, wages and similar remuneration. Where such remuneration is derived by a resident of one country in respect of an employment, he is subject to tax only in that country unless the employment is exercised in the other country and if so such person is subject to tax on his remuneration in that other country. However, notwithstanding this provision he is subject to tax only in the country of residence if: (a) he is present in that other country for a period or periods not exceeding 183 days in any Canadian taxation year or the United Kingdom year of assessment, and (b) his remuneration is paid by on behalf of an employer who is not resident in that other country, and (c) such remuneration is not deducted from the profits of a permanent establishment which the employer has in that other country. Then the only tax he would have to pay on his salary or remuneration would be the tax payable in the country of his residence.

There are certain broad exceptions, however. For instance, the country of residence of an individual or an enterprise has the sole right to tax profits or remuneration from, (i) the operation of ships or aircraft in international traffic; (ii) copyright royalties in respect of literary, musical or artistic works, not including films; (iii) pensions and annuities, with certain exceptions. These exceptions are very clear. The same rule that applies as to when an employee in certain circumstances is subject to tax where he is working, even though he is resident in another country, also applies in the case of a director who may be earning director's fees and who may be attending directors meetings, for example, in the United Kingdom while a Canadian citizen.

Then, honourable senators, we come to professional services or other independent activities of a similiar character. The general rule is that the income of a resident of one country for such services is subject to tax only in that country unless he has a fixed base regularly available to him in the other country for the purpose of performing such services. In such case, then the portion of the income attributable to that base is taxable in that other country.

The next item I want to deal with concerns public entertainers. Income derived by public entertainers such as theatre, motion picture, radio or television artistes, and musicians, and by athletes from their personal activities as such may be taxed in the territory where such activities are performed. Of course that means that if it were a Canadian athlete performing professionally in the U.K., he would be subject to tax on the earnings or remuneration that he received for that activity. Being a resident of Canada, he would have to bring the income home and report it in his income in Canada, but under the provisions he would be entitled to a credit for the tax paid elsewhere, subject to the limitation that you will never get a credit for more tax than you would otherwise have to pay.

On the question of pensions, I referred you to the debate in this house in May of last year, so I am not going to say much about that subject. However, I will mention that any pension or annuity derived from sources in one country by an individual who is a resident of the other country shall be exempt from tax in the first-mentioned country. It is the residence of the pensioner or annuitant which determines the country that taxes such income. That is the general rule. This new rule is that the pensioner is taxable where he is residing. The old rule used to be that the pensioner was taxable by the paying country, the country that was paying the pension.

Particular situations are dealt with in a number of the articles in the tax convention, and as these pertain to particular situations I think it is quite unnecessary for me to go into that kind of detail, although if there are any questions in connection with them I am ready to do so. Some of those particular situations even deal with individuals in one country who are performing or discharging government functions in the other country; and it also deals with the spouse or other dependent of such person, either before or after the critical date which decides under which law—either the old 1946 convention or the present one—the tax is received.

However, there is a saving clause in all this, that the pensioner really has the opportunity in those circumstances to determine which way he may go, and he can elect the way which will impose the least tax on him. At the present time, having regard to the rate of tax in the U.K and the rate of tax here, wherever election is possible I think that for the time being the pensioner might elect to be subject to the Canadian rate.

Capital gains are now covered in the United Kingdom legislation and, therefore, there are incorporated into this tax convention provisions in relation to capital gains and income from the direct use, letting or use in any other form of immovable property. It is taxed in the territory where located and where such income is derived.

As to movable property, if it forms part of the business property of a permanent establishment which an enterprise in one territory has in the other territory—for instance, that Canada has in the United Kingdom—it is taxable in the territory where located, but you exclude from that all gains on the sale of ships and aircraft in international traffic and movable property pertaining to its operation which are taxable only in the home territory. Beyond that, the alienation of movable property, other than described above, is taxable in the territory of which the alienator is resident.

There are one or two other things which are reasonably new.

Hon. Mr. Connolly (Ottawa West): Might I ask a question?

Hon. Mr. Hayden: Certainly.

Hon. Mr. Connolly (Ottawa West): Does that mean that a resident of the U.K., who made a capital gain on the sale of land in Canada, would be taxable on the profit that arose from that sale?

Hon. Mr. Hayden: Where, in Canada?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Hayden: No, it would have to be income under Canadian law, but he would be accountable in the country of his residence, which is the U.K. This does not make anything taxable in Canada, unless by the law of Canada it is income in Canada.

We have continued the principle of a permanent establishment in relation to business and industrial profits, and you will find a whole page, or perhaps two pages, in the U.K. tax convention, and indeed in the tax conventions other than with the United States, illustrating the factors which will determine whether an enterprise in Canada has a permanent establishment in the U.K.

If it has a permanent establishment in the U.K., as a general principle it will be taxable upon the profits from that operation in the U.K. But the basis for taxation will be as

though it were a separate operation or a separate company and the proper deductions for such an operation would be made. That works in reverse as far as Canada is concerned.

So far as Canadian life insurance companies carrying on branch operations in the U.K. are concerned, in the old convention of 1946 they had a formula, a rough-and-ready formula, by which they determined the amount of world investment which would be taxed as investment income in the U.K. Roughly speaking, they took the world investment income, and then they took the total premiums paid in the United Kingdom over the total world premiums, and that percentage of the world investment income was the amount of investment income taxed in the U.K.

However, difficulties developed. I think an Australian insurance company went to the House of Lords quite a number of years ago, as a result of which it was held that the proper basis for determining the amount of investment income was in relationship to the permanent establishment which was being operated in the United Kingdom.

This trade convention reverts to the basis which was formerly in use—that is, the world income base, and the formula for determining the percentage to be treated as income in the U.K. for tax purposes. In several of the tax conventions you will see, by consulting your chart, this same provision is dealt with.

I am not going to deal with all the items—I think I have dealt with the important ones—and, needless to say, there is provision for the exchange of information at the level of the taxing authorities in Canada and the taxing authorities in the United Kingdom. It is impressed into the section providing for that, that the information shall be confidential; and there is provision by which a person who feels that he has been unjustly dealt with as a result of a see-sawing between the two jurisdictions may voice his complaint and hope that the authorities in both countries which are parties to this tax convention will see the merit of his case.

One item I referred to last May which is continued in this U.K. tax convention deals with dual residence, a situation which sometimes occurs. That is, in certain circumstances a person may find that he is resident in Canada and in the United States, and there are procedures outlined in the tax convention by which a determination will be made as to which authority has the right to impose a tax by reason of residence.

Before going on to deal with Ireland, I think there are one or two important parts I should mention in the U.K. agreement.

There are some special cases dealt with which may be regarded as new. That is, this tax convention provides that each country will exempt dividends paid after April 5, 1966, by a resident company to a person resident in the other country, if certain conditions are met. The conditions are that the company paying the dividend must derive at least 90 per cent of its income from a business carried on by it in the other country, and the other country does not subject it to any special tax on branch profits.

Another provision that is somewhat similar is that in addition to the reciprocal undertaking whereby the United Kingdom gives a credit against its tax for Canadian tax imposed on income derived from a Canadian source, the United Kingdom Government also gives credit for the underlying Canadian corporation income tax where a corporation resident in the United Kingdom receives a dividend from a corporation resident in Canada in which it owns at least 10 per cent of the voting shares. This provision will be effective only as long as Canada continues to give a deduction in computing taxable income for dividends received by Canadian companies from subsidiaries in the United Kingdom in which the Canadian parent company has 25 per cent ownership of the voting shares. These are special features.

I have referred to the branch profits of Canadian life insurance companies operating in the United Kingdom as being given special consideration, having regard to the fact that this agreement reverts to a formula in the 1946 convention which had to be changed for a while.

I have told you the reasons why Ireland wanted a new convention, and I might just enumerate the new things. One is that on ratification of this new tax convention Canada will have the right to impose a tax of 15 per cent on dividends paid to a parent company in Ireland by its subsidiary controlled company in Canada. Under the existing agreement the tax rate on such dividends is limited to 5 per cent.

It is made clear in this agreement too that Canada has the right to impose a special 15 per cent tax on the branch profits of Irish companies operating in Canada. At present

Ireland does not impose a tax on branch operations in Canada.

Then, there is a reference to a "funnel company," and I will tell you what it is in a moment. I do not think there are such things as funnel companies operating between Ireland and Canada, but we do have such a company in the Netherlands.

Canada agrees to exempt from its withholding tax on nonresidents the dividends paid by a certain kind of holding company known as a "funnel company" because it funnels its earnings, substantially all of which come from outside of Canada, to its parent company in Ireland. So, a funnel company is a Canadian company that receives all of its earnings from operations of companies outside of Canada, and which then funnels all of those earnings right through to the parent company in Ireland. In those circumstances Canada says that it will not impose its withholding tax.

There has been added to the Irish tax convention the provision I referred to in the United Kingdom agreement dealing with advanced studies by a resident of Canada going to Ireland. This they regard as being very important, having regard to their Dublin University and the people who go there to take advantage of the facilities for learning, and possibly also for teaching.

Then, in the Irish convention they deal with the method of taxation of profits earned by a Canadian life insurance company operating a branch in Ireland. Although they do not say this—and I would not expect them to say it in their agreement—the formula will be that which is provided in the United Kingdom agreement. However, the language which is used would lead you to that formula.

With respect to the agreement with Trinidad and Tobago you will see by looking at your chart that not all of the headings which you have in the United Kingdom agreement, and not all of the headings that you have in the agreement with Ireland, are headings in this agreement. They have negotiated and agreed on the headings which they regard as pertinent to the relationship between Canada and Trinidad and Tobago. But, to the extent that you have those headings you will find that they conform to those, and to the treatment that you will see in he United Kingdom convention.

Hon. Mr. Brooks: In that connection may I ask if this is the first agreement we have had with Trinidad and Tobago?

Hon. Mr. Hayden: Yes, it is the first one.

Hon. Mr. Brooks: Did we have any agreement with the confederation which included Barbados?

Hon. Mr. Hayden: Not that I am aware of. I think I explained earlier that Trinidad and Tobago came under the United Kingdom convention as long as they were colonies of the United Kingdom.

Hon. Mr. Brooks: They were part of a confederation, were they not, of which Barbados was a part?

Hon. Mr. Hayden: Yes, but my recollection is that that did not go on for very long—at least not long enough for a treaty to be negotiated. We have now negotiated a treaty with Trinidad and Tobago.

Hon. Mr. Brooks: I think that that is quite logical.

Hon. Mr. Hayden: In the agreement with Norway you will not find as many headings as there are in the agreement with the United Kingdom or in the agreement with Ireland, but those headings that you do find there are dealt with in the same way as they are dealt with in the United Kingdom tax convention.

Honourable senators, I apologize for running on as long as I have. There are many things that can be said, and there are many more that perhaps you would like to have me say—although perhaps I am presuming in that regard—but this, on a broad basis, is an explanation of the tax conventions. By this method of presenting this correlation that I have filed you can understand that I have saved myself quite a lot of work, while at the same time giving a full explanation, and I have also saved you considerable wear and tear in having to listen to it.

If there are any questions, I am quite ready to endeavour to answer them.

Hon. Mr. McCutcheon: Is it the intention of the sponsor of this bill to move that it be sent to a committee?

Hon. Mr. Hayden: I am in the hands of the Senate in that respect. I am ready to do anything the Senate wishes me to do.

Hon. Mr. McCutcheon: Then, I would move the adjournment of the debate.

Hon. John J. Connolly: Honourable senators, before the honourable senator's motion is agreed to I would ask his leave to intervene

for a moment to say that I am sure we are, as usual, indebted to Senator Hayden for taking on the responsibility of explaining a bill of this nature. This is really complex legislation because it involves not only principles of international law and the provisions of our own tax acts, but those of other countries which have different systems.

I have no wish to flatter Senator Hayden, but it would be quite appropriate for me to compliment him upon the explanation he has given us today. It was not only a tribute to his own capacity in this very specialized field, but something which emphasized the fact that the Senate is a very special kind of place. There is really no other forum in which this kind of an examination can be conducted. There are other experts in this chamber who can discuss these matters very ably, and I personally am looking forward to Senator McCutcheon's contribution.

This is a bill that should go to a committee, and I hope that Senator McCutcheon will make that suggestion. As Senator Hayden has said, we are in the hands of the Senate with respect to this. But, to have this kind of work done here is, in my opinion, really invaluable to people who have to work with our own tax acts, and to advise the ever-increasing number of individuals who have business abroad on their tax problems.

Hon. Arthur W. Roebuck: Honourable senators, if Senator McCutcheon will kindly allow me to make a remark or two before he moves the adjournment, I would like to join with my leader (Hon. Mr. Connolly, Ottawa West) in complimenting Senator Hayden for the clarity of his explanation and for the labour that he has obviously devoted to this measure. Senator Hayden is a man of great power, and he does bring to us clear explanations of complicated proceedings.

This points up something that I have been saying to the Senate for the past 15 or 20 years, that the changes in the law of the land should never be brought to us in the form of an agreement. Can we imagine a department so lazy that it cannot put into legal language changes in the law that these agreements involve and place them before us in a concise form?

Many of the provisions in these agreements are the same as in other agreements. It would be a matter of considerable labour it is true, but it would be of some convenience to the legal profession, who have to advise their clients, and to others.

Hon. Mr. Connolly (Ottawa West): And accountants.

Hon. Mr. Roebuck: Yes, accountants—of all persons, so that they can explain what the change in the law actually is as a result of these complicated agreements.

I suggest that this is an outrage on the public, that it is a total disregard of the convenience to the taxpayer to place before him, in this convention—and there are a number of others as well—in this instance 66 pages, if he wants to learn about the relationship between the taxpayer of this land and the taxpayer of some other land. He must re-read the relative agreement each time he needs to find out about any particular country. It would be so easy to phrase an amendment to our law—the rule of law with regard to these matters. I have protested for the past 15 or 20 years until I am tired of doing so, but it does not seem to make any difference whether or not I continue to protest.

Each agreement repeats that this "convention is approved and declared to have the force of law in Canada." I say that is not the way to amend the statutes, to express the law of the land, to make clear to those who are subjected to it what is expected of them.

On motion of Hon. Mr. McCutcheon, debate adjourned.

NATIONAL TRANSPORTATION BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Honourable Mr. Deschatelets, for the second reading of Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other acts in consequence thereof and to enact other consequential provisions.

Hon. Orville H. Phillips: Honourable senators, my first remarks must be in thanks to the sponsor of the bill (Honourable Mr. Deschatelets) for the thorough explanation he gave of a long and complex piece of legislation.

In his closing remarks, the sponsor mentioned that he had read the debates as reported in *Hansard* of the House of Commons, and the committee reports. I also read them, probably to the state of confusion, and I think we are both in agreement that the bill is most confusing and difficult to understand. The sponsor of the bill referred to the MacPherson report as being the genesis of the bill.

Theologians have spent hundreds of years debating Genesis, and I suppose it is only proper that members of the Senate should spend some time in debating the various merits and interpretations of this bill.

The bill itself is described as one which establishes a transportation policy for Canada. In reading the bill and the evidence given in committee, I find that really the bill does not establish a policy; it merely moves the transportation problems out of the office of the Minister of Transport and out of Cabinet responsibility into the hands of a group of bureaucrats.

The bill naturally concerns some sections of Canada a great deal more than others. For instance, I do not believe the people of Hamilton or of the Toronto area are greatly concerned or excited about this bill, yet it is of tremendous importance to the people of the Maritimes and of western Canada.

In reading the proceedings of the Transport and Communications Committee of the House of Commons, I notice that the Minister of Transport attempted to reduce the bill to a very simple level. He is reported as saying:

> What I am saying is, either we make up our minds that we are serious about giving the railways a chance to earn their keep and not be a drag on the taxpayers, or we are not. This is the basic position.

Honourable senators, I am afraid I cannot reduce this bill to that simple level. In a country as vast as Canada we are naturally going to have transportation problems, and I find nothing sinful in the fact that various areas of Canada, because of their geographical position, are going to require federal assistance for transportation—call them subsidies if you wish.

The minister emphasized that we have to end this subsidy of $110 million per year, yet when the House of Commons had finished with this bill it promptly turned around and passed a bill establishing a fund of $10 million for a national film industry. I imagine the film industry will be built around several actors, probably a maximum of ten, similar to the C.B.C., so that we will be providing a subsidy of $1 million per ham actor,—yet they complain about a subsidy on payment of transportation costs which would assist all of Canada.

The committee is to consist of 17 members. Great care must be taken in selecting the members and needless to say the Government will make every effort to select capable men to serve on this committee. However, I would like to suggest that they also ensure that every region of Canada is represented on that committee, so that each area will have one spokesman thoroughly familiar with its particular problems.

The bill is based on the fact that the railways will now enter free competition. I find it rather odd, when we have the most socialistic government we have ever had in Canada, in this particular aspect they are advocating competition as the basis of the establishment of freight rates.

There is still a question in my mind as to whether or not we will achieve competition. Dr. Borts, who was engaged by eight of the ten provinces of Canada to do a study and make a presentation before the Transport Committee of the other place, pointed out that it is very dubious whether this will establish competition. He illustrated this by stating that, once you go beyond a certain distance, the competition between trucking and railways ceases. Also, there are certain types of goods which cannot be transported economically by highway transportation.

There is the further question in my mind about the ownership by both railway companies of the large number of trucking firms. I doubt that a subsidiary trucking firm of either the Canadian Pacific or the Canadian National is going to provide competition for their parent companies.

However, as the expression goes, "to give the devil his due," there are several features that I appreciate about the bill. I particularly appreciate the establishment of a research division. This is a measure which is long overdue and I hope that this division will not only make recommendations to the Government on various policy matters but that they will also do research work on establishing better forms of transportation.

There is one matter to which I hope consideration will be given, and that is one which we in the Maritimes refer to as the Corridor Road across Maine.

As Senator Brooks said yesterday, the Maritimes, transportationwise, are in the unique position of almost having to circumvent another country in order to reach central Canada. If we could have both rail and road traffic directly across Maine, we would reduce our haulage by several hundred miles.

As I indicated earlier, freight rates have always been a great concern in the Maritimes; in fact they played an important part in the entry of the Maritimes into Confederation. I find, particularly in central Canada,

that many people consider the Maritimes freight rates a form of subsidy. This rather annoys me, because I do not find that the Maritime Freight Rates Act is any more of a subsidy than the huge investment which the federal Government put in the St. Lawrence Seaway—which incidentally does not pay its own way, and we do not hear many complaints about the subsidy on that seaway.

I am not going to attempt to explain the Maritime Freight Rates Act to honourable senators. You are familiar with the 20 and 30 per cent reduction. I am sure you are also well aware of the fact that the past horizontal freight rate increases have practically eroded the benefits of the Maritime Freight Rates Act; that is, they give a 50 per cent increase in freight rates and apply a 20 per cent reduction and you have just about nullified the original intent of the act.

Honourable senators, I refer now to an off-the-cuff speech which honourable Senator Burchill made about a year and a half ago, explaining the difficulties of operating a business in the Maritimes. That is one speech with which all maritimers will agree.

Honourable senators, Bill C-231 does not in any way alter the Maritime Freight Rates Act. This can be done only by a separate Act of Parliament. In the other place, the minister repeatedly emphasized this.

In addition, the bill provides for continuation for a two-year period for the so-called rate freeze on commodity products. This is where our concern in the Maritimes really centres. The Government is conducting a special study on the problems of Maritime transportation. It is hoped this study will be completed within a two-year period. I do not wish to be a doubting Thomas, but I am always a little apprehensive of a study. They always take longer than intended.

Hon. Mr. Connolly (Ottawa West): And they cost more.

Hon. Mr. Phillips: And sometimes they do not bring in recommendations that one would like.

After the report and recommendations are received, I would hope that the members of the cabinet would want some time to study them. In addition, I would like to see the various organizations in the Maritimes that are concerned with transportation take the opportunity to study this and express their views. I am afraid that this is going to take more than two years.

I know that the Leader of the Government in the Senate is always willing to step in and give assurances; and I am inviting him to give the assurance that if the study goes beyond the two-year period, the freight rates freeze will be carried beyond the two-year period.

Hon. Mr. Connolly (Ottawa West): Would the honourable gentleman allow me to speak for just one moment on that point?

Hon. Mr. Phillips: I would invite the honourable leader to do so.

Hon. Mr. Connolly (Ottawa West): I certainly am not in a position to give any assurance to the honourable gentleman or to the Senate on this point, but if the present Minister of Transport remains in office and if this point creates a problem for the Maritimes region, I believe the people in the Maritimes generally could feel optimistic that whatever should be done on their behalf would most certainly be done if he could possibly achieve it.

Hon. Mr. Phillips: I regret that the honourable leader obviously has not read all the discussion that took place in the House of Commons. If he had, he would be aware of the fact that the Minister of Transport, in the closing days of the debate in the other place, when questioned on this matter, said that he expected this would be a problem for another Minister of Transport. Possibly it will be the Leader of the Government in the Senate—and then I can really accept the concrete assurance.

Hon. Mr. Connolly (Ottawa West): Do not wish that on me, please!

Hon. Mr. Phillips: If I may, I should like to make a brief reference to the fact that industries in the Maritimes really are handicapped by transportation costs. While I would like to spend some time on this, I am going to be brief and illustrate this by two examples.

In Sackville, New Brunswick, there is a firm which manufactures stoves, and it would like to market these stoves in Montreal. However, it must compete, in the face of higher transportation costs, against a firm which manufactures stoves in Hamilton. Steel from Sydney, Nova Scotia, costs almost $4 more per ton to deliver to Montreal than steel from Hamilton.

Honourable senators, I wish to leave for the moment the Maritime transportation problem and touch on section 336 of the bill. I feel that

this section will deserve special study and attention in our transportation committee. It deals with the fixing of the freight rates, and it causes me concern for a number of reasons. The rates can be established by taking the variable costs and allowing 150 per cent markup over the variable costs. I am told on very good authority that 70 per cent of the total costs of the railways is accounted for under variable costs.

If we took this on a figure of cost of $100 and added 150 per cent of the 70 to that, we would be adding 105 per cent. In other words, on the cost of $100 the railways are allowed—and admittedly this is supposed to be a maximum—a markup of 105 per cent. This is a fairly generous markup, and I feel that most people in Canada could successfully operate a business with a markup of 105 per cent.

The second aspect that causes me a great deal of concern is that the 150 per cent is based on a carloading of 30,000 pounds. Here again, if I may refer to Dr. Borts' submission—and I believe the Manitoba submission supported Dr. Borts in this—he pointed out that, in cases of carloading beyond 30,000 pounds, the markup is really more than 150 per cent. In cases of carloadings of 100,000 pounds the markup will be in the vicinity of 400 per cent. This is due to the economy of moving a larger carloading plus the complexity of the variable cost as presently calculated by the railroads.

If I may illustrate this from a Maritime viewpoint, the average shipment of potatoes from the Maritimes is 55,000 pounds.

Hon. Mr. Connolly (Ottawa West): Is that a carload?

Hon. Mr. Phillips: Yes. Applying Dr. Borts' formula to this, you will get a markup of approximately 225 per cent.

Now, admittedly potatoes are moved presently under an agreed charge with the railway, but this does not mean that later on the railways will not ask to have this agreed charge renegotiated. I am very worried and concerned about the increased costs of moving Maritime potatoes to central Canada.

Hon. Mr. Connolly (Ottawa West): I wonder whether the honourable senator is right when he speaks that way? I understood that that formula applied only in cases where there was a captive shipper and not where there was a competitive factor involved. I may be mistaken about this, but that is my own reading of it.

Hon. Mr. Phillips: I am going on, Senator Connolly, to point out that the potato grower is a classic example of a captive shipper. He must move most of his machinery, manufactured in the central United States or central Canada, into the Maritimes. In addition, a great deal of the chemical fertilizers and various insecticides he will use will be brought in by railway. Then, after it is harvested, the crop will have to be moved out by rail. So this leaves the potato grower in the position of being a very captive shipper.

Hon. Mr. Connolly (Ottawa West): I hope the honourable gentleman will not think I am rising to interrupt his trend of thought, but my understanding of the definition of a captive shipper in this bill is that that shipper is restricted to one form of transportation company, and perhaps to transportation that can be provided by one company only. Now, in the case mentioned by the honourable senator, where he talks about the movements of the product potato, I think there are various methods of transportation that could be employed here, and are in fact. There is rail, water, and road transport. I do not know whether they fly any. Perhaps on occasion they do. However, there are various companies involved. So it seems to me that the principle embodied in the conclusion of the MacPherson Report with reference to competition is the feature that would apply to provide the remedy that the honourable senator suggests.

Please do not misunderstand me. I do not want to throw the honourable senator off on the argument he makes. This seems to me to be the fact of the case.

Hon. Mr. Phillips: I would like very much to accept the explanation of the honourable Senator Connolly but I cannot do so. I would point out to him that in the case of Prince Edward Island there is only one railway line, the Canadian National. While we do ship a number of potatoes by water to southern United States, the agreed charge with the railway specifies that any potatoes moving into central Canada must be shipped by rail or the agreed charge is no longer effective. So you really have no alternative company to move these potatoes into central Canada.

Now, one other aspect of section 336 that I would like to deal with concerns the costs of capital as prescribed under the act. It states that the commission shall compute the costs of capital in all cases by using the costs of capital approved by the commission as proper for the Canadian Pacific Railway Company.

In preparation for study of this bill I did a great deal of reading. I found three figures commonly used for the cost of money. Firstly, there is that used by the Canadian Pacific Railway in its application for abandonment of branch lines. They used debt and equity, and then the company took the attitude that they must earn more than they pay out in dividends, and they included certain other items such as income tax to reach a figure of 11.4 per cent.

The Board of Transport Commissioners, in hearing applications, have set the cost of money at 5 per cent. The MacPherson Royal Commission have suggested a figure of 3.84 per cent. But their figure was based on evidence from hearings held a number of years ago. We are leaving the entire cost, not only the variable cost but also the cost of money, to the commission to establish without any direction from Parliament. If Parliament does not wish to give the commission direction in this regard, I would like to suggest that the commission hold public hearings at which various provinces and interested groups could make representations before the commission establishes this very important item of the cost of money.

This bill provides a right of appeal to the Transport Commission in case of captive shippers. This idea in itself is good, but when the bill comes into effect we are going to have substantial freight rate increases and I would expect that in the first two or three years at least there will be a large number of appeals. I am wondering, honourable senators, if the commission will be able to hear all the appeals in time to be fair to the individual or company making the appeal. Many of these companies will probably be supplying lumber and building material, to contractors under large contracts over a period of two or three years. They will want to know the freight rates before entering into any contract. I would hope that our Senate committee will give this aspect of the bill further consideration.

The sponsor of the bill mentioned interprovincial traffic, and he was somewhat concerned with the constitutional aspects of this. Now, I do not intend to deal with the constitutional aspect, but I do wish to deal with the question of the Northumberland Strait causeway. I am happy to tell Senator Connolly that I took advantage of his advice that I could obtain free legal help in the Senate. The advice I received from some of the best legal minds in the Senate is that it is quite proper to include the Northumberland Strait causeway under this bill. The Minister of Transport, before the committee in the other place, stated that the Governor in Council may, if he wishes, bring international and interprovincial highway traffic or—and this is more important—certain aspects of it under the control of the Canadian Transportation Commission. This raises a very serious problem for the residents of Prince Edward Island. The Terms of Confederation call for continued means of transportation across the strait and, after many years of study, tenders are now being called for the construction of the causeway. We are seriously concerned about the fact that the rates set for the causeway will be set by a commission on which the Island has no say. Here, again, if we apply the cost of money to the fixing of the rates, the prospect is absolutely frightening to Islanders, because the causeway is estimated to cost $140 million, and if we take the cost of money at six per cent we are going to have a figure of $9 million or $10 million per year which would have to be taken into account under Section 336. This is beyond the ability of the province to pay. In this regard also I shall have a number of questions for the minister who, I presume, will appear before the committee.

In the debates in the other place much time was spent on the question of abandonment of branch lines, mainly with reference to western Canada. But I would point out that this abandonment will occur elsewhere, and I would bring to the attention of senators from the Atlantic provinces that there are many lines in that part of the country which it is proposed to abandon on the grounds that they are uneconomic. We know that they are uneconomic, but we also know them to be vital to the transportation system of the Maritimes. Certainly the railways in Prince Edward Island are uneconomic. Nobody could pretend that they are otherwise, but we would expect the commission to realize that they are essential to our economy. Railways into the Annapolis Valley are also likely to be disturbed, but here again I would say that they are essential to the economy. This fact was recognized by a cabinet decision reached several years ago.

Honourable senators, I do not intend to take up any more time in this debate. I hope

that the Standing Committee on Transport and Communications will give this bill a thorough study. The members in the other place expressed confidence that the Senate committee would give the bill a thorough clause-by-clause examination, and I am sure that the Senate will not disappoint them in this regard.

On motion of Hon. Mr. Thorvaldson, debate adjourned.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Friday, February 3, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of Operations under the Atlantic Provinces Power Development Act for the fiscal year ended March 31, 1965, pursuant to section 6 of the said Act, chapter 25, Statutes of Canada, 1957-58. (English and French texts).

Report of Operations under the Atlantic Provinces Power Development Act for the fiscal year ended March 31, 1966, pursuant to section 6 of the said Act, chapter 25, Statutes of Canada, 1957-58. (English and French texts).

PUBLIC SERVICE

SIXTH, SEVENTH AND EIGHTH REPORTS OF JOINT COMMITTEE TABLED

Hon. John J. Connolly, for Hon. Maurice Bourget, Joint Chairman of the Special Joint Committee on the Public Service, tabled the following reports of the committee:

The Sixth Report, on Bill C-170, respecting employer and employee relations in the Public Service of Canada;

The Seventh Report, on Bill C-181, respecting employment in the Public Service of Canada; and

The Eighth Report, on Bill C-182, to amend the Financial Administration Act.

Hon. A. J. Brooks: Honourable senators, may I ask the honourable Leader of the Government (Honourable Mr. Connolly, Ottawa West) if the study of any or all of these bills has been completed in committee and, if so, when we might expect to receive them?

Hon. Mr. Connolly (Ottawa West): My understanding is that that is the position, and that the bills are soon to be reported to the House of Commons. Honourable senators will understand that these bills are not before this house at this time. After their presentation in the House of Commons they must be considered there by the committee of the whole house, and thereafter receive third reading. What I have tabled here today are reports containing amendments that have been made to the bills in committee, and in a few minutes I shall be moving that these reports be incorporated in today's *Minutes of the Proceedings* so that honourable senators will have these amendments available to them prior to the reprinting of the bills to which they relate.

Hon. Mr. Brooks: In that connection may I ask whether we shall receive the bills individually or all three at one time?

Hon. Mr. Connolly (Ottawa West): I would think that we will get them seriatim. They may actually be presented to us in one group —depending a good deal upon when the Senate is sitting—but we are not committed to taking them one after the other or in any special order. They are three pieces of legislation, three independent bills, that emanate from one joint committee.

Hon. Mr. Brooks: And they will be considered independently and at different times?

Hon. Mr. Connolly (Ottawa West): Yes. It would not be my intention to move all three at the same time; in fact, it would be quite improper to do so.

MOTION TO PRINT REPORTS AS APPENDIXES TO MINUTES OF THE PROCEEDINGS

Hon. John J. Connolly, with leave of the Senate, moved:

That the sixth, seventh and eighth reports of the Special Joint Committee of the Senate and House of Commons on the Public Service, tabled today, be printed as an appendix to the *Minutes of the Proceedings* of the Senate of this date and form part of the permanent records of this house.

Motion agreed to.

ADJOURNMENT

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move that when the Senate adjourns today it do stand adjourned until Monday next, February 6, 1967 at 8 p.m.

Motion agreed to.

NATIONAL AND ROYAL ANTHEMS

APPOINTMENT OF JOINT COMMITTEE

Hon. John J. Connolly: Honourable senators, may I ask for the indulgence of the

Senate to have Item No. 6 on the Order Paper called first. Iam sure it is noncontentious.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, as is evident from this item on the Order Paper, it is a matter of a resolution rather than a bill. I have consulted with the honourable Leader of the Opposition (Hon. Mr. Brooks) and I think it would be agreeable universally for the Senate to comply with the request of the House of Commons to unite with them in the formation of a joint committee for a study of this question, before the resolution is considered in this house.

I would therefore move, seconded by Honourable Mr. Brooks:

> That the Senate do unite with the House of Commons in the appointment of a Special Joint Committee of both houses to consider and from time to time report upon the subject-matter of the following proposed resolution: "That the Government be authorized to take such steps as may be necessary to provide that 'O Canada' shall be the National Anthem of Canada while 'God Save the Queen' shall be the Royal Anthem in Canada";
>
> That the Senate designate six members of the Senate to be members of the Joint Committee, namely, the Honourable Senators Bourget, Davey, Gelinas, Smith (Queens-Shelburne), White and Yuzyk;
>
> That the committee have the power to sit during sittings and adjournments of the Senate; and
>
> That a message be sent to the House of Commons to inform that house accordingly.

Hon. Mr. Roebuck: May I ask what steps the Government can take or are contemplating to bring about the desired result?

Hon. Mr. Connolly (Ottawa West): I must answer that question off the top of my head, so to speak—and there is not much there to cover it. If the resolution with respect to this item is adopted by both houses, there would probably be a proclamation which would bring the resolution into effect. I say that subject to correction, as this is a matter which the committee may well consider.

Hon. Mr. Power: May I ask a question?

Hon. Mr. Connolly (Ottawa West): Yes, with leave.

Hon. Mr. Power: I am somewhat puzzled by the language:

> —that the Government be authorized to take such steps as may be necessary to provide that 'O Canada' shall be the National Anthem of Canada while 'God Save the Queen' shall be the Royal Anthem in Canada.

What is the difference between "of Canada" and "in Canada"?

Hon. Mr. Connolly (Ottawa West): I think that an honourable senator who not only writes a book but writes a best seller has a lot of nerve to ask a mere individual like myself what is the difference between "of" and "in". He is an expert in English.

If there is need to give serious consideration to that question, I suggest that the honourable senator attend the committee and put it before them. They are going to be paid for that kind of work; all I do here is introduce the motion.

Hon. Mr. Power: That is a very unsatisfactory answer.

Motion agreed to.

NATIONAL TRANSPORTATION BILL

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Honourable Mr. Deschatelets, for the second reading of Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other acts in consequence thereof and to enact other consequential provisions.

Hon. Gunnar S. Thorvaldson: Honourable senators, at the outset of my remarks on Bill C-231 I would like to pay my humble respects to the late honourable Mr. Murdock MacPherson and to the members of the royal commission which bears his name. The report of that royal commission was a monumental one in regard to the transportation problems of Canada; and it is the foundation stone of this legislation.

Mr. MacPherson, although born in the Maritimes, became a distinguished citizen of the west. He was a former attorney general of the Province of Saskatchewan and throughout his life was one of the distinguished sons of this country. It may have been but an accident of politics in history that he did not become leader of my party and perhaps a prime minister of Canada.

It is also true that the very broadness of the concept of Bill C-231 has resulted from the rapid changes and developments of the various modes of transportation during the last few years. In this respect it has followed to some extent the advances and improvements in the field of transportation made in other countries. However, we must recall that it is now six years since the report of the MacPherson Commission was made and, naturally, a great deal of thought has gone into the transportation problems of this country during this period of time.

Although the bill deals with nearly every other mode of commercial transportation, by air, water, motor vehicle and pipe line, the basic and thorniest problems involving transportation in this country relate to railways. The railway history of Canada is of course an amazing story. For sheer fascination I do not think there is anything comparable to it in any part of the world. Here in Canada it related not only to the economic development of a people, but from the very beginning it was also an instrument of politics, an instrument of statecraft, making possible in the first instance the union of the original provinces of Canada. Railway building then became the one essential element without which there could have been no such thing as a Canada from the Atlantic to the Pacific.

In later years the story of the Grand Trunk Pacific and the Canadian Northern Railway is just as fascinating as the earlier story of the Intercolonial and the C.P.R.

While I am speaking of transportation in its widest concept as related to the public interest and development at the hands of the Government, let me remark that in the early days of Canada, at an original cost of about $245 million there was developed the canal system of central Canada. Later on there followed the construction of the St. Lawrence Seaway at an original cost of about $322 million.

Throughout the years transportation and railway rate making have presented one of the most difficult problems of government. As a result, no less than 32 royal commissions have been appointed to deal with railway affairs. Most of these commissions have dealt with railway problems piecemeal, that is, with particular problems at particular times, and generally in respect of particular regions.

The MacPherson Commission, however, became all-embracing in its work. It covered the whole field of transportation in Canada. Its purpose was to define and implement a national transportation policy for all Canada. Hence the bill opens with the words:

> An act to define and implement a national transportation policy for Canada...

In order to show the breadth and scope of this bill, I can do no better than to read the general words of clause 1 of the bill, referred to as "National Transportation Policy". I read from the bill:

> It is hereby declared that an economic, efficient and adequate transportation system making the best use of all available modes of transportation at the lowest total cost is essential to protect the interests of the users of transportation and to maintain the economic well-being and growth of Canada, and that these objectives are most likely to be achieved when all modes of transport are able to compete under conditions ensuring that having due regard to national policy and to legal and constitutional requirements...

And then there follow subclauses (a), (b), (c) and (d), more specifically defining these broad objectives.

As I have said, one can only comprehend the vast scope of the bill when one reads and digests clause 1. This is the framework or the skeleton of the bill while the rest is the flesh on the bones. It was the flesh on the bones which was so ably explained by Senator Deschatelets the other evening.

Throughout the bill the question of a declaration of principles of rate making for the railways naturally asumes a role of tremendous importance. It does so, firstly, because compensation is the lifeblood of any industry and also because of the vast regional differences existing in our country. Hence, throughout the years the problem of maintaining a proper economic balance between the three main regions of Canada, the Maritime Region, the Central Region, and the Western Region has exercised all the ingenuity which we possibly could provide in solving the problem of continuing to hold all parts of our vast country together. Indeed, as testified by Mr. Donald Gordon, the then Chairman of the Board and President of the Canadian National Railway, in his submission before the parliamentary Standing Committee on Transport and Communications—

> —A proper foundation for an orderly national development is an efficient transportation system.

He then quoted the following passage from the MacPherson Commission Report.

> History records how the Canadian railways provided the means of meeting not only the demands of a developing economy but, also, the goals of national policy directed towards the establishment of national unity. And today the railways continue to play a vital part in the maintenance and growth of the nation.

These words are true and they provide ample justification for the close liaison between government policy and railway policy, as well as some justification for the subsidies and other payments to the railways that the Canadian taxpayer has assumed in recent years, and will have to assume at least during the transition period between now and 1975. The hope is, of course, that during this period of seven or eight years the effect of the provisions of this bill together with the prospects of greater economic development in the future will be such as to eliminate the present heavy costs of railway transport now borne by Canada as a whole. That is the basic hope and objective of this legislation.

Included in this bill are several important principles most or all of which were referred to in the speech of the sponsor. I select as the most important changes envisioned in the bill the freedom to compete and the principle that competition in future will be the chief regulator of transport rates in this country. Another important principle is this, that where burdens are imposed upon transportation companies by law, the burdens should be borne by the public as a whole.

I refer to these two principles in the context of a subject matter I would now like to pursue, namely, the so-called Crowsnest Pass rates on grain and flour as well as other statutory rates on these commodities now prevailing in western Canada. I wish to make reference to this question especially in the light of the long debate in the other place and the subsequent deletion of the clause which decreed a revision of these statutory rates within a period of three years.

Let me say first that the Crowsnest Pass rates have for two generations in western Canada been referred to as the Magna Carta of western agriculture; hence, even the slightest suspicion or hint of Parliament laying a hand on these rates is cause for fear and anxiety in the Prairie Provinces.

Hon. Mr. Connolly (Ottawa West): It was done at one time, was it not? They were eliminated at one time, were they not?

Hon. Mr. Thorvaldson: I will come to that.

In light of the great importance of the subject of railway grain rates and also in light of the fact that most Canadians are in a state of bewilderment in regard to the words "Crowsnest rates" and "statutory rates," I wish to discuss these points briefly: First, how did these rates come about? Are they justifiable now? Is there any legal or moral justification for their abrogation?

I have before me the Statutes of Canada for the years 1896-1897, 60-61 Victoria, which volume at chapter 5 contains the statute which ratified the Crowsnest Agreement.

I refer to this important statute because I find that in talking to people, particularly from eastern and central Canada, many have no knowledge of the fact that there existed a statute of Canada which ratified an agreement known as the Crowsnest Pass Agreement and imbedded its provisions in the law of Canada. What I mean is this. Some Canadians speak of the Crowsnest Pass Agreement, and they often ask why should Canada be burdened, or why the railways of Canada should be burdened by an old agreement made in 1897. That is what I want to talk about for a few moments.

I wish to emphasize the fact that an agreement was entered into between the Government of Canada and the Canadian Pacific Railway Company. That agreement was entered into in 1897 but it was also ratified by statute, and that statute makes it crystal-clear that the agreement shall remain in force in perpetuity.

Hon. Mr. Roebuck: With no term?

Hon. Mr. Thorvaldson: With no term. It is in identically the same position as the statutes which were previously passed in regard to railway construction in western Canada, where the Canadian Pacific Railway was by statute granted freedom from municipal taxation in perpetuity. As is well known, when the legality of these statutes was brought in issue before the Privy Council it was held that they were valid, legal and binding. If my memory serves me right, the legality of the Crowsnest Pass statute has been confirmed by the Privy Council in the same way as were these other statutes concerning railway taxation. However, what I want to emphasize is that the Crowsnest Pass agreement is much

more than a mere agreement; it is ratified by a statute of Canada.

Hon. Mr. Roebuck: That was with the C.P.R. only, was it not?

Hon. Mr. Thorvaldson: Yes, with the C.P.R. only.

Hon. Mr. Roebuck: It does not affect the C.N.R.?

Hon. Mr. Thorvaldson: No. It was with the C.P.R. only.

I think honourable senators will realize why, in the course of time, that agreement being in existence with regard to the C.P.R., the other railways were naturally compelled to grant the same rates as the Crowsnest Pass rates.

Hon. Mr. Roebuck: Does anything compel the other railways to follow suit?

Hon. Mr. Thorvaldson: Yes. A moment ago I referred to the statutory rates which compelled the other railways to comply.

Hon. Mr. Roebuck: The Board of Transport Commissioners?

Hon. Mr. Thorvaldson: No. I believe it is done by statute, but it may only have been an order or orders of the Board of Transport Commissioners. I do not think it has ever been a matter of any great moment, or a matter in issue, as to the other railways. The basic fact was that the Crowsnest Pass Agreement, together with ratification and sanction by statute—

Hon. Mr. Connolly (Ottawa West): Would the honourable senator agree it was the competitive factor, which just fortifies the argument that he made initially? The competitive factor painted the other railways into the corner, and they pretty well have to use these rates?

Hon. Mr. Thorvaldson: Yes, that is what I am trying to say.

I want to read briefly from the statute, chapter 5 of the Statutes of 1897. Section 1 of the act refers to a subsidy payment made by the Government to the Canadian Pacific Railway Company to the extent of $11,000 per mile, being a total sum not exceeding $3,630,000 which was to be paid to the Canadian Pacific Railway Company on condition that a railway be constructed into the Kootenay Valley area of British Columbia.

Section 1 continues:

> On the part of the Company:
>
> (a.) That the Company will construct or cause to be constructed, the said railway upon such route and according to such descriptions and specifications—

—as may be required. So, initially the railway was required to be constructed.

It is not generally known about the Crowsnest Pass Agreement statute that subsection (d.) provided for a very considerable reduction in the freight tariffs from east to west on thirteen important commodities. Those commodities are set out, and the rates of reduction from the freight rates of that day are established. For instance:

> Upon all green and fresh fruits, 33⅓ per cent; Coal oil, 20 per cent;—

And so on down the list.

Subsection (d.) concludes with these words:

> And that no higher rates than such reduced rates or tolls shall be hereafter charged by the Company upon any such merchandise carried by the Company between the points aforesaid; such reductions to take effect on or before the first of January, one thousand eight hundred and ninety-eight;...

This point is of no importance now, but I just make it in passing, that these rates were decreed by statute. They were decreed to be perpetual, but in fact they were abrogated over the years and they were completely done away with by 1925.

Hon. Mr. Roebuck: With the consent of the C.P.R.?

Hon. Mr. Thorvaldson: Yes, naturally with the consent of the C.P.R., because the C.P.R. benefited by the abrogation. Consequently, the C.P.R. was relieved from complying with this part of the statute, and then the statute continues:

> (e.) That there shall be a reduction—

Hon. Mr. Roebuck: Can you tell me whether there was any consideration given to the C.P.R. for the abrogation of those additional rates? Do you know that?

Hon. Mr. Thorvaldson: I do not believe there was any consideration given by the C.P.R.

Hon. Mr. Roebuck: No, to the C.P.R.

Hon. Mr. Thorvaldson: No, the consideration would be by the C.P.R. because it was the company that benefited.

Hon. Mr. Roebuck: Yes, you are quite right.

Hon. Mr. Thorvaldson: Yes, by the C.P.R., because the fact is that the rate—and I saw this figure in the MacPherson Report—the average rate on these particular 13 commodities is now 157 per cent higher than the rates indicated in the statute. I do not think it is an important factor, but as far as I know there was no consideration given by the C.P.R. for the abrogation of that clause.

There then follows paragraph (e), which provides:

> That there shall be a reduction in the Company's present rates and tolls on grain and flour from all points on its main line, branches, or connections west of Fort William to Fort William and Port Arthur and all points east, of three cents per one hundred pounds, to take effect in the following manner—

Then it was decreed that it would take effect in two stages, 1½ cents in one year and 1½ cents in the following year, making a reduction of 3 cents in all. That was a reduction from the current rate at the time—and I quote again from paragraph (e):

> ...and that no higher rates than such reduced rates or tolls shall be charged after the dates mentioned on such merchandise from the points aforesaid.

So much for that. Here was the contract, and here was the statute confirming it in perpetuity.

Then in paragraph (g) of section 1 there was a reference to a further consideration which I shall talk about later, namely, the consideration given the C.P.R. in the grant of land and mineral resources in the Kootenay Valley.

I believe that these resources were actually owned by the province of British Columbia, but presumably by some arrangement between the federal Government and government of British Columbia they were acquired by the C.P.R. Anyway, as a result of the agreement and statute the C.P.R. was enabled to build this line by a subsidy of approximately $3.5 million. But what was far more important was the tremendous potential asset which the railway received as a result of the transfer to it of the resources to which I have referred.

As I said, honourable senators, I have emphasized the fact of the statute because I have so often spoken to people who refer to the Crowsnest Pass Agreement as an agreement only, whereas it was in fact an agreement ratified by statute in the manner in which I have indicated.

I should like to refer now for a moment to an assessment of the situation made by Mr E. P. Reid, who was assistant director of research for the MacPherson Royal Commission. It is contained in Volume 3 of the Report of the Royal Commission on Transportation at page 371. I am going to ask you to bear with me while I put on the record the statement that is contained in this report.

Hon. Mr. Roebuck: Before doing so would the honourable senator allow me this question: Has he given any consideration to the change in money values and equities that might arise because the dollars of the nineties are very different from the dollars of today? The strict wording of the agreement, therefore, might be influenced to some extent by the equities brought about by the change in money values. Has the honourable senator given consideration to that point?

Hon. Mr. Thorvaldson: I say to my honourable friend that that is part of the crux of this whole problem, namely, the difficulty in making an agreement at any time that is perpetual.

Hon. Mr. Roebuck: Yes.

Hon. Mr. Thorvaldson: That is exactly what happens, and that is one of the reasons why difficulties arise in a transaction that is made perpetual. Of course, when the value of the dollar decreased, as it did in the inflationary period of the First World War, it brought about a very difficult situation. Similarly, of course, a difficult situation is brought about by the inflation that is occurring now.

On the other hand, a partial reply—and there are other replies—is that at the time of the making of the Crowsnest Pass Agreement and the enactment of the statute the rates were based on a 20-ton railway freight car, as Senator Paterson well knows, whereas at the time of the beginning of the hearings before the MacPherson Commission in 1959 that 20-ton car had become a 60-ton car, and the car-mile cost was consequently reduced to a third. At the present time I think we have still larger and more modern cars. Automation and other developments and techniques in freight transportation have helped to ease the problem of inflation and other rising costs.

Hon. Mr. Roebuck: Today there are 100-car trains.

Hon. Mr. Thorvaldson: Yes. I had not completed that. I cited one example. In those days I think there were 20-car trains or 30-car trains. Later on we had 50-car trains, and today we have 100-car trains, and perhaps longer. These are all factors in the present situation, and they are all factors that were fully discussed by experts and others before the MacPherson Royal Commission.

Hon. Mr. Roebuck: I should like to ask another question—and I hope the honourable senator will pardon me if I am embarrassing him, although I do not think I am. I am tremendously interested in what he has been telling us. I have learned more about the Crowsnest Pass Agreement in the course of this address than I knew previously.

Hon. Mr. Connolly (Ottawa West): Hear, hear. We all have.

Hon. Mr. Roebuck: I assure the honourable senator that it is not my intention to embarrass him. But, could he give us any information as to the principles upon which the courts have considered perpetual contracts or agreements, because there is, I am sure, a considerable body of jurisprudence in this connection. The courts on the equity side have always considered perpetual agreements as having a reasonable period of termination, and which they have written into them a number of times. I wonder if my honourable friend has looked into that aspect at all.

Hon. Mr. Thorvaldson: I really do not think the pursuit of that subject would have any great value just now. However, I do repeat that the statute or statutes of Canada which gave the Canadian Pacific Railway Company this perpetual exemption from municipal taxes in western Canada was found legal and valid by the Privy Council.

I believe I recall reading somewhere in the report of the MacPherson Royal Commission that the statutes or statutes of Canada which to the Privy Council and found valid. I must say that I intended to pursue this fully, and find out for sure, in the last few minutes before entering the chamber, but unfortunately a visitor came to my room and I did not have a chance to do it. However, I am pretty certain that the validity of the agreement and statute has been considered by the Privy Council and has been confirmed.

Hon. Mr. O'Leary (Carleton): For all eternity?

Hon. Mr. Thorvaldson: Yes, for all eternity, and so were the tax exemptions granted to the C.P.R.

Hon. Mr. O'Leary (Carleton): You could amend the Constitution, but you could not amend this statute at that time?

Hon. Mr. Thorvaldson: Oh yes, Parliament can amend the statute but the point is that the courts cannot. I do not wish to get into the complicated details regarding the history of the Crowsnest agreement. However, I believe that at various times in the early years of this century rates on grain were actually lower than those provided in the agreement. Then in the early 1920's they were abrogated completely, I believe for about a year or so, and then reinstated.

Hon. Mr. Aseltine: In 1919.

Hon. Mr. Thorvaldson: 1919. I am not quite certain of those dates, but Senator Aseltine delivered a speech on the subject a few years ago, and he will probably be more conversant with those dates than I am.

Hon. Mr. Connolly (Ottawa West): I think Senator Aseltine's date of 1919 is correct, and I believe the reinstatement year was 1925. One must of course be conscious of the fact that so far as western Canada is concerned there are probably political considerations that make these rates sacrosanct.

Hon. Mr. McDonald: They still are.

Hon. Mr. Thorvaldson: No, I would say there are political considerations which—

Hon. Mr. Connolly (Ottawa West): Let us call them practical considerations.

Hon. Mr. Thorvaldson: Yes, practical considerations.

Hon. Mr. Aseltine: In 1919 the Senate of Canada saved the day for the West. Senator Lougheed and Senator Watson refused to accept the bill passed by the House of Commons.

Hon. Mr. Thorvaldson: As a result of which, I understand, the Crowsnest Pass agreement was preserved by the Senate of Canada.

Hon. Mr. McDonald: Hear, hear.

Hon. Mr. Thorvaldson: Of course there were political considerations, and also considerations of high national policy which permeated this whole matter throughout all these years.

Hon. Mr. Roebuck: That is not your thesis now. You are justifying the rate from a legal and moral standpoint, not from the political standpoint.

Hon. Mr. Thorvaldson: That is quite right. I am making these remarks because I want to put on the record of *Hansard* the facts in connection with the Crowsnest Pass rates.

In order to place this subject in more complete perspective, I would like to read from page 372 of Volume 3 of the MacPherson Report. This statement, by Mr. E. P. Reid, is entitled "The Crowsnest Pass Agreement," and is a historical review and analysis of it:

> In the 1897 Crowsnest Pass Agreement the Canadian Pacific obtained a subsidy of $3,404,720 from the Government of Canada to build a line from Lethridge through the Crowsnest Pass into the Kootenay area of British Columbia where coal and other mineral discoveries had been made. In exchange the railway undertook to reduce freight rates on:
>
> 1. a number of articles important to settlers and farmers on their movement from Central Canada to the Prairies; and
>
> 2. grain and flour from its lines on the Prairies to Fort William and Port Arthur by three cents per 100 pounds. This provided rates to Fort William, for example, as follows:
>
> Winnipeg 420 miles, 14 cents per 100 lbs.
>
> Regina, 776 miles, 20 cents per 100 lbs.
>
> Calgary, 1,242 miles, 26 cents per 100 lbs.
>
> As part of the Agreement the railway undertook "that no higher rates than such reduced rates or tolls shall be hereafter charged by the company between the points aforesaid. These are the phrases which have (quite logically) been taken by the Prairie people as an undertaking in perpetuity.
>
> Fowke has summarized the objectives of the contracting parties as follows—

Mr. Vernon C. Fowke, an expert on railway matters, appeared before the Board of Transport Commissioners in Rate Base-Rate of Return case on January 12, 1953. These are the objectives as summarized by Mr. Fowke:

> Government of Canada
>
> 1. the more rapid development of the highly promising mining area of southern British Columbia,
>
> 2. the effective integration of this area into the Canadian economy in defiance of geographic facts and despite American designs,
>
> 3. the enlargement of the prairie and intermountain markets for eastern manufacturers through the provision of lower freight rates on the western movement of certain important products,
>
> 4. the stimulation of agricultural settlement and general economic expansion in the prairie provinces by means of the statutory assurance of lower rates on grain and on the inward movement of capital equipment, and
>
> 5. the acceptance by the Canadian Pacific Railway Company of the principle of governmental rate control in the national interest.
>
> Canadian Pacific Railway Company
>
> 1. the subsidy, more substantial than that considered by the previous government, would pay, according to the Company's own recorded estimates, upwards of one-half of the cost of the Crowsnest line,
>
> 2. construction of this line would entitle the Company to a large land subsidy indirectly from the Province of British Columbia,
>
> 3. the line would provide an all-rail link between the Company's main line and the Kootenay region, and
>
> 4. it would thus be possible to forestall American economic occupation of that wealthy area and to secure for the Canadian Pacific Railway Company first claim upon the traffic benefits to be derived from economic development in the southern Canadian Cordillera.

Those were the high principles of public policy which prompted the agreement and the statute.

As a matter of fact, there is a rather interesting commentary on this matter which perhaps I should read to the house. It is contained in an article entitled "Reservations on Grain," by Mr. A. R. Gobeil, who was one of the

members of the MacPherson Royal Commission. I refer to Volume 1 of the MacPherson Report, at page 79, under the heading "Legal and Historical":

> The atmosphere of that day is illustrated by the quotation from J. W. Dafoe's "Clifford Sifton in Relation to his Times" of the Manitoba Argument.

That quotation is contained in the book written by the late J. W. Dafoe, "Clifford Sifton in Relation to his Times." The article goes on to say:

> Apparently there were also questions of high policy involved in this arrangement. In an open letter to the press of Canada, dealing with railway questions, written by Sir Clifford Sifton, in January 1929 there appears this passage: "I remember when as a young minister in Laurier's cabinet, Van Horne and Shaugnessy said a line into the Kootenay mining district would not be considered for fifteen years. Also I remember that within six weeks the same two gentlemen came into my office and said that they had to build this line and wanted a large bonus for doing it, that the C.P.R. was on the verge of bankruptcy.
>
> We gave them this bonus against the public sentiment of two-thirds of the people of Canada. They built the line and the Kootenay mining development saved the C.P.R. and saved a good many other things in Canada."

In any event, I think this quotation is an interesting sidelight of the times. I must say, however, that my information is that the financial reports of the Canadian Pacific Railway Company for the years in question do not indicate that the company was near bankruptcy, or anything of the kind.

The facts in respect to this agreement, including the granting of lands and resources by government—I say "government" because presumably it was both the federal Government and the Government of the Province of British Columbia—to the C.P.R. is now claimed by western Canadians generally as having been a part of national policy which used this method of equalizing, as well as it could be done at that time, the burden of transportation costs vis-à-vis the West and Central Canada.

The point that Western Canada will not allow anyone to forget is that, whether or not the contract was wise in its origin, nevertheless it is a contract which was in fact made; the contract is in perpetuity, it was imbedded in the Statutes of Canada in 1897, and we make the further claim that it has been fully compensated for by Canada in the conveyance to the railway company of western Canadian resources which were at the time perhaps potential only, but which since, by virtue of careful development, have become of tremendous value to the other party to the contract, namely, the Canadian Pacific Railway Company, and indeed to Canada as a whole.

I do not propose to search deeply into the present values of these resources, but let me cite one example only, namely, the company formerly known as the Consolidated Mining and Smelting Company of Canada, whose name has recently been shortened to Cominco. As I understand it, approximately half the shares of Cominco are owned by the Canadian Pacific Railway. The present market value of the interest owned by the railway company in Cominco is roughly $250 million and I believe that the revenue derived by the Canadian Pacific Railway from this asset in the year 1966 was in the neighbourhood of $15 million. I am sure no one will question the fact that the development of Cominco is directly related and results from the Crowsnest Pass Agreement, and the other development of that area of Canada resulted from the step taken at that date by the Government of this country.

I cite this one example as being only a part of the *quid pro quo* which passed to the company as consideration for the terms of the Crowsnest Pass agreement.

The point I am trying to make is that it serves no purpose for Canadians in other parts of Canada to get too wrought up about this agreement and statute because it is not as one-sided as one is sometimes led to believe. Indeed, the agreement has clearly been of inestimable value to the Canadian Pacific Railway Company and to Canada.

Let me repeat that the Crowsnest Pass agreement and statute are now and have been deemed since 1897 to be a charter of freedom of western agriculture, and were at the time they were granted, and are now, part of the regional give and take on railway rate matters which has over the years been accepted in this country.

In regard to the bill itself and its effect upon the economy of the country, much will depend upon the ability and qualifications of the 17 persons who will constitute the Transport Commission set up by the act. I am

sure that all Canadians hope that this bill, resulting as it does from a study of transportation matters which began in 1959, will be successful in helping to solve the transportation problems of our country as well as assisting in the building of a greater Canada.

Hon. A. Hamilton McDonald: Honourable senators, there are four matters to which I would like to refer this afternoon.

I would refer first to the part played in the public life of Canada by the late M. A. MacPherson; I would refer to some matters which have been discussed by previous speakers on this bill; and I would also like to give some of my impressions of the power that I think the bill before us has in influencing the development of this country, in developing the nation in which Canadians will live 50 or 100 years from now. I would also like to make some remarks with regard to grain handling facilities, our country's elevator system in western Canada, in the hopes that I have that this legislation, and the policies that evolve out of it will result in modernizing the grain handling facilities in western Canada.

We all realize that the late Mr. MacPherson was a resident of the Province of Saskatchewan and of the City of Regina for most of his life. When Senator Thorvaldson referred to Mr. MacPherson not having been born in western Canada but in the Maritimes, my colleague Senator Smith (Queens-Shelburne) said that would be no handicap. It obviously was not, because the late M. A. MacPherson was a master in many fields. He was a prominent lawyer, heading one of the largest law firms in western Canada, he himself specializing in corporate law. In my view he had few equals in that field, either in western Canada or in all Canada. Apart from his legal practice, he was very active in the formation of and in participation in many companies that are active now in western Canada. The commission that we have been talking about for the past day or two is not the only commission on which the late M. A. MacPherson served. He served on many provincial and national commissions throughout his lifetime and was recognized in every instance as an expert in whatever field of endeavour the commission was set up to investigate.

He played a very active role in the political life of the province of Saskatchewan and of this country. It is only too bad that he had not lived to see the day when this legislation would be placed before Parliament and the day it would become the law of the land.

The honourable sponsor of this bill (Hon. Mr. Deschatelets) when proposing the second reading, did a great service for all senators in that by his rather full explanation I am sure all of us have a far better knowledge of the total content of Bill C-231 than we had prior to his introductory remarks. I congratulate him on his effort.

I think of all honourable senators who have taken part in this debate and who have made such excellent contributions. I wish to refer first to the comments by the honourable Leader of the Opposition (Hon. Mr. Brooks). He referred to Bill C-231 as broad legislation and he said it would be the application of this legislation which would tell the story. I think that is a true and an honest assessment of this piece of legislation. It is broad enough and has the authority necessary to do all these things which would develop the transportation system for this nation and help to develop the type of Canada that you and I would like to leave for Canadians yet unborn. Honourable Senator Brooks went further and said he was sure that, in the application of this legislation, concern would be given so that fair play would be received by all Canadians, regardless of the part of Canada in which they live. I think that is possible under the legislation.

This leads me to some comments on the remarks of Senator Thorvaldson. I know you are aware that I have no legal training, and I do not attempt to get into legal arguments involved in past legislation and commitments that may have been made. But I think I can sum up very briefly the feeling of people in Western Canada. They believe that great areas of land and natural resources were given to the railroads in perpetuity in exchange for a rate on grain in perpetuity, period.

A cartoon in one of the eastern newspapers a few days ago depicted the problem very well. Some of you may have seen it. It depicted an area that had at one time been a forest but in which there was now just one tree left in the middle. All around that tree were the stumps where other trees once stood. The one tree that was left had a crow's nest in it with a couple of crows sitting out on the branch looking at their young. Well, woebetide the woodsman who cuts down that tree.

That reminds me of a story I heard about a big Swede who was acting as straw boss for a lumber camp in Northern Canada. It was in the fall of the year when they were taking on new employees. He was standing out in front

of the cook-shack when a little short fellow—I think he was a Frenchman—came along and asked for a job. The Swede said, "What kind of job do you want?" The little fellow said, "I want to chop the trees." Man, you're not big enough, thought the Swede. Anyway he said to the little man, "You see that tool over there by the cook-shack—what is that?" "That's a woodsman's axe." "That's right. Now, take that axe and cut down that tree;" and he pointed to a small tree. The little man picked up the axe, and swish, down went the tree. Impressed, the big Swede pointed to a larger tree. "Try that one." Swish, swish, and down went the tree. The straw boss pointed to a great big tree and he said "Try that one for size." Chop, chop, chop, and down went the big tree. The big Swede was really impressed. "Where on earth did you ever learn to use an axe like that?" The little fellow said, "Why, in the Sahara Forest." "But there are no trees in the Sahara!" The little fellow replied "Not now."

Well, there is one tree left in this forest in Western Canada and I can only repeat: woebetide the individual who cuts it down.

Hon. Senators: Hear, hear.

Hon. Mr. McDonald: Senator Brooks also referred to the fact that he did not think that the railways should be asked to retain branch lines at great loss to the railway companies. I agree with him. I went back to look at the remarks of the sponsor of this legislation, when he was referring to this matter, and he said as follows: "Where burdens are placed on the transport companies by law, the public shall pay part of the cost." Provision is made to do this under Bill C-231, and it is my hope that those people who are charged with the responsibility of implementing policy and programs under this legislation will take cognizance of this fact.

Hon. Mr. Roebuck: That is, that we have already paid for it?

Hon. Mr. McDonald: Yes, and perhaps will have to continue to pay for it on into the future.

Hon. Mr. Roebuck: Pay double?

Hon. Mr. McDonald: No. We will have to continue to pay towards some of the operating deficits that are involved.

Senator Brooks also referred to the fact that this nation had spent large sums of money to develop the St. Lawrence Seaway, and that this had had some detrimental effects on some areas in eastern Canada, and I agreed with him. But I am confident that, when the decision was made to develop the St. Lawrence Seaway, those people responsible for making that decision were convinced that for the total good of Canada the St. Lawrence Seaway had to be developed. We all know the important part that it is playing in the development of Canada today, when we think that ocean-going vessels are able to enter into virtually the heart of this North American continent.

Certainly this has caused some hardships in eastern Canada, but I think programs have been implemented to bring about some development in eastern Canada that might not have taken place, if it had not been for these more recent programs. It is my own hope that the Government of the day will continue to implement programs that will make it possible for the eastern provinces of Canada, the Maritime provinces, to prosper in the future even more than they would have if the St. Lawrence Seaway had never been built and they had continued to enjoy the shipping season all year round, something not enjoyed in other parts of Canada.

We in western Canada feel that some railway line abandonment will be necessary, but the problem is always to decide what line you are going to abandon. If you happen to live in a town or community through which a railroad line runs today and it is up for abandonment, or if your farm is closely associated with that railroad, you are very naturally opposed to the abandonment of that line. But most of these people will agree that some line some place else should be abandoned. You know the abandonment of railroad lines is something like socialism—it is good for everybody else but it is no good for me. This is the feeling of the people in Western Canada.

Hon. Mr. Roebuck: It just depends on who is being socialized.

Hon. Mr. McDonald: Yes, it depends on who is being socialized. I am not one of those people who believe that it is impossible to abandon some railroad lines in Western Canada—perhaps I should say on the prairies—but I believe that if you are going to abandon them there must be some other railroads built. It may sound strange to advocate abandonment on the one hand and construction on the other.

Hon. Mr. Brooks: It is going on all the time.

Hon. Mr. McDonald: But we have railroads that start nowhere and end nowhere, and it seems to me that many of these could be abandoned, if we had joint railroads connected together a few miles away that would be cheaper to operate and would virtually serve the same communities.

Canada has often been described as a very difficult country in which to provide transportation. This is quite true. From east to west it is many thousands of miles in length, but very narrow in width, north to south. It is most difficult to provide an adequate transportation system when not only do you have this extreme distance from east to west and narrow width from north to south, but when the natural lines of traffic on this continent in many instances are north and south rather than east and west.

Here you have British Columbia cut off from the rest of Canada by the Rocky Mountains. British Columbia has far easier access into the United States than she has even into Alberta. Then you have the prairie regions cut off from Central Canada by the Great Lakes and that rocky terrain around the north of them. Then Senator Brooks and Senator Phillips explained the situation that exists in the Maritimes, where it is necessary to go north around a piece of the United States in order to get into the eastern part of Canada.

So it is difficult to tie this nation together with any type of transportation, be it railway, road, water, or air. But we have been successful in the past, and the progress we have made to date has been remarkable despite these natural difficulties that have been with us since this country was formed.

It seems to me that the legislation that we have before us will make it possible to do a better job in the future than we have done in the past.

The new commission, as the sponsor told us, will replace three old commissions. Some persons have said: You will have one big new group of bureaucrats doing what three small groups of bureaucrats used to do. Well, I do not look upon the commissioners of this new organization, or of the old bodies, as bureaucrats.

Senator Phillips said he hoped that these people would represent all Canada. I am sure we all agree with him in this desire, but it is my conviction that there are not 17 people in Canada who can do this job by themselves. Too often we set up commissions and send them off on the road without adequate staff, without adequate personnel to serve them, without providing them with all the essential material and facts necessary for making a decision. It is my hope that such a mistake will not be made with this new commission. I sincerely hope that they will have at their disposal the necessary, qualified personnel to provide them with all the facts before any decision is made. This is very necessary if, as I said at the outset, the legislation or the programs and policies that are evolved from this piece of legislation are to play the part they ought to play in developing the type of Canada that we would like to leave for Canadians yet unborn.

It seems to me that if we play no part, or if we do not interfere in any way with the natural growth of this country, then we are very apt to have a pattern of development similar to that in the great country to the south of us. It may be even more emphasized in Canada than in the United States because of the fact that we are a long narrow strip of land, which is how one could describe the occupied part of this country. It seems to me we could arrive at the day where we would have one City of Montreal with perhaps 20 million people, another 20 million people in Toronto, and another huge metropolitan area on the west coast, with very little in between and very little east of Montreal. I doubt if this is the type of Canada that our children and grandchildren would wish to live in. But if we give little or no guidance, this is very liable to happen. But if it does happen, this nation will be faced with tremendous expenditures many years from now to solve the problem that this type of development creates.

Think of the tremendous problems in the great cities in the world today with water and air pollution, with the problems of supplying fresh water and the problems of transportation. Untold millions of dollars will have to be spent on large cities, especially in the United States, in the very near future just to keep them habitable. This same situation could develop in Canada. Instead of having three or four large metropolitan areas, I would much prefer to see Canada develop 20 or 30 smaller metropolitan areas. This will cost money, honourable senators, but I doubt if in the end the expenditures will be greater than those involved in the type of growth that has taken place in that great country to the south of us.

I believe that the transportation programs and policies that will be implemented under this bill will play a large part in dictating the

type of country we will live in 50 or 100 years from now.

I want to turn for a moment to the effect that this transportation policy could have on modernizing the grain handling facilities in western Canada. There has been some modernization in these facilities, but it has been painfully slow. I suggest to you that if the modernization of agriculture generally in western Canada had been as slow as the modernization of the grain handling facilities, then we would not have lost 50,000 farmers in Saskatchewan since the end of the last war—we would probably have lost them all. Farming has changed, and changed tremendously. This is the only reason that some 80,000 farmers have continued in the agricultural industry in my province, and are doing probably better today than their counterparts did 20 years ago. But what has happened the grain handling facilities? By and large the country elevators in Western Canada today are almost identical with those in operation at the turn of the century.

Hon. Mr. Paterson: Oh no, not by a long shot.

Hon. Mr. McDonald: My honourable friend does not agree with me; he is in the grain handling business. In Western Canada today and in my own province we have many of the old 30,000-bushel houses—and when I say "houses" I refer to the country elevators still in operation. The place for a 30,000-bushel house is out on the farm and not in the commercial elevator business. Certainly many new elevators have been built; we now have some modern elevators with a capacity of 150,000 bushels.

Furthermore, there have been some amalgamations and some of the weaker and smaller companies have been bought out by larger companies, and this is good. It has resulted in greater efficiency through the cutting down of staffs both in the field and in head offices. This has resulted in many towns, where a larger company purchased a smaller one with whom it had been in competition, and are now operating two elevators. In many cases they have A and B elevators. The A is the big parent elevator and B is the smaller one. As a general rule these elevators are operated by one man, or by one man and a helper.

Another factor in the updating of the country elevator system has been the change from diesel motors to electric motive power, but in many instances this has been a patched up hook-up affair where the modern, efficient electric motor is not given half a chance to perform its function. In many cases they took the old motor out and put the electric motor in and left in all the old linkage which could not provide the efficiency that the electric motor could provide. In other instances the linkage has been done away with and the electric motor has been attached to the leg at the bottom. In some instances the electric motor has been placed at the top of the leg where it should be to get maximum efficiency.

An hon. Senator: How do you spell that?

Hon. Mr. McDonald: The same as mine. The leg is the main bucket system running from the bottom of the elevator to the top where the wheat is dumped into the bins. In addition many of the belts that run around the leg have what they call high speed buckets installed because the old buckets on the rubber or leather belt which went around the leg were such that if you ran them too fast they carried the same wheat round and round all the time. So they put in high-speed buckets to allow the wheat to be dumped out at the top. Many country elevators have put in new pits; these are the steel bins where the leg goes in at the bottom with the scales on top where the grain is weighed. We have had new scales installed in many others.

But do not take it from what I have said that this is all that should be done to keep pace with the times. On the installation of scales alone, there have been days in Western Canada when the only way you could weigh a modern truck in a grain elevator was to drive in and weigh the front wheels first, and then drive through and weight the back wheels, because it just was not possible to weigh the whole unit at the one time. Don't tell me they have kept pace with automation.

Hon. Mr. Aseltine: We have none of them at Rosetown.

Hon. Mr. McDonald: No. You were a little luckier and had some bigger crops, and they gave you some better elevators than some of us got.

Honourable senators, I want to give full credit for the efforts that have been made, but there are on this continent elevators that are fully automated, ones where an agent is not confined to 30,000, 70,000 or 150,000 bushels capacity. There are elevators on this continent that have a million-bushel capacity and are automated from beginning to end. There

is no such thing as having to walk down to the end of the gangway and close the elevator door before you can weigh the load of grain because the wind is blowing through and the beam is going up and down like this. You still have that old beam with the old weight on it, and you walk up and down until you get a place where it balances. This type of scale is for the birds! You can weigh grain today with the human hand never touching it. Not only do you weigh it, but the weight is imprinted on the storage or cash ticket without the individual having to write it out by hand. I will refer to that again a little later on.

Not only have you automatic scales, but also automatic moisture testers, automatic dockage machines, automatic graders, automatic computers, automatic cheque writers so much so that one man and a helper are able to handle a million-bushel house rather than a house of 30,000, 50,000, 75,000 or 150,000 bushels.

I have in my hand a grain ticket. Not many people in eastern Canada have ever seen one. I attempted to have one cashed at a bank in Ottawa one day and they did not know what it was. However, they finally accepted it.

Hon. Mr. Baird: Is that coloured green?

Hon. Mr. McDonald: No. The colour of the original is white; but this is a copy. This is supplied by the Canadian Wheat Board, and it is virtually the same type of ticket as the first I ever received for a load of grain and as my father ever received. I will return to the subject matter of the ticket a little later.

In the first place, when you deliver a load of grain to a country elevator it is very seldom that the agent brings the storage or cash book out and makes out the ticket. It is so cold, windy and drafty, dusty and dirty in the gangway that he generally has an old calendar sheet from last year and he puts the particulars down on that as he weighs the grain, docks it, weighs the empty wagon, and so on. Then he takes you into his office and starts to fill this ticket out.

In the first column you have "gross weight." Of course he has to take this off the scales, put it down on the calendar pad and take it to the office. He puts down the gross weight in longhand, weighs the vehicle after the grain has been dumped out, and puts that in, and then subtracts one from the other in his head. Then if you want the grain cleaned, he takes out the screenings and cleanings and deducts those. Then you have the gross weight after cleaning. Then he takes out shrinkage, all by hand, and enters the gross weight to account for it.

That is not the end of it. He transfers that over on to the other half of the ticket, but before doing that he writes in the name of the station and the Canadian Wheat Board number, the date, type of grain—all by hand. Then he puts your name in; he puts your producers permit book number in by hand; he puts your address in by hand. Then all these figures that he has put down he reproduces again in writing. Then he has a further calculation to make when he gets the total weight of grain, grade, price per bushel—and they do have a calculator to do this—the value. Then he deducts the P.F.A.A. deductions and enters on the cheque the final amount that you are entitled to—all in longhand. Then he signs it, and if you belong to a co-operative he writes your co-operative number in. If you are a tenant he writes the landlord's name in. In the meantime you smoke two cigarettes, drink a cup of coffee and have a very enjoyable afternoon.

Surely, we are part of a different society, one that cannot afford this outmoded system? One of the reasons we have this type of system is because every time the grain-handling companies get into a financial squeeze they can come to Ottawa and make application for an increase either in handling or in storage charges. They do not often get what they ask for, but quite often they get an increase, and sometimes they are adjusted because of particular conditions prevalent at that time.

This can all be done by machine today, and the cost of handling a hundred or a million bushels of grain in my humble opinion could be much less than it is. But it cannot be less unless we have a drastic change in our country elevator system.

My figures are ten years old now, but in 1956 I made a survey of the total amount of grain handled by the country elevator system in Saskatchewan, and of the amount of grain that was handled on the average by each elevator. Ten years ago there were, in round figures, 300 bushels a day entering and leaving the average country elevator in Saskatchewan. I can carry 300 bushels in a pail from a wagon to the top of an elevator, and do away with all the rest. But this is foolishness, and it is foolish to have a country elevator system where your average handlings for a 200-work day a year are 300

bushels a day. Naturally, it is more today: We are growing more grain, and we have had some amalgamations. I did not have the resources at my disposal to get the average today, but I am sure it is not keeping pace with the modernization in other industries.

We have another problem with the transportation of grain from western Canada to our ports. Our grain is taken from the country elevator to terminals—whether at Fort William or Vancouver—in the raw state. You are moving the dockage, the weed seeds and cracked grain from the place of the producer down to your terminal elevators, and in some instances moving the screenings back to where they were produced. In my humble opinion, this grain should be cleaned on the prairies, and in the future it will have to be cleaned there.

Hon. Mr. Choquette: This is all very interesting, honourable senator, but what has it all to do with the bill before us? I have been very attentive but I cannot see the connection.

Hon. Mr. McDonald: I do not think you have been very attentive, or you would have heard me say that the bill before us, which is a transportation bill, has a tremendous effect on the facilities that we are going to have available for handling western grain production in the future. What I am trying to point out is the inefficiency of the system today, and that it is high time it was changed. It is my hope that those people charged with the responsibility of implementing programs under this piece of legislation will bear these matters in mind.

Hon. Mr. Brooks: Are the railroads responsible?

Hon. Mr. McDonald: They are responsible for moving the grain from the elevators.

Hon. Mr. Brooks: After it moves out of the elevators.

Hon. Mr. McDonald: Yes.

Hon. Mr. Brooks: You are speaking of the situation in the elevators.

Hon. Mr. McDonald: Yes.

Hon. Mr. Brooks: Are the railroads responsible for the situation in the elevators?

Hon. Mr. McDonald: No, they are not, but if we are to have some adjustment in the railroad system in Western Canada, if some branch lines are to be done away with, and perhaps some new additions made to the railroad system to hook up two areas that may be several miles apart by a branch line or an inter-connecting line between two main lines, then this is, in my opinion, a golden opportunity for the company that are charged with the responsibility to the country elevator system in western Canada to modernize and bring their elevators up to date.

Hon. Mr. Brooks: I agree with you. It should be done.

Hon. Mr. McDonald: I was talking about removing weed seeds and cracked grain from the grain before it is moved to the terminal elevators. I know that some of this material has gone into export channels, but there is a need, and there will be a greater need, for it to remain in Western Canada. It is estimated that by 1980 the production of red meat on this continent will have doubled. One of the main areas of Canada to double its red meat production is Western Canada, and I think there is going to be great need for all of these waste materials that are included in the grain that is now being shipped to our terminal elevators. It will have to be cleaned before it leaves the place of origin.

Honourable senators, I shall conclude by saying again that this bill gives us a golden opportunity to change some of our old habits in Canada. It gives us a golden opportunity to design the type of country that we would like to leave for the coming generations. To repeat the remarks I made at the beginning of my short address, surely we are not going to let this country grow up in a laissez faire fashion so that it will be unsuited to the generations yet unborn. We have an opportunity in this legislation to do something about that.

I sincerely hope that the 17 commissioners will be the best men available in Canada, and that they will have an adequate staff to do the research so that every decision they make will be the right and proper one. If that is the case then we can be hopeful that Canadians to come will have a better country in which to live—better than that in which you and I have had to live, and it has certainly not been too bad for us.

Hon. Norman McL. Paterson: Honourable senators, before we forget what the honourable senator has said I should like to remark that the first elevator I built cost $5,000. About two years ago I built one at Broadview that cost $85,000.

Hon. Mr. McDonald: It is a good one too.

Hon. Mr. Paterson: The honourable senator was entirely wrong. The first elevator I saw was run by a horse going around a capstan. Then, there was another one that was run by a steam engine. Nearly every elevator today is run by electric motors. The carts that came in with the grain in those early days carried 30 to 40 bushels in bags. Today trucks will come in each with 500 bushels.

If the pools were taxed they would have to compete with us fellows, and build a little better type of elevator.

Hon. Hazen Argue: Honourable senators, before the motion is put I should like to say a few words.

I associate myself with other honourable senators who have complimented the honourable Deputy Leader of the Government for his competent introduction of this very important and complicated measure.

I want to associate myself also with the remarks of Senator McDonald who has just resumed his seat, in referring to the late Mr. M. A. MacPherson of Regina, Saskatchewan, who was a most outstanding Canadian, a man who over a whole lifetime completed successfully any job to which he set his hand. In the field of railway matters certainly he had become Canada's outstanding authority.

Mr. MacPherson, if I may say so, seemed to take at different periods of his life somewhat different attitudes to the same question. I can say that I was emotionally in greater sympathy with his general stand when he was opposing freight rate increases than I was when he said, for example, there should be after inquiry compensation to the railways for the Crowsnest Pass grain rates. Mr. MacPherson was a very outstanding Canadian who made a great contribution to the public life of this country.

I agree with Senator Thorvaldson in his stated opposition to any change in the Crownest Pass grain rates. That opposition is a nonpolitical thing in Canada because I know of no political party that is in favour of any tinkering with the Crowsnest Pass grain rates. Speaking for myself, I would be quite happy if the delay in inquiring into the Crowsnest Pass grain rates, to decide whether they are compensatory or not to the railway companies, is prolonged, because if there is one issue today on which the people of the Prairies are united it is in respect of those rates and in opposition to tinkering with them.

I must say that the people on the Prairies, generally, are suspicious of any activity that might tend to prove that these rates do not compensate the railway companies in an adequate way and that therefore the companies should be compensated from the national treasury. They view any move in that direction with considerable suspicion.

It is all very well for people to get up and say: "We want all controls off, and all regulations off." That is fine, and I certainly feel that there should be a maximum amount of competition wherever it is possible. But let us never forget that the industry of this country has been built up to a substantial degree by the existing tariffs. We have tariffs in this country against many goods coming into it from other countries. The people on the Prairies feel that it is right in the public interest that this great grain export industry should be encouraged by the provision of the lowest possible freight rates.

I do not think that there is any doubt that when this measure becomes effective the people on the Prairies and the people in the Maritimes as well, to a much greater degree than people in other parts of Canada, will be required to pay higher freight rates. Public money to the amount of $110 million a year is now paid by way of subsidies to its railroads. One of the principles of this measure is to phase these subsidies out, and to increase freight rates, albeit as far as possible in a competitive way, and thus transfer the burden from the national treasury to the transport users of this country. I hope that in all of these steps the new commission, and the Parliament of this country, will see to it that the freight rates are as fair as possible and kept in relation with other general policies of the government across our country.

Honourable senators, I want to take what might be called a rather parochial attitude today, because I do feel it is required that a case be made in the direct interests of the people who will be affected—and adversely affected—by the abandonment of railway lines when those abandonments do take place. Let us not forget that the pioneers who went out to Western Canada to turn the sod and establish that great agricultural area spent years of their lives in endeavouring to get an adequate network of railways and railway branch lines to service the area. Their sons and daughters will not take kindly to any general wholesale effort towards taking up branch lines and undoing the work of their forefathers in bringing railway services to the country.

I am not going to say that some branch lines cannot be abandoned, or should not be abandoned. Branch lines have been abandoned in the past. But, I think there should be a careful and cautious approach to this matter, for a number of reasons.

I have looked over the submissions of the farm organizations to the transport committee and I have read the debates in the other place. There are some outstanding contributions. However, it does seem to me that there has been a general oversight of the precise and adverse effect on the individual producer by rail line abandonment.

Honourable senators, I put it to you in this way. Imagine that you are a producer and that you have a farm unit close to a railway marketing point, that you have one of those elevators which Senator Paterson referred to. Most of the farms are at least adequate from a farmer's point of view, although they may not be the most efficient from a grain company's point of view. In any event, your farm is close to a local elevator. All of a sudden a railway branch line is abandoned, and instead of hauling perhaps five miles to the local elevator you have to haul possibly 25 miles to another elevator. I suggest that you are going to lose at least 10 cents a bushel immediately by that single act. If that should be the case, and I believe it is the case, then the farmer will lose up to 6 per cent of his gross income from wheat by that single act. I suggest that would mean a reduction of at least from 15 per cent to 20 per cent or 25 per cent in his net income.

This is why the farmers on the Prairies are going to be very much opposed and will do everything they can to prevent the abandonment of some of these railway lines that the railway companies will endeavour to abandon.

Not only will the farmer lose this net income, but if he is an older man and wishes to retire he will immediately lose a part of the capital value of the farm. Many farmers, I think all farmers, will pay extra money to get a farm close to a market, and will pay less money if the farm is remote, and railway abandonment will affect the capital value.

I saw little or no reference to this point by the farm organizations or by people talking about this subject, and I feel that it is time we started to think about the individual who will be adversely affected by this kind of a move.

Now, the Government has adopted, and I think rightly, a number of important policies to compensate in other areas when automation and modernization of facilities takes place. One has only to mention the coal mines of Cape Breton. I am told by my colleague Senator Urquhart that it will cost $25 million to phase out the coal industry and that another $30 million is required for new industry. I think that is the modern attitude to adverse results that come about by reason of automation and modern development.

The whole concept of government today is to try to lessen the burden, where there is a burden following automation. The Freedman Royal Commission, which had to deal with the dismissal of certain employees on the railway runthroughs because they were not required, made important recommendations to ease this kind of modernization.

We have an ARDA program to which was committed $75 million, because Parliament said, and rightly so, that we should do everything we can to bring industry into the agricultural areas and to support those areas. I suggest that Parliament should be careful, even from a monetary and budget standpoint, when, on the one hand, it is spending $75 million to bring industry to certain areas, further millions to compensate for the adverse effect of modernization and automation in certain other areas, and then on the other hand, says, now we are going to go ahead and provide for this kind of modernization but without taking into account the possibility of paying some direct compensation to the farmers who may be adversely affected.

I think some consideration should be given, when the railways feel a line should be abandoned, to providing some compensation to the farmers. I can think of a plan and a formula. They know the marketing pattern of the past and the new pattern that will result from abandonment. There is that information to guide them in establishing a formula whereby a farmer who is adversely affected will get some compensation when such a railway line is abandoned.

I also think there should be the utmost care taken in looking into any of these applications for the abandonment of a railway line, because I think it has already been proven, even to the railways' satisfaction, that they were too ambitious a few years ago in the number of branch lines they wished to have abandoned, and since that time there has been an increase of traffic over most of those branch lines.

A few years ago there was talk of the abandonment of 4,000 miles of railway lines

on the prairies. The railway companies have said since that at least until 1975 they will not be asking for any more than a maximum of 1,800 miles of abandonment. So let us not agree to the abandoning of a given line when in fact that line might become a very economic line in the years ahead.

I want to say that the present legislation, as I read it, is a substantial improvement over the first draft, and that the Canadian Transportation Commission has a good deal of discretion in recommending whether or not an uneconomic line should be maintained, and if so, suggesting a certain monetary compensation to the railway companies; but I know of no consideration that has been given to compensating farmers themselves when a line is abandoned.

Now, no doubt there will be lots of applications for abandonment of lines. The railways will be doing everything they can to abandon the lines which are not now protected. I can understand their point of view very well. They are going to get the grain anyway. If a farmer has to haul another 20, 30, or 40 miles, the railway companies will get the grain, and under the Crowsnest Pass Agreement they will be paid almost precisely the same amount, so it is to their advantage to obtain abandonment. But is it to the advantage of the farmers?

I know one part of a branch line some 50 miles in length that the railways are endeavouring to abandon. In each of three towns there is a brand new elevator, or less than two or three years old; so modern facilities are available. The three elevators have been handling during the past year over 1,000,000 bushels of grain. To haul that quantity out requires 22 miles of railway from the three points. It is so easy to say, "Let's go modern; let large elevators in the main lines." Well, the railways informed the transport committee that they would like to have a marketing point every 50 miles. To haul this greater distance, a farmer must incur a substantial expense. A small freight train today carrying grain has fifty cars, and to carry the wheat that goes into those fifty 2,000-bushel cars would take 500 farmers driving 500 trucks, each one carrying a load of 200 bushels of wheat. I ask you, which is the more efficient, a railway train with four or five people operating it, or 500 farmers driving trucks at their own expense because the railway lines have been abandoned? This is modernization in reverse. Where railway lines are abandoned, it will mean a transfer of money from the farmers' pockets to the automobile manufacturers, truck manufacturers, oil companies and so on.

I am not saying there should be no branch line abandonment. This is a problem which must be dealt with. However, it should be dealt with with great caution. I am saying that we should not automatically decide that, because a branch line loses some money it should be taken out. The railway may be the only small industry in that area. It may have in that elevator a good modern seed-cleaning plant, which is something which should be considered.

I realize that the Transport Commission will have power to make that recommendation. I am merely saying that I hope it will be given the greatest possible amount of weight.

I would suggest that in handling this whole affair there is need for a united voice from the Prairie provinces. I suggest that at present, at least on this problem, the farm organizations are weak, divided, and not very articulate. The Canadian Federation of Agriculture did not even grace the Transport Commission hearing with a submission. It did not appear. The Wheat Pools appeared, the Farmers' Union appeared, but their submissions were not the strong submissions that the situation required.

In the interest of getting the best possible results from this legislation—not to destroy it or undermine it but to get the very best possible results—the people in the Prairie Provinces should be united on this problem in one organization representing the farm organizations of the three provincial governments, so that when representation is made to the new commission it will be made with a strong voice.

Furthermore, some consideration should be given to providing moneys to the producers themselves for losses in any phasing-out period. I believe it is just, it is fair and it is in keeping with the Government and Parliament's attitude to other industries and other areas faced with somewhat similar problems.

The federal Government should also take the initiative in providing legal counsel and competent experts on freight rates and freight questions, to help put the case for those areas affected by proposed branch line abandonment. This would mean a kind of ombudsman, enlisted to argue the economic and other legitimate interests of those who may be affected.

Let us assume and let us hope that this commission will be the best in the world.

However, appearing before it will be representatives of the railway companies, who are strong and powerful. The Government would be doing the country a service if it provided a bureau from which legal personnel would be available with the services of railway economists, to go before that commission to make sure that the producers' case would be well represented. The farmers do not stand a chance by themselves before a commission, where they will be arguing against legal counsel, economists and rail costing experts representing railway companies.

This morning I read an important statement in the press by the Honourable John Turner, Minister without Portfolio, wherein he advocated a system to provide public moneys for legal aid to people who are unable to provide legal assistance for themselves when they get into difficulties. That is a good principle, and I compliment the Honourable Mr. Turner on his statement. It is my opinion that that principle should be extended in a situation like this, to provide legal services to producers along the railway lines, who may not be adequately represented before the new commission.

Care must be taken that the abandonment procedures are not carried out in cases where, a few years later, everyone would agree a mistake has been made.

The agricultural industry in Western Canada is efficient, as Senator McDonald so well said. It has increased its productivity in the last few years by 50 per cent. The agronomists of this country are using every effort on a accelerated basis to increase the grain yields.

As one who understands something of this field, I would expect to see a great breakthrough in grain production in the next few years, showing at least a 25 per cent increase, and therefore there would be at least that much greater business for the railway companies.

I am sure this bill has received careful consideration and thought before being brought before us. Many amendments have been made to the first draft and the Government has been prepared to accept the amendments. I feel that further changes will be made, and I have made my comments this afternoon in the hope that when this case is argued, the same weight and consideration may be given to the farmers as is being given to the railway position.

Hon. G. Percival Burchill: Honourable senators, at this hour of the day I can assure you my remarks will be brief. In case anyone should leave this chamber this afternoon under the impression that all the transportation problems are in Western Canada, I join with my colleagues from the Maritimes, my old friends Senator Brooks and Senator Phillips, in emphasizing that we in eastern Canada have some problems regarding transportation.

Before I say more about that, may I say I was glad to hear the gracious and deserving tribute paid this afternoon to the Honourable Mr. MacPherson, the Chairman of the Royal Commission on Transportation which brought in the report on which this legislation is based. I wish to remind honourable senators that Mr. MacPherson came from the Maritime Provinces. He was our gift to Western Canada. Mr. MacPherson was not alone in that respect: we have sent thousands out there since Confederation, and we will send many more, because the Maritimes are producing the same kind of men all the time. Therefore, do not forget where the good stuff comes from, when talking about the glories and the progress made in western Canada.

I join with my Maritime friends in respect to the problems of transportation in eastern Canada. These are vital problems for us. To go back to the days of Confederation, one of the provisions which brought the Maritime provinces into Confederation was that a railroad be built to enable manufacturers in the Maritime provinces to market their goods in central Canada. So the Intercolonial Railway was built, and for some years while that company had its main office in Moncton we enjoyed fairly good times. But the Intercolonial Railway was assimilated into the great Canadian National, with headquarters in metropolitan Montreal. We in the Maritimes felt that that agreement was sacred, as our forefathers also thought it was sacred when the Maritimes joined Confederation.

We have an idea now and have had for some years that the agreement is not regarded by the management of the Canadian National Railways in the same way as it was at the time when it was formulated in the days of Confederation, with the result that ever since that time transportation has been a burning question all over the Maritime provinces. In fact it got to such a point, I think in 1926, that a special train carrying people from all over the Maritimes—among them the most prominent citizens—came here to Ottawa to protest to the Government. They demanded that something be done, because in those days, and previous to that time, we

were really handcuffed. The word they use today I think is "captive."

Hon. Mr. Choquette: Straitjacket.

Hon. Mr. Burchill: Yes. We were really handcuffed. We could not get anywhere in the Maritimes. So this special delegation went to Ottawa, and as a result the Duncan Commission was appointed and we finally got the Maritime Freight Rates Act.

Also, the Maritime Provinces Transport Commission has been in operation down there ever since, to ensure that operations are in line with the objectives of the Maritime Freight Rates Act. I want to pay tribute to that commission for the work it has done through the years in acting as watchdog over the rates charged by the Canadian National Railways on our commodities.

Now let me remind you once more that trading from central Canada to the Maritimes is a one-way street. We have to buy everything we need from the manufacturers in the central provinces, but we cannot sell them anything—at least we cannot sell them much, because the cost of transporting our goods to the central Canadian market undermines our ability to compete with other goods.

Senator Phillips yesterday afternoon gave two very excellent examples of what is happening and the detrimental effect it is having on our manufacturers in the Maritimes.

I remember one of our great manufacturers in New Brunswick, the late Mr. A. D. Ganong, who was a very active member of the Canadian Chamber of Commerce and the Maritime Board of Trade. He gave a lot of time to the furtherance of matters considered by those bodies. He told me once that the only product that virtually could be manufactured in the Maritimes with any hope of successful marketing in central Canada was a small article that did not weigh much, so that the cost of transporting it would be a small part of the total cost of manufacturing and delivery.

I think Maritime manufacturers in their years of experience would bear out and confirm that statement by Mr. Ganong.

In our section of the Province of New Brunswick, the northern part, we are solely dependent on the Canadian National Railways. Lumber and forestry products, which are the principal products of that section of the province, if shipped to points on this Continent, are entirely dependent on the Canadian National Railways. The lumber industry survived over the years down there on account of the opportunities we had for shipping and selling to the United Kingdom.

In latter months, the restrictions that have been imposed in the United Kingdom on account of economic conditions over there have made it pretty difficult to make any sales in that market. So the industry is restricted in its search for markets for its products. I do not know what we would do if it were not for the truck transportation that we are able to employ between our manufacturing points and the market in eastern seaboard of the United States.

I am very much in favour of Senator Brooks' suggestion for a corridor road through Maine, an idea which has been promoted recently in the Maritimes so that we may use truck transportation for our commodities in the hope of being able to compete on a better basis in the Canadian market.

Let me just conclude by saying that, so far as the Maritime provinces are concerned, and in fact the Atlantic provinces, transportation is our very lifeline. I cannot emphasize too much that our future welfare and prosperity depends on transportation, and I have every reason to hope that the commission which will be appointed by this legislation will study and favourably consider the Maritime situation. If the worst comes to the worst, of course, as Senator Asletine reminded us this afternoon when he referred to what happened in 1919, we can always depend upon the Senate to look after our interests.

Hon. Gordon B. Isnor: Honourable senators, as the hour is late I will condense my remarks to the lowest possible point. However, I feel that in view of the fact that three westerners have taken part in the debate this afternoon and have presented their story in such an able manner, the least I can do is try to present our story from the east along with those points made by the honourable Senator Burchill.

I listened to and read the remarks made in the House of Commons on this bill, and I was very much impressed with the arguments advanced there. The reasons for the bill impressed me, but I think if the people of Canada could have listened to the remarks of the previous speakers this afternoon and to the remarks of the speakers yesterday, and as well to those of the sponsor of this bill (Hon. Mr. Deschatelets), they would better realize the value of the Senate.

Hon. Senators: Hear, hear.

Hon. Mr. Isnor: I pause at this time to compliment the Deputy Leader of the Government on the very able manner in which he outlined this bill. He gave us a wonderful background which made it ever so much easier for us to follow the bill, for it is a voluminous document and covers a lot of ground. I know that we all appreciate the homework and the very fine manner in which he presented the main features of this bill.

Coming as I do from the Maritimes, I naturally must speak not so much of the railway angle but rather of the effect that it is going to have on traffic in general. This is not a railway bill, as has been emphasized time and again by various speakers, but is rather a transport policy bill designed to cover all phases of transportation, namely, by rail, air, water, truck, and even pipe lines.

The competition phase of the others has been emphasized. We in the Maritimes do not enjoy the competition which they enjoy and have in central Canada, and for that reason I am just wondering what is going to happen to the rates. Naturally, a person in business, if he has very keen competition, is going to be guided to a certain extent by the prices offered by his competitors. In the case of Ontario and Quebec it is particularly true that they have a system of transportation by truck. The railways naturally will be interested in comparing their rates, and of course will be so guided.

We in the eastern section of Canada have not the same form of competition, and I am just wondering what effect that fact might have on these 17 men on the commission who will be obliged to decide whether an increase in the rates is warranted.

Honourable senators, like others, I had misgivings at first about this bill. I wondered what effect it would have on my own section of the country. Illustrations have already been given of the costs of production and manufacturing in the Maritimes. Senator Phillips and Senator Burchill spoke on these questions. I remember one manufacturer of coffee remarking to me, "Do you realize that we pay 65 per cent of the cost of the product on freight rates?" He went on to point out that we pay to bring the glass jar from central Canada to Halifax, where we fill it with the best brand of coffee made in Canada and then ship it back again, and that the cost involved in this represents 65 per cent of the total cost of the product. I have remembered his remarks since then because they brought home to me the effect of the transportation charges on the railways.

I was very much interested in what the Leader of the Opposition (Hon. Mr. Brooks) had to say, and I was very pleased to hear that he approved of the bill. I too approve of the bill. I think if properly implemented and if adequate consideration is given to its details, it will work for the interests of all concerned. However, as I said a moment ago, this measure involves a transportation policy and not just a railways policy. The users of transportation require a healthy and efficient transport system, free to compete and to be paid for by the users. I think Bill C-231 will implement this idea as well as the recommendations contained in the MacPherson Report.

Reference has been made to the greater use of pipe line transportation for solids. Serious consideration should be given to this matter. Sulphur, potash, wood chips, iron ore as well as wheat shipments could possibly be moved by this means in the future.

Honourable senators, one of my concerns since the bill was first introduced has been the effect it will have on the Port of Halifax. We all realize that the federal Government has a larger capital investment in the National Harbours Board, but this has not been talked about to date to any extent. I mention it because it is something which should not be overlooked. While the St. Lawrence ports will no doubt continue to be used by interested parties, for the sake of those who now make their living on the waterfront I hope that the ports of Halifax and Saint John will continue to be used to the greatest possible extent, particularly in the winter season.

May I at this juncture refer to Halifax as being perhaps the safest year-round shipping port in the whole of Canada. I think that fact is generally recognized. It has a depth of 70 feet, which enables the largest ships to enter the port, dock, turn around and go out again without the slightest danger.

In this connection I would mention that yesterday the Halifax press carried an item which stated that a $60,000 report by a New York consulting firm is now being studied in Halifax in respect to the possibility of developing the Port of Halifax as the terminal for giant bulk cargo vessels, such as I believe will be in use in future years. These ships are getting larger and larger, and for that reason I look to greater possible use of the Port of Halifax.

I might also make a passing reference to freight rates, which have increased 157 per cent in twelve years. But they have increased

more in the Maritimes than in any other section of the country; in fact, one-third of the traffic has borne three-quarters of the increase.

I think I should also mention that the act which came into force in 1927 approved a 30 per cent freight charge subsidy for goods shipped east of Levis, Quebec, to central Canadian markets. This was designed to place eastern manufacturers on a price parity basis with their competitors in central Canada. That is a point which should not be overlooked. It is especially important to remember this because of the centralized population, particularly in the Toronto area, within a radius of 100 miles of that city. This applies equally to Montreal and the surrounding industrial districts.

Honourable senators, I mentioned the larger type of bulk carriers. The development of such carriers is growing, and ports such as Halifax which have safe deep-water berths should attract them. I mention this also so that our friends in the Maritimes will not overlook the advantages of our fine harbours. At this stage I think I should also mention the contracts entered into between the Canadian Government and the Russian Government for the shipment of grain. I believe all that grain should be shipped through our own Canadian ports. I have in mind particularly the suitability of the ports of Halifax and Saint John for the shipment of flour, but I think both ports should share equally the benefits to be derived from the traffic. At the present time 100 per cent of the shipment are going through the Port of Saint John. I do not know whether they are more energetic and more active there than we are in Nova Scotia, but that is the situation that exists today and I feel that the Government should look into this matter with a view to distributing the shipments equally.

Hon. Mr. Brooks: You are getting most of the other freight.

Hon. Mr. Isnor: Perhaps we handle the other freight better than they do in Saint John; and of course we have a safer harbour. At any rate, I feel that these shipments should be through Canadian rather than United States ports.

No doubt the drafters of this particular bill intended to assist all parts of Canada in equal measure. If so, I feel it ought to be emphasized that all such cargo should be shipped through Canadian ports, and that all through rates by Canadian railways to and from Canadian ports must not be greater than the rates for shipping via United States ports. I leave that thought with those who will have to consider these questions later. I sincerely trust that protection will be given to all Canadian ports.

Since this is Centennial Year, let us look back to what has happened from 1867 to the present time. My honourable friend Senator Burchill has already spoken of the feeling in the Maritimes. When we entered Confederation we felt that we were going to have direct contact and the same opportunities as other provinces to do business with central and other parts of Canada. I feel that should be emphasized, so that the commission, when appointed, will bear it in mind and see that the maritime provinces are given the thought and attention they had hoped for when entering Confederation.

Following along the same line of thought, the mere fact that a greater proportion of Atlantic region tonnage is carried by the rails compared to any other region of Canada means that any increase in rail rates resulting from Bill C-231 will hit the Atlantic provinces harder than other regions.

At this point I might mention that the lack of motor truck competition with the railways means that the railways will feel free to apply, and no doubt will apply, rate increases in the Atlantic region, yet will be reluctant to apply them in areas with effective competition such as Ontario and Quebec for fear of losing their traffic. I have mentioned that before, but it does no harm to emphasize it.

Again, without being narrow in my thinking, the Government and the country have a big financial stake in the St. Lawrence, and we all recall that when the St. Lawrence Seaway development was inaugurated it was stated that it would be self-supporting. It is not now, and never has been in such a position. At the present time it is operating with a deficit in the region of $42 million, its true accumulated deficit being about $76 million.

I mention this because there are some who feel that the St. Lawrence ports should continue to operate without an increased toll charge, and I feel, in fairness to the Government as well as putting the St. Lawrence ports on a par with other ports, that this increase of tolls should go into effect. I think I am right in saying that a few years ago the Leader of the Opposition (Hon. Mr. Brooks) thought otherwise, but I was happy to note when he spoke here yesterday that he thought these tolls should be increased. I hope I am not misquoting him.

Hon. Mr. Brooks: That is on the canal system.

Hon. Mr. Isnor: I just want to put that on record.

The main features of this bill have been so well covered that I do not propose to comment further on the matter at this late hour.

In closing, may I say that I have endeavoured to keep my remarks on an impartial and nonpolitical basis. If the measure becomes law I am axious to see the act given a fair trial, and I again repeat the words of the Leader of the Opposition, "I am in favour of the bill."

Hon. Malcolm Hollett: Honourable senators, I do not intend to take up much of your time, but I am a Canadian—as a matter of fact, I received a placard to that effect today. I live in little Newfoundland, opposite the mouth of the St. Lawrence River, and I have not heard the word Newfoundland mentioned since this debate began. I did hear an honourable senator opposite complaining that his grain cheque was not made out by the computer system. I heard some honourable senators complaining about things in other parts of Canada, but I did not hear Newfoundland mentioned at all.

It is nearly 18 years since we entered Confederation, and I remember hearing speakers on the public platform in Newfoundland in those rugged days before we entered Confederation, say that we would get a railway comparable to that of the rest of the country, as soon as they could build it.

In Newfoundland today we have a narrow-gauge railway, and it takes twice as long to travel from Port aux Basques to St. John's as it would if we had a wider gauge. We were promised a wider gauge but it has not been built yet.

I merely rise to remind the commissioners, when they are appointed, that we are still expecting that railway to be rebuilt with regular gauge rails which as I say, would make possible the journey from Port aux Basques to St. John's in almost half the time; and the cost to carry freight back and forth would be considerably less. I am quite sure that my friend opposite, Senator Cook, will agree with me when I say that we want that wide-gauge railway.

As for other means of transportation, I think Air Canada is marvelous. We in Newfoundland have every reason to admire the service it provides. We are flying across the ocean more and more. The ships are also doing a splendid job.

I am not complaining at all. I am just reminding the Senate of, and asking the commissioners when appointed, to remember the promise that was made to the people of Newfoundland 18 years ago.

Hon. Mr. Aseltine: Do you want them to abandon your railroad and build a new one?

Hon. Mr. Hollett: Yes, that is what we want them to do.

Hon. Jean-Paul Deschatelets: Honourable senators,—

The Hon. the Speaker: Honourable senators, if the honourable Senator Deschatelets speaks now it will have the effect of closing the debate.

Hon. Mr. Deschatelets: Honourable senators, I have some good news for you—I will be brief.

I wish to thank all the honourable senators who have taken part in this excellent debate; they have all been very kind to me in their remarks. I appreciate this, and also wish to tell them how valuable have been their contributions to this debate. I wish to put some emphasis on the fact that since the beginning this debate has been kept on the highest level. I believe we have seen the Senate at its best.

Honourable senators, I had prepared answers to some difficult questions which were raised, but since in a few minutes I am going to move that this bill be referred to the Standing Committee on Transport and Communications, and since the Minister of Transport will appear before that committee, I think that better answers and more elaborate details could be given in committee. Therefore, I think it will be found more satisfactory if at this time I conclude my remarks by saying that if the debate that has taken place is a sample of what is going to occur in committee, then we shall have a lively and interesting hearing.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Deschatelets, bill referred to the Standing Committee on Transport and Communications.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of Reports of the Standing Committee on Divorce Nos. 1042 to 1098, inclusive, which were presented yesterday.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted, on division.

RESOLUTIONS PRESENTED

Leave having been given to revert to Presentation of Petitions:

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1022, for the relief of Barbara Ann Rivard Shewan.

Resolution 1023, for the relief of Marguerite Marina Blain Kreuzer.

Resolution 1024, for the relief of Ruth Rita Elizabeth Swift Peters Dennis.

Resolution 1025, for the relief of Betty Jane Genser Kleinerman.

Resolution 1026, for the relief of Irene Mary Elizabeth O'Connell O'Reilly.

Resolution 1027, for the relief of Anthony Ronald Singer.

Resolution 1028, for the relief of Gilbert Meunier.

Resolution 1029, for the relief of Pauline Galipeau Serrentino.

Resolution 1030, for the relief of Victoire Bergeron Surphlis, otherwise known as Rosita Salvador.

Resolution 1031, for the relief of Stanley William Carruthers.

Resolution 1032, for the relief of Solange Sylvestre Beaudoin.

Resolution 1033, for the relief of Bernard Mathieu de Vienne.

Resolution 1034, for the relief of Mary Patricia Nield Atzel.

Resolution 1035, for the relief of Albert Blinkhorn.

Resolution 1036, for the relief of Aimee Shafferman Blond.

Resolution 1037, for the relief of Maurice Valade.

Resolution 1038, for the relief of Beverly (Beverley) Marjorie Mary Jones Aubin.

Resolution 1039, for the relief of Lilianne Belleville Lafford.

Resolution 1040, for the relief of Marie Eleonore Fabiola Clarke Duhamel.

Resolution 1041, for the relief of James Bergin.

Resolution 1042, for the relief of Constantina (Dina) Mihas Papavassilion, otherwise known as Constantina (Dina) Mihas Papavasiliou.

Resolution 1043, for the relief of Martha Eleanora Lynne Rodger Stone.

Resolution 1044, for the relief of Annie Mary Thompson Broome.

Resolution 1045, for the relief of Mary Beverly Beryl Howard Barnes.

Resolution 1046, for the relief of Dennis Andrew Spray.

Resolution 1047, for the relief of Franz Harry Thon.

Resolution 1048, for the relief of Ilse Ruth Dieman (Diemann) Dahan.

Resolution 1049, for the relief of Robert Gadoury.

Resolution 1050, for the relief of Jacques Roy.

Resolution 1051, for the relief of Valerien Robichaud.

Resolution 1052, for the relief of June Caroline Worsley Kander.

Resolution 1053, for the relief of Monique Ravassard Roberts.

Resolution 1054, for the relief of Lucien Lafleur.

Resolution 1055, for the relief of Richard Goulet.

Resolution 1056, for the relief of Malca Laskin Gillson.

Resolution 1057, for the relief of Betty Gottschalk Brown.

Resolution 1058, for the relief of Harry Baernklay.

Resolution 1059, for the relief of Laurette St. Onge Douillard.

Resolution 1060, for the relief of Elisabeth Heussen Pucher.

Resolution 1061, for the relief of Diamanto Alexiou Manikis.

Resolution 1062, for the relief of Jacqueline Cernat Iaroslavici Ormos.

Resolution 1063, for the relief of Jacqueline Dubois Lemieux.

Resolution 1064, for the relief of Stanislaw Flis.

Resolution 1065, for the relief of Joseph Fernand Remy.

Resolution 1066, for the relief of Joseph Maurice Claude Marcel Rolland.

Resolution 1067, for the relief of Joseph Henri Gilles Trepanier.

Resolution 1068, for the relief of Linda Lillian Goldwasser (Gold) Silver.

Resolution 1069, for the relief of Miriam Roslyn Brown Tomback.

Resolution 1070, for the relief of Charles Ross Graham.

Resolution 1071, for the relief of Jacques Bourgie.

Resolution 1072, for the relief of Elizabeth Mary Elder Taylor.

Resolution 1073, for the relief of James Henry Messenger.

Resolution 1074, for the relief of Frances Zabitsky Bezonsky.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration.

Hon. Mr. Roebuck: Honourable senators, with leave of the Senate, I move that these resolutions be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

The Senate adjourned until Monday, February 6, at 8 p.m.

THE SENATE

Monday, February 6, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

ADMINISTRATION OF JUSTICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Guay had been substituted for that of Mr. Choquette on the list of members appointed to serve on the Special Joint Committee respecting Mr. Justice Landreville.

CANADIAN FILM DEVELOPMENT CORPORATION BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-204, for the establishment of a Canadian Film Development Corporation.

Bill read first time.

Hon. John J. Connolly, with leave, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1022 to 1074, inclusive, which were presented on February 3.

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 1022, for the relief of Barbara Ann Rivard Shewan.

Resolution 1023, for the relief of Marguerite Marina Blain Kreuzer.

Resolution 1024, for the relief fo Ruth Rita Elizabeth Swift Peters Dennis.

Resolution 1025, for the relief of Betty Jane Genser Kleinerman.

Resolution 1026, for the relief of Irene Mary Elizabeth O'Connell O'Reilly.

Resolution 1027, for the relief of Anthony Ronald Singer.

Resolution 1028, for the relief of Gilbert Meunier.

Resolution 1029, for the relief of Pauline Galipeau Serrentino.

Resolution 1030, for the relief of Victoire Bergeron Surphlis, otherwise known as Rosita Salvador.

Resolution 1031, for the relief of Stanley William Carruthers.

Resolution 1032, for the relief of Solange Sylvestre Beaudoin.

Resolution 1033, for the relief of Bernard Mathieu de Vienne.

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Resolution 1040, for the relief of Marie Eleonore Fabiola Clarke Duhamel.

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Resolution 1050, for the relief of Jacques Roy.

Resolution 1051, for the relief of Valerien Robichaud.

Resolution 1052, for the relief of June Caroline Worsley Kander.

Resolution 1053, for the relief of Monique Ravassard Roberts.

Resolution 1054, for the relief of Lucien Lafleur.

Resolution 1055, for the relief of Richard Goulet.

Resolution 1056, for the relief of Malca Laskin Gillson.

Resolution 1057, for the relief of Betty Gottschalk Brown.

Resolution 1058, for the relief of Harry Baernklay.

Resolution 1059, for the relief of Laurette St. Onge Douillard.

Resolution 1060, for the relief of Elisabeth Heussen Pucher.

Resolution 1061, for the relief of Diamanto Alexiou Manikis.

Resolution 1062, for the relief of Jacqueline Cernat Iaroslavici Ormos.

Resolution 1063, for the relief of Jacqueline Dubois Lemieux.

Resolution 1064, for the relief of Stanislaw Flis.

Resolution 1065, for the relief of Joseph Fernand Remy.

Resolution 1066, for the relief of Joseph Maurice Claude Marcel Rolland.

Resolution 1067, for the relief of Joseph Henri Gilles Trepanier.

Resolution 1068, for the relief of Linda Lillian Goldwasser (Gold) Silver.

Resolution 1069, for the relief of Miriam Roslyn Brown Tomback.

Resolution 1070, for the relief of Charles Ross Graham.

Resolution 1071, for the relief of Jacques Bourgie.

Resolution 1072, for the relief of Elizabeth Mary Elder Taylor.

Resolution 1073, for the relief of James Henry Messenger.

Resolution 1074, for the relief of Frances Zabitsky Bezonsky.

Resolutions adopted, on division.

CANADIAN NATIONAL RAILWAYS FINANCING AND GUARANTEE BILL, 1965-1966

SECOND READING

Hon. W. M. Benidickson moved the second reading of Bill C-229, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January 1965 to the 30th day of June 1967, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

He said: Honourable senators, this bill will be familiar to this assembly, because basically it is the same as that of many previous years, except that on this occasion it combines two years in one measure. In this, though, it is not unique, as there is a precedent for it, in that the Canadian National Railways Financing and Guarantee Act of 1962-63 also combined two years in one act.

The bill is intended to accomplish six main purposes, each of which is similar in form to those of preceding acts.

First, in simple language, the bill proposes to authorize capital expenditures by the Canadian National Railways not exceeding $161,600,000 during the 1965 calendar year and not exceeding $192 million during the 1966 calendar year.

While the level of expenditure in 1965 is about the same as that incurred in the previous year, the level for 1966 is somewhat higher.

The bill contains technical provisions authorizing payments not exceeding $126 million coming due between January 1 and July 1 of this year, for obligations incurred prior to 1967. It also authorizes the Canadian National Railways to enter into contracts not exceeding $90 million for capital expenditures before July 1 of 1967, when payment will not become due until after 1966.

I think it will be recognized that we are dealing with capital expenditures in the two-year bill of $161 million for 1965 and $192 million for 1966, with provisions for certain commitments being given to the Canadian National Railways which extend into 1967.

The second point of the bill provides for the continued purchase by the Minister of Finance of Canadian National Railway four per cent preferred stock through to the end of the calendar year 1967. This continues the practice of previous financing and guarantee

acts. I point out that the 1964 financing and guarantee act, which was the last one before the Senate, extended to December 31, 1965. It extended the expiry date of the authority granted by the Canadian National Railways Capital Revision Act of 1952 for the purchase of such stock.

I must point out to the Senate that from my personal studies I find that the original act of 1952 contemplated expiry after nine years from the enactment of 1952, but for several years both Houses of Parliament have agreed to extensions. The cost of the purchase of four per cent preferred stock is at the present time about $25 million a year. It does not presently return anything on this investment. I think since 1952 dividends have been paid only in three or four of the years in this period.

The third item involved in this bill will extend until the year 1967 a moratorium on interest on the government loan of $100 million to the railway company, which was also authorized in the basic act of capital revision of 1952. Again I must point out to the Senate that the original concept in the 1952 act was that the interest would be forgiven for a period of ten years, and in the last ten-year term of the loan interest would be paid. Each year Parliament has decided to forgive the interest on this particular item of $100 million, and that is incorporated in the bill before us.

The fourth point is that the bill will provide for the interim financing requirements of Air Canada during the first six months of the calendar year 1967 in the amount of $50 million. The reason for this, honourable senators, is that the Crown-owned airline company has engaged in very exceptional purchasing of new equipment. For some years previous it has not been required to borrow from the Crown, but because of this purchase of new equipment it does for the first six months of 1967 require some government guarantee for its financing.

Fifth, as in previous years, this bill in a similar way provides authority for the Government to make temporary loans to the Canadian National Railways and to Air Canada to meet deficiencies in operating revenues up to June 30 of 1967. Any such loan is to be repaid later from revenues of the railroad or of the airline. If these prove insufficient, then in the usual manner you will receive a request for a vote through the Estimates to cover any deficiency. So far as the C.N.R. is concerned there have been substantial deficiencies for several years, but that situation does not apply to Air Canada.

Sixth, the bill will provide for the appointment of the firm of Touche, Ross, Bailey and Smart, Chartered Accountants, of the cities of Toronto and Montreal, as auditors of the C.N.R. for the calendar years referred to in the bill.

Now I understand that the Leader of the Government in the Senate feels that inasmuch as for reasons known to all of us there was not a review of the budgets or reports of the C.N.R. or Air Canada for the calendar year 1965, or indeed for the calendar year 1966, it will be appropriate for this chamber to ask that officers of these two important crown companies appear before one of our standing committees. I assume that the Leader will make a motion along those lines at the appropriate time. In my view, honourable senators, this is desirable. If you examine the financial reports of these very important public services, you will find that deficits since 1959 in the C.N.R. alone total $300 million. Therefore, I think this would be proper avenue of investigation by the Senate.

I want to give credit to the Canadian National Railways to this extent: there have been no new borrowings by them since 1961. In other words, while I have presented to you figures of their capital requirements for 1965 and 1966 that may sound stupendous, they have, by depreciation and through the sale of preferred stock that I referred to, generated internally these funds without any new borrowings. The Canadian National Railways have not gone to the public or to the Government for new borrowings for the past five years, as I am informed. However, I want to point out as justification for Senate investigation, in a most helpful way, the fact that since the calendar year 1956 to the end of the proposed estimates for the calendar year 1966, more than $2 billion net has been ploughed into capital expenditures required by this crown company. The fact that it was not possible for the other place to investigate these accounts during the last two years is, I think, ample reason for a wholesome study by the Senate of some of the figures concerning this, perhaps our chief Crown corporation.

Although, fortunately, the deficits of the Canadian National Railways have become slimmer in recent years—indeed they have gone from about $67 million in 1960 to, according to the annual report which you have all received, about $33.5 million in 1965—they

are still considerable. During this period, under the preferred stock arrangement referred to in the Capital Revision Act of 1952, I calculate that besides what we voted in the Estimates for annual deficits, $305 million has been spent in buying stock upon which we get no interest. I think this should be taken into consideration.

In addition to that, and in keeping with the custom for quite a number of years, the bill requests that we waive interest on $100 million of debt referred to in the 1952 bill. It was intended that after 10 years that interest would be paid. As I think I mentioned earlier, each year Parliament has been asked to agree that the national railway system be relieved of any obligation to pay interest on this sum of money.

I estimate, not from the original time of the capital revision but for the period 1954-65—and I am taking annual periods—that in addition to what I have already stated, deficits have totalled $452 million. These expenditures may be in the national interest, but I think they should be looked into. In four years there were surpluses: In 1952 and 1953 they were insignificant; 1955, a rather large surplus of $10.7 million; and in 1956, $26 million. But, apart from that, in addition to the purchase of this preferred stock which has seldom returned any interest, there have been deficits which I calculate total these considerable sums mentioned.

As I see it, these are the matters that should be taken into account in considering the second reading of this bill. I would not for a moment feel competent to answer detailed questions about the operations of a corporation as huge as this one, but I suggest to my colleagues in the Senate that in as much as even their capital budgets for 1965 and 1966 have not been examined by a committee of the other place—for good reasons, which I accept—it would be a worthwhile exercise on the part of this chamber to review these budgets and those expenditures.

Hon. Mr. Roebuck: Honourable senators, I should like to ask the sponsor of this bill (Hon. Mr. Benidickson) a question, but before doing so may I compliment him upon the excellent, clear and businesslike way in which he presented these complicated figures. I should like to ask if I am correct in understanding that we are only now appointing auditors for the years 1965 and 1966; that during those years there have have been no auditors in charge.

Hon. Mr. Benidickson: Honourable senators, that is a very valid question, and it is one that concerned me when I was considering this bill. I think the act of 1964 authorized the appointment of auditors to the end of 1965. I told you that there was a two-year bill for 1962 and 1963, and then a bill in 1964, but the authority of the 1964 act would extend only to the end of 1965. I must say that I find that for the 1966 calendar year the auditors have been on the job, but they have been on the job with the feeling that Parliament would pass this legislation.

Honourable senators, in fairness to the other place I want to point out that this bill came before them in June or July of 1966, but you must remember that although the committee worked hard on its reference it was, first of all, dealing with the passenger service of the C.P.R., and then it had to work hard on and think about the omnibus bill with respect to transport resulting from the MacPherson Royal Commission, which had been held up for about four years. The other place did not deal with the annual affairs of the C.N.R. in 1966.

Hon. Walter M. Aseltine: Honourable senators, I always like to be present in the chamber when the senator from Kenora-Rainy River (Hon. Mr. Benidickson) makes a speech, because generally he has something to say and he says it very well. However, when I heard that he was to move the second reading of this bill I wondered what he would say about it in view of the fact that there was almost no debate on it in the other place.

As Senator Benidickson intimated, the resolution was moved in the other place on June 27, 1966. It was concurred in on July 14, 1966, without any debate whatever, and the bill was then read the first time. The only thing done on first reading was that the sponsor made a brief statement which takes up ten lines in the *Hansard* of the other place.

The second reading of the bill was not moved in the other place until December 6, 1966, and on that motion there was but a very brief debate. There were only one or two speakers and, to my knowledge, none of the matters that have been discussed by the honourable sponsor in this chamber were brought up. The bill was then referred to the committee of the whole house where it was debated briefly, and was finally read the third time and passed without any further debate to speak of.

Having regard to those facts I was hoping, therefore, that the honourable sponsor of this bill today would give us a complete explanation of the matters covered by it. I have not had the financial experience that Senator Benidickson has had during his parliamentary career. The highest position I ever attained was that of the Leader of the Government in this house.

Hon. Mr. Connolly (Ottawa West): And that is not too high.

Hon. Mr. Aseltine: During the time I was the Leader of the Government in this chamber I had to introduce such financial bills as this, and I doubt very much if I ever did any better than the honourable sponsor today in explaining these complicated matters.

Hon. Mr. Connolly (Ottawa West): You were both very good. Do not be so modest.

Hon. Mr. Aseltine: If honourable senators would look at section 3(1) (a) they will see that the National System, as was stated by Senator Benidickson, is authorized to spend $161,600,000 in the calendar year 1965. The curious thing about this whole matter is that we are being asked to authorize today the expenditure of that huge sum of money when it has already been spent for a year or more.

Hon. Mr. Croll: Don't we always?

Hon. Mr. Aseltine: We are also asked today to authorize the spending of $192 million in 1966, which money has already been spent. I did not know until Senator Benidickson told us that there was a similar situation in 1962, but I will take his word that such did occur at that time.

However, it is very bad business. I do not think we should carry on the affairs of this huge railway of ours in any slipshod manner. Over the years millions and millions of dollars have been poured into this railway system in order to make it work, and we should look into and study all of these appropriations long before they are spent.

We have no detailed explanation covering the sums of money that I have mentioned. They are the total amounts for road property, branch lines, equipment, telecommunications, hotels, investments and so forth. Why has there been this delay, and why are there not more particulars or details? We might have known the details for 1965, and perhaps also for 1966, if we had studied the annual budgets for those two years. Other honourable senators may or may not have done so, but I cannot remember studying them.

Then we find that section 3, subsection 1(b) provides for the national company to make further capital expenditures prior to July 1, 1967 in the amount of $126 million by investing in securities in Air Canada. I do not know whether or not we have ever done that before. Why are we doing so? These are things I would like to learn, together with the details in connection therewith, and what was the money used for by the national system?

Hon. Mr. Roebuck: Why do they not make the grant direct?

Hon. Mr. Aseltine: Section 3(1)(c) covers authorization for $90 million for new equipment. I think we should know something more about that.

Section 4 provides for the issue of securities not to exceed $50 million at any one time. If $50 million is raised by the issuing of securities, I wonder how the balance of these huge sums has been provided for. Was the money paid for out of the Consolidated Revenue Fund, or was it borrowed, or how was it raised? These are questions that occur to me, and which to my mind are not simple at all but very much involved. If this money is being paid out of the Consolidated Revenue Fund and not borrowed it will have to be paid later by taxation; in other words, we will have to tax the people of Canada to pay the money that has been taken or is being taken from the Consolidated Revenue Fund.

Usually when a corporation like the Canadian National Railways needs money for expansion, for capital expenditures, it is borrowed and future generations have the opportunity of paying their share of it.

I am not going into the other matters which were mentioned by the sponsor, Senator Benidickson. Sections 5 to 13 inclusive are the usual sections contained in bills of this kind and need little explanation.

I am pleased that the sponsor suggested sending this bill to a committee of the Senate for complete study. I hope that will be done and that the officers of the railway company and Air Canada will be present to give us the details we feel we should have.

In dealing with this whole matter of a national railway, we have to keep in mind that this railway system of ours belongs to the people of Canada and is being financed and operated by the Government of Canada. Sometimes we overlook the fact that it is the largest railway system in the world. It operates 25,000 miles of track and employs 92,000 people. Over the years the system has been

re-financed and many millions of dollars have been pumped into it, but I for one do not see how we could carry on without doing so.

Mr. Donald Gordon became president of the company in 1950 and retired at the end of 1966, and I think this is an opportune time to mention some of his accomplishments. Of course this has nothing to do with the bill itself but I feel that he deserves some consideration and that we should acknowledge some of the things he accomplished.

When Donald Gordon took charge, the railroad was in deep trouble. The passenger service was losing heavily and it looked as if it would be abandoned altogether. However, he first concentrated on building up the freight business. To do so he had to spend money. He bought $500 million worth of diesel locomotives, and 40,000 freight cars, and built 7,500 miles of new tracks. He introduced automation in the company's affairs and made many other improvements.

In my opinion, Donald Gordon got fair results. The freight revenue in 1949 was $395 million, but he increased it to $613 million by 1956, and the increase has kept on accumulating since that time.

Mr. Gordon must be given some credit for this and the fact that by automation and other up-to-date methods he was able to reduce the work force by several thousand persons. However, during the time he was building up the freight revenues the passenger losses of the railway continued to mount. By 1961 the C.N.R. had dropped 25 per cent of its passenger service and hoped to get rid of the rest, and probably would have done so if the Board of Transport Commissioners had not intervened. Finally, Mr. Gordon made up his mind to do something about the passenger service. He found that raising rates merely drove passengers away. Therefore, he and his vice-president decided to reduce fares, streamline the operation and speed up the runs.

Honourable senators who have travelled on Canadian National Railways in recent months will have noticed the red, white and blue pricing system that has been initiated by the railway company. On 161 red bargain days the rates are lower. On 146 economy white days the rates are a little higher. On 58 blue days, which includes Sundays and holidays like Easter and Christmas, the rates are a little higher. If you buy a ticket on a red bargain day you pay less for it and get free meals in addition. The same applies to tickets you buy for white days and blue days. This system is working to considerable advantage. I use it myself quite frequently and find it convenient and comfortable. It is much better than it was in days gone by.

As a result of this system, which has been introduced at considerable expense I will admit, we have the slick Ocean Limited which runs from Montreal to Halifax with passengers, and which is making money. Senator Isnor looks at me in a suspicious way, but I believe that last year the company made $1 million. I am told that it is a fine railway now, that the service is good and the meals excellent.

Then, as a result of this system, the Montreal and Toronto Rapido train, running at 90 miles an hour, with a fare of $15 to Toronto and a very good dinner, is also doing well. The Supercontinental and the Panorama from Montreal to the coast are also making money. Of course, if you take a coach ticket, you do not get these meals I have mentioned. They only go with a roomette or drawing room; otherwise you have to pay for meals.

The cost of this experiment has been $10 million but the passenger revenue is up from $44 million in 1961 to $70 million in 1966 and is still rising at the rate of 25 per cent a year.

Hon. Mr. Connolly (Ottawa West): Very good.

Hon. Mr. Aseltine: The trains are crowded and the railway company is making money. You have to apply some little time ahead to get a reservation. The trains are comfortable, convenient and fast.

Honourable senators, I take advantage of this opportunity to bring these facts briefly to you, to show that even though the railway company has been costing a lot of money, every time Donald Gordon spent money he increased the revenue. I hope that in time to come this railway will pay its way. I think we owe Mr. Gordon some thanks for the efforts he has made in this connection.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Aseltine: I am glad the bill will be going to committee. I am sure honourable senators will have many questions to ask. This will be an occasion to look into the affairs of the railway and of Air Canada more fully, things which should have been done much earlier but which in the circumstances it was impossible to accomplish.

Hon. John J. Connolly: Honourable senators, my intervention will not be lengthy. First, I would like to thank Senator Benidickson for his lucid and crystal-clear explanation of a bill which has always been somewhat of a mystery to me, because it involves great boxcar figures and financial transactions of magnitudes much greater than the ordinary mortal normally has to contemplate. What he has done here this evening has been a credit to him and to the Senate.

I thank my old friend Senator Aseltine, who with his usual capacity for putting his finger on points of importance as well of interest, deserves our gratitude for the way in which he has spoken. I do not know whether he was upgrading or downgrading the position of the Leader of the Government in the Senate, but I can tell you that when Senator Aseltine graced this office it really was graced.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I do not know whether honourable senators spend all their newspaper reading hours reading the Ottawa *Journal*, as I do for the most part.

Hon. Mr. Choquette: Why not?

Hon. Mr. Connolly (Ottawa West): However, this evening I wish to mention a competitive paper, the Montreal *Gazette* and especially its *Centennial Gazette*, which is part of the editorial page. Mr. E. A. Collard, a former editor of the *Gazette*, has been editing this feature, running on Saturdays in that very fine news organ in Montreal.

I wish I had last Saturday's issue here, as it spoke of some of the problems which faced this new country a century ago. One of the things pointed out was the importance of binding the country together with hoops of steel, with steel rails, and what a difficult prospect this was for a people who were so small in number, for a country which was so sparsely settled, which was at that time nothing more than a few scattered settlements and a ribbon along the border, and even that ribbon was broken in many places.

When we think of the prospect that the editorial of the *Gazette* of that time portrayed, and which Mr. Collard has quoted, the prospect that all Canadians of his generation faced, and when we think of what has been accomplished since then—even if we restrict it to the work done by the railways—Canadians generally can look back with great satisfaction, not only to the achievements of this railway and its predecessors, the other Government-owned railways, but indeed to those of the private railway, the Canadian Pacific Railway.

I know that over the years parliamentarians and politicians have risen in their seats and complained about many things, and in certain cases there have been causes for complaint about the management of railway affairs. But, by and large, without the enterprise and the courage shown by public figures, and by railway men, the progress we have made in this hundred years would not have been achieved.

I do not wish to make a general Confederation speech, but I believe it is due the railways to say at least this much about them.

Senator Aseltine referred also to the annual deficits we are called upon to review, and to the fact that there is not much information available to us. We get the annual statements promptly, not only of the Canadian National but of Air Canada and of the affiliated and associated organizations within this system. These are before us, and even though the bill may come too late for real consideration by parliamentarians—due in part to the protracted sessions we are having now—at least we know the position from year to year because we get the statements of what is being done in these Crown-owned companies.

What must be emphasized, however, is that through the years parliamentarians have become more and more apprehensive about whether the nationally-owned railway will ever get itself out of the financial morass in which at times it finds itself.

When I think of Mr. Collard's column and consider the situation and our prospects today, I for one feel optimistic that as time goes on, and our population of now 20 million continues to increase—I heard on the news tonight that we had a record number of 200,000 immigrants last year—and as the labour force grows, and as we increase our trade both at home and abroad, and imbue our transportation systems with all of the modern equipment and facilities that are available, we will see not only better but, I venture to say, more profitable days.

Again I am impelled to refer to one of the remarks made by Senator Hugessen to which I referred the other day when speaking of his regretted retirement. He was impressed with the fact that at times it was important for a country to incur debt in the interests of development, so that future generations would

have facilities otherwise unavailable to them. Perhaps the railways, particularly the publicly-owned lines, are a good example of just this kind of statesmanship—and that is the way I purposely describe it.

Now, I am very pleased too that Senator Aseltine referred to Mr. Donald Gordon. We have had many distinguished public servants in this country, and can point with great pride to their achievements within the public service of Canada. With the advent of the crown company we have had to get capable people to run these adjuncts of the public service of government. Mr. Gordon was born abroad in Scotland, and perhaps that did not hurt him but helped him. I think we can be very proud, as he can be, of his record of great service on behalf of the people of Canada as a whole. He started the most important part of his career with the Bank of Canada and, although I am speaking extemporaneously, I think he was its first Deputy Governor. In any event, he brought to the bank a great capacity and, with its first Governor, gave it a direction towards a goal which has always been valued.

He was not only interested in the job he was doing from day to day, although it was heavy enough, but he was a capable speaker. I can still remember when he was President of the Canadian Club in Ottawa—as perhaps many honourable senators can recall—at times it was more interesting to hear his vote of thanks to the speaker than it was to listen to the speech that had been made. He had great capacity for language, for felicity of phrase, and he could sum up a speech, particularly if it was a bad one, so well that by the time he got finished with it it sounded good. I do not think I exaggerate when I say that.

The work that Donald Gordon did with the able assistance of Senator McCutcheon, who I am sorry to say is not present tonight, during the war years with the Wartime Prices and Trade Board, is a service that Canada should long remember. I need not elaborate upon the distinguished career he has had with the Canadian National Railways, and, in accordance with what Senator Aseltine has said, he should feel proud indeed of his accomplishments as its first officer. Now he has gone on to other endeavours in the private sector of the economy, and for the years that are left to him he will undoubtedly make a great contribution there too.

I agree with Senator Benidickson and with Senator Aseltine that this is a highly appropriate bill to go to committee. I would suggest that we, as is our custom, send it to the Standing Committee on Transport and Communications, which can deal with this measure after it has dealt with the transport bill now before it.

I hope that the new President of the Canadian National Railways, Mr. MacMillan, might be induced to come to Ottawa for this occasion, and I ask him publicly here in the Senate to do so. I will try to make arrangements to bring this about. Mr. MacMillan is known to honourable senators, because he came to our committee many times to explain the statements of the Canadian National. I can remember how on one occasion Senator Haig's father welcomed Mr. MacMillan particularly because he was a Winnipeg boy and because he had virtually grown up in his house. So Mr. MacMillan will find many friends here in our committee, if time permits him to leave his duties.

Hon. Senators: Hear, hear.

Hon. Mr. Roebuck: Honourable senators, I asked a question earlier in the debate with regard to the auditors, who apparently had not been appointed for the years 1965 and 1966. It has been explained that the auditors were given authority for 1965. I think it is fair for me now to call attention to section 13 of the bill, which provides that auditors shall be appointed "as independent auditors to make a continuous audit of the accounts for the years 1966 and 1967." So, my question has been answered satisfactorily.

Hon. G. Percival Burchill: Honourable senators, I want first of all to congratulate Senator Benidickson on his very capable presentation of the bill. It was clear to all of us.

However, as a citizen of the Maritime provinces—

Hon. Mr. Croll: Surely as a citizen of Canada living in the Maritimes?

Hon. Mr. Burchill: That is all right, but as a citizen of the Maritime provinces I cannot resist the temptation to remark that the Canadian National Railways makes a distinction which I will explain presently. In any event, I cannot allow the bill to pass without making just one or two remarks.

On Friday afternoon, speaking on the transportation bill which was then before us, I pointed out that the building of the Intercolonial Railway was a part of the agreement under which the Maritime provinces came into Confederation. At that time they were

the Maritime provinces—I presume if Newfoundland had been with us at that time the reference would have been to the Atlantic provinces.

However, the Maritime provinces came into Confederation with the building of the railment. Since that time the Intercolonial Railway, as we all know, has been assimilated into the great Canadian National Railways, and I want to point out one fact to show how insignificant the Atlantic provinces, as we now know them, have become in the ramifications of the Canadian National Railways.

Those of us in the Maritimes who do not live near an airport and are compelled, and for the most part happily, to travel on Canadian National Railways have a problem with regard to connections. Let me at this stage say that the Ocean Limited, the train that connects Montreal with Halifax, is one of the finest on this continent and I pay tribute to the people who designed it, who manage it and who operate it; they are all most courteous and very co-operative. But we who come to Parliament and who use the Ocean Limited arrive in Montreal just fifteen minutes after the Montreal to Ottawa train has left for this city. We have to wait there in the Central Station until approximately 10.35 a.m. and then get a slow train which arrives in Ottawa some time after one o'clock. If we could connect with the earlier train we would arrive in Ottawa about 10.30.

I have written two or three letters to the headquarters of the Canadian National Railways, and my friend from Halifax (Hon. Mr. Isnor) has written many letters, as has my honourable friend on the other side of the chamber, Senator Macdonald (Cape Breton), and many others, appealing to and pleading with the management of the C.N.R. to allow us to make connections. But we might as well write to the wall! We get very little satisfaction. I emphasize this to show what the situation is so far as the Atlantic provinces are concerned.

Hon. Mr. Deschatelets: Will the honourable senator permit me a question? What was the reason given by the company in this particular case for not granting this request?

Hon. Mr. Burchill: I am very glad you brought that up. I was going to mention it, but I did not want to hurt the feelings of people from Montreal. The answer we received was that the business and professional people of the City of Montreal desire a train to leave Montreal at a certain hour in order to arrive in Ottawa at a convenient time for them, and their wishes must be obeyed. That is the whole crux of my remarks. That is the importance which the people of the metropolitan areas of this country have assumed in the management and direction of the Canadian National Railways in comparison with the people down by the sea.

I am very happy indeed that the Leader is going to invite the president of C.N.R. to attend the committee. I hope I can be at the meeting because I would like very much to ask him why it is not possible to re-schedule that train or to make some arrangement so that we can make a more convenient connection for Ottawa. I speak not only on behalf of parliamentarians, but of all people from the Maritime provinces using that train to visit our national capital. This situation has been in existence for several years.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West) bill referred to the Standing Committee on Transport and Communications.

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

NOTICE OF MEETING

Hon. Mr. Connolly (Ottawa West): Honourable senators, before we adjourn I draw the attention of honourable senators to the fact that the Standing Committee on Transport and Communications will meet tomorrow morning at 10 o'clock in Room 356-S. The Minister of Transport and the officials will be present at the meeting.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Tuesday, February 7, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copies of letters, dated January 26 and February 1, 1967, exchanged between the Prime Minister of Canada and the Premier of the Province of Ontario concerning a proposed conference on the future of Confederation. (English text).

NATIONAL TRANSPORTATION BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Acting Chairman of the Standing Committee on Transport and Communications, presented the following report of the committee on Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other acts in consequence thereof and to enact other consequential provisions:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

LA FÉDÉRATION DES CAISSES POPULAIRES DU QUEBEC

ASSEMBLÉE À HULL, QUÉBEC

Hon. Cyrille Vaillancourt: Monsieur le président, before the Orders of the Day are called, I have a few words to say. It is a big day for me.

[*Translation*]

Today is a big day for me, because I spent the whole morning with the representatives of the Federation of Credit Unions of Quebec who are meeting in Hull. In addition, tonight I will entertain those people who are, as you say in English, the cream of the crop, the best people from the co-operative movement in Quebec, the Caisses Populaires and the credit unions. As I said, the cream of that movement of social salvation is here today.

They represent almost two million members. They are the leaders of what we call at home the Desjardins movement which includes not only caisses populaires but also general insurance, and life insurance companies, adult education institutions, trust companies, whatever will help our fellow citizens.

Those people work all year round without pay. That reminds me of an idea I had a little earlier. Many people are now asking the government to tax these co-operatives. But keep in mind that all those directors, those 18,000 directors, are volunteers; they are working without pay. Members of the credit boards meet at least once a week; the members and the directors of the supervising boards meet at least once a month, to help their fellow citizens. I said this once to a former colleague, who was at one time Minister of National Revenue, the Honourable Senator Euler, and he asked me: "Are there still among us people who work for nothing?" I replied: "No. They are not working for nothing. They are working for something much bigger because the reward these people are expecting is one that cannot be taken away from them; whatever wealth we may have, death will take away, but whatever good we do, God will pay us back for it."

That is why these people truly apply to our modern world the Golden Rule which is to help one another while loving one another. These people have yet another motivation: They are Canadians. They are working for the greatness of their whole country from Halifax to Vancouver. They are not separatists. But they want to be considered on the same footing either in Quebec, in Ontario or in British Columbia. And with this practical spirit, this lively state of mind, they want to contribute to the happiness and the prosperity of our great country. Frequently at our meetings, when we raise our voice in song, we proudly sing these words written long ago by one of our poets:

Ô Canada, mon pays, mes amours.

This is the frame of mind in which those people have come today to hold their meeting within a stone's throw of the federal capital; indeed in a few minutes they will be within the Houses of Parliament. Thank you, Mr. Speaker, for your courtesy.

[Text]

Hon. John J. Connolly: Honourable senators, I think it might be ungracious not to say a word in reply to what our distinguished colleague, Senator Vaillancourt, has said this afternoon. He has mentioned the fact that Mr. Desjardins was the originator of this co-operative movement which now involves some two million people in an organization which has promoted the idea of initiative and of constructive work in many communities across the land.

It is not necessary for me to elaborate, as he has done, upon the value of this movement to the communities where it has been allowed to develop. I am impressed too, as we all have been, with the attitude this organization has inspired, which is due not only to the idealism of its founder, but to the leadership of a distinguished Quebecker, and indeed a distinguished Canadian, our colleague Senator Vaillancourt.

While I cannot close in the poetic manner of our honourable colleague, I am constrained today, particularly having regard to the temperature outside, to add to what he has said these words: Mon pays, ce n'est pas un pays, c'est l'hiver.

INCOME TAX AGREEMENTS ACT

BILL TO IMPLEMENT AGREEMENTS BETWEEN CANADA AND TRINIDAD AND TOBAGO AND CERTAIN OTHER COUNTRIES AND TO IMPLEMENT A CONVENTION BETWEEN CANADA AND THE UNITED STATES OF AMERICA—SECOND READING

The Senate resumed from Thursday, February 2, the adjourned debate on the motion of Hon. Mr. Hayden, for the second reading of Bill S-56, to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

Hon. Gunnar S. Thorvaldson: Honourable senators, some years ago when those of us now on this side of the chamber occupied the other side it was my privilege to introduce bills of the kind introduced by Senator Hayden the other day. I refer of course to Bill S-56, known as the Income Tax Agreements Act, which deals with the problem of avoiding double taxation.

As honourable senators know, we find it necessary in our international relationships especially in regard to those countries with which we have close commercial and business relationships, to deal with the problem of double taxation. Of course the most competent expert in this house in regard to these matters is the honourable Senator Hayden; after he has spoken on a bill such as this the subject is usually so clear that little more need be said on the subject. At the same time one must realize that the explanation of a bill such as this must to some extent be in technical phrases because the subject matter itself is extremely technical. However, this bill contains the substance of five conventions which we are now ratifying in the same way as Parliament is required from time to time to ratify treaties with other countries.

As you observe by referring to the bill, the countries with whom we are now dealing in this manner are Trinidad and Tobago, Ireland, Norway, and the United Kingdom; and we are also implementing a supplementary income tax convention between Canada and the United States.

Senator Hayden made clear with regard to Trinidad and Tobago that the reason we are making this agreement is because Trinidad and Tobago is now an independent country. It was formerly a dependent part of the Commonwealth and, consequently the agreement we had previously with Great Britain applied to it. However, it has now become an independent country, so it is appropriate to have a separate convention with this territory.

Hon. Mr. Connolly (Ottawa West): But it is still, fortunately, within the Commonwealth.

Hon. Mr. Thorvaldson: Yes of course it is still within the Commonwealth.

These agreements are of great importance, and if you refer to the schedule Senator Hayden placed on *Hansard* last Thursday, February 2, at page 1372, you will see that it gives one a bird's eye view of the enormous number of subject matters of taxation which are affected by these agreements. For instance, some of the important items are fiscal domicile, permanent establishment, shipping and air transport, dividends, interest, copyright royalties, film royalties, and a number of other subjects which come into the field of income either of Canadians resident in those other countries or their residents in Canada.

It must be said also that these agreements can have a great deal to do with the question of national policy in regard to such things as our investments abroad and foreign investments here. For instance, as you are all

aware, the problem of the withholding tax on interest and dividends as between Canada and the United States, Canada and the United Kingdom, and Canada and other countries, has been the subject of more or less continuing negotiation with various countries. Indeed, I recall many changes in the withholding tax between Canada and various countries since I was appointed to the Senate some years ago. For instance, I recall that at one time under the 1946 agreement with the United Kingdom there was a most peculiar provision in regard to the withholding tax on dividends.

By the way, Senator Hayden explained that the 1946 agreement with the United Kingdom was an interim agreement and only last year a new and permanent agreement was enacted with that country. But in the agreement of 1946 we had a situation where there was a withholding tax of 15 per cent on dividends emanating from Canada payable to citizens of the United Kingdom, where the dividends resulted simply from holdings of shares in Canadian companies by United Kingdom residents. On the other hand, if the Canadian company happened to be wholly owned by a British corporation Canada charged no withholding tax whatsoever. Honourable senators can understand, therefore, how this was completely contrary to the present policies by which we are trying to obtain a greater ownership in Canada ourselves.

There was therefore a great incentive under the 1946 agreement between Canada and the United Kingdom for citizens of that country in buying Canadian businesses to buy a Canadian corporation by the purchase of 100 per cent of its capital stock. If they obtained 100 per cent of the stock there was no withholding tax, but if they held less than 100 per cent of the stock there was a 15 per cent withholding tax charged. As a result there was an incentive to purchase the whole of a Canadian company rather than a part of it, thus preventing any Canadian participation in the venture.

That, of course, can no longer happen because of the 1965 agreement, and the current ones have done away with this abuse.

Honourable senators, there is really nothing more I have to say in connection with this bill. Without these agreements the commercial situation between our country and other countries would be a tax jungle. These tax conventions are therefore most useful in clarifying our tax relationships with these countries.

Motion agreed to and bill read the second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, before the next item on the Orders of the Day is called I should like to suggest to the house that all the remaining items stand for today. I make this suggestion because Bill C-231 is now before the Standing Committee on Transport and Communications. The committee made good progress this morning, and it plans to reassemble when the Senate rises this afternoon. It might suit the convenience of all honourable senators and speed up the consideration of the legislation before us if this course were adopted.

Hon. Mr. Brooks: I gather that there is no urgency with respect to any other item on the Order Paper?

Hon. Mr. Connolly (Ottawa West): No.

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, February 8, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

NATIONAL TRANSPORTATION BILL

REPORT OF COMMITTEE

Hon. Salter A. Hayden, Acting Chairman of the Standing Committee on Transport and Communications, reported that the committee had considered Bill C-231, to define and implement a national transportation policy for Canada, to amend the Railway Act and other acts in consequence thereof and to enact other consequential provisions, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Jean-Paul Deschatelets: I move, with leave of the Senate, that the bill be read the third time now.

Hon. Norman McL. Paterson: Honourable senators, it is not often that I speak in the Senate, but as I have been close to transportation all my life I felt that this was an opportunity for me to relate a little of the history of the west in connection with railroading.

I hope I can make what I have to say interesting, but first I would like to speak for a moment of something I have wanted to say here for quite a while, although I have been a bit diffident about doing so. I would take this opportunity to congratulate Senator Choquette on his perfect English. I have been in the Senate with him for a number of years and I have admired his diction, his pronunciation and his general command of the language. He puts a good many of us English-speaking Canadians to shame.

Hon. Senators: Hear, hear.

Hon. Mr. Paterson: Honourable senators, I would say that even when he damns this side of the house I like to hear him.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Paterson: I turn now to another personal matter. Along with Senator Arthur Beaubien and Senator Hayden, I was appointed to the Senate on February 9, 1940. Tomorrow we will celebrate our 27th year together. The three of us roomed together until Senator Beaubien was appointed Deputy Government Whip—and now he is Whip. But Senator Hayden and I have been roommates for 27 years and it has been a very pleasant association. The only sad thing to relate is that in those 27 years we have seen more than 150 senators come and go; most of them have passed on and a few have resigned. But that is a matter one cannot help.

Now I shall get on with my story about railroads. I was born in Portage la Prairie in 1883. My mother told me that that was the year the railroad went through. Portage la Prairie is 56 miles west of Winnipeg. The Canadian Pacific was built westward to the east bank of the Red River in St. Boniface. It was built from the west to the west bank of the Red River, and in the interim they were building the Louise bridge in Winnipeg. When they got the bridge completed the trains ran through Portage la Prairie, which was a wonderful day. I, of course, do not remember this, but this is as it was told to me by my mother who was there at the time and who had come west via St. Paul and then by boat from St. Paul to Winnipeg.

I knew D. B. Hanna at an early age, because I was told that he turned me over on his knee in the Presbyterian church after the service and gave me a sound thrashing for writing with a pencil in his hymn book. However, in 1898 when I was fifteen I wrote him a letter asking him for a job. I got a job at $15 a month with the Lake Manitoba Railway and Canal Company. This railway was one of Mackenzie and Mann's creations. They had been contractors on the C.P.R. and had made some money. They were very ambitious. Later both William Mackenzie and Donald Mann were knighted. They were financed in building the railroad on a mileage basis, and when one looks at some of the railroads they built one would think that instead of taking stumps out they went around them to get a longer line.

At this stage, honourable senators, I should tell you something about D. B. Hanna who was assistant manager to the Manitoba Northwestern Railroad which ran from Winnipeg to Yorkton. It was superintended by W. R. Baker. D. B. Hanna lived in Portage la Prairie, and he was hired to run the Lake Manitoba Railway and Canal Company

which ran from Gladstone to Dauphin, Winnipegosis, and later from Sifton to Swan River and other places. Only 13 men and a boy were employed by the railroad at that time, and I was the boy. It may be that I am the last remaining link.

In any case, we had lots of hardships and hard times. One incident was that the train going from Gladstone to Dauphin killed a cow. The crew, along with Mr. Hanna who was on the train, loaded it into the car, dressed it and sold it for $54 in Dauphin and paid the farmer for the cow.

We had running rights over the Canadian Pacific from Winnipeg to Portage la Prairie, and from Portage la Prairie to Gladstone over the Manitoba Northwestern line, and from Gladstone to Winnipegosis over our own line.

Before I get to building east, we bought the Northern Pacific from Manitoba. At that time Mackenzie and Mann were in fairly deep both to bondholders and the banks. As the office boy I often held the horse of Sir John Aird, who was head of the Bank of Commerce in Manitoba and who drove to our office nearly every day. He was the grandfather of our present Senator Aird, and I knew Sir John quite well because I was the office boy who held his horse.

Hon. Senators: Hear, hear.

Hon. Mr. Paterson: I learned telegraphy and shorthand and became private secretary to Mr. Hanna. When we took over the Northern Pacific and Manitoba Railway we inherited private car No. 99. It had a cook on it named Fred Sissons. One day I noticed above the door a coin and asked, "Fred, what is that for?" He said, "Hugh Sutherland"—he was associated with Mackenzie and Mann— "was on this car for 10 days and when he left he gave me that dime. I thought it was so valuable I put a hole in it and nailed it up."

We were coming out of Brandon one day, travelling down quite a grade; I was sitting at the table and we were having breakfast. Mr. Hanna was looking towards the rear end of the train and the speedometer was on the sill of the door. He said, "Norman, it is going 40 miles an hour." Then he told me it was going 50 miles an hour, and his eyes were bulging out. The train got up to sixty, which was unheard of, and he leapt to the bell rope, which was not attached to anything because we did not have air brakes and it did not even have a bell on it. He upset the table, and I got two plates of porridge right in the face. However, on that particular trip we did not go off the track, as we quite often did.

About that time we started to build the Manitoba and Southeastern out of Winnipeg, which went through Sprague, Warroad, Rainy River, and across the Rainy River into Fort Frances. We were a long time building it, and it involved terrible hardships because we were short of money and good equipment. We never bought anything new but always bought old, second-hand cars.

In the meantime the Ontario and Rainy River road was being built from Port Arthur west to meet at Fort Frances. I was sent with Mr. A. J. Gorrie, who took over the road called Port Arthur, Duluth and Western—nicknamed Privation, Adversity, Desperation and Want—which had good terminal facilities which we wanted. For a while we operated the best way we could. Then I got appendicitis, and when I got back to Winnipeg Gorrie had been sent to Quebec City because Mackenzie and Mann had bought the Chemin de fer du Grand Nord du Canada—in other words, the Great Northern Railway of Canada—which had running rights from Quebec over the line of the Quebec and Lac St. Jean Railway which ran to Roberval and Chicoutimi. We had running rights to a place called Riviere-à-Pierre, and from Riviere-à-Pierre this road was built from St. Jerome and Hawkesbury to join up with John R. Booth's railroad, called the Canada Atlantic, by which they hoped to bring a lot of corn from Georgian Bay, freighted over by boat, to Quebec City.

I think Senator Power will remember J. G. Scott who was superintendent of the Quebec Lac St. Jean Railway. There were great hopes of having a tremendous traffic into Quebec through this movement of corn, but it never materialized greatly for one reason or another. I think they found it was too costly, or Europe quit buying American corn at the time. Anyway, I want to tell you about one interesting thing.

We had running rights up as far as Ste.-Anne-de-Beaupré. With the few passenger cars we had we ran a Sunday excursion up to the shrine at Ste.-Anne-de-Beaupré. All the people were at the station, but the engineer said he had no coal. I asked him why not, and he replied that they would not give him any more. I got on the engine with the ticket money, went down to the coal dock and asked what was the trouble.

The coal dock was owned by Senator Webster. He said we owed them $7,000, and

he would not give us any more coal. So I paid for the coal with the ticket money, and we ran a very successful excursion. But, for years after that, every time I saw Senator Webster, who sat where Senator Aseltine sits now, I thought of that incident.

One day A. J. Gorrie—he liked his comforts, but we had no private car and travelling was dradful—said to me: "There's an accident up there between Riviere-à-Pierre and St Paulin. You had better investigate". So, I went on the train to this place. There was a trainload of wood pulp in cattle cars which was travelling from Riviere-à-Pierre to Hawkesbury, I think. The engine ran out of water so the crew cut the train, and with six cars still attached to the engine they went to St. Paulin, but never noticed that one of the cars had shaken loose on the way. They only had six cars when they started but they never counted them. They went back full tilt and hit this car which was standing on the main line and broke it all to pieces, as well as three other cars. I fired them all, but they were all back within two weeks—every one of them was related to some Member of Parliament.

Hon. Senators: Hear, hear.

Hon. Mr. Paterson: Perhaps the ladies will forgive me for this anecdote that I am about to relate. Pete Lariviere said to me at Riviere-à-Pierre: "I know a restaurant here run by an Irish woman where we can get something to eat." We went in there and it was pitch dark. I saw Pete, after he had eaten quite a bit, scoop some crabapples with stems on out of a dish which was sitting in the middle of the table. He chewed away for a while and then said: "Bring me that light. I never ate a crabapple with bones it it before." They brought him a light, and with it he saw that he was eating a mouse.

Perhaps I should not be telling stories like this—

Hon. Mr. Aseltine: Go right ahead.

Hon. Mr. Paterson:—but I want to illustrate some of the hardships we went through to build the Canadian National of today. It was built in chunks here and there which were joined up later, and it caused a lot of trouble, grief, joy and financial difficulty. Most of the original people have passed on, and I thought the story thus far would be interesting.

I want to divert a little, if I may, to say that this bill that is about to pass is timely. The advent of the internal combustion engine has changed the lives of all of us in Canada, and probably in the world, and the regulations of transportation must also be changed.

I wish to say that the last hundred years have been so marvellous that if the next hundred years are marked by such continuing progress—and none of us here will live to see the completion of that era—our successors will look back upon a hundred years of miraculous progress.

To illustrate my point, I read an article in a recent issue of the Royal Bank Monthly Review, which related that in 1906 Canada had 600,000 acres in the West cultivated to wheat. The crop in that year was four million bushels. Last year we had in excess of 29 million acres under crop for wheat, and we grew 844 million bushels. Senator Aseltine says it was nearer 900 million bushels. In any case, with wheat, oats, barley, rye and flax seed, and the new rape seed, the crop if sold would net more than $3 billion.

No one need fear for this country when we can make progress like that in the past 60 years.

While I am on my feet, I want to give a little comfort to those people from the Maritimes who are worrying about the Seaway. Since the advent of the Seaway, the firm which bears my name has increased its trade to Halifax by boat tenfold, and it will continue to increase with the growth of Canada. No one in Canada need fear the future; it has had a marvellous past and will have a still more marvellous future.

Hon. Senators: Hear, hear.

Hon. Orville H. Phillips: Honourable senators, before third reading of this bill is completed, I would like to make a brief reference to the committee meeting which met yesterday morning and at which the Minister of Transport appeared. I questioned him as to whether the Northumberland causeway would come under the new transportation commission, and I was advised that it would. I then asked about the method used in setting the tolls, and received an unusually frank answer—he said he did not know. I appreciate an honest answer like that from a Cabinet minister. Usually, as you know, ministers talk around the subject.

Hon. Mr. Connolly (Ottawa West): Not all!

Hon. Mr. Phillips: This minister was unusually frank and honest. However, what disturbed me was the fact that he thought tolls would not be established until the crossing

was completed and that it would be the responsibility of a new minister and a new regime. I share the hope it will be a new regime.

However, I would like to point out to the Senate that there are certain disadvantages to Prince Edward Island of delaying the rate setting until completion of the causeway. We are attempting to entice industry to the province, pointing out the fact that the crossing will provide much more ready access to the mainland to new industries. Naturally they are going to ask what the rate will be on the causeway before they consider locating in Prince Edward Island. I am sure the Government has not considered it in this light, and I would like it to take this fact into consideration and to give us the rates at the earliest possible date.

Hon. F. Elsie Inman: Honourable senators, I welcome the National Transportation bill, C-231, and I wish to congratulate the sponsor of this bill in the Senate for the very clear and concise way in which he presented it to us. I heartily support the arguments put forth by my colleague, Senator Phillips, in reference to this bill.

There is no doubt that the Canadian transportation system has been suffering from legislation passed when conditions were very different from those prevailing today. With the ever-increasing number of automobiles, bus services, and trucking systems, the railway must be allowed more latitude and ability to compete.

However, Canada is a country of many economies, varying from the urban industrialized areas of Ontario and Quebec to the sparsely populated but economically important north with its minerals and oil, to the farmlands, and to the coastal areas, some parts of which are remote. These must have facilities for bringing minerals from the mines, food from the farms and sea products from the coasts, to the rich market areas.

The Crowsnest Pass freight rates principle was maintained in debating this bill in the other place and here. These rates have always been a problem to the West, but in my province of Prince Edward Island we have the Northumberland Strait which poses a very great transportation problem indeed and which handicaps to a great extent the establishing of industries on account of the difficulties and expense of transportation.

Potatoes, one of our important products, are a perishable commodity. Potatoes are exported in large quantities and our seed potatoes are in great demand. Potato growers and shippers have very often to use the railway to move our potatoes out, and they must be moved within a certain period of time. They can be kept for a few months at most, even in the best equipped warehouses. Because of bad weather it is not always possible or feasible to use water transportation—in fact, it is impossible when deep winter comes to us—or air transportation, so the producer must at times use rail and/or auto-truck transport.

I suggest that our Maritime provinces, which have experienced a steadily deteriorating rail transportation service for the past few years, be considered just as special as any other part of the country when it comes to Government support for transportation facilities and reasonable rates.

Finally, I should like to comment briefly on the hopelessly inadequate passenger rail service to Prince Edward Island. Without criticizing other forms of transportation, I suggest that the rail travel is the necessary mode for some people, especially during winter months. There have been several occasions during the past four years when I could not have reached my home in Montague from Charlottetown other than by rail, as at times the roads were impassable for either cars or buses, and planes reach only Charlottetown and Summerside.

It is true that I have travelled in a car with 3,000 day-old chicks: it was not very comfortable, but at least I got there.

It appears to me that there is a moral obligation on the federal Government to maintain an adequate train service, especially in winter, to those areas of the Maritimes which have traditionally depended upon that form of transportation.

I could tell much more about my experiences of the transportation between Prince Edward Island and the mainland, as we call it. I was out for a week at one time, stuck in the ice, and was taken out at 5 o'clock in the morning because the ice was building up under the boat. We were blown 25 miles down the Strait of Northumberland and did not know when we were going to pile up on the shore.

I have had many more experiences but I shall not take up more of honourable senators' time now. I hope that the Maritimes, and Prince Edward Island in particular, will be given every consideration when the terms of this bill are being put into operation by the new transportation commission.

Motion agreed to and bill read third time and passed.

DIVORCE

SPECIAL COMMITTEE TO HEAR BIEGA APPEAL —ADDITION TO MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

That the name of the honourable Senator Macnaughton be added to the list of senators serving on the Special Committee of the Senate on the petition of Joyce Regina Nagine Biega.

Hon. J. Campbell Haig: Honourable senators, before this motion is adopted may I advise the members of the committee that there will be a meeting on Tuesday, March 21, 1967, at 10 o'clock, in the Victoria Building. The members of the committee will meet prior to that to discuss the method of operation.

Motion agreed to.

INCOME TAX AGREEMENTS ACT

BILL TO IMPLEMENT AGREEMENTS BETWEEN CANADA AND TRINIDAD AND TOBAGO AND CERTAIN OTHER COUNTRIES AND TO IMPLEMENT A CONVENTION BETWEEN CANADA AND THE UNITED STATES OF AMERICA— THIRD READING

Hon. C. G. Power moved the third reading of Bill S-56, to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

Motion agreed to and bill read third time and passed.

CANADIAN FILM DEVELOPMENT CORPORATION BILL

SECOND READING

Hon. Jean-Paul Deschatelets moved the second reading of Bill C-204, for the establishment of a Canadian Film Development Corporation.

He said: Honourable Senators, I think this is an interesting bill not only because it deals with a very popular way of entertainment, but because it intends to bring, if not a solution, at least the beginning of a solution to a situation which has surely intrigued many honourable senators over the years. The continuous flow of foreign feature films into Canada and the unsuccessful efforts of Canadian producers to create a feature film industry have no doubt been of some concern to honourable senators. Considering Canada's enviable achievements in so many other cultural fields, it seems a paradox that in the field of feature films we have to rely on foreign productions, principally from the United States, Great Britain and France.

At first sight we are tempted not to give to this problem the national dimension it has, but on reflection we realize that the problem has more depth to it than we had thought. For half a century we have in fact been presented, through the media of foreign productions, a certain way of thinking and living which surely is not basically our own. We Canadians have a national identity, and there is no doubt that a Canadian feature film industry, when well established and organized, would have a great influence in promoting a true image of Canada as a nation both at home and abroad.

We have spent and are still spending considerable sums of money, and rightly so, for our Canadian Broadcasting Corporation and National Film Board. We are also spending certain sums of money through the Arts Council in order to develop our young talents in every field of art and culture.

In this bill we are asked to provide the sum of $10 million to assist in the development of a feature film industry in Canada and, if we succeed, we will not only serve the national interest of all Canadians but at the same time we will give to Canadian film makers, as well as to authors, composers, performing artists and technicians of all crafts associated with film making, the opportunity to play an effective role in the cultural development of this country. Although this is a very remote aim, we might at the same time in a limited way get economic returns in doing so by creating new fields of activity for young Canadians and increasing tourism and foreign exchange earnings.

As honourable senators know, several attempts have been made by Canadian producers through the years to produce commercial feature films. Despite modest budgets, some outstanding Canadian feature films have already been produced, but these have been the exception confirming the general rule.

We are all aware of several unsuccessful ventures in this field of activity in which many Canadian businessmen, pioneers in that field, not only lost money but sometimes lost their shirts. And yet, honourable senators, Canadians are fond of feature films, and, although we have a limited market in terms of

population, I am told that we have in this country 1,400 movie halls and that close to 100 million admissions will be sold in the current year.

If the Canadian production of feature films has been very restricted so far—and we have to admit that it has—we must, however, and this is the occasion to do so, praise the achievement of both the C.B.C. and the National Film Board in producing short films and documentaries.

We are all aware of the great number of awards that have been won abroad by these two bodies. This is an indication that we have already in this country the necessary elements to venture into the production of feature films.

Having said that, I raise the question: What are the reasons or factors responsible for our complete dependence on foreign feature films? Many reasons can, of course, be brought forward, and surely the Canadian movie market which is too limited to sustain a continuous film production is one factor. But the main reason, honourable senators, is undoubtedly that Canada is the only country in the western world, except for the United States, in which the making of films is not supported by the state, and the obvious result is that in the western world, Canada is the only country of its importance and prestige without a feature film industry.

If there is a principle behind this bill, I think it is the suppletive help of the state to public enterprise in a domain where national interest is involved and where experience has shown not only here but elsewhere that private enterprise cannot succeed alone.

The bill therefore proposes the establishment of a Canadian Film Development Corporation. Its objects and powers are enumerated in clause 10 of the bill as follows. The corporation will be empowered to:

> (a) invest in individual Canadian feature film productions in return for a share in the proceeds from any such production;
>
> (b) make loans to producers of individual Canadian feature film productions and charge interest thereon;

I would point out that these two provisions are based upon the aid schemes established in the United Kingdom through the National Film Finance Corporation.

The section goes on:

> (c) make awards for outstanding accomplishments in the production of Canadian feature films;
>
> (d) make grants to film-makers and film technicians resident in Canada to assist them in improving their craft; and
>
> (e) advise and assist the producers of Canadian feature films in the distribution of such films and in the administrative functions of feature film production.

So far as these last three subclauses are concerned, this pattern has been copied from several European countries.

The corporation will consist of six members to be appointed by the Governor in Council together with the person holding office from time to time as the Government Film Commissioner.

Each member of the corporation shall be appointed for a term of five years, with the exception that of those first appointed, three shall be appointed for a term of three years and three shall be appointed for a term of five years. This system will permit at the beginning a more flexible rotation.

The Governor in Council shall designate one of the members of the corporation to serve as chairman of the corporation. The minister may on the recommendation of the corporation appoint an advisory group, broadly representative of the professional associations in the Canadian film industry to advise the corporation on matters which the minister or the corporation may refer to it.

The amount of $10 million, as I said before, which will be appropriated to the corporation will be used as a kind of revolving fund. I say "a kind of revolving fund" because the entire amount will not be invested. At the discretion of the board a certain amount will be used as awards, and of course this part cannot constitute a revolving fund.

Essentially the corporation will join with private producers in financing Canadian feature films, and for this purpose the sum of $10 million will be employed by the corporation in a variety of ways. As you will see in section 10, it will be the prerogative of the board to decide which way in their judgment will best contribute to expanding and strengthening Canadian enterprise in this field. This will mainly be by means of loans and investments, but there will also be, as I said before, grants and awards.

As honourable senators know, the making of a good commercial film requires at least three fundamental elements: a good story, established artists, and a competent director. However, the real problem from the financial point of view does not lie in the making of a film, but in its wide distribution. The common

practice both in Europe and in the United States is that a film is never started unless its distribution is guaranteed. I am not talking here of these super productions. When the distribution is guaranteed, it is relatively easy for the producer to raise the necessary sums of money to produce the film.

Therefore, honourable senators, I feel that the provisions of the bill will bring to Canadian producers the necessary help in two ways. First, an attempt will be made, and there is no reason why it should not succeed, to come to an agreement or arrangement between Canada and other countries, principally the United States, Great Britain, France and Italy, whereby films produced by the two countries involved, and conforming to the normal commercial standards, will be regarded by both countries as national films. This can cover co-productions as well as private productions by the two countries.

The Secretary of State in the course of her remarks in the other place has indicated that steps have already been taken in this regard. A cultural agreement was reached with France a few months ago, which would cover this particular field; and I am informed that steps have already been taken by the minister in connection with two other countries, Great Britain and Italy.

Secondly, direct financial help to Canadian producers or corporations incorporated under the laws of Canada or of a province will be provided by this measure, but before the taxpayer's money is invested, it is my impression that the board in considering applications must be expected in the ordinary way and, I would add, in a cautious way to study and examine the background of the company or the person making the application, and to examine in detail the submission and especially the budgetary aspect of it. A further important provision in the bill covers the adequacy of Canadian equity participation because, after all, this is primarily intended for Canadians.

I have not the slightest doubt, honourable senators, with the calibre of men who will be selected, with their background and past experience, that if an eventual loss is suffered on one production, which is bound to happen, it will be counterbalanced by successful ventures.

If honourable senators are interested in knowing the kind of bad investment the board could make, especially at the start, in my view, it would be a million-dollar production without the valuable guarantee of a well-established distributor; but I am sure that with the safeguards mentioned in the bill this will not happen. However, I am merely giving this as an example of what could be a dangerous investment in this field.

The bill does not attempt to set out in detail the policies by which the corporation should seek to realize the objects covered by section 10. In fact, the corporation itself will determine the methods, will establish the criteria and make the rules purporting to encourage and promote the development of the feature film industry in this country.

The film, the movie picture, is an art known as the seventh art, and probably the most lively one, but past experiences have shown that it is also a business, a business which in 1964 took in $70 million at Canadian box offices alone, not including the other related profits such as concessions. It is the intention of the Government, as the minister has herself indicated in the other place, to see that those who run the corporation will be individuals not only from the world of the arts but also from the business world; and if this is so, I know you will all agree that this is the right thing to do.

Some honourable senators might have the impression that this corporation will merely be given a blank cheque with not enough strings attached. However, I do not know of any other practical way of doing it. If we want this measure to succeed in its aims, the greatest possible flexibility should be given the corporation and its members.

Under section 14 the bill provides for the establishment of an advisory group broadly representative of the professional associations, exhibitors, distributors and unions in the Canadian film industry, and I am told that it is the intention of the Government to set up this advisory body as soon as possible after the coming into force of the legislation. This will make it possible for the corporation to have the benefit of the industry's advice in the initial stages of its work.

On the other hand, some honourable senators might say that $10 million is not enough to establish firmly an industry of this kind in Canada. I would fully agree, if the bill was intended to do that, but this sum of money in fact represents the Government's share in support of the industry, and it is expected, and the signs are already there, that Canadian investors will enter the field with equal enthusiasm. It is intended to be a joint venture between the board and private industry; and, if this formula has proved

successful elsewhere, there is no valid reason why it should not succeed here.

I might say—because I want you to have all the possible information, especially as to what has been done elsewhere and with what result—I am told that the sums of money put at the disposal of the British producers under similar legislation are now nearly exhausted, and the British Government is about to decide whether or not this fund should be replenished. Whatever the decision will be, I want to point out that similar legislation has worked remarkably well in the United Kingdom, and that they now have a well-established feature film industry. According to the information we have, nearly identical legislation to this was enacted for the launching of the feature film industry in Great Britain, and honourable senators are aware of the remarkable motion pictures emanating from that country.

Honourable senators, before I conclude my remarks I should like to say a few words about the dubbing of a film. This is an important aspect because Canada, being a bilingual country, will have to produce films in both the English and French languages. If we want films produced in Canada to have the widest distribution possible they must be made in English and French, and in that respect dubbing is necessary.

I mention this because I am told by the experts in this field that this is no problem at all today. I was under the impression that the dubbing of a film had much to do with the cost of it, but I am informed that this is not the case.

I should mention another very short point. The debate in the other place on this measure was quite brief. It seems that members from all corners of the house were waiting to have this bill made effective as soon as possible. During the past two years before coming to this formula, the Government, directly or indirectly, considered the opinions of many people engaged in the motion picture industry in this country. Representations were received. Advice was obtained from abroad. For instance, advice was obtained from the director of the National Film Finance Corporation which, as I have said, is a comparable agency in Britain, and also from specialists attached to the various public agencies in European countries. The Government believes, therefore, that this bill represents an effective basis upon which a Canadian film industry can be launched.

Honourable senators, I should like now to say a few words in French.

[*Translation*]

I should like to point out to honourable senators that three of the most important French-speaking film makers were interviewed by a reporter from the newspaper *La Presse* about the bill now under consideration. They are Messrs. Clément Perron, president of the Professional Film Makers Association, Jean Dansereau, director of the Associated Film Makers, and Pierre Patry, founder of a company called Co-operatio. Although all three feel that this bill does not go as far as they had hoped, they all agree that it comes at the right time. They said, in short, that when this bill is passed, it will be possible to lay strong foundations for a feature film industry in Canada.

[*Text*]

Honourable senators, I think those are the important features of the bill which, by the way, is drafted in a very comprehensive manner. Since I have referred in my remarks to the artistic as well as the financial aspects, because both are very closely related in this bill, I should like to conclude by recalling a conversation which is supposed to have taken place between the late George Bernard Shaw and Samuel Goldwyn. They were negotiating the film rights of one of Mr. Shaw's plays, but were unable to reach an agreement. Mr. Shaw said, "The trouble is, Mr. Goldwyn, that you are interested only in art, and I am interested only in money."

Having said that, honourable senators, I commend this bill to your attention.

Hon. Mr. Connolly (Halifax North): May I address a question to the honourable sponsor of the bill?

Hon. Mr. Deschatelets: With pleasure.

Hon. Mr. Connolly (Halifax North): What happens to the National Film Board under the set-up envisaged in this legislation?

Hon. Mr. Deschatelets: It would act only in an advisory capacity. The National Film Board and the C.B.C. directly have nothing to do with this corporation except to act in an advisory capacity.

Hon. Mr. Connolly (Halifax North): Then, the National Film Board continues to function as it is functioning now, or will it do so with amended responsibility?

Hon. Mr. Deschatelets: No, honourable senators, there is no amended responsibility. However, I should have pointed out that the chairman of the National Film Board will be a member of this board.

Hon. Mr. Connolly (Ottawa West): You mentioned that.

Hon. Mr. Deschatelets: Yes, but I do not think I put enough emphasis on it. He will be a member ex officio of the board, and his role will be to assist and advise not only the board but the minister in the field of motion pictures.

Hon. M. Grattan O'Leary: Honourable senators, I am sure we are all indebted to Senator Deschatelets for his interesting and, I thought, beguiling explanation of this bill. This bill, of course, is a further adventure into state socialism. It is a further adventure into paternalism. It adds to the beaurocratic apparatus of the Government. But I am not going to discuss its philosophy. I think it was Lord Roseberry who once said at the turn of the century: We are all socialists now.

Sometimes when I look over the programs of our parties I find nearly all of them embracing statism to some extent, and some to a very large extent. I have a bit of difficulty in distinguishing between them, but I do want to discuss some of the provisions and implications of this bill.

The problem which this corporation will have to deal with will not be one of developing talent, but of distribution. I am perfectly certain I could get together a dozen or more journalists within a reasonable time who would perhaps turn out the best newspaper in the world, but if that newspaper remained on the presses I would soon lose my advertisers and also my shirt.

It is the same with films. We are talking about feature films, not documentaries. They are feature films, and if we produce them and they remain in cans, then this $10 million will go down the drain.

We are not here competing with Hollywood; we are going to have to compete with the extraordinarily creative ability of the Italians, the French, the Scandinavians and the British.

Hon. Mr. Connolly (Ottawa West): And the Americans.

Hon. Mr. O'Leary (Carleton): And the Americans. But I think Hollywood would be the least. The great creative talent in the film industry today is across the seas; Hollywood is no longer the cinema capital of the world.

I think we have talent. Our National Film Board has produced some excellent documentaries. It has won prizes all over the world. In addition, we have some very capable private enterprises, notably Crawley Films, which is located right here in Ottawa. These people with their own finances, with slight help from outside, produced two full-length feature pictures in Ottawa in the last three or four years. One, "The Luck of Ginger Coffey," is now being distributed in the United States, but Crawley Films kept complete control of the production.

Senator Deschatelets, at the conclusion of his speech stated that he saw no valid reason why this corporation would not succeed. I am sure that on second thought he does not believe that. There are many scores of valid reasons why this corporation will not succeed, and I would hope that when the Government is appointing a chairman it will appoint a good, sound businessman, and not leave the thing to be run by the go-go girls and the swinger boys of Toronto's Yorkville. This is what you always encounter in an endeavour like this.

I know that every nation in Europe, as well as the United Kingdom, has subsidized its film industry. I think it is right, and that perhaps the great success of the Italians, the Scandinavians and the French, as well as the British to some extent, though not to the same extent, has been due to the fact that the governments of those countries regarded the production of their films as a matter of national prestige throughout the world. However, I make this prediction, that under the proposition contained in this bill, this corporation will only gain its ends over a period of years. It will only gain its ends if the Canadian Film Development Corporation is operated on the principle that the initiating enterprise and heaviest risks are shouldered by Canadians whose experience and talent seem to warrant the conclusion that commercial success in the world market is likely to result.

There is no sense in talking about our making films and selling them in Canada. We could sell them, but our market is not sufficiently large. We must have export markets for the films. Therefore, they must have extraordinary quality, and there must be extraordinarily good business ability behind the enterprise to see that they are properly and sufficiently distributed.

There are some other features in this bill about which I am at least doubtful. Unless the applicant for a grant by this corporation has a script of merit realistically budgeted with at least 60 per cent of the money already raised or guaranteed, and unless he is prepared to assure completion of the film, the application should be turned down. If this corporation starts handing out money here and there to anyone who comes to it with a film, then inevitably the money will be lost, and not only lost but it will discourage further help to a film industry later on.

There are one or two other features of the bill that I think should be looked at very carefully: for example, section 10(1), paragraphs (c) and (d), provide for awards to persons writing scripts. I think these sections should be dropped from the bill, and if not they should not be used by the corporation.

What are you going to have under these provisions? Do you realize that a magazine such as *Maclean's*, for example, gets something like 25,000 unsolicited contributions in the course of a year, and that a small newspaper like the Ottawa *Journal* receives five or six pieces of poetry in a day? Just imagine, with the promise of these awards what is going to happen to this corporation, with people submitting scripts. They will be deluged with scripts, and the worst feature is that there will be regional jealousies and competition in producing those scripts. I would not want to be one of the judges making the decision as to who should get the awards and where they should go. This is absolute nonsense! In fact, it would overwhelm any judging panel that would attempt to make a decision.

There is one other factor about this bill. It was mentioned by Senator Deschatelets in answer to a question put by Senator Connolly (Halifax North) about the film commissioner being a member of this board. I submit that this is a mistake. The National Film Board is a producer of films and will be in competition inevitably with private enterprises also producing films under this arrangement. On that board he would undoubtedly take a position that would in his view benefit the National Film Board as against the private producers. I do not think he has any place whatsoever on that board. We should bear in mind that although we are just setting up this film corporation, we have been spending a great deal of money, or having other people spend it for us, on films. The National Film Board and the C.B.C. between them last year spent approximately $50 million on the production of films, so you cannot say we have neglected the enterprise entirely. However, if you have the commissioner of the National Film Board on this corporation as a member, then surely he is going to be the influential person there and will want to give any advantage that he can to his own film board.

Perhaps I should mention that it was stated in the other place the other day that there exists in the United States an organization called The International Alliance of Theatrical Stage Employees and Picture Machine Operators of the United States and Canada. My understanding is that the United States end of this is in complete control, and it is quite certain that the pictures we might produce in Canada could be boycotted, could be picketed, could be interfered with by this international alliance, if they felt that in the production of the pictures we had not adhered to their particular rules and regulations.

I remember during the last war—and I am sure the Government leader will also remember—that we attempted to take the navy show to the United States. A member of the Naval Defence Department—and perhaps it was Senator Connolly himself, who was executive assistant to the minister at that time—had to journey to New York and see Mr. Petrillo, the czar of the music industry in the United States, to get his permission to have the show put on in the City of New York. It is easy to see what effect an organization like that can have.

Hon. Mr. Connolly (Ottawa West): The air force band had the same trouble, I think.

Hon. Mr. O'Leary (Carleton): Yes. On occasions here in Ottawa a show would be stopped dead at the Capitol Theatre because the organization of American musicians would say: "We will do the playing, but unless you bring stand-by musicians as well, your show does not go on." This was making it double; this was featherbedding with a vengeance.

I would like to see some appropriate provision to cover this situation in the bill. At least I would like to think that the corporation itself would be aware of it.

Honourable senators, it appears to me that this should be essentially a business operation. I have great respect for the talent of some of those young people—we see them in the press, in the C.B.C., in the Film Board

—but I have not got too much faith or confidence in their business ability. If every genius, by baptism or desire, comes to the corporation with a script and says, "I want you to buy this," and it is bought, we all know what is going to happen to the corporation.

This is why I would stress that the head of this organization should be a businessman who would recognize from the beginning that the problem here is not one of production but of distribution. We simply cannot content ourselves with selling these films in Canada. We have not the market and we will not have it in the foreseeable future. If we are to compete with the Italians, the British, the Scandinavians, we must produce good pictures, first of all, but that will be the lesser problem. The greater problem will be to compete with those people in the markets of the world. It is an operation which can be handled only by first-class businessmen.

Honourable senators, the success or failure of this corporation will depend almost entirely on the calibre of its administration. They will need a lot of luck to help them in their difficult task.

Hon. Donald Cameron: Honourable senators, I welcome the introduction of this bill in the Senate. It will mark a further step in the development of the cultural aspects of Canada. Coming as it does in our Centennial year, because the climate for such a development is favourable, it will help to crystallize in the years to come that Canadian image which is beginning to emerge already as a result of our Centennial activities.

Together with my distinguished colleague, the Clerk of the Senate, Mr. John F. MacNeill, I had the privilege of serving on the National Film Board from 1942 to 1949. This board was initiated through the persuasion of the late Prime Minister Mackenzie King who wanted to develop a medium for selling the war effort, and the sacrifices that were part of it, to the Canadian people.

Honourable senators will remember "Canada Carries On" films, and others of that nature. There was a distribution agency set up from one end of Canada to the other, under the National Film Board in co-operation with the extension departments of the universities, and it was very sucessful.

In the years since I had anything to do with it, the Film Board has gone on to make a very distinguished place for itself amongst film makers in the world. It has demonstrated its capacity to make good films by consistently winning awards at the Venice International Film Festival, the University of Michigan International Film Award Centre and others.

In the same period of time, the private film makers have done very well by Canada. Senator O'Leary (Carleton) referred quite rightly to the role played by Crawley Films in Ottawa. We owe a great deal to Budge Crawley and his associates, who have done a magnificent job and who have helped to put Canada on the map, nationally and internationally.

There are others not so well established as Crawley Films. I refer to a group in Calgary, Master Films of Calgary, to Canawest of Vancouver and others, and particularly to the film makers of Quebec, who have done a first-rate job and will be able to hold their own in an international situation when they get some further encouragement.

The role of film making for the C.B.C. televison offers an almost unlimited opportunity for the making of good films, for the utilization of Canadian artists in music, drama, ballet, painting, designing and so on.

Senator O'Leary (Carleton) mentioned that the C.B.C., the television people, and the National Film Board spent $50 million last year. It sounds like a lot of money, but this is a big money industry. We are proposing now to put $10 million more into that industry. Ten million dollars is not a lot of money. I would like to look upon this money as what we call in our business "seed money." It is money invested in a revolving fund of this kind to stimulate and to encourage production, and you hope to get it back.

I could not agree more with Senator O'Leary, (Carleton) that the head of this board must be a first-class businessman and he must be tough. He can hire the artists and the technicians and the film experts by the dozen to give him the technical advice necessary, but if this proposal is to succeed it must be as a business proposition. I am sure this will be taken care of by the board when selected.

I noticed in reading the discussion in the other place that some time was given to section 3, which makes provision for the director of the National Film Board to be a member of this board. Senator O'Leary does not agree with this, and I admit that there are grounds for having some misgivings. Frankly, I think

the positive values outweigh the negative ones.

I do not think the Film Board is going to be too worried about the competition from private industry, or that private industry will be unduly concerned about competition from the Film Board. The Film Board is not going to have that kind of budget.

On the positive side, the director of the National Film Board, the Film Commissioner, is the Government's official liaison man on the making of films for Government departments and other agencies in Canada. Even more than that, he is the man who will have the liaison with other governments, with the French, the Italians, the British; and it is in this sense that the appointment of the commissioner to the board is more than justified.

I referred a moment ago to the question of this being a good time to set up this institution and that I think it will help to a very great extent to develop the Canadian image in the sense of nationality and purpose. This is a good place for me to make a brief diversion to refer to the remarks made earlier this afternoon by my friend Senator Paterson.

First of all, I was delighted with the remarks he made. I wish he would reminisce more often. This is not unrelated to what we are trying to do in setting up this board. We are at a stage in our Canadian development today when we are concerned with preserving the colour and flavour of this country, and there is a group of Canadians today working unofficially trying to create a body to finance and sponsor a library of oral history for Canada.

The initiative for this came from a free-lance writer and journalist in Montreal, Lawrence Noury. Some of you may have met him because he has interviewed many Canadians from one end of the country to the other.

All I want to say is that the kind of story Senator Paterson told this afternoon is the kind that lends colour and flavour and interest to the Canadian personality. I hope that this kind of thing will become part of the library of oral history. So, if somebody comes after you some day wanting some money to help develop this library, I hope that you will listen sympathetically, for it can be a very vital and important element in developing the Canadian personality.

I agree with Senator O'Leary when he says that the crucial point of this discussion is the question of distribution. I think if this bill goes to a committee we should ask some very searching questions there, because, as Senator O'Leary pointed out, there is nothing in the bill to indicate how the distribution is going to be brought about. He was quite right that the Canadian market is not large enough to build up a profitable industry, although I think the market is bigger and better than most people think. But here again is where the co-sponsorship with Italy or France or the U.K. comes in. Again this emphasizes the importance of the dominion Film Commissioner being tied into this board.

The Italian film makers in particular have demonstrated what can be done with low-budget films. Certainly any feature films in Canada are going to be low-budget films. We have not the kind of money to try to emulate Hollywood, and we should not. We do not need to. Some of the best films we see in the world today are low-budget films produced in France, Italy and in the United Kingdom.

Now, that is all I want to say by way of introduction, but under the objects and powers of the Board as developed in section 10, here again I find myself in an amazing degree of unanimity with my friend Senator O'Leary. I do not take clauses 10 (c) and (d) as seriously as he does. As to making awards for outstanding accomplishments in the production of Canadian feature films, which is clause (c), it is a nice thing to give awards, but I am not sure that the money should come from this appropriation. Even if it did, my experience with awards is that they are not very generous. It would not be very much money. It is the recognition that counts, and if we were to give $500 or $1,000, surely that would be sufficient.

Hon. Mr. O'Leary (Carleton): They get the recognition now. Awards are already granted by an organization which exists for that precise purpose, but we do not need money awards.

Hon. Mr. Cameron: I realize that, and I would have no objection to this clause being deleted. It is not an important clause in any event.

The making of grants to film makers and film technicians resident in Canada in order to assist them to improve their craft, which is section 10(d), means essentially scholarships. Now, I am sure that the investment return that we get from scholarships in any field as a rule is the biggest return we get on any investment we can make. To that extent I am in favour of that particular clause, but I

would say again that the selection of people to receive grants must be very carefully made.

Then, in section 10 (2) (a) the question of Canadian control is important. This is a very important clause and I am not just sure what the safeguards are to ensure that this development will not be taken over by an American firm.

In saying this I am not being anti-American, but I believe there is a place and a need for development of a Canadian feature film industry and it cannot go on to thrive and prosper if it is run by someone from outside.

This brings me to section 14. Again Senator O'Leary referred to this. It is the role of the unions, particularly IATSE, as I think they call it, the International Alliance of Theatrical Stage Employees and Motion Picture Machine Operators of the United States.

I have reason to believe that on occasion these people have literally taken over the work of Canadian film technicians and are the ones who have had their names on the scripts in a senior position to our people. Again I want to emphasize that I am not anti-international union, but I think the time has come, particularly in an area of this kind, when we must insist that there be some new regulations which would permit the technicians employed to operate with some degree of Canadian autonomy.

Then, in section 18, we come to the financial arrangements. As I said earlier, $10 million is not a lot of money in an industry of this kind. On the other hand, if you look on it as the yeast money or the seed money invested to help an industry, this can play a very important role and if this organization succeeds as we hope it will, the money can be increased at some other time. I feel that this is a step in the right direction, and I am delighted to see the bill coming before us. I hope that it will get the support it deserves.

In conclusion I want to emphasize again that this is just the second step in the development of a Canadian film industry, and its timing is good because it can play a vital role in creating or helping to create a sense of nationality and understanding among the Canadian people.

My final words are again to compliment Senator Deschatelets for his usual modest and lucid presentation of legislation.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Deschatelets, bill referred to the standing Committee on Banking and Commerce.

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

NOTICE OF MEETING

Hon. Mr. Connolly (Ottawa West): Honourable senators, before we adjourn I draw your attention to the fact that the Standing Committee on Transport and Communications will meet tomorrow morning at 10 o'clock to deal with Bill C-229, the Canadian National Railways Financing and Guarantee Bill. The witnesses will be Mr. MacMillan, President of the Canadian National Railways, Mr. MacDougall, senior counsel, and other officials. I would ask that as many honourable senators as possible attend the meeting.

The Senate adjourned until tomorrow at 3 p.m.

Thursday, February 9, 1967

THE SENATE

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa 9 February, 1967

Sir,

I have the honour to inform you that the Honourable Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 9th February, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier,
Assistant Secretary
to the Governor General.

The Honourable
The Speaker of the Senate

ADMINISTRATION OF JUSTICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Gilbert had been substituted for that of Mr. Brewin on the list of members appointed to serve on the Special Joint Committee respecting Mr. Justice Landreville.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Superintendent of Insurance for Canada—Volume III, Annual Statements of Life Insurance Companies and Fraternal Benefit Societies, for the year ended December 31, 1965, pursuant to section 9 of the Department of Insurance Act, chapter 70, R.S.C., 1952. (English and French texts).

Report on the Administration of the Public Service Superannuation Act, Parts I and II, for the fiscal year ended March 31, 1966, pursuant to section 34, chapter 47, Statutes of Canada, 1952-53, and section 49, chapter 64, Statutes of Canada, 1953-54. (English and French texts).

Copies of twenty-six contracts between the Government of Canada and the Municipalities of the Provinces of Alberta, Manitoba, New Brunswick and Newfoundland for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Statutory Orders and Regulations published in the *Canada Gazette*, part II, of Wednesday, February 8, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Report, dated January 1967, on Amateur Hockey in Canada by the Hockey Study Committee of the National Advisory Council on Fitness and Amateur Sport, pursuant to section 9 of the Fitness and Amateur Sport Act, chapter 59, Statutes of Canada, 1960-61. (English and French texts).

CANADIAN NATIONAL RAILWAYS FINANCING AND GUARANTEE BILL, 1965-1966

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. T. D'Arcy Leonard, Acting Chairman of the Standing Committee on Transport and Communications, presented the following report of the committee on Bill C-229 to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1965 to the 30th day of June, 1967, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Leonard, Acting Chairman of the Standing Committee on Transport and Communications, reported that the committee had considered Bill C-229, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1965 to the 30th day of June, 1967, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Leonard: I move, with leave of the Senate, that the bill be read the third time now.

Honourable senators, perhaps I should say a few words on the motion for third reading with respect to the meeting of the committee this morning.

The committee had before it the new President of the Canadian National Railways, and I must say that he made an excellent impression on the committee. Mr. MacMillan succeeded Mr. Gordon only a few months ago, but actually his experience in the Canadian National Railways System goes back over many years and he is familiar with all aspects of its operations.

In his evidence before the committee this morning Mr. MacMillan displayed a complete knowledge of the operations of the railway, including its finances.

Although in some respects he did not satisfy member senators as to whether trains running from Nova Scotia to Ottawa would make connections at Montreal, he certainly gave complete explanations on all questions relating to this bill.

In the debate the other day a number of honourable senators raised points as to the authorization of several hundreds of millions of dollars of expenditure made during 1965 and 1966 and the issue of securities in connection therewith. Mr. MacMillan's explanations in this respect were complete, adequate and quite satisfactory to the committee. His presence there gave us an opportunity to congratulate him. I am sure he will be very welcome at future meetings of the committee.

Hon. John J. Connolly: Honourable senators, before this bill is read the third time I should like to make a few remarks, and I am inspired to do so by the most delightful speech made yesterday by our colleague Senator Paterson.

Because this is Centennial year and because the railways have meant so much to the development of this country, it seemed to me appropriate on this occasion to refer back to the *Debates of the Senate* for 1884. Over the years I have made a practice of reading as much of these early *Hansards* as I can, and I must say that if one wants to review the history of the times these old volumes of the debates contain a wonderful reflection of the development of the country.

This afternoon I should like to read briefly some extracts from the Senate *Hansard* of March 14, 1884, and particularly the speech of the then Senator Power from Halifax who, I might say, was more of a stormy petrel in this house than the present honourable senator of that name. He was talking on that occasion about Pullman cars on the Intercolonial Railway, and what he had to say was in the nature of a complaint. For example, he said:

> Then these Pullman cars are less airy and wholesome than they should be ... the lights in the Pullman are not good enough to enable one to read at night.

Later he added:

> The sections of the car are not shielded from the passengers outside, as they ought to be; and the berths in the sections are not separated as they should be from each other.
>
> Hon. Mr. MacDonald: The sexes?
>
> Hon. Mr. Power: My honourable friend makes some suggestion as to the sexes. One can imagine—it is a case which very often happens—that a lady passenger may occupy the lower berth of one of those sections and a male passenger the upper berth. There is no curtain, and nothing else to give the passenger in the lower berth the complete privacy and isolation that she ought to have from the passenger in the upper berth. The only

way in which either an individual or family can secure anything like complete privacy is by taking the drawing-room, and that apartment is the most unwholesome and objectionable portion of the car. There is almost no ventilation in it. Then the arrangements for washing and dressing in those cars are not all what they ought to be. They were thought very good sixteen or seventeen years ago, but they are now behind the age.

He goes on a little later to say:

When the ventilators are closed, the cars get very warm and the air becomes foul; and if the ventilators are open there are draughts through the cars, and passengers are very apt to catch cold.

Then there was this interjection by Senator Plumb:

Does the hon. gentleman like to have them open or kept shut?

They were not as polite to one another in those days, because Senator Power replied:

There is one particular opening that I should like to see kept shut more than it is, and that is the mouth of the honourable gentleman from Niagara.

After which are enclosed in brackets the words "prolonged laughter."

The Honourable Mr. Almon, at a later place, said:

I asked that the cars should be supplied with thermometers, and that a maximum temperature be established, and then when you appeal to the Shadrach, Meshech and Abednego who were piling on the coal that you objected to having any more heat, they could be prevented from doing so. Another thing I asked for was that the cars should be supplied with pure cold water. I should hope that those hon. gentlemen who are now thrusting the Scott Act down our throat—

And I am sure that all honourable senators know what the reference is in that respect.

—would not object to giving a passenger a glass of clean cold water. In those cars the tank is placed near the stove, the water is supplied through a hose, the supply end of which is no one knows where, and passengers are forced to use dirty, unfiltered water. A common filter would not cost more than $2, and it would not be difficult to supply good water. There is a tank in the ladies' water closet, but male passengers are not allowed access to it. These two facts, the difficulty of obtaining a decent glass of water, and the overheating of cars, I protested against two years ago, without any advantage to the public. There is another matter against which I protest as a medical man: you get into your berth, and the porter puts down the other berth above you. You ask him why he does so, or if it is going to be occupied by another passenger. He says it is not; it is simply putting on the thumb screws to compel you to give him $2 more to secure the whole section in order to save yourself from being smothered with carbonic acid gas.

Then the Honourable Mr. Bellerose got into the debate, and he talked about delays of the trains as follows:

A train left Montreal at 4.30, during very stormy weather, and had only been running about 30 minutes when it was completely blockaded by snow. Another train, according to the rules of the company, left Montreal ten minutes later than the train which was blockaded, and ran into it. The weather was such that the engineer could not see more than a few feet before him, and no one could fairly be censured in connection with that accident.

Then he goes on to describe the difficulties of the passengers on that train, and winds up in this way:

There was a curve upon the line, where the bush was thick, so that the engineer could see nothing ahead of him, and upon reaching that curve the passenger train ran into the two engines and it was only by a miracle that no lives were lost, as the trains were running at a speed of 28 or 29 miles an hour.

Then Mr. Odell got into the argument, and he said:

I have had a good deal of experience while travelling over this road, and I must say that the Pullman cars upon it are completely run down. Whether it is that all the cars which are out of repair are put upon that portion of the road or not, it is certain that they bear no comparison with those running westward. They have become so bad that it really is a service of danger to go into the washroom and attempt to wash in the morning. Whether it is that the springs are out

of order, or the underwork is impaired, I cannot say, but the swinging motion is so bad that it is worse than any little sailing vessel I was ever in. Really, it is sometimes with the greatest difficulty that one can avoid getting a serious fall, or a blow in the face if you attempt to put it down in the basin.

After reading passages like that from the earlier *Debates of the Senate* about the perils of railway travel in Canada perhaps we can realize that in this year 1967 we have come a long way along the right lines.

Motion agreed to and bill read third time and passed.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, February 28, at 8 o'clock in the evening.

Before the motion is carried, perhaps I should warn honourable senators that there is a real possibility that we may be recalled to consider urgent legislation from the other place some time next week. It is our rule of course that senators are subject to recall during such an adjournment. Therefore, I would ask honourable senators to keep in mind that the date of reassembly is not at all meaningful at this stage of the session.

Hon. A. J. Brooks: May I at this time inquire from the honourable Leader of the Government what we may expect after the two weeks adjournment. We all know there is a considerable backlog of legislation which is at different stages, some bills having received second reading, others are before the Committee of the Whole or special committees, and some are at the resolution stage, all of which are probably more important than those that have had further debate. I am sure all honourable senators would be greatly appreciative if the honourable leader could tell us what legislation we might expect after the adjournment.

Hon. Mr. Connolly (Ottawa West): Honourable senators, as the lawyers say, without in any way dispensing with the generality of what is to follow, may I say that I believe—and it is only an educated guess—that it is a strong possibility that the Senate will be required to deal with the Canada Deposit Insurance Corporation legislation sometime next week. There will be legislation arising out of the budget resolutions once that debate is concluded, and that legislation will come to us in due course. The Immigration Appeal Board bill, which is on the Order Paper in the other place, will also reach us in due course. I do not classify it as a major piece of legislation, important though it may be.

Before the end of this session we can expect the bill to amend the Bank Act and the Quebec Savings Bank Act. We can also expect a bill to amend the Canadian Vessel Construction Assistance Act, as well as some legislation in respect of pension plans in federal undertakings. Though not a major bill, it is of some considerable importance.

The Canadian Forces Reorganization bill is now before a standing committee in the other place, and in due time we will be called upon to consider that legislation. A bill entitled Industrial Research and Development Incentives, to amend some of the legislation already on the statute books in respect of incentives for research, will be coming to us.

There are three bills with reference to the public service, dealing respectively with staff relations, employment, and amendments to the Financial Administration Act. These are bills that have been before a joint committee of the two houses and will come to us in due course.

I do not pretend to have given a complete list of legislation which may reach us, but I think I have touched upon the major items of legislation which we are likely to be called upon to consider.

Motion agreed to.

UNIVERSITY FINANCES

The Senate resumed from Tuesday, December 20, the adjourned debate on the inquiry of the honourable Senator MacKenzie calling the attention of the Senate to the question of university finances.

Hon. G. Percival Burchill: Honourable Senators, I want to congratulate Senator MacKenzie and Senator Leonard for the very excellent speeches they made on the subject of university finances.

As I have had the great privilege of being a member of the Senate of the University of New Brunswick for about 35 years, I think I know something of the problems in connection with financing of universities. But before I comment on that subject I want to remind this house that Senator MacKenzie at one time was the President of the University of New Brunswick, and I claim some share of

the credit in persuading him to become a university president.

In 1939 when we were in search of a president I was delegated along with two others from the Senate of the University of New Brunswick to interview a couple of gentlemen in Toronto. At the same time we were to have a conversation with Senator MacKenzie. He was then on the staff of the University of Toronto, and Canon Cody, the President of the University of Toronto, had recommended him to us as a very suitable gentleman to assume the duties of the President of the University of New Brunswick.

I remember that Senator MacKenzie stipulated that he would not be interesteed in the position unless we were able to pay him the colossal salary of $6,000 a year, which was almost double the amount we had been paying his predecessor.

On our way home from Toronto we met the Premier of the province and some of his colleagues in Montreal, and I was charged with the responsibility of selling Senator MacKenzie, along with his colossal salary, to the government of the Province of New Brunswick. How well I succeeded, honourable senators, can be seen from the fact that Senator MacKenzie came down and joined us and stayed with us for four years. During his term of office he laid the foundation for the program of expansion which has overtaken us down there. When he left in response to a call from the University of British Columbia to go to the west coast, he and Mrs. MacKenzie left behind them a great host of friends and well wishers in the Province of New Brunswick. These friends have watched his subsequent career with great pleasure and justifiable pride.

Hon. Mr. Brooks: Hear, hear.

Hon. Mr. Burchill: So I claim at least some share in Senator MacKenzie's outstanding achievements as a university president, because I was one of those who discovered him on the staff of the University of Toronto and persuaded him to come to New Brunswick.

This program of expansion, adapted first to take care of the returning veterans who rushed to enter college, has continued under his successors, Dr. Milton Gregg, V.C., Dr. Albert Trueman, and since then by our present dynamic and able President, Dr. Colin MacKay, who during his time has planned and constructed twenty new buildings on the campus, involving an expenditure of more than $20 million.

Even with all that expansion, the university has been obliged to restrict for lack of space the number of students wishing to enroll from outside the province.

The University of New Brunswick is one of Canada's oldest universities. Uprooted from their old homes by the American Revolution, the Loyalists brought the standard of Harvard and King's College, New York, with them to the New Brunswick wilderness. It was, therefore, natural that when they founded the loyalist province in 1784, they should have made provision for the education of the young people; and so a memorial to the Governor in Council on December 13, 1785, signed by Ward Chipman, William Paine and a number of other loyalist founders of the province, resulted in the granting of a draft charter modelled on that of King's College, New York.

Thus the University of New Brunswick received its birth, and since that time it has been the crown of the educational system of the province and has turned out graduates who have taken their places among our Canadian leaders in building this great nation, in the fields of state, education, religion, commerce and literature.

At the present time the university is facing a serious financial crisis. In New Brunswick, as in other provinces of Canada, we have been experiencing a student explosion which was confined not only to the University of New Brunswick but to the other universities in the province. The whole problem of higher education, involving finances, became so acute that in 1961 the provincial government appointed a commission under the chairmanship of Dr. Deutsch, to investigate every phase of the problem and make recommendations, which they did. But notwithstanding the formula for Government grants which was based upon a projection for five years, which they deemed adequate then and which has been implemented, revenues have fallen so far short of actual costs that for the past year, ending June 30, 1966, the university had a deficit of over $300,000 on operating costs alone, which still stands on the books.

Therefore, the University of New Brunswick welcomed an announcement by the Government that the same three commissioners had consented to a review of the financial requirements for the period 1967-1968 to 1971-1972. They have hailed that announcement with great relief. That review is under study at the present time, and I understand

the provincial Government is awaiting its report before announcing what operating capital grants will be available. The needs of the university for the next five years are based on enrolment trends prepared by a Joint University Committee under the chairmanship of Mr. B.F. Macaulay, Vice-President, Administration, in the University of New Brunswick.

The operating deficit to which I have referred occurred even after the university had been forced to increase tuition fees until today its charges are as high as any in Canada. Over the five-year period they have increased from an average of $400 to $570 this year.

The Deutsch Commission pointed out in its 1961 report that,

> One of the primary causes for rising expenditures has been the requirement for higher salaries to retain properly qualified instructors. With total University and College enrolments in Canada expected to triple during the next ten years, the competition for able teachers will become even more intense. As academic salaries in New Brunswick institutions are already significantly below the national average, it will be necessary to improve their salary schedules on a regular basis if New Brunswick students are not to suffer from the continued loss of good teachers.

When we turn to capital requirements, the situation is even worse. Ten years ago there were 1,022 students enrolled at the university. Last year there were 3,342. The appraisal of students trends in university and college enrolment, to which I have referred earlier, indicates that the University of New Brunswick will be obliged to provide facilities in the next ten years for 7,150 students, and if all financial obstacles were removed the figure would reach over 8,000. Last year the entire province's college and university enrolment worked out at 11.3 per cent of the population as compared with that in Canada as a whole of 16.1 per cent; and the projected percentage for 1975-76 is 16.5 per cent as compared with the Canadian average forecasts of 26.7 per cent. Of the student enrolment at the University of New Brunswick in 1961-62, 56 per cent of the student body came from outside the province but, due to the university being obliged to restrict applications from beyond the province, the figure dropped to 37 per cent. It is interesting to note that from 1956 to 1962, enrolment in the province's three English language universities increased by 59 per cent, and in the French language institutions by 72 per cent. Seventy-six per cent of this increased enrolment at the French language institutions had come from New Brunswick residents, compared to 31 per cent for the English language institutions.

To provide facilities for this expansion in the number of students, we were faced with the necessity of undertaking a large building program which is still continuing. This program involves the erection of 20 new buildings, three of which were completed last year, and we hope eight more will be ready in 1967. These include buildings in Saint John, where a branch of the university has been established and where students are registered in the first two years of Arts and Sciences.

The total expenditure in the period from 1966 to 1970 on capital construction is estimated to be $33,280,000. Following the formula recommended by the Deutsch Commission in 1961, the province has been making an annual grant of $550,000 towards capital costs and this, with approximately $6 million realized from our financial campaign, represents the total source of capital funds.

Honourable senators, it is not necessary for me to repeat what previous speakers have said as to the need for higher education. I am sure we all agree that if this country is to grow and develop in the way we want it to, education must be the answer. Senator O'Leary (Carleton) in his able speech on the establishment of a Science Council of Canada pointed out that if Canadian industry is to compete in international markets, it must not only have the best knowledge, it must be able to apply that knowledge and should also be equipped with the best tools. I could not agree with him more.

However, in carrying out that objective, I am concerned with the difficulties facing universities in sections of Canada where the financial resources to maintain standards and render the best service to our youth are not easily available. For that reason I have ventured to give the Senate this sketch of our experience in New Brunswick which illustrates the gap between what is happening there and the story which Senator Leonard told of the amazing progress made by York University in Toronto. Other instances of institutions in Canada could, of course, be cited, but here we have a new institution which had only a name in 1960, but in six years has erected an imposing set of buildings and

equipment at a cost approximating $40 million. That is an amazing achievement, and I salute the governors of that university.

However, honourable senators, the point I wish to underline is that if there is to be equal opportunity for Canadian youth to acquire higher education, funds should be made available for institutions in less-favoured provinces so that these opportunities would be open to Canadians everywhere, no matter in what province they happen to live. This is a national responsibility and in my opinion should not be passed on to provincial authorities who have their hands full with provincial problems.

I go further and say that in my view it would be a wonderful idea to mix young people from the various provinces at the different Canadian univeristies so that they would get to know one another and form college friendships. Such friendships can last a lifetime. As an example, I would mention that my friend the Leader of the Opposition (Hon. Mr. Brooks) was a fellow student in my class at the University of New Brunswick. Such friendships grow with the passing of the years, and I can see no better way of bringing about a united Canada than to have students from all parts of Canada intermingle at the university level. I know that the scheme for the interchange of school boys and girls from east to west and vice versa has been very successful, and each has learned more about the other parts of the country. At the University of New Brunswick we have students from several provinces of Canada, and indeed some from outside of Canada, and we wish we were in a position to take more.

I have in my hand a quotation from the Ottawa *Citizen*, written by Charles Lynch. Speaking about New Brunswick, he has this to say:

> One of my sons was dispatched there for educational purposes, it being the family hope that he would bring away some of the native philosophy that had served father so well around the globe.
>
> You know what? We can't get him out of there.
>
> He regards New Brunswick as a great place and likes the people and the pace.

We in New Brunswick only regret that we are not financially able to take care of all the students from outside the province who would like to be enrolled at the University of New Brunswick.

In closing I want to say that I think the presence of those young people as students in New Brunswick has been a good thing for that province, and what is good for New Brunswick is good for Canada.

NATO PARLIAMENTARIANS

TWELFTH ANNUAL CONFERENCE AT PARIS, FRANCE

The Senate resumed from Friday, December 16, 1966, the adjourned debate on the notice of the honourable Senator Aird that he will call the attention of the Senate to the Twelfth Annual Conference of NATO Parliamentarians held at Paris, France, 9th November to 14th November, 1966, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

Hon. A. J. Brooks: Honourable senators, it is not my intention this afternoon to speak on this item which has been on the Order Paper now for some time. I wish to yield to my very good friend Senator Lefrançois. Before doing so may I thank my honourable friend Senator Burchill for his very kind reference to me as being his classmate at the University of New Brunswick. May I also say that I endorse fully what he has said in his appeal in support of that of Senator MacKenzie and others for more assistance to universities in general and, in Senator Burchill's request, the University of New Brunswick in particular.

Before giving my reason for not continuing the debate on NATO this afternoon, may I congratulate Senator Aird on his excellent address and report on the proceedings at the NATO Parliamentarians' Conference in November last. I was not on the same committee as either Senator Lefrançois or Senator Aird. I was on the Defence Committee, and all my time was devoted to it. I wish to speak on defence when the bill mentioned by the honourable Leader of the Government, the amendment to the Defence Act, comes before this house for consideration. It would only be a duplication were I to speak on NATO defence now and then repeat it along with other defence matters later.

I take great pleasure in yielding my position to the honourable Senator Lefrançois who, I may say, was most attentive to the work of the NATO delegation. I am sure he took every opportunity we had in Paris of looking after the interests of NATO and our Canadian delegation.

Hon. Senators: Hear, hear.

The Hon. the Speaker: Honourable senators, has the honourable Senator Lefrançois

leave to proceed in place of the honourable Senator Brooks?

Hon. Senators: Agreed.

Hon. J. Eugène Lefrançois: Honourable senators, I intend to speak in French today, but before doing so may I pay tribute to my colleagues, the honourable Senators Brooks and Aird, whom I accompanied to the NATO Parliamentarians' Conference in Paris in November last. They certainly contributed to making this trip most enjoyable and interesting for me, and I wish to thank them for their courtesy.

I am also very grateful to the Leader of the Opposition (Hon. Mr. Brooks) who has given me the opportunity to speak this afternoon on the NATO Conference. I am sure that when the time comes for the Leader of the Opposition to speak on defence he will have very interesting things to say about the conference.

[*Translation*]

Honourable senators, like the honourable Senators Brooks and Aird, I had the privilege of accompanying the Canadian delegation to the meeting of the NATO parliamentarians held in Paris last November.

Although this was not my first experience, I found the tour of our military bases in Europe, as well as the discussions held in Paris, most profitable.

What struck me was the excellent morale of our troops overseas, in spite of the concern expressed by the air force people stationed at Marville about their immediate future.

When the main topic of discussion by the NATO Council was on the military power of NATO and the composition of the forces, all participants noticed that the conference took on a special character.

I am pleased at this time to call attention to the regular attendance and the earnest participation of Canadian parliamentarians in committee work, as well as in the plenary sessions. Several delegates from other countries noted with satisfaction the interest shown by Canadians in NATO matters, especially their broadmindedness when problems as serious as the proper position of France within western Europe, under the aegis of the military structure of the Alliance, must be fully looked into.

I would be remiss if I failed to congratulate the new president of the NATO Parliamentary Association. Incidentally, from now on this organization will be known as the North Atlantic Assembly. I am sure—and my colleagues will no doubt agree with me—that Mr. Jean Eudes Dubé, young and brilliant member for Restigouche-Madawaska, will succeed in reflecting on the whole country the honour bestowed on him of presiding at this assembly called upon to effect the greatest transformations within the alliance since its establishment in 1949.

I must also point out the fine work performed by the president of the Canadian delegation, Mr. Perry Ryan, whose sense of humour, devotion to duty and quick wits were greatly appreciated by every delegate. I must add that his technical information left nothing to be desired.

Before dealing with the main problems of the alliance, that is, the withdrawal of France and the economic co-operation of European member countries of NATO, I should like to stress certain details which were not overlooked by the French-speaking members of the delegation. I appreciate the special efforts made by the Minister of Defence (Mr. Hellyer) to change the spirit prevailing within the armed forces so as to give more and more importance to French-speaking military personnel.

I regret however, as other colleagues from the House of Commons do, that the operation of our overseas bases is carried out exclusively in English.

While I realize that efficiency and proper functioning of the forces require a certain uniformity in the working language, I feel that our troops in Europe are ambassadors from this country. As such, they should reflect a true Canadian image. They should give French as much importance as English. If the world is to be shown that we are living harmoniously, while speaking two official languages, this is a splendid opportunity to make the most of the presence of our military in Europe to apply these principles which reflect a true image of Canada.

For instance, I find it unacceptable that in the areas under Canadian military jurisdiction, in France especially, no account is taken of the fact that on this side of the Atlantic six million French Canadians speak their own language daily, but this is not reflected at all overseas. I am making this remark to the Government in good faith, in the hope that it will be noted.

Honourable senators, as Senator Aird has indicated, the problems of NATO are no longer exclusively military and political. They

have become mainly economic problems. To ensure the stability of Europe, the Atlantic countries are not only responsible for the difficult mission of building up against the Russian military might the most modern and the most efficient defensive network, they must also ensure in the member countries, particularly Great Britain, France and Germany, the economic stability, the trade and industrial momentum which will operate as a magnet to encourage them to strengthen the alliance and to enjoy their own security.

During this most profitable conference, several parliamentarians expressed the opinion that the Soviet menace, if less imminent on the military front, is as real and as dangerous on the diplomatic front. These experts saw their theory gain strength recently, following the visit of President de Gaulle in the U.S.S.R. and the triumph of Premier Kosygin in France several weeks ago.

I do not think such problems can be solved easily and a magic solution to the withdrawal of France and the progressive disarmament of the military zone in the West cannot be found by a simple conjuring trick.

I agree with Senator Aird that the defensive organization of NATO, with its present forces, must be maintained in order to reassure peoples exposed to attack in this sector and to promote the economic development of countries once occupied by the Nazis.

However, I hesitate to accept the idea that it is necessary to punish France in some way for its decision to withdraw from the military structure of the alliance.

Honourable senators will remember the words of the Minister of External Affairs who recently asked for progressive disarmament of the two military zones, both East and West.

This, I think, is the view of General de Gaulle, who has more faith in diplomatic negotiations with the eastern countries than in the construction of military strongholds when it comes to creating closer ties and making Europe economically stronger.

It is understandable the Americans are disappointed that they should have to fight alone in Viet Nam without the assistance of the NATO countries and, in some cases, under stinging criticism on their part. However, this does not mean that the Americans are obsolutely right in the matter of restoring to Europe a prestige and an autonomous strength which would immunize it against Soviet power as well as the insatiable economic appetite of our next door neighbours.

Canada has shown a great deal of good will during the last few years with the countries signatories of the Warsaw pact. Mr. Paul Martin's recent trip in the Soviet zone shows how much our country, too, favours dialogue and a positive easing of tension increasingly centered on trade and cultural exchanges.

Such a policy between members of NATO would be the first step towards strengthening the alliance and providing it with a new purpose in addition to its military role.

I was interested in the discussions concerning the economic problems of Great Britain, and the various solutions suggested to make sure that France, Germany and the United Kingdom would have a major influence consistent with their economic interests in the economic struggle between eastern countries.

In this respect I would point out that the first action taken by the new minister of External Affairs in Chancellor Keisinger's cabinet was to express hope for increased relationships with the French government, with a view to progressively integrating the economic interests of Europe into the world market.

I, therefore, suggest that France's withdrawal, if it poses painful problems from the diplomatic and military standpoints, shows on the other hand—and the lesson is good particularly for the Americans—that an alliance cannot endure without constant adjustments and compromises which are sometimes difficult to accept by the wealthier members of the group, who are reluctant to relinquish their economic dictatorship but who do not hesitate, in support of their positions, to advance sentimental arguments which can easily be challenged.

Therefore, I wish that Canadian members of parliament and senators would take a close interest in the future workings of the Atlantic Alliance, to try and give this connotation of objectivity and sober second thought characteristic of Canada's interventions on the world scene, and which made our country famous as a fair observer in great conflicts, whether it be ideological, economic or military.

I hesitate, honourable senators, to tackle the German problem, in view of the fact that recent political events in the Federal

Republic have somewhat spread confusion and that certain conclusions might have been drawn too early, particularly in regard to the election success of extreme right wing parties and the new direction of the German foreign policy under the leadership of Willy Brandt.

However, I feel it would be unwise for the Americans, or the Canadians, to withdraw too quickly their contribution to the defence of Germany by shifting to the shoulders of the German people a greater part of the expenditures for the defence of the free world in Europe.

On the other hand, I feel that the time has come for the members of the alliance, starting with the Federal Republic herself, to soften their policies towards the countries of the East, especially the Democratic Republic of Germany, to find at last an adequate solution to the Berlin problem.

Honourable senators, a few years ago I had opportunity to attend a NATO conference and the experience gained at that time enabled me to benefit even more from this year's conference.

Canada played a most important role in the creation of the alliance. I came back from that conference more convinced than ever that Canadian parliamentarians have an important part to play in the changes which are now taking place within the North Atlantic Alliance.

[*Text*]

On motion of Hon. Mr. O'Leary (Carleton), debate adjourned.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give royal assent to the following bills:

An Act to amend the Canada Corporations Act to facilitate the incorporation by letters patent of corporations without objects of pecuniary gain.

An Act to incorporate The Evangelical Covenant Church of Canada.

An Act to amend the Judges Act.

An Act to define and implement a national transportation policy for Canada, to amend the Railway Act and other Acts in consequence thereof and to enact other consequential provisions.

An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1965 to the 30th day of June, 1967, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, February 28, at 8 p.m.

THE SENATE

Thursday, February 16, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. McCleave has been substituted for that of Mr. Fulton on the Special Joint Committee respecting Mr. Justice Landreville, and that the names of Messrs. Macdonald (Rosedale) and Morison have been substituted for those of Messrs. Ryan and Otto on the Special Joint Committee on Consumer Credit and Cost of Living.

NATIONAL AND ROYAL ANTHEMS

JOINT COMMITTEE—COMMONS MEMBERS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the following members of the House of Commons will serve on the part of that house on the Joint Committee to consider the subject-matter of the Resolution dealing with the National and Royal Anthems: Messrs. Brand, Cantelon, Gauthier, Hymmen, Johnston, Mandziuk, Martin (Timmins), McWilliam, Orange, Prud'homme, Ryan and Tremblay.

CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. McCutcheon has been substituted for that of Mr. Cantelon on the list of members appointed to serve on the Joint Committee on the National and Royal Anthems.

CANADA DEPOSIT INSURANCE CORPORATION BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-261, to establish the Canada Deposit Insurance Corporation.

Bill read first time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly: Honourable senators, for a reason explained to me by the Whip opposite I would ask that this bill be read the second time later this day. Perhaps we could call the next item now and later revert to this bill, if that course is satisfactory to all honourable senators.

Hon. Senators: Agreed.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Canadian Government Printing Bureau for the year ended December 31, 1965, pursuant to section 36 of the Public Printing and Stationery Act, chapter 226, R.S.C., 1952. (English and French texts).

Copies of letters, dated February 10 and February 13, 1967, exchanged between the Prime Minister of Canada and the Premier of the Province of Quebec with respect to a proposed federal-provincial conference to review legislation dealing with financial institutions and securities. (English and French texts).

List of shareholders in the Chartered Banks of Canada, as at the end of the financial years ended in 1966, pursuant to section 119(1) of the Bank Act chapter 48, Statutes of Canada, 1953-54. (English text).

List of shareholders in the Banks incorporated under the Quebec Savings Banks Act, as at the end of the financial years ended in 1966, pursuant to section 93(1) of the said Act, chapter 41, Statutes of Canada, 1953-54. (French text).

Supplementary Estimates (E) for the fiscal year ending March 31, 1967. (English and French texts).

CONSUMER CREDIT (COST OF LIVING)

FIFTH REPORT OF JOINT COMMITTEE TABLED

Hon. David A. Croll, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living, tabled the fifth report of the committee.

NATIONAL AND ROYAL ANTHEMS

FIRST REPORT OF JOINT COMMITTEE ADOPTED

Hon. Maurice Bourget, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on the National Anthem and the Royal Anthem, presented the first report of the committee:

> Your committee recommends that its quorum be fixed at seven members, provided that both Houses are represented.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Bourget: With leave of the Senate, I move that the report be adopted now.

Report adopted.

CONSUMER CREDIT (COST OF LIVING)

MOTION TO PRINT REPORT AS APPENDIX TO DEBATES OF THE SENATE AND MINUTES OF PROCEEDINGS

Hon. David A. Croll, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living moved, with leave of the Senate:

> That the fifth report of the Special Joint Committee of the Senate and House of Commons on Consumer Credit and Cost of Living, tabled today, be printed as an Appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this House.

He said: Honourable senators, I ask your indulgence in allowing me to say a few words. I shall not be long.

The fifth report of the Special Joint Committee of the Senate and House of Commons on Consumer Credit and Cost of Living, which was tabled today, was three years in the making. It is the result of a careful study by dedicated members of this chamber and of the House of Commons representing all parties.

Our combined experience as consumers and in business made it possible for us to weigh the many diverse points of view which were presented to us and the steps that we should take to insure that consumer credit, a great convenience to those who understand it and can afford to use it, did not become a menace to families with small incomes. This is apt to happen if the cost of the credit is not made clear so that the consumer may choose whether to use part of his income to purchase credit or to spend that money in some other way.

In a market economy it is assumed that the shopper is free to make his choice, and we did not attempt to interfere with that assumption. Obviously freedom to choose depends upon understanding what are the alternatives. When an individual decides to buy on credit—and most people can obtain the largest items in no other way—he must be free to choose the particular kind of credit that is best for him to buy. If the consumer is to be in a position to compare the cost to him of different kinds of credit, the cost must be expressed in the common unit of measurement.

During the entire hearings of the committee no good reason was advanced as to why the age-old measure of annual interest rates, which is used in calculating the cost of mortgages and which businessmen use when considering the cost of money to themselves, should be abandoned when the man on the street, the consumer, is the borrower.

I am not suggesting that the cost of borrowing money is the only cost involved in consumer credit lending. Indeed, it is very difficult today to decide whether the main transaction is the lending of money or the sale of goods. Other costs of various kinds at times exceed the cost of borrowing the money. However, there is no reason for departing from the traditional method of expressing to the borrower in annual percentage terms the cost of money to him.

We wanted to make the game of shopping a fair one, and this we think we have done. I am very pleased therefore to report that the joint committee recommended that lenders and vendors be required to tell the truth about interest rates and finance charges, not only at the time the loan or credit sale is made but also in advertising loan or credit. Today few people quarrel with that proposition; but I should be forgiven if I remind this house that we who favour truth in lending were a much smaller band several years ago when I first introduced the Finance Charges Disclosure Bill in this house. However, thanks to the efforts of members of both Houses of Parliament, as well as support from welfare agencies, social agencies, farmers' organizations, the Congress of Labour, individual citizens and many sections of the press, opposition to the idea has practically melted away, and in recommending full disclosure I feel that we have been overtaken by events.

It was very pleasing to hear the Minister of Finance say the other day that they will use the nominal annual rate for disclosure. And that is a very simple one. All you do is to take the monthly rate, multiply it by twelve, and there is your answer. It is as simple as that, in spite of all you have heard from time to time that it could not be done.

Hon. Mr. Everett: Would the honourable senator permit me a question? He states that you take the monthly rate and multiply it by twelve. I wonder if he could go over that calculation again, because it would seem to me that would result in a discount rate rather than a simple interest rate.

Hon. Mr. Croll: The term used by the Department of Finance is the nominal annual rate, and I am giving their definition of it.

Honourable senators, another recommendation of great importance—and this one originated with our committee—is intended to fill the gap in the consumer picture, which came to the fore time and again during our hearings. I refer to our recommendations that the Government undertake to guarantee loans at low interest rates to people with limited incomes who require credit for what we call, and mark these words, "provident and productive purposes related to the preservation of home and family."

The purpose behind this is that we felt the poor people did not belong in finance company offices—they should be out of bounds to them. But we must have for those people an alternative, and that is what we are proposing.

In the course of the evidence we found that there was a growing number of poor people in this country. They are more gullible, more easily cheated, less conscious of quality of goods, more likely to over-reach themselves, less aware of credit costs, and they are less able to assert their rights. For them a missed pay cheque is a disaster.

So we suggested that the Government do something to fill that gap.

These low-cost consumer loans would be made available through the regular banking system. The banks have years of experience, knowledge, competence and availability. In 1954 they had an infinitesimally small amount of the consumer credit business, and now they have 35 per cent. Where better could we send these people for guidance and help?

The suggestion is that the Government provide, through the banks, low-cost loans under specified conditions for either economic or social objectives. Indeed, the Government does it now for home owners and for students, for fishermen and for small businessmen. They have all benefited from this sort of thing. The idea is to extend the same kind of facilities to the consumers, because these are poor and needy people.

We said that all persons with a family income of not more than $4,000 a year could borrow not more than $1,500 at prime interest rates—if there is anyone who needs these prime interest rates it is those people—with as long a term to repay as they require.

The interest of Government in helping to preserve and strengthen family life is well known. Strains on family ties which result from unmanageable debt gave rise to the old adage, "Love flies out the window when poverty comes in the door." Many young marriages flounder because of insurmountable financial problems. Those persons without assets to pledge as security who borrow from commercial lenders must pay extremely high rates of interest, if indeed they qualify for loans at all. The low-income group includes, in addition to young people struggling to establish a home and family, men and women of all ages faced with unexpected expenditures that cannot be met from current income. There are also immigrant families, working as hard as they possibly can, who have not been able to establish credit, yet are good risks. Last but not least, with respect to a high proportion of Canada's original inhabitants, the Indians, this proposed legislation should greatly assist the efforts of governments to establish them in the mainstream of Canadian life.

I do not propose to go through the eighteen recommendations that are set out in the report—now part of our official record—but I shall mention a few highlights.

We recommended that the extension of the protection accorded to borrowers under the Small Loans Act be applied to new loans up to $5,000 rather than $1,500. We suggest that steps be taken to provide for a regulation of so called "captive sales financing." At the present time the Combines Investigation Act provides for goods but not for services, and the service end of the economy is becoming greater and greater. We point out the need to require those buying credit agreements to assume obligations to the consumer as well as rights to recover from him, so that the one who buys the paper takes the obligation to live up to the warranties that were given to the one who originally signed the paper.

We advocate that a cooling-off period be allowed for reconsideration of credit purchases from itinerant salesmen. We would have all consumer credit sales covered by a standard form of agreement, with the purchaser having the right to prepay without penalty. We urge the implementation in all parts of Canada of the new Part X of the federal Bankruptcy Act dealing with orderly payment of debts, which has been so great a help to those provinces which took it up in earlier days.

We endorse the principle in unconscionable transactions relief legislation. We suggest a plan for provision of general information to all consumers, and individual advice from an independent counsellor to those who need it.

Because the sale and purchase of used cars has become a social problem we recommend special provisions that should apply to these transactions. We emphasize the need for attention to the problems arising from the new system of accounting, collectively known as revolving credit and which is clothed in mystery for all people who participate in it.

Our final recommendations relate to the need for continuous attention by responsible authorities to the elimination of abuses in consumer credit and the need to watch over the interest of consumers which, in the last analysis, is none other than the public interest.

You will find the report interesting. You will find it informative. I do not suggest that you will agree with all that we have said in the report. It took us a long time to reach agreement. However, I do think that it points out more than ever what the Senate can do in undertaking an investigation of this nature because it has within its ranks men and women who have knowledge and experience and the desire to do useful work.

I hope that these various undertakings we have had from time to time will prove to the public that if we are given tasks to do we are capable of doing them.

Hon. John J. Connolly: Honourable senators, I do not rise to discuss this report because the motion is simply that it be printed and appear in the *Hansard* of today. After it has been read it will, I am sure, be the subject matter of consideration, not only by members of both Houses of Parliament but by the Government itself, because a joint committee of both houses has made these recommendations and the question of implementation is a matter which must rely upon executive action.

I rise today to do something that I have done a good many times. In fact, I think I can say that I have done it so often that the impression gets abroad within the Senate, that every time a job of work is done I feel it my duty to stand up and use extravagant words of praise for those persons who have performed it. I make no apology if that is the criticism that is made, because I think there is good reason for pointing out through our *Hansard* the kind of initiative that is taken in this house, which can provide such a fine forum for a discussion of urgent public matters not immediately concerned with legislation.

Just the other day we pointed up something worth while being taken notice of throughout the country, namely, the extraordinarily superb career as a parliamentarian which Senator Hugessen had in this country in the past 30 years, all of which took place in this chamber.

The speeches made on that occasion, particularly that of Senator O'Leary (Carleton), were worthy of the finest deliberative chamber anywhere in the world. Yet, despite the efforts I made to see that this debate reached the press both in his native City of Montreal, in Ottawa and in Toronto, no report appeared. This, as we all know, is the normal practice but I still intend to persist in this line of discussion, and I think in the end it will prove fruitful.

I was very pleased, however, to note that the most interesting speech made by Senator Paterson a few days afterwards about the early days of railroading in Canada was highlighted by my favourite newspaper, except during election periods, the Ottawa *Journal*.

This brings me back to what I started out to say, honourable senators, that there is no one—and I make no exceptions, nor do I make invidious comparisons—who has been more persistent and who has shown more initiative or taken a more active role in initiating important and responsible studies by Parliament than the co-chairman of the committee whose report is now being discussed in this chamber, Senator Croll. Everyone may not agree with some of the findings of his committee, and perhaps we may not always agree with some of his views, but I do not think that matters. The important thing is that he sets an example to parliamentarians of both houses of the kind of initiative that can be taken in matters of this kind. In singling him out I do not forget that he had with him from this house and from the other

house—I refer particularly to the members of this house—committee members who have stayed here when the house was not sitting, who have worked very diligently since the committee was set up last summer, and who have spent long hours listening to a great array of witnesses. But Senator Croll and the other members of the committee deserve the commendation of all the members of the Senate.

Hon. Senators: Hear, hear.

Hon. Mr. Isnor: Honourable senators, may I inquire from the Joint-Chairman of the Special Committee on Consumer Credit if the committee in its report has laid down a formula for the handling of revolving credit accounts?

Hon. Mr. Croll: I think the Department of Finance will be laying down such a formula.

Hon. Mr. Isnor: Your committee did not deal with this aspect?

Hon. Mr. Croll: We did not produce a formula.

Hon. Mr. Argue: Honourable senators, in adopting this motion, does it mean that we are adopting the recommendations or merely that the report be printed in the record?

Hon. Mr. Croll: It simply means that the report will be printed in the record.

Hon. Mr. Argue: If the motion is approved, will there be an opportunity to speak on this very important report at a later date?

Hon. Mr. Croll: It is not normal, but there will be an opportunity if somebody wishes to do so.

Hon. Mr. Connolly (Ottawa West): Discussion may be initiated on the report if somebody so desires. We have this privilege in this house but we do not often make use of it. However, if an honourable senator wishes to debate some matter in the report, it is his privilege to draw the matter to the attention of the house.

Motion agreed to.

(*For text of report see Appendix.*)

CANADA DEPOSIT INSURANCE CORPORATION BILL

SECOND READING

Leave having been given to revert:

Hon. John J. Connolly, with leave, moved the second reading of Bill C-261, to establish the Canada Deposit Insurance Corporation.

He said: Honourable senators, Bill C-261, to establish the Canada Deposit Insurance Corporation has, as I am sure all honourable senators are aware, a philosophy behind it. That philosophy may be summarized by saying that the purpose of the bill is to ensure the safety of the savings of individuals who as depositors use the financial institutions of this country for that purpose. It is also intended to stimulate confidence in our deposit-taking institutions in a country where, with sound management of our affairs, the expansion in business activity and the multiplication of banking facilities and deposit-taking institution facilities are almost certain to develop rapidly as our economy grows.

Honourable senators, let me first deal with the basic mechanics proposed in the bill. First, it is proposed to establish a crown corporation, an agent of Her Majesty, to be known as the Canada Deposit Insurance Corporation. This corporation will have power to acquire and dispose of real and personal property, the title to which will be vested in the Crown in the care of the corporation. Legal actions by or against the corporation may be conducted in any court of competent jurisdiction in the land. This means that suits in which the corporation is involved need not be confined to the Exchequer Court of Canada.

The head office of the corporation shall be in Ottawa, but branches and agencies may be established elsewhere in Canada.

The board of directors shall consist of five persons. The chairman shall be a person of proven financial ability and shall be appointed by order in council, and there will be four other officials of the public service who will act *ex officio*. They will be: the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Insurance, and the Inspector General of Banks.

There is provision for replacement of any director in the event of absence or incapacity, and also for the payment of the expenses incurred by directors in the performance of their duties.

The term of office of the chairman shall normally be for five years, but he may be reappointed or be removed for cause. He must be a Canadian citizen, not a member of Parliament or of a legislature, and not a director or employee of a federal or provincial institution. He must not have attained the age of 75 years, and normally he will preside at all meetings.

The only shareholder of the Corporation will be the Minister of Finance, who will hold

shares of the Corporation in trust for the Crown. The authorized capital will be $10 million, divided into ten shares, and the shares shall not be transferable.

The board shall administer the affairs of the Corporation, and it will be empowered to make by-laws consistent with the corporate objects set out in the bill.

Referring now to section 12 of the bill, these by-laws will deal with such matters as the general administration of the corporation, the duties and remuneration of employees, the appointment of committees for special purposes which may emerge from time to time, the issue of shares, the payment of dividends, and the time and place of meetings.

The by-laws will also define, subject to the approval of the Governor in Council, the term "deposit," and they shall prescribe standards of financial practices for institutions which insure with the Corporation. All these by-laws must be approved by the Governor in Council before they become effective.

The fiscal year of the Corporation will be the calendar year. The receipts of the corporation will be deposited with the Bank of Canada; but the Corporation is empowered to use other banking facilities, particularly when it acts as curator or liquidator of a member institution.

The investment of corporation funds, the safekeeping of its securities, and the collection of its accounts may be entrusted to the Bank of Canada.

Dividends which the corporation may from time to time find itself able to pay shall be limited to the rate charged for money on crown loans to crown corporations.

The corporation may borrow from the Crown up to a limit of $500 million; and the corporation will, not only with this money but with other moneys it might have, be a lender of last resort for member institutions.

In that portion of the act from section 36 on, provision is made for the employment of staff, and the responsibility for the employment of staff will rest with the corporation, not with the Civil Service Commission. This is the customary practice for crown corporations. However, for pension purposes the Public Service Superannuation Act provisions shall apply to employees of the corporation.

Section 38 provides that the corporation cannot be wound up without parliamentary approval. It must also report annually to Parliament.

Sections 39 to 42 prescribe certain penalties, the details of which I need not enter into at this stage.

I have been talking in a general way about the mechanical aspects of the set-up of the corporation. I am sure all honourable senators will feel that, generally speaking, the proposed corporate structure is not a form that is unfamiliar.

May I now revert to section 2 of the bill which contains the definitions. I do not want to go into much detail, but under the interpretation section a "bank" means a bank to which the Bank Act or the Quebec Savings Bank Act applies. "Corporation" means the Canada Deposit Insurance Corporation established by this act.

Hon. Mr. Bourget: Does that definition include the caisses populaires?

Hon. Mr. Connolly (Ottawa West): If it takes deposits, the caisses populaires might well become a member institution which can be insured under the provisions of the act.

Hon. Mr. Bourget: Thank you.

Hon. Mr. Connolly (Ottawa West): I think the definition of "federal institution," under section 2(f), is important. It means a bank or company referred to in section 9. For easy reference, I summarize the provisions of section 9 by saying that a federal institution is therein defined as a bank, as a federally incorporated trust and/or loan company, or a company otherwise incorporated but whose incorporation is continued by Act of Parliament.

Perhaps the example that comes most readily to our minds is the merger that took place between the federally incorporated Canada Permanent Mortgage Corporation and the provincially incorporated Toronto General Trusts Corporation which continued as a federal corporation and which was the subject matter of debate and discussion in committee in this house in 1963.

Section 2(g) contains the definition of a "member institution." A member institution means a corporation any of whose deposits are insured by the corporation pursuant to this act. So, it may well be a caisse populaire; the caisses populaires could become member institutions within the definition laid down here.

The definition of a provincial institution is also important. It is as defined in section 10. I summarize that section by saying that a pro-

vincial institution is a provincially incorporated trust and/or loan company which accepts deposits from the public.

A "policy of deposit insurance" or "policy" means the instrument evidencing a contract of deposit insurance with a provincial institution.

Perhaps I should pause here to say that so far as federal institutions are concerned, all those which take deposits are required to subject themselves to the provisions of this bill. So far as provincially incorporated institutions are concerned, it is optional for them to come under this act; and if they do they must have the approval not only of the Canada Deposit Insurance Corporation but also the approval of the provincial authorities in which province they were incorporated.

Hon. Mr. Walker: Then there will be no overlapping between the Ontario act and this act?

Hon. Mr. Connolly (Ottawa West): There need not be and, as the honourable senator knows, there is provision in the Ontario act whereby overlapping is avoided. In other words, while at the present time, as I understand it, all provincial institutions in Ontario which accept deposits are automatically covered by the Ontario act, if any one of those institutions desires to come under the umbrella of this act, it will be optional for it to do so, but it will have to get the permission of the Ontario authorities.

I understand from discussions that have gone on between the federal and provincial authorities in Ontario that a great many of the Ontario institutions do propose to take advantage of this act and thereby be relieved from the compulsive provisions of the provincial act.

I come now to the powers of the corporation. Normally on the second reading of a bill I would not refer specifically to the sections, but in this case I think it will be helpful to honourable senators if I do indicate occasionally the section to which I am addressing my attention.

I can summarize section II, which deals with the general powers of the corporation, by saying that it will be empowered to make loans to and to guarantee the loans of member institutions, and to guarantee the deposits of member institutions for the purpose of averting a loss to the Canada Deposit Insurance Corporation which may result from the insuring of member institutions.

In the second place, the corporation may borrow from the Government of Canada, and may issue bonds and debentures for such borrowings. The corporation may act as a curator, liquidator, or receiver of a member institution in cases where it deems it appropriate to do so. In this connection it would normally and specifically have the power to assume the costs of winding up such member institution if necessary, and to acquire the assets of a member institution from another liquidator appointed by the courts to deal with the liquidation of such member institution, if that were required.

The corporation is also empowered to make advances to a member institution while it is acting as liquidator of such institution in respect of any insured deposit.

The corporation—and this is a very important power—is authorized to make inspections of member institutions.

I should like now to deal generally with the question of deposit insurance as it is set out in section 13 of the bill. The deposits which it is contemplated should be insured by this corporation must be payable in Canadian funds in Canada. No deposit will be insured beyond the limit of $20,000. In other words, by this provision it is enacted that it is primarily the smaller depositor who is to be protected. In my view a deposit of $20,000 does not make a man a small depositor but, at least, when the limit is $20,000 then all small depositors are certainly brought within the protection of this act.

A Crown deposit is non-insurable. In other words, no deposit is insured if the Crown is a preferred creditor therefor, because under the Bankruptcy Act and similar legislation, and indeed probably under the Bank Act itself, the Crown as depositor is in a preferred position as a creditor of the institution in which the deposit is made.

Section 13 also covers the method which the corporation will employ for payment in the event that it is called upon to pay under the insuring provisions of the act. Payment can be made by the corporation by depositing the insured amount of the deposit in another member institution, or by direct payment to the depositor whose deposit is in jeopardy. Such a payment relieves the corporation of any further liability and, of course, by making the payment the corporation is subrogated to all of the rights of the depositor so paid with reference to the member institution in respect of which the payment has been made.

Hon. Mr. Isnor: Does that mean that the depositor could have any number of deposits, each one of which would be guaranteed up to the amount of $20,000?

Hon. Mr. Connolly (Ottawa West): Not in the same member institution. I understand that one deposit in one member institution is all that is intended to be covered. It may be, however, that there will be individuals who might have deposits of less than $20,000 in various member institutions, and if so those deposits will be individually covered.

Hon. Mr. Isnor: But covered to what extent?

Hon. Mr. Connolly (Ottawa West): To the extent of $20,000.

Hon. Mr. Isnor: That is gross.

Hon. Mr. Connolly (Ottawa West): No. I think it will be $20,000 in respect of each institution.

Let me take a very extreme example. Suppose I have $35,000 which I want to put in a bank—that would be a very extreme situation. I may decide for the purpose of security to put $20,000 in one bank and $15,000 in another bank. If both banks go broke and this corporation is called upon to pay, I will be paid $20,000 on account of my deposit in Bank A and $15,000 on account of my deposit in Bank B. But if I put the whole $35,000 in Bank A, then I would be covered for only $20,000, and in respect of the balance I would be an ordinary creditor, I assume, on the winding up.

I welcome these interventions firstly because I realize that in speaking as I do, and keeping strictly to the provisions of the bill I can be very obscure in the language I use—particularly to those honourable senators who are not lawyers, and probably to the lawyers as well—and, secondly, because they give me an opportunity of providing an example of the problem.

I should say here that it is intended that this bill be sent to the Standing Committee on Banking and Commerce tomorrow morning —I hope I am not being presumptuous when I say that—and it is also intended that the Minister of Finance and the various officials will attend before the committee and will answer whatever questions honourable senators have.

I come now to the effective date of the insurance, which generally is dealt with in section 14, for federal institutions first and then for provincial institutions. For federal institutions the effective date of the insurance will be the date upon which section 14 is proclaimed. From that date on the provisions of the act will apply to every federal institution then existing, or to every federal institution when it is incorporated, as well as to every provincial institution from the moment that its application for insurance is accepted.

Hon. Mr. Walker: That is automatic, then.

Hon. Mr. Connolly (Ottawa West): It will be an automatic coverage for federal institutions, yes. There is no such thing as a policy of insurance issued to a federal institution. They will be automatically covered under the provisions of the act. However, they will be issued a certificate of membership.

Hon. Mr. Isnor: Do they pay a fee for that membership?

Hon. Mr. Connolly (Ottawa West): I think the only fee they will pay will be the premium, and in view of the level of premiums and perhaps the amount that is ultimately going to be paid in by way of premiums, the Department of Finance might throw in the certificate free of charge.

In order for provincial institutions to qualify for coverage they must first decide that they want the coverage under this act. They must have the approval of the appropriate authorities of the province in which they are incorporated. The corporation itself must decide whether or not the provincial institution desiring incorporation is one that should be covered. The provincial institutions which are likely to apply for coverage are such institutions as generally are governed by the provisions contained in the federal Trust Companies Act and the federal Loan Companies Act. Section 17 provides for the form of policy that is to be issued to those institutions.

I come now to the question of the amount of the premium, section 19. I should say that it is an annual premium payable in two instalments, the first by June 30 and the second by December 31 of any year. The amount of the premium is the greater of either $500 or one-thirtieth of one per cent of the deposits of the institution insured on April 30 in the appropriate year. There is provision in this section for payment of premium for part of the year, because some institutions will be coming in not at the beginning of the fiscal year of the corporation, and so the premium would be prorated.

There is also provision for reduction of premiums when the fund is thought to be inadequate to look after the requirements and the responsibilities of the corporation. That provision for reduction is contained in subsection 5 of section 19 of the bill. Perhaps I should say a word about this.

The annual premium, as I stated, is the larger of either $500 or one-thirtieth of one per cent of the deposits at a given time. After five years a member institution shall have paid in by way of premiums an amount equal to one-sixth of one per cent of its deposits, which of course is five times one-thirtieth of one per cent of its deposits. For the sake of argument, if the level of its deposits remains stationary for a number of years thereafter the only premium that would be required as long as the level of deposits remains stationary would be the minimum premium of $500. Perhaps it is a little difficult to extract a simple explanation from such complicated wording, but that is the situation.

Likewise, if the deposits increase over the amount of one-sixth of one per cent, perhaps the minimum premium would not be payable in that year. It would not be as much as one-thirtieth of one per cent, but would be one-thirtieth of one per cent only on the excess. Perhaps that is the simple way, if there is a simple way, to explain that subsection.

Section 21 is important because it provides for inspection. The inspection procedures which are to be applied in respect of banks will be done by the Inspector General of Banks. For federal trust and loan companies the inspection will be done by the Superintendent of Insurance, who inspects now for federal institutions. For provincial institutions who become member institutions under this bill the inspection will be done by such persons as the corporation may designate. I think it appropriate to say that in all probability the inspection of provincial institutions will be done by the Superintendent of Insurance, who is the one who will be concerned with corporations that are assimilated to corporations such as those subject to the provisions of the federal Trust Companies Act and the federal Loan Companies Act.

There is a provision in the bill for an adequate report to be made upon the affairs of a member institution, and also a provision for a report to be made upon the soundness of the operations which the member institution conducts. Section 25 makes it possible, if such a situation should arise in respect of provincial institutions which become members, for the termination of policies of insurance with which they have been issued. These policies of insurance may be cancelled if the provincial institutions conduct business practices which are considered to be unsound or if they breach any of the other requirements of the act or the regulations or bylaws passed by the corporation.

I should say that the cancellation of a policy of insurance under this act which has been issued to a federal institution will not be effective as against depositors until a period of two years has elapsed after the member institution has been deemed to be unworthy of insurability. If it takes deposits after that date, those deposits will not be subject to the insurance.

Hon. Mr. Isnor: Would the honourable leader elaborate on that?

Hon. Mr. Connolly (Ottawa West): I think the best way I could express it would be in this way. Let us suppose I have $15,000 deposited in a provincial trust company which is subject to the provisions of this act. If upon inspection it was found that this organization was not conducting its affairs as required by the law and the regulations of this corporation, and the policy of insurance which had been issued by this corporation to that provincial institution had been cancelled, my deposit would continue to be insured for a period of two years.

Hon. Mr. Isnor: Would it be frozen?

Hon. Mr. Connolly (Ottawa West): No, it would not be frozen. It would still be subject to the insurance coverage. I could take it out with assurance at any time, and if the provincial institution was unable to pay, then the insuring corporation, under the provision I referred to earlier, would pay it.

Hon. Mr. McDonald: But no new deposit would be insured?

Hon. Mr. Connolly (Ottawa West): As I understand it, after the policy is cancelled no new deposits would be insured.

Hon. Mr. Hollett: When you went in with your $20,000, how would you know that that trust company or bank had insurance coverage?

Hon. Mr. Connolly (Ottawa West): It is covered in the bill. This can be discussed in the committee.

First of all, all federal institutions are automatically covered. Everybody will know

that. Provincial institutions which come under the provisions of this bill will be entitled to coverage and I am sure will have notices displayed prominently for the public to realize that they are covered by its provisions. There are very strict provisions here as to the kind of notices that can be displayed and the way in which the contents are shown. Section 30 has the detail of the way in which the public is advised as to the situation in respect to the companies.

Hon. Mr. Hollett: That is, on termination.

Hon. Mr. Connolly (Ottawa West): Upon termination or cancellation, of course, these notices must come out.

Hon. Mr. Hollett: I am thinking of the ordinary individual going to a trust company or a bank—how does he know?

Hon. Mr. Connolly (Ottawa West): If it is a bank, he will know it is insured automatically. If it is a provincially incorporated trust company, there is provision for notice to be given to him.

Hon. Mr. Choquette: Is there a double guarantee—that is by the province as well as by the federal authority—for a provincial institution?

Hon. Mr. Connolly (Ottawa West): The honourable gentleman has asked a very good question. It is a double-barrelled question and perhaps more complicated than I would prefer to answer at this time. Generally speaking, I would say no. In the interim period, before the inspections take place, and immediately after this act comes into effect, there will be for provincial institutions—and they will get provincial authority to do so—a coverage, and the premium will be payable; but if in that interim period there are situations which are uncovered, then this corporation will require, as I understand it, the provincial authority to stand behind any losses which this corporation may sustain as a result of having insured one of such institutions. To that extent there would be at least a double guarantee, if not total coverage.

This is similar to the question which Senator Walker asked earlier. In his question, I think he was talking particularly of a case of a bona fide company which insured under the Ontario act and was found to be in sound condition, and where, for some reason or other—perhaps encouraged by the provincial authorities or otherwise—permission was given to incorporate under this act. I think there would not be double coverage in such a case. At least that is my understanding. When it withdraws from the provincial scheme and comes under the federal scheme. I think one would take over where the other left off.

Honourable senators, I believe I have given you the bare bones of the legislation. I have not attempted to argue the wisdom of the legislation. I think it is important and it is urgent that it be passed quickly.

There have been events in the past few months which may have created more urgency for this kind of legislation than earlier prevailed. Every one of us was concerned, and rightly so, that there should have been a run or an attempted run on a federal institution, one of the most conservative and soundest institutions in the country, the Montreal City and District Bank. Through some ungovernable factor, some rumour, the run started, in a completely unjustifiable way.

Hon. Mr. Choquette: Would not a run occur, similar to that which the honourable senator has mentioned, were the corporation ever to give notice that they will guarantee only for a period of two years? Would not this cause the deposit corporation to go almost bankrupt over night?

Hon. Mr. Connolly (Ottawa West): That is the purpose of the legislation, of course. Its purpose is to insure the small depositor in a corporation of that kind. Honourable senators are quite aware of the great powers of control that the Superintendent of Insurance has over insurance companies. I would venture to say that there have been many cases in which the superintendent has stepped in and said, in effect, "You must conduct your affairs thus and so, or else." This is what prevents the kind of situation developing to which honourable Senator Choquette has referred, and I think it will apply now to deposit companies also.

Hon. Mr. Macdonald: Before the honourable senator sits down, would he mind looking at Section 10? It reads:

> For the purposes of this Act, an incorporated company that carries on, under a provincial Act or a constating instrument under provincial jurisdiction—

Would he tell me what that means?

Hon. Mr. Connolly (Ottawa West): May I read the section?

> For the purposes of this Act, an incorporated company that carries on, under a

provincial Act or a constating instrument under provincial jurisdiction—

Is that the phrase to which my friend refers?

Hon. Mr. Choquette: What does that mean?

Hon. Mr. Connolly (Ottawa West): The equivalent of an act.

Hon. Mr. Walker: Similar.

Hon. Mr. Connolly (Ottawa West): The word means "similar" under a provincial act. Perhaps the best way is to give an example. It is conceivable that a provincial institution may be incorporated by an act of the legislature. It may be incorporated by Letters Patent. There may be cases where it is established by articles of association. I am not sure about this in Ontario, but it can apply in other provinces. These would be simulated to a provincial institution for the purpose of the definition. No matter how recognized or how duly established it is, or how properly established it is under provincial law, it would be considered to be a provincial institution.

Hon. Mr. Choquette: They might have found a more appropriate and less complicated word than "constating."

Hon. Mr. Connolly (Ottawa West): I would think so too.

Hon. Allister Grosart: Honourable senators, we have had as usual an excellent exposition of the principle of the bill and a full explanation of its provisions from the honourable Leader of the Government, and I congratulate him.

I rise to support the principle of the bill. The principle of deposit insurance is an important assumption by the federal Government of additional responsibility for the protection of the depositing public and the general stability of our financial institutions.

In the main, I would also support the method by which it is proposed to achieve this worthwhile objective. I should perhaps say at this time that I am personally associated with one of a group of the newer trust companies that made representations to the Minister of Finance and later to the House of Commons Standing Committee on Finance, Trade and Economic Affairs, recommending that deposit insurance and lender of last resort recourse be extended to such institutions as are covered by this bill.

There have, of course, been criticisms of the bill from the financial community and some legislators in the other place. It has been criticized on the one hand because it is said to go too far, and on the other because it is said not to go far enough. Perhaps it is fair to say that in an urgent and controversial matter such as this, these two polarized criticisms indicate that the minister has exercised the better part of wisdom in taking the middle road.

The Leader of the Government did not deal at any length with the stated principles behind the bill. The Minister of Finance says there are three. First, and I think we would all agree it is the most important, is the protection of the public. Protection as provided by the bill is not universal, nor is it absolute. No government has ever found a way to protect all the people all the time from all of the ways they can find to part with their money.

It does, however, cover a very substantial number of financial institutions which fall into the general category of deposit-taking institutions. I was rather surprised to hear the Leader of the Government say that the caisses populaires were included, or are to be included, in the regulations under the act. Unless there has been a last minute change, my understanding was that for the time being at least the caisses populaires would not come under the act. That may or may not be so.

I said a substantial number of financial institutions are included. One of the criticisms of the bill is that it does not include those institutions which would appear to need the deposit insurance the most.

Secondly, the bill authorizes the corporation to act as a lender of last resort for its own member institutions. I personally do not like that phrase. It always seems to me to connote dire financial difficulties. At best it is an unfortunate phrase. A better phrase might be the ultimate lender or, as someone suggested, reserve lender. However, I have some doubts concerning the connotations which might be given to the word "reserve" in that particular context.

Hon. Mr. Beaubien (Bedford): It might be a benevolent lender.

Hon. Mr. Grosart: The honourable senator says that it might be a benevolent lender. I think it was Robert Louis Stephenson who said that a friend is someone who knows all about you but still loves you. Might we say then that an ultimate lender is somebody who knows all about your business but still trusts you?

The Bank of Canada at the present time fills the role of ultimate lender to chartered banks and banks proper, and under this bill the Canada Deposit Insurance Corporation will, as I understand it, perform the same role for its member institutions.

The use of the lender of last resort availability is quite common today. Nobody would suggest that, by and large, our chartered banks are not in a very sound position, but it is rather surprising when examining the reports to see how frequently they avail themselves of that privilege.

The third purpose of the bill, as it was so rightly stressed by the honourable sponsor, is that it provides regular inspections, and indeed control to some extent, of the financial affairs of the corporations who will be member institutions. The minister suggested that there will be a degree of paternal benevolence in the operations of the corporation, and I think this is all to the good. He said:

> It will be an objective to bring about a gradual improvement in the minimum financial standards of deposit acceptance institutions across the country. There will be a genuinely sympathetic and helpful attitude toward institutions which wish to co-operate in this objective.

The bill has shortcomings, of course. They are largely due to the fact that the jurisdiction in the field intended to be covered is divided between the federal Parliament and the provincial legislatures. I stress Parliament and legislatures because that is what the British North America Act says. I have congratulated the Government of Quebec on another occasion for the same reason that I now congratulate the Government of Ontario for dealing with this matter as expeditiously as it has, and by an act of the legislature rather than by a process we have sometimes been exposed to here, whereby we have been told of notes, phone calls, verbal statements and so on—these things having been offered to us as proof or evidence of acquiescence by one level of jurisdiction or another to a transfer of jurisdiction under the B.N.A. Act.

The Leader of the Government on another occasion expressed surprise once when I suggested that there was an obligation at both the federal and provincial levels for the closest co-operation in all matters that fall in this area of divided jurisdiction. I am glad to say on this occasion that the present bill is an excellent example of the acceptance of that obligation on the part of the federal executive.

On the other hand, there has been quite strenuous criticism of the bill on that very account, for some have insisted that because banking is wholly within the jurisdiction of the federal Government, that Government should have made this bill compulsorily applicable to all institutions, whether provincially incorporated or otherwise, which are engaging in the business of banking. The federal Parliament, they say, should assert exclusive jurisdiction over any corporate activity that falls within the various juridical definitions of "banking".

I would not deny for a moment that the taking of deposits appears to be the heart of banking. It has been held on high judicial authority that trust companies, which will constitute the majority of institutions coming under the bill, are banking institutions. The Porter Commission endorses this view. I imagine that the Minister of Finance, who is the sponsor of this bill in the other place, has no doubts on that score either. I imagine he would be the first to agree.

However, facts are facts. Trust and loan companies have for 60 or 70 years been incorporated under provincial legislation to carry on banking business under the authority of the province, and generally without reference to or interference from federal authority. In other words, the federal Government, for some reason, has never seriously asserted its right, assuming that it has the right, and everybody seems to agree that it has, to control completely every corporate activity that could be defined as "banking".

The minister has explained why he has not gone that far in this bill. He has said that in the first place this matter is urgent. Secondly, recent events indicate that there would be danger in the assertion of that federal power in this bill—the danger that it might be tested in the courts and long delayed in coming into effect.

Another criticism which has been made of the bill is that it covers only a part—although a very substantial part—of the deposit-taking institutions. Some of the older institutions, such as the banks proper and the older trust companies, have complained that they are required by this bill to contribute to the stability of their competitors. They point out that it is 40 years since there was a bank failure. As far as I have been able to discover there has never been a trust company failure since the first company was established in Ontario in 1882. Some honourable senators might then ask what all the fuss is about and why the urgency. In reply it is hardly necessary for me to point out that there have been some serious failures in other financial institutions in fairly recent times, some of which, but not all, would have been covered by this bill.

This raises the question as to the position of those who remain outside the protection afforded to the public by this bill, particularly those who are generally called "finance companies," a phrase that I think should be used with extreme caution in this context. It is an important question. The Minister of Finance says he expects to be able to get together with the provinces in due course to work out some arrangement by which these "finance" companies, like those involved in the recent difficulties and failures, will be brought under coverage of this act when passed or under some similar coverage.

I think it is anticipated by the minister and by the officials that this bill will provide very powerful levers to persuade these other companies to seek this kind of protection. It is obvious, as the Leader of the Government (Hon. Mr. Connolly, Ottawa West) said in reply to Senator Hollett, that those companies coming under the bill and having their deposits guaranteed individually up to $20 000 will advertise extensively, although I am very glad to see that the bill does provide for the control of such advertising. If one looks at some of the trust company advertising in the United States it becomes obvious that even a good thing like this can be abused.

The Porter Commission was not very optimistic about the efficacy of voluntary control, although I think that the commissioners, looking at this question again in the light of recent events, might change their minds. They sought what they considered to be better ways, largely a rather extreme extension of control and inspection, but I imagine that it was fairly easy for the commissioners to reach that conclusion because, unlike the minister, they did not have to consider the problem of divided jurisdiction.

The bill, of course, has the double virtue of providing immediate coverage of all financial institutions.

Hon. Mr. Connolly (Ottawa West): All federally incorporated financial institutions.

Hon. Mr. Grosart: The Leader of the Government points out that this applies to federal financial institutions, and in that he is quite right. I would like to qualify that, because my understanding is that it will be immediate for all corporations that qualify at the time the act is proclaimed, and that is a most important aspect, because obviously if this bill comes into effect—and the minister has recognized this—before the provinces have had the opportunity to bring their provincially incorporated institutions under it, a very unfair advantage would be given to the federally incorporated companies, an advantage which might very well cause serious problems for the provincially incorporated companies.

The minister has, as I said, recognized this problem and will be taking steps to prevent this happening, although I am rather surprised to see that the 30-day waiting period between the date of proclamation and the effective date of section 14 has been removed from the original bill.

Hon. Mr. Connolly (Ottawa West): Would the honourable gentleman permit me to interrupt him here? My understanding of the removal of the 30-day provision from the section to which he referred—and this was done

in committee—is that it was to enable the officials to take such steps as may be required to get the house in order before it begins to operate. It may very well have the effect, and I hope it has, that he has actually referred to, namely, that certain provinces, unlike Ontario, where this legislation does not exist, may want their provincially incorporated deposit-taking institutions to come under the umbrella of this act forthwith. I think this was one of the purposes in the mind of the minister when that amendment was made. I am glad the honourable senator has referred to this because it can be a source of embarrassment and possibly trouble.

Hon. Mr. Grosart: I thank the honourable Leader for his explanation. I suspected that that was the reason, but I hope it does not mean that the officials believe they are going to need more than 30 days after proclamation to bring the institutions under the act.

There is, of course, another side of the picture. Ontario, as we all know, has passed its own deposit insurance act which provides for immediate coverage of all Ontario provincially incorporated trust and loan companies, and the present situation for those companies is that their depositors are now protected.

The fear I expressed about the advantage accruing to the federally incorporated companies could now apply to those companies incorporated in Ontario, except that there is provision in the act again for the control of advertising so that no advertising can take place until the corporation is set up and has proclaimed its regulations.

This raises another point: It seems to me that this bill does not give the corporation the necessary powers to prevent the failure of its member institutions. This was the point raised by Senator Choquette. Now that power is given to member corporations under the Ontario act. Under the federal act the corporation may acquire but not seize assets; it may prescribe standards; it may examine the company; it may make a report; it may require the report to be brought before the directors, but any condition complained of cannot be remedied except by the withdrawal of the insurance policy.

The Ontario act gives the Registrar the power to:

> ...order the Corporation forthwith to take possession of the property of the member institution and to conduct the business thereof and to take such steps as in its opinion may be taken toward the removal of the causes and conditions which have made such proceedings necessary.

That is under section 33 of the Ontario act, which corresponds to clause 25 of the bill.

I should say that the granting of these powers has already outraged one headline writer in the current issue of the *Financial Post*. The headline reads: 'Draconian power' in deposits law?

Among other things the writer says that the Ontario Deposit Insurance Corporation Act provides:

> ...an amazing extension of government power over business by giving the newly created agency the right to seize and take over a company.

Honourable senators, I am not unduly alarmed over the granting of that power in the Ontario act. In fact, I would go so far as to suggest that this federal deposit corporation may find itself in a very awkward position if one of its member institutions is obviously heading for the brink and all it can do is counsel, advise and make reports. Surely, if this corporation is to grant the privilege of deposit insurance in these very large amounts it should also have the power to protect its own projected pay-out by doing something to stop the corporation from going out of business. As far as I can see, no such power is granted to the corporation under this act, and I would suggest there might well be a deficiency here that could be remedied in our committee. It is a sound principle that anyone charged with responsibility should also be charged with authority to carry it out.

Perhaps it may be said that some such power will be given to the corporation under the regulations. I hope this is not so. It is my own view that we have far too many instances in our legislation and in the administration of our laws of powers being assumed by Order in Council which are not granted in the act itself. If this particular power that I

am speaking of were granted to the corporation by Order in Council, it would obviously be a case of the Order in Council granting far greater powers than the enumerated powers in the act itself. I might say that if that happened it would not be the only case in our legislation. I am told there is an extra-governmental study being made of current abuses in this area.

Compared to the Ontario act, there is another striking difference. The federal bill does not define "deposits"; again, it is left to the Governor in Council. I make no strong objection to that, except that here again the Order in Council would usurp the jurisdiction of the act itself, because in defining "deposits" it would be defining who and what is going to come under the act.

The Ontario act, again—and I hope I will not be accused of making invidious comparisons, because I agree, as usual, with Mr. Shakespeare, who said that comparisons are odorous.

Some Hon. Senators: "Odious"!

Hon. Mr. Grosart: With all due respect to the Shakespearean scholars here, Mr. Shakespeare did use the word "odorous," and I think it adds greatly to the effect of his comment.

The Ontario act defines "deposit" in a way dear to our legal friends and draftsmen. In the interpretation section it says:

> "Deposit" means a deposit as defined by section 23;

Section 23—and I think it is perhaps worth putting into the record—reads as follows:

> For the purposes of this Act, a deposit shall be,
>
> (a) moneys deposited with a member institution in respect of which such institution is liable to the depositors;

I would have to agree to quite an extent that that definition begs the question as to what "deposited" means, but its scope is large enough to bring those that the Ontario legislators would like to include under this act.

> (b) moneys received under section 82 of *The Loan and Trust Corporations Act* by a trust company that is a member institution; and
>
> (c) debentures or like obligations issued by a loan corporation that is a member institution.

I think there is some doubt as to whether the debentures will be regarded as deposits under this bill. I would say there is general agreement among those who have studied the two bills that it is a wise inclusion. I suppose it is on the assumption that a debenture is really a receipt for money deposited where there is the full obligation for the return of the money. In other words, it is not a stock investment; it is a deposit of money under certain conditions, with an explicit guarantee that the money will be returned in due course.

The question has been raised as to whether these two acts—when this bill becomes an act, as I presume it will—will be in competition. The Ontario act specifically excludes from those corporations which will be covered—that is to say, it excludes from institutional membership in its Corporation any company that is already under federal deposit insurance. The problem of conflict here is quite a serious one; it is not as simple as it appears on the surface.

I do not know how effective or how far-reaching the Ontario Act is. Certainly it was introduced in special circumstances; it was passed expeditiously by the legislature, and perhaps for a quite specific purpose; however, if one examines the scope of the Ontario act and its possible effectiveness one is immediately aware of the reason why "deposit" insurance must in this field be a federal initiative.

Under the Ontario act, an Ontario incorporated trust company whose deposits were insured by the act up to, say, $20,000—the figure is the same in both acts—would be in the position of insuring only deposits made in its head office or branches in the Province of Ontario. It seems clearly beyond the competence of the province to insure deposits in another province, or even to inspect branches of its provincially incorporated company in other provinces. However, we are going to have federal insurance so that is merely an academic problem. From all the information I can gather, the Ontario act, whatever its future may be, has already served a very useful purpose.

It is rather strange that for some reason or other the fact has not been mentioned that Ontario was the pioneer in this legislation, because four years ago the Legislature of Ontario passed an act which had the very significant title of "An Act Regulating Deposits Solicited from the Public". However, it dealt almost entirely with the question of liquidity, and it required corporations that came under it to maintain liquidity at 60 per cent.

I have mentioned the complaint of the chartered banks and the older trust companies. I have some sympathy with that because it is clear that the premiums they will pay are going to be an added cost of doing business. They can well argue that they do not need the protection. But, I find I have the same sympathy for the bachelor or the spinster who is required to pay school taxes.

Hon. Mr. Macdonald (Cape Breton): That is right.

Hon. Mr. Connolly (Ottawa West): And there are a few around.

Hon. Mr. Grosart: Now that Senator Macdonald from Cape Breton has brought the subject up, I may say that I have a good deal of sympathy for some honourable senators, of whom I am one, who are required to pay $720 a year into a pension plan for their retirement, for which there is no statutory requirement of which I know. We are all hopeful that we shall not be prevented by any of the other contingencies, such as committing a heinous felony or bankruptcy from contributing—I do not know whether happily, but perhaps just as happily as the banks in this case anyway—for many years to the retirement pension of these very fine young men who have recently come amongst us. I think it was my good friend Senator Davey who, shaking his head, once told me that he would be compulsorily retired from this place in the year 2000 A.D. When he draws his pension I hope he—

Hon. Mr. Leonard: How long will he last as Commissioner of the Canadian Football League?

Hon. Mr. Grosart: I might say to Senator Leonard that I have not been in this place long enough yet to qualify me to deal with questions of that magnitude or difficulty. However, I do hope that when Senator Davey and others draw their pensions they will look back and say that Grosart and others did not really begrudge their contributions, although there were times when they could have thought of other less altruistic ways of spending their money in their declining years.

It will be different with this deposit insurance. The banks and the larger trust companies will get some very definite benefits from it. They will get the benefit, of course, of the increased stability that will be brought about in the entire financial community, and the increased confidence of depositors. Unless there is a very great change in the direction of our financial economy, the banks and the older trust companies will still get most of the business.

Mr. J. Wilson Berry, the very distinguished president of Guaranty Trust Company of Canada dealt with this matter rather well in a comment printed in the *Financial Post* of February 4 last, which I will ask the permission of the house to read. Mr. Wilson said:

> Although the Federal Deposit Insurance Bill does not seem to be in final form—

And then he qualifies that.

> —the arrangement will be costly to institutions such as ours. Already it has been represented that its cost will be onerous to those institutions, which by their financial strength do not think their depositors need such insurance. I have some sympathy with these views but I do think the bill with certain modifications is in the overall public interest. The essential purpose is the protection of depositors in recognized deposit institutions. This seems desirable because there is no way for most depositors to determine for themselves the soundness of the deposit institution. Knowledge that there is deposit insurance will resolve this difficulty.

He goes on:

> Some of us are old enough to remember the reasons why Federal Deposit Insurance was introduced in 1933 in the U.S. In the intervening years the wisdom of such a step has never been seriously questioned. It is true their deposit institutions were, and still are, of a very different form to those in Canada, but nevertheless the principle is sound.
>
> In some circles we—

And he means there the trust companies.

> —are referred to as "near-banks". Whether this is deprecating or not I do not know. But in many cases the context is not too friendly. I object to the inference that we are some kind of a poor

relation in the financial community. I would hope that when the banks receive power to enter the conventional mortgage field and to issue debentures they will not be referred to as "near trust companies".

Honourable senators, on that note I conclude my remarks. I repeat what I said at the beginning, that I support completely the principle of the bill. It is, in my opinion, well drafted, having in mind its objective. I leave with honourable senators and the committee to which this bill will be sent the suggestions I have made because they may find in them something that will add to the value and the effectiveness of the bill.

Hon. L. P. Beaubien: Honourable senators, I should like first of all to congratulate the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) for explaining this bill fully and extremely well. I want also to congratulate Senator Grosart for reviewing the whole subject so thoroughly. In fact, Senator Grosart's review has been so complete that I am going to deal only with one small point, and that only briefly.

While speaking to one of my banking friends who is in a position to make a good educated guess, he told me that as far as he could judge this premium of one-thirtieth of one per cent per annum of the deposits insured would cost the big big banks between $4 million and $5 million a year.

Hon. Mr. Macdonald (Cape Breton): That is all the banks together?

Hon. Mr. Beaubien (Bedford): Yes. It will cost, as he put it, one of the big banks about $900,000 a year. This seems to be quite a big initiation bill to hand to the banks, which, after all, have carried on their business in such a way that there has not been a failure in 42 years.

I want to say right away that I am going to vote for this bill. I am not against it at all. Even if we could define "a bank"—which is very difficult to do, and which nobody has done—it would make no difference because all the institutions being brought under the provisions of this bill, including the weak ones, would also be included in such a definition. We are bound, therefore, to have all of these institutions brought under the provisions of this act and among them will be many weak sisters. The insurance must, therefore, be absolutely obligatory. We must have it.

Honourable senators, I should like to make one suggestion. It seems to me that we might empower the board of directors of this corporation to classify the different types and kinds of institutions that come under this insurance as far as risk is concerned. Surely, it is not fair to charge one of our big banks, which could not be better run, the same premium for insuring its deposits as is charged an institution that has been borrowing short and lending long, and hanging on for dear life in order to keep its head above water. It seems to me that if it were left to the discretion of the board of directors, all of whom would be knowledgeable persons and the best of all people in Canada to recognize what are the risks in each case, it would be extremely fair. In any event, it is something we can discuss in committee.

I am in favour of the principle of the bill.

Hon. Mr. Connolly (Ottawa West): Honourable senators—

The Hon. the Speaker: If the honourable leader speaks now it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, first of all, I wish to thank Senator Grosart and Senator Beaubien (Bedford) for the help they have given in throwing light upon what appears at least to be a complex bill, but which in effect is really quite a simple one.

Before I deal with anything which Senator Grosart said—and I do not propose to be exhaustive in what I say now—I want to say how pleased I am to see Senator Beaubien taking part in this discussion, because he is very knowledgeable and he expressed himself so clearly that it was a pleasure to listen to him. I discovered that on one of our famous excursions overseas, and I have ever since had a high regard for him, as indeed we all have.

I have a great deal of sympathy for the position Senator Beaubien takes. The minister may find it extremely difficult at the beginning to classify risks, but I would hope that with some experience perhaps this idea could be injected into the operation of this organization. It would mean a change in the legislation, but I would not be at all concerned about introducing amendments here to accomplish this if it were thought to be desirable to do so.

Senator Grosart referred to the fact that in the Ontario act the word "deposit" was defined, while it is left here to the bylaws of the company to define.

Perhaps I should say that the feeling of the Government is that in defining "deposit" we propose to consider a deposit as moneys received by a member institution that are repayable on demand, on notice; moneys that are repayable on a fixed date not more than five years after the date on which the money is received.

We are dealing here with a deposit insurance bill, not a debenture insurance bill. What we are looking at particularly today is to insure smaller short term or demand situations. Deposits, drafts, money orders and such instruments would also be covered. However, it is not easy, because of the practices that have grown up and the diversity of practice that has grown up with the individual trust companies, to say in fact what is and what is not a deposit at this time. I think it will take some time and experience to give a proper definition for "deposit".

Someone said to me the other day, "What about a guaranteed investment certificate? Say it has to run for ten years, is it a deposit or is it a debenture?" Now, you do get the practical situation where you might own a guaranteed debenture certificate of a trust company which has less than ten years to run, perhaps only two or three years. Is this one of the items that should be included in the definition of "deposit"?

The Ontario act is wide open even as to time, and the thinking of the Government, and I say this purposely here, is that we should restrict ourselves to short-term rather than long-term obligations which trust companies incur. I put that information on the record for the help of honourable senators in committee tomorrow when they will be discussing the matter with the minister and the officials.

Senator Grosart questions whether or not there should be provision in here for this corporation to take over a member institution. I think the feeling of the Government on a policy matter of this kind is that this is perhaps a little more drastic step than we should take at this time. We all realize that under the Bank Act the Inspector General, and under the Trust Companies Act and the Loan Companies Act the Superintendent of Insurance, have wide searching powers; and we feel that these can be relied upon without taking the further step of empowering the corporation actually to take charge of the operation of the day-to-day administration of a member institution which may be in difficulty.

I would like just to touch briefly on one other point raised by Senator Grosart, whose speech was of the kind we all like to hear in the Senate, because it was directed to the bill. He need not worry in the least about comparisons, invidious or otherwise, of what is done in similar legislation in other places, because people who prepare a bill, either for a legislature or for Parliament, are bound to go through processes, and sometimes ideas become more firmly fixed in the mind of one than of another. That is why in the draftsmanship one finds shades of difference in thinking reflected. As a matter of fact, I think as between officials who put their minds to the problem of preparing a bill for Parliament, very often a slant is given in the draftsmanship that might not have been given if the opinion of another person had prevailed.

Another point I want to make is that I quite appreciate the fact that banking—and in Lord Denning's definition the taking of deposits is part of banking—is under the British North America Act a power of the federal authority.

Perhaps in years gone by a stronger stand should have been taken about asserting the right to control banking in all of its forms. The practice has grown up in provinces of establishing financial institutions which are near banks, if you will, which do take deposits. These institutions may not have the authority that the provincial legislature confers upon them. Some of this legislation perhaps should have been disallowed. Who are we to say, because the courts have never really passed upon the point. I am sure honourable senators will agree that now is not the time to have a constitutional battle as to whether this is within the competence of a provincial legislature. That time may come.

What has been sought by this legislation—and there have been discussions at the official level with all of the provinces—is an attempt to try to work out an instrument which would provide protection for the small depositors. With that objective, which is clear in all our minds, I am sure we all agree. I hope that the legislation will commend itself, certainly in principle, to the Senate this afternoon.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move that this bill be referred to the Standing Committee on Banking and Commerce.

Before the motion is adopted, may I give notice that the committee will meet tomorrow morning at 10 o'clock, and the minister and the other officials required will be in attendance.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

Report on

CONSUMER CREDIT

of

The Special Joint Committee of The Senate and The House of Commons on Consumer Credit and Cost of Living

February 1967

The Honourable DAVID A. CROLL and
Mr. RON BASFORD, M.P.,
Joint Chairmen.

MEMBERS OF THE SPECIAL JOINT COMMITTEE OF THE SENATE AND HOUSE OF COMMONS ON CONSUMER CREDIT AND COST OF LIVING

(As of January 24, 1967)

For the Senate:

*The Honourable David A. Croll, Joint Chairman, and the Honourable Senators

Carter
Cook
Hastings
Hollett
Inman
McDonald
McGrand
O'Leary (Antigonish-Guysborough)
Thorvaldson
Urquhart
Vaillancourt—(12)

For the House of Commons:

*Mr. Ron Basford, Joint Chairman, and

Messrs.
*Allmand
Andras
Boulanger
Choquette
Clancy
Code
Crossman
Horner (Acadia)
Irvine
Leblanc (Laurier)
Lefebvre
Mrs. MacInnis
Messrs.
Mandziuk
*McCutcheon
McLelland
O'Keefe
*Olson
Otto
Mrs. Rideout
Messrs.
Ryan
*Saltsman
Smith
Whelan—(24)

* On Steering Committee

NOTE: See Appendix No. 1 for list of all who served on the Committee during investigation of consumer credit. In September 1966 the Committee was instructed to look into "the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months;" an enquiry which is now under way.

ORDERS OF REFERENCE

EXTRACT from the Votes and Proceedings of the House of Commons of 15th March, 1966:

"Mr. Hellyer for Mr. Sharp, seconded by Mr. Pennell, moved,—that a joint committee of the Senate and House of Commons be appointed to enquire into and report upon the problems of consumer credit, more particularly but not so as to restrict the generality of the foregoing to enquire into and report upon the operation of Canadian legislation in relation thereto;

That twenty-four members of the House of Commons to be designated by the House at a later date, be members of the joint committee, and that Standing Order 67(1) of the House of Commons be suspended in relation thereto;

That the said committee have power to call for persons, papers and records and examine witnesses; to sit while the House is sitting, and to report from time to time and to print such papers and evidence from day to day as many be deemed advisable, and that Standing Order 66 be suspended in relation thereto; and to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary, that the Minutes of Proceedings of and evidence given before the joint committee during the Twenty-Sixth Parliament be referred to the said committee and be made part of the records thereof; and that a message be sent to the Senate requesting that House to unite with this House for the above purpose, and to select, if the Senate deems it advisable, some of its Members to act on the proposed joint committee.

And debate arising thereon, by unanimous consent, the said motion was amended to read as follows:

That a joint committee of the Senate and House of Commons be appointed to enquire into and report upon the problems of consumer credit, more particularly but not so as to restrict the generality of the foregoing to enquire into and report upon the operation of Canadian legislation in relation thereto;

That twenty-four members of the House of Commons to be designated by the House at a later date, be members of the joint committee, and that Standing Order 67(1) of the House of Commons be suspended in relation thereto;

That the said committee have power to call for persons, papers and records and examine witnesses; to report from time to time and to print such papers and evidence from day to day as may be deemed advisable, and that Standing Order 66 be suspended in relation thereto; and to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary, that the Minutes of Proceedings of and evidence given before the joint committee during the Twenty-Sixth Parliament be referred to the said committee and be made part of the records thereof; and that a message be sent to the Senate requesting that House to unite with this House for the above purpose, and to select, if the Senate deems it advisable, some of its Members to act on the proposed joint committee.

And the question being put on the said motion, as amended, it was agreed to."

LÉON-J. RAYMOND,
Clerk of the House of Commons.

EXTRACT from the Minutes of the Proceedings of the Senate of 23rd March, 1966:

"The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Croll:

That the Senate do unite with the House of Commons in the appointment of a Joint Committee of both Houses of Parliament to enquire into and report upon the problem of consumer credit, more particularly, but not so as to restrict the generality of the foregoing, to enquire into and report upon the operation of Canadian legislation in relation thereto;

That twelve Members of the Senate to be designated by the Senate at a later date be members of the Joint Committee;

That the said committee have power to call for persons, papers and records and examine witnesses; to report from time to time and to print such papers and evidence from day to day as may be deemed advisable, and to engage the services of counsel, accountants and such other clerical and technical personnel as may be deemed necessary, and to sit during sittings and adjournment of the Senate;

That the minutes of proceedings and evidence given before the Joint Committee during the Twenty-Sixth Parliament be referred to the said Committee and be made part of the records thereof; and

That a Message be sent to the House of Commons to inform that House accordingly.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

EXTRACT from the Votes and Proceedings of the House of Commons of 9th September, 1966:

"Mr. Sharp, seconded by Miss LaMarsh, moved,—That the Joint Committee of the Senate and House of Commons appointed by this House on March 15, 1966, to enquire into and report upon the problems of consumer credit, be instructed to also enquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months;

And that a Message be sent to the Senate to acquaint Their Honours thereof and to request the concurrence of that House thereto.

And the question being proposed;

Mr. Pickersgill, seconded by Mr. McIlraith, moved in amendment thereto,—That the motion be amended by striking out the words "by this House on March 15, 1966," where they appear in the second line thereof and by inserting in the motion as the second paragraph the following:

"That the Committee have leave to sit notwithstanding any adjournment of this House;".

And the question being put on the said amendment, it was agreed to.

After debate on the main motion as amended, it was agreed to."

LÉON-J. RAYMOND,
Clerk of the House of Commons.

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EXTRACT from the Minutes of the Proceedings of the Senate of 13th September, 1966:

"With leave of the Senate,

The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Hugessen:

That the Senate do agree with the House of Commons that the Joint Committee of the Senate and House of Commons appointed to enquire into and report upon the problems of consumer credit, be instructed also to enquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months; and

That a message be sent to the House of Commons to acquaint that House accordingly.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

NOTE: The Committee was first constituted in November 1963. It was reconstituted in March 1964 and in March 1966.

FOREWORD

In nineteen meetings of our Committee, mainly concentrated in a period of ten months, we believe that most aspects of consumer credit—certainly those of greatest concern to the general public—were thoroughly aired. We have been impressed by the tremendous increase in consumer credit in recent years, and its growing influence on the economic life of the country. When you consider that consumers account for about two-thirds of national expenditure, the importance of the manner in which this expenditure is made can hardly be overemphasized. Consumer credit has been the subject of detailed study in many parts of Canada—particularly in Nova Scotia, Ontario, Manitoba and Alberta. We have benefitted by these investigations, and our meeting with the Ontario Legislative Committee on Consumer Credit was most helpful. We have also learned a good deal from enquiries that have been going on south of the border as well as reports emanating from Britain.

Members of the Committee are well aware of the social as well as the economic implications of the upsurge in consumer credit purchasing. We are all consumers of goods and services, and there is hardly an individual, particularly in the growing urban areas, who has not at one time or another made use of credit. Many people who "Buy now—pay later" have attained a higher standard of living than would otherwise have been possible. But there are also those—we believe them to be a substantial minority—who are piling up trouble for themselves and their families in the enticing world of easy credit. These are the people who, through lack of understanding, commit their small discretionary incomes to buying beyond their means and paying such high rates for use of money that they may even be left without any discretionary income for the foreseeable future.

In the area of consumer credit as in other areas of business, interests of various groups in society are not identical. To some extent they are bound to conflict. Borrowers do not see eye to eye with lenders. Those who have sufficient assets to pledge as security are usually in a good position to borrow at relatively favorable rates from a bank, or at even lower rates if they have a life insurance policy on which they can raise a loan. For them, the important thing is to maintain these rates. It is the lower-income groups, with little or no assets who, when in need of money, have no other source than the money-lenders and small loans companies. What they want is to be protected from unreasonably high charges for the use of the money, and when the door to commercial borrowing is closed to them, to have some place to which they can turn as a last resort.

Borrowers of small sums are already protected to a considerable extent when the transaction is a pure and simple one of lending money, but not all loans to consumers are of this type. Many difficulties in which lower-income families find themselves today arise out of debts incurred in a transaction where the main business is the purchase of goods, with the borrowing of money directly related to financing the purchase. The kinds of credit offered to consumers have changed so drastically in recent years that more and more people are finding it difficult today to understand the nature of their commitments. Indeed, in certain kinds of transactions, which are becoming standard practice in some large department stores, to figure out the rate charged for financing

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is obviously beyond the powers of any customer, since he is not in possession of the factors taken into account in the calculation. The lender makes the calculation after the consumer has committed himself to the purchase.

Although there are broad areas of agreement, the interests of lenders vary according to the nature of their business. Finance companies as well as retail merchants have a stake in maintaining a high level of sales. Individual members of credit unions may be savers and borrowers. The Canadian Federation of Agriculture reminded us that farmers are consumers as well as producers. Similar illustrations could be multiplied. It is a natural human tendency to equate one's own interest with the public interest, but recent events have demonstrated that irresponsible actions by a few businessmen can help to shake public confidence in financial institutions. There is widespread public demand for regulation of the operation of finance companies in the interests both of those who lend them money and those who borrow from them. The latter group is the particular concern of this Committee.

Remembering that Parliament, and Parliament alone, represents the interest of all citizens, we have tried to evaluate the strength and weaknesses of the many arguments presented to us. We were greatly aided in this by the appearance before us of able people with special knowledge of the multifarious aspects of the consumer credit business.

We cannot praise too highly the help we received from Mr. K. R. MacGregor, former Superintendent of Insurance. The broad sweep of his knowledge, obviously combining extensive academic studies with long administrative experience, gave us an intimate understanding of the place of small loans in the whole field of consumer credit. The over-all story of the development of consumer credit as an important part of the Canadian economy was presented by the Chief of Research of the Bank of Canada, Mr. Gerald K. Bouey. Professor Jacob S. Ziegel of the University of Saskatchewan placed this phenomenon in perspective by giving us the benefit of his studies of the evolution and contemporary situation of consumer credit legislation in Canada and in other parts of the world. Last, but not least, we learned from Mr. Douglas D. Irwin, financial consultant to the Ontario Committee on Consumer Credit, how actuarial science can reduce the most complex and varied factors to simple terms and tables which can be used by us ordinary mortals.

It is inevitable in a study of this kind that the evidence tends to stray beyond the terms of reference. We heard a good deal about many areas of concern to consumers, particularly the broad and related aspects of quality and prices. The whole question of the need to protect consumers in the market place is receiving consideration elsewhere, and since this Committee has now entered into a new phase of study dealing specifically with prices and also advertising and packaging, weights and measures, we decided, except when it was necessary for orientation to go beyond the subject, to confine our report strictly to consumer credit. Other consumer problems will be dealt with in the forthcoming report on Consumer Credit (Prices).

It will be apparent to readers of this report that members of the Committee have no desire to regulate simply for the sake of regulating, but where we are convinced that the public interest requires that action be taken, we accept responsibility for considering what changes are needed and recommending how desirable ends can best be achieved.

Because the evidence presented to us is printed in the public record of our hearings we are not repeating it here, except to indicate the more important

ways in which it has influenced our thinking. Other selected sources are listed in an appendix for the benefit of students of the subject who may wish to follow it further.

We acknowledge with thanks the continuous interest maintained throughout by our staff, all of whom assisted substantially in bringing to completion this complicated task. We appreciate also the help received from permanent employees of the Senate. The contribution of each individual is outlined in the note on Procedure.

The Parliamentary Librarian, Mr. E. J. Spicer, and his staff gave us full co-operation throughout the study, and this was particularly appreciated in the critical period when our report was being prepared.

Ottawa, Canada
February, 1967

DAVID A. CROLL,
RON BASFORD,
Joint Chairmen.

PROCEDURE

All meetings of the Committee were held in Ottawa, and the work was carried on with a small but competent and devoted staff. At the outset Mr. John J. Urie, Q.C. was engaged as Counsel and Mr. Jacques L'Heureux as Accountant. These two experts in fields of knowledge so important to an understanding of consumer credit attended hearings regularly and prepared useful background information. Mr. Urie's knowledgeable questioning of the witnesses brought out significant aspects of the subject and contributed much to our understanding of complex matters. We benefitted especially by his insight into constitutional law, and he prepared the section in the report dealing with constitutional issues involved in consumer credit legislation.

Mrs. Svanhuit Josie, an experienced research economist, joined us as Consultant in July 1966 to assist the Joint Chairmen in preparing a draft report. For six months she worked with them, particularly with Senator Croll, helping to fashion a report which would truly reflect the evidence and the considered views of the Committee.

The permanent staff of the Senate assisted the Committee at all stages of this undertaking. Mr. E. R. Hopkins, Law Clerk and Parliamentary Counsel, gave us the benefit of his wide experience. The Committees Branch carried out the exacting and time-consuming work of arranging for meetings and the many other tasks that are an inevitable part of enquiries of this kind. These responsibilities fell mainly on Mr. John A. Hinds, Assistant Chief Clerk of Committees, and Mr. Dale M. Jarvis who acted as Clerk of the Committee throughout the hearings on consumer credit, except for the last meeting when Mr. Jarvis had left to take another position and Mr. Hinds took over.

Both day-to-day committee work and preparation of a report involve a great deal of secretarial work and typing. During the hearings Miss Marion I. Ballantyne served competently as secretary and typist. The important task of typing and re-typing the manuscript was done well and cheerfully by Miss Barbara Anne Berrigan.

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I CONSTITUTIONAL ISSUES

Your Committee did not investigate in depth the constitutional problems involved, but sufficient evidence was adduced to indicate that the problems of divided legislative jurisdiction, as between Parliament and the provincial legislatures, affect the area of consumer credit as they do many other areas of our economy. It was decided, therefore, to make recommendations without precise regard to the division of legislative power. Certain of the recommendations are clearly within the competence of the Parliament of Canada, e.g., the amendment of the Small Loans Act to raise its monetary ceiling and the proposal for the guarantee of loans to low-income families. On the other hand, certain other recommendations are either in a doubtful area or within the legislative competence of the provincial legislatures.

The main relevant heads of federal jurisdiction in the field of consumer credit under which Parliament might legislate are: Census and Statistics, Banking, Savings Banks, Bills of Exchange and Promissory Notes, Interest, Bankruptcy and Insolvency, and Criminal Law. The regulation of Trade and Commerce under Head 2 of the British North America Act has been omitted from the list because it has in practice been invoked only in support of some other head of federal jurisdiction.

The jurisdiction of Parliament to legislate under the head of "Interest" creates a special problem which has not been clarified by the recent decision of the Supreme Court of Canada in the *Barfried* case. That Sphinx-like case appears to give to the provincial legislatures a green light in the field of cash loans—and presumably also in the field of consumer credit in its broadest aspect—in holding that the provinces may legislate in this field, thereby dealing, although only incidentally, with interest. Interest was defined somewhat narrowly in that case and the Court did not direct its attention to the fundamental question of whether Parliament, in legislating in respect of interest, might also deal with other charges forming part of the total cost of a loan, or an extension of credit, as being necessarily incidental or ancillary to interest as defined in the *Barfried* case.

The evidence submitted to your Committee indicated clearly that in order to deal effectively with consumer credit it is necessary to legislate with respect to the total cost of that credit, just as the Small Loans Act deals with the total cost of a cash loan under $1,500. The Supreme Court of Canada in the *Barfried* case, did not advert to or impugn the validity of the federal Small Loans legislation, but the question of its validity was not specifically in issue. In his evidence, Mr. K. R. MacGregor, the former Superintendent of Insurance, expressed the view that the Supreme Court of Canada might well hold that disclosure legislation in respect of the total cost of consumer credit might be upheld as valid by analogy to the Small Loans Act. It might indeed be that both Parliament and the provincial legislatures may deal in different aspects with the total cost of loans and credit extensions. There would appear to be a certain logicality and colour of right in extending the principle of the Small Loans legislation, now occupied by the Parliament of Canada, to similar areas involved in the advancement of consumer credit. All of this is of course speculative, and the precise ambit of Parliament's jurisdiction in relation to "Interest" remains undefined by the Supreme Court.

Accordingly, your Committee decided to make its basic recommendations as if Parliament had complete jurisdiction in those areas covered by Recommendations 1 to 5, inclusive, hereinafter set forth. The remaining recommendations are in areas in which the provincial legislatures have jurisdiction or in which there is doubt as to which of the legislative bodies in fact has jurisdiction. It appears to your Committee that if the problem is to be attacked completely, there will be need for the utmost federal-provincial cooperation, bearing in mind the respective fields of jurisdiction, and that at some point the jurisdictional problems involved may have to be resolved, if not by a constitutional amendment agreed upon between the federal and provincial authorities, then either by a test case or a formal reference to the Supreme Court of Canada.

II CONCLUSIONS AND RECOMMENDATIONS

Introduction

The evidence presented to us during our many hearings, and the substance of the numerous bills referred to us, have now been assessed in the light of our broad terms of reference in the field of consumer credit. It seems reasonable that the Committee should recommend, without restraint or qualification, whatever needs to be done to assist consumers to meet the pressing problems of the nineteen-sixties, leaving it to the appropriate governments and the legislatures to work out cooperatively the means of achieving the desired ends.

Of the many problems arising out of consumer credit which were brought to our attention during the hearings, two have been identified which appear in various forms and which stand out above the others. The first concerns the troubles besetting those who buy on credit without understanding the price they are paying for borrowing. The second concerns the plight of low-income families who are from time to time in desperate need of credit for necessary goods or services but to whom commercial credit is either not readily available or not available at all. The first three of our recommendations accordingly deal with these important and urgent matters. The recommendations in summary form are presented first but some of our more general impressions and considered opinions leading up to the recommendations are set out in the Conclusions.

Recommendations

1. We endorse the principle of what is popularly known as "truth in lending": that is, the principle embodied in the disclosure bills that have been repeatedly introduced in the Senate and in the House of Commons. Specifically, we recommend that every person, firm or corporation, including every chartered bank, carrying on the business of extending consumer credit, shall be required by law to disclose to the consumer the total cost of that credit, expressed both as a lump sum and in terms of simple annual interest.

Support for legislation of this kind is now almost universal; it has developed into a popular demand for action. Disclosure legislation was endorsed by the Royal Commission on Banking and Finance, and many responsible groups have urged on this Committee the need to proceed with it at once. There is no doubt that it would be in the public interest, that the time is ripe, and that it should be done now.

2. The principle of "truth in lending" should be extended to provide protection for all potential borrowers, whether or not they are at the point of committing themselves to a purchase or a loan. For this reason it is essential that all advertising of credit should truthfully and accurately state the total cost of the credit to the consumer.

We therefore recommend that all advertisements which offer credit or lending should be required to set out in annual percentage rates as well as in dollars and cents the added cost to the consumer for the use of the money. False and misleading advertising (such as advertisements quoting "special low rates" as if these were of general application when in fact they are available only to a select few) should be prohibited. "Truth in advertising" should go hand in hand with "truth in lending".

3. In order to prevent low-income families from becoming mired in debts from which they can never hope to extricate themselves, we recommend

that the federal government make available, through the regular banking system, guaranteed consumer loans under specified conditions to all with annual family incomes of $4,000 or less. The loans would be repayable over an extended period, and would bear a low rate of interest. They would be made only for provident and productive purposes related to the preservation of home and family. The maximum size of such a loan would be $1,500.

It would greatly aid the fight against poverty if needy people were given access to credit on reasonable terms. Those with low incomes are much more likely than others to require cash loans for necessary purchases. We believe the plan we propose would help to strengthen family life by relieving a vulnerable group of Canadians of a tremendous economic, social and psychological load. Not only would it meet an urgent need, but it would encourage thrift and independence, if we were to add to the statute books "An Act to Facilitate (under Guarantee) the Obtaining of Loans for Necessary Goods and Services at Low Rates and with Extended Time for Repayment". Experience suggests that the risk of losses would be small.

4. We recommend that the Parliament of Canada extend the protection accorded to borrowers under the Small Loans Act so as to include loans up to $5,000 rather than loans up to $1,500, with appropriate interest ceilings. There was widespread support of this indicated in the representations made to us and in the report of the Royal Commission on Banking and Finance. Under the Small Loans Act there is a maximum rate of 2 per cent per month on the first $300 borrowed, the rate falling to 1 per cent in respect of amounts between $300 and $1,000 and to one-half of 1 per cent in respect of amounts of between $1,000 and $1,500. (The Royal Commission on Banking and Finance recommended that the formula retain the present 2 per cent per month maximum on the first $300 borrowed and that a flat rate of 1 per cent a month apply to all higher amounts up to $5,000.)

5. We are concerned about the practice known as "captive sales financing", which is common in the merchandising of consumer durable goods, particularly in the sale of motor cars. Parliament has expressed, in the Combines Investigation Act, its desire to encourage the regulation of industry by free competition. However, the Act does not at present apply generally in respect of service industries. The Committee recommends that the scope of the legislation be enlarged, so as to ensure that such free competition will obtain, at least in the sales finance industry, by providing for the regulation of so-called "captive sales financing"; that is, of the operations in that field of manufacturers, distributors, dealers and others not principally engaged in sales finance.

6. Consumers are sometimes compelled to pay for faulty or defective goods, or even for goods they never receive. This is particularly hard on the consumer when, as occasionally happens, the purchaser of his obligation to pay has no knowledge of the original transaction. To prevent situations of that kind, we recommend that every bill or note given in connection with a retail credit transaction be required to be so marked on its face. Along with the purchase of the right to collect the consumer's money should go any undischarged obligations to the consumer that formed part of the original transaction. The party making the sale to the consumer would not be prevented from selling the paper to a third party, but the new creditor would in effect step into his shoes vis-a-vis the consumer, assuming both the rights and the obligations involved in the original transaction. This should protect consumers against fly-by-night operators who leave the customer responsible for payments to some third party who has no obligations to him.

7. A cooling-off period of three days should be allowed for the reconsideration by the buyer of purchases made on credit, off store premises, during which the purchaser may without penalty return the goods and recover back any monies paid by him.

8. An appropriate government agency should prepare and distribute to dealers and retailers a standard form of agreement applicable to all sales of goods on credit. A copy of the agreement should be given to every person who assumes an obligation under it.

9. Every retail credit sale should contain a clause giving the purchaser the right to prepay before the normal term without penalty and with a proportionate rebate of prepaid charges.

10. Collection agency practices sometimes harass the poor and unsophisticated. Present practices in this area should be carefully examined with a view to their strict regulation and supervision. We recommend in particular that collection agencies be prohibited from obtaining wage assignments from debtors and that wage assignments in favor of credit grantors be permitted only if the assignment is contained in a separate self-contained document.

11. We urge the implementation in all parts of Canada of the new Part X of the Federal Bankruptcy Act, which provides a procedure for the orderly payment of debts under court supervision. This would provide an alternative for many who are now forced deeper into debt through arrangements made with finance companies. Part X may be brought into force in any province on the request of its Lieutenant Governor in Council.

12. Your Committee fully endorses the principle embodied in existing legislation providing relief from unconscionable transactions, and recommends its extension to all parts of Canada.

13. Information and education—sometimes called money management or budget advice and counselling—would not solve all consumer credit problems, but we believe that their institution would constitute a step in the right direction. Objective and authoritative general information would be prepared and widely distributed. This would explain in clear and understandable language what all potential credit-buyers should know, including:

(1) Interest costs, with tables in both percentage and dollar terms, particularly illustrating the effect on costs of re-financing and consolidation of debts.

(2) The kinds of outlays for which it is not unreasonable even for lower-income individuals to incur debts.

(3) The minimum net or disposable income which safely permits credit buying, and for those above that level, what percentage can reasonably be pledged for future payments. (Examples might illustrate the need to take into account present commitments as well as current income and the likelihood of it continuing, increasing or decreasing, depending on such factors as age of the individual, his prospects of continuous and continuing employment, contributions by other family members now made or contemplated.)

(4) The nature and extent of the protection and assistance available to consumers under existing law.

14. In addition to receiving information of a general nature that is widely applicable, a minority of Canadians require personal financial advice

and counselling on an individual basis. It is essential that help of that kind come from agencies free of ties with companies primarily interested in increasing the credit outstanding. Consideration might be given to making government grants to family agencies and to credit unions and caisses populaires to enable them to employ for this purpose persons with a specialized knowledge of financial matters.

15. We have already set out the reasons why we believe that the financing of used cars has become a social problem. We therefore recommend, in the public interest, that:

(1) In order that prospective purchasers may ascertain the history of used cars before committing themselves to purchase, a central registry of all cars should be set up in each province, with the same number associated with a car throughout its lifetime.

(2) A maximum rate that may be charged for financing used cars should be fixed by law. This would of course include all charges.

16. Although we have not decided on any specific annual interest rate in respect of credit transactions which would in all circumstances be considered exorbitant, it would appear to be in the public interest to fix some such upper limit. Because of the tremendous increase in recent years in the use of open-end accounts of various types—sometimes called revolving accounts, cyclical accounts, easy-payment or budget accounts—with no statement to the customer of the annual interest rate at the time the purchase is made, and with a minimum effective annual interest rate of some eighteen per cent, but no effective ceiling, we urge that immediate consideration be given to this important matter. An accounting system which is clothed in mystery is a potential danger to those of limited income.

17. We recommend that the continuing joint committee of the Senate and the House of Commons which we trust will be set up as a result of the recommendation in the Interim Report of the Joint Committee on Consumer Credit and Cost of Living (Prices) "to review consumer affairs and the state of the Canadian economy", be specifically charged with assessing contemporary practices and developments in the field of consumer credit. This joint committee would be in a position to recommend to the Government any needed changes in policy or legislation. The current investigation of prices has demonstrated the value of public hearings, stimulating immediate and widespread public reaction.

18. Finally, in order to work towards uniformity in legislation, and to ensure that legislation is developed to complement appropriate federal legislation, and to eliminate abuses and loopholes as far as possible, we recommend that a continuing federal-provincial committee on consumer credit be set up on the technical level.

Conclusions

Consumer Credit Problems

The evidence bears out the assumption in our terms of reference that consumer credit is a problem. It is clear that "the operation of Canadian legislation in relation thereto", which we were asked to "enquire into and report upon", leaves much to be desired. We are convinced that consumer credit has become a major industry, standing on its own feet, and in the words of an expert witness, "separate and apart from the sales which underlie it." It has, to a considerable extent, replaced money as the means by which the average man acquires what he needs for daily living and what luxuries he is able to secure. In view of these developments, the former Superintendent of Insurance put the interests of the Committee well in these words: "the various kinds of consumer credit, the sources of it, and especially the cost of it; perhaps, more particularly still, the ways in which the cost can be controlled or influenced by legislation designed to ensure that the public is not charged an exorbitant cost."

What Everyone Needs

Although consumer credit is admittedly a problem, it is not a problem for all, and for many it is a great convenience to be able to fulfil present needs from anticipated and fairly certain future income. Individuals in a secure financial position are usually able to get loans at reasonable rates. They require little protection beyond the normal need of all citizens to be able to assume that dealings are honest and fair, and that all the cards are on the table.

Full Disclosure (Information)

Whether or not he acts rationally on the basis of the facts, when a person is about to enter into financial obligations, sufficient information should be available to make it possible for him to understand what he is undertaking. Every written contract should state the total obligation; how the cost of borrowing is made up (in annual percentage rates as well as in dollars and cents); and in the sale of goods, the difference between the cash price and the price on credit. From the customer's point of view this is essentially what is meant by full disclosure, and it is the purpose of proposed disclosure legislation to bring this about.

But lenders have a different interpretation of the word "disclosure". They profess to favor full disclosure, and they say they are practising it now when they reveal the cost of borrowing in dollars and cents. What is given the greatest attention by credit grantors, and what the finance companies maintain is "the most important public policy issue surrounding the field of consumer credit" is not whether the customer should be given the information he needs to understand the cost of the money to him, but rather "the manner in which the finance charge is disclosed to the consumer." Their real objection boils down to revealing interest in the traditional form of rates, particularly rates per annum. There is some reluctance about revealing monthly interest rates, but that seems to be considered a lesser evil compared with disclosing the annual rate. In any case, the word "interest" is studiously avoided by lenders, who generally decline to break down "service charges" to show interest and other components separately. It may very well be that the cost in dollars and cents is more meaningful to

the average man than annual percentage rates, but it is obviously wiser to make available more information than a man needs than to deny the information essential for making a rational choice.

Disclosure laws, first vigorously opposed, are now accepted as necessary to protect shareholders in business. The need for rules of some kind to safeguard the interests of consumers in credit buying is beyond dispute. The sales finance companies object so strongly to disclosing annual interest rates that they would even prefer ceilings such as are fixed by law in New York and California, to disclosure of rates. A spokesman for them said that "realistic ceilings, with a reasonable opportunity for review in the light of changing circumstances, would be a safeguard for the industry and for the consumer also." A retail instalment sales act which went into effect in Massachusetts on November 1, 1966, provides that retailers will have to disclose to instalment buyers the total cost of credit charged them both in terms of dollars and in true annual interest.

Canadian opinion seems generally to favour overwhelmingly the disclosure type of legislation. The banks are prepared to disclose the full cost of borrowing to the lender, and the revised Bank Act now before Parliament requires them to do so. The big problem is in connection with financing retail credit transactions. Whether the credit is supplied by the retail dealer himself or by a sales finance company or an acceptance company, it is not customary to make clear at the time a retail credit transaction is entered into, the cost in percentage terms of borrowing the money. All but those who are now withholding that information seem to agree that it should be provided to the consumer.

The Royal Commission on Banking and Finance is clear and unequivocal in dealing with this question. They recommend:

> "...that it be mandatory to disclose the terms of conditional sales as well as cash loan transactions to the customer. In addition to indicating the dollar amount of loan or finance charges, the credit grantor should be required to express them in terms of the effective rate of charge per year in order that customers may compare the terms of different offers without difficulty."

The Royal Commission does not go along with proposals that revolving credit plans be exempt from the disclosure requirements. On that subject they have this to say:

> "While we recognize that there is great difficulty in calculating the exact charge if use is made of a revolving credit, there is no reason why the customer cannot be shown the effective charge if he follows a typical plan. Borrowers may indeed be more interested in the dollar amounts of the finance charges and monthly payments than in the effective interest rate, but it will certainly not do any harm—and may well do much good—to let them know the effective rate as well. The distribution of approved rate books by the grantors of credit would minimize any difficulties of calculation from their point of view."

The Porter Commission goes on:

> "Finally, this legislation should impose stiff penalties for excessive charges or failure to disclose. At the least, the lender should forfeit all

principal and interest on the illegal transactions. In addition, fines should be imposed and, as now, the authorities should have the power to suspend the licences of lending institutions in cases of flagrant violation."

Obviously, enforcement would require provision for licensing and inspection of books and premises, somewhat along the lines of the Small Loans administration. The responsible Department would issue a standard form of contract which would be attached to every retail credit sale.

Finance companies and retail dealers calculate their own borrowing in terms of annual interest rates. They are being asked to provide the same kind of information when they themselves are lenders instead of borrowers. The recommendation of the Canadian Federation of Agriculture that disclosure legislation should apply equally to farm supply and machinery companies, is a reasonable one, and we support it.

The truth concerning the cost of credit should be public knowledge, available to all. It is therefore of the utmost importance to prohibit advertising which misleads gullible people into under-estimating the cost.

Full disclosure to consumers of the cost of credit will benefit the business community by increasing public confidence in its integrity. We agree with the representative of the Credit Union National Association that legislation to bring this about would "force the minority, who might be unethical to tell the truth, which means that the honest seller is no longer at a disadvantage." Full disclosure is in complete harmony with the classical free-market theory of economics. If bargaining in the market place is to result in reasonable prices, information provided by the seller or lender must be reliable. A member of this Committee aptly summed up our views in these words: "I think the legislators generally are of the mind that the consumers of credit must be apprised of the cost of credit just as simply and effectively as they can tell now the price of the product itself."

Outlawing Unfair Clauses

Because of the situation peculiar to the sale of goods, which is often further complicated by re-sale of the agreement to pay for them, the bargaining position of the consumer is, generally speaking, extremely weak. He commonly undertakes a water-tight obligation to make payments to an impersonal company which accepts no responsibility to him. The finance company claims to be neither merchant nor money-lender and abdicates all responsibility for the transaction with the consumer. This is hardly cricket when, as a rule, conditional sale agreements contain clauses which are unfair to the consumer. Examples of those in common use are clauses:

1. excluding all warranties and conditions;

2. permitting the seller to assign the agreement to a third person who takes free of all defences that might be urged against the seller;

3. including a promissory note which can be endorsed to a third person, giving him the status of a holder in due course.

Conditions of this kind should not be permitted, whether or not the consumer is presumed to be able to take care of himself in the market place.

Some Need Special Protection

Many people of modest means have little or no understanding of business, and they are the ones who are in special need of protection. For them, the temptation of being able to obtain rather easily what is desired now, with a promise to pay later, can be too great, especially if, as is so often the case, they do not understand their commitment. Their need for education in consumer credit is urgent. As in other areas, it takes time for official policies to adapt to social changes, but in our judgment the time has come to take account of the virtual revolution in methods of paying for consumer goods that has taken place since the end of World War II.

Education and Advice

Assuming that information is made available to all, there will be some who require further protection. What they need is education and advice (sometimes called counselling). The Federated Council of Sales Finance Companies told us of their policy of co-operating in consumer education with high schools, universities, newspapers, radio, television and Better Business Bureaus. The Consumers' Association of Canada and the Consumer Loan Association advocate the teaching in secondary schools of family financing, use of consumer credit and money management. The latter maintain that conscientious lenders now carry the responsibility of assisting and advising unsophisticated borrowers who are not acquainted with business dealings "as to the choice of the best loan for their circumstances."

Since those who sell credit are hardly in an independent position to instruct potential customers, we feel that advice should come from an independent source. It may even be that lenders as well as borrowers could learn something about probable social and economic consequences of credit purchases when unpredictable but not improbable events occur in the life of the consumer. Government has long accepted responsibility for establishing and enforcing standards for products affecting health and safety. Now the need for advice concerning buying and budgetting is equally urgent. The time is clearly ripe for development of a broad program of consumer education.

Everyone should be able to rely on the truth of statements of fact made in advertising, and sponsors of false advertising must be firmly dealt with. But the advertiser, whose business it is to persuade, can hardly be called to account for selecting from his own point of view the information he uses. Neither can he be expected to confine himself to the facts alone. There must be other sources to which the consumer can look for purely objective information and advice.

Government Regulation to Protect the Weak

Government regulation has long been applied to banks. In the twenties large consumer loan companies were regulated to some extent under private

acts. In the thirties the need to regulate all small loans had become apparent, and this resulted in the Small Loans Act. In spite of opposition from some money-lenders, it received the support of a substantial part of the industry, and today it is unanimously praised by those in the business, whose assistance in enforcing its provisions is acknowledged by the administrators. Representatives of the consumer loan companies told us that before the Small Loans Act was passed the bargaining position of the lower-income borrower was weak.

The Small Loans Act has not been revised since 1957. In the meantime the cost of goods and services has greatly increased, and the value of the dollar has dropped, making it necessary to reconsider the area within which this strengthening of the bargaining position of the consumer is essential in the public interest. It is where the bargaining power between two parties is not equal that, in the words of Professor Ziegel, "the legislature is more than justified in intervening...."

Consolidation of Debts

In recent years the average size of loan made by consumer loan companies and money-lenders has been growing, and the high proportion of loans used for what is known as consolidation of debts or refinancing gives rise to some misgivings. Consolidation of debts is being widely promoted through advertising, and a spokesman for lenders said, "I very definitely feel that the consolidation of debt is one of the most important services that we perform." We do not question the need of those who find themselves with debts beyond their ability to cope, for a means by which they can pay them off in an orderly fashion within some foreseeable time. But ability to do this becomes highly doubtful if the process of refinancing involves heavy additional interest charges. That is apt to happen if the system is in control of the creditor. The Nova Scotia Royal Commission on the Cost of Borrowing Money, Cost of Credit and Related Matters, noted that those on the books of finance companies—and this is related to the large number who consolidate or refinance—are likely to remain on the books for seven years. Seven years is a long time in the life of a family, and it is time enough to take children through the most critical period in their lives. But what is the alternative?

Orderly Payment of Debts Acts

The Family Bureau of Greater Winnipeg dramatically illustrated the devastating effect on a family of medium income with six children and heavy debts which they had been paying off for two years at $60 a month when the Supreme Court of Canada declared the Manitoba Orderly payment of Debts Act unconstitutional because it dealt with bankruptcy legislation, a federal matter. When this happened the man's wages were garnisheed. As a result he lost the job he had held for five years, his wife suffered a mental collapse and entered a psychiatric institution, and the whole family was reduced to public assistance. The brief presented to us by the agency urges the Federal Government to amend the Bankruptcy Act "to enable re-establishment of an Orderly Payment of Debts plan in this province, and the enactment of similar legislation in other

provinces." We are pleased to report that a bill to that effect, which originated in the Senate, passed the House of Commons, with amendments, on June 20 last. It contains a provision which commends itself to us, laying down special conditions that must be fulfilled if a consolidation order does not provide for payment in full of all the debts within three years. Setting up this specific three-year goal should help to maintain the morale of the debtor as well as the patience of the creditor.

Conditional Sale Agreements

We are equally concerned about a related problem, and one that is growing in importance. It has to do with the large part of the money owing by consumers today that results from purchase of goods, with debts accruing either to retail dealers or to third parties who buy conditional sale agreements, known in the trade as "paper". Lending by retail dealers or by sales finance and acceptance companies does not come within the scope of the Small Loans Act, and with a few exceptions in certain provinces, it can be said to be unregulated. We learned that complaints received from the public by administrators of the Small Loans Act are more likely to arise out of these conditional sale agreements over which the Department has no say, than from the small loans over which they have jurisdiction. When he enters into a conditional sale agreement, the weak bargaining position of the consumer today is somewhat analogous to that of the borrower of money before the Small Loans Act was passed. So feeble is his bargaining power that it is now a regular practice to have him sign a waiver of his rights under the law to assurance that the goods are "merchantable" and "fit for the purpose for which they have been bought." The purchaser's obligation to pay for the goods goes on whether or not the merchandise is of any use to him. This is particularly hard on buyers of used cars which break down on the way home from the used-car lot. Since this Committee is trying, in the words of one of our members, "to make the game of shopping a fair one", something must be done to shore up the weak bargaining position of the purchaser of goods on credit.

There appears to be general agreement that the consumer needs more protection in the modern world of credit which is now so complex that it is beyond the comprehension of the common man who is among its best customers. The question is, then, what is to be done, and by whom.

How Protection Develops

In the four countries whose legislation for the protection of consumers Dr. Ziegel[1] studied,—Canada, U.S.A., England and Australia—the development has been uneven, but he notes that "the pattern of evolution is similar in all four countries."

1. Initial concern is protection of the buyer's equity.

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[1] See footnote on p. 2862.

2. Prohibition or regulation of unfair contractual clauses—especially concering warranties and conditions.

3. Belated realization of importance of regulating financial terms of the agreement. Hence:

(*a*) Disclosure requirements,

(*b*) Limitation of finance charges, and

(c) Statutory recognition of buyer's right to rebate in case of repayment.

He has stated that ". . . the provinces between them now have more than sufficient legislative experience in all spheres except possibly that of regulating finance charges and maintaining licensing requirements (and here the federal small loans provisions should prove helpful) to provide the basis for a comprehensive uniform act. . . . Two provinces, Alberta and Quebec, have disclosure requirements, but only one, Quebec, attempts to regulate minimum down payments and maximum maturity rates directly. Alberta and Saskatchewan, however, in a very real, if heterodox way, do so indirectly, in so far as they eliminate the seller's right to sue for any deficiency after repossession. Quebec, again, is so far the only province which has shown any appreciation of the importance of prohibiting excessive finance charges..."

Revolving Credit

Twenty years ago more than 60 per cent of all retail sales were for cash, often involving a discount to the purchaser. In department stores the percentage of cash sales was even higher than in other retail outlets. This pattern of trade continued throughout the forties, but in the fifties there was a noticeable change, until today some 40 to 50 per cent of department store business is done on credit. Increased use of retail credit is largely attributable to development of the open-end system of accounting generally known as revolving credit, but also called "cyclical accounts," "budget" or "easy payment" plans,—a system which has found favor with younger families and is associated to a considerable extent with sociological changes which have been the subject of wide comment. The post-war pattern of younger marriages—with home ownership and a heavy mortgage even for families of limited income, and development of suburban shopping centers displaying a tempting variety of consumer goods—is obviously fertile soil for a system of buying which separates the pleasure of acquisition from the pain of payment.

An official of Simpsons-Sears informed the Committee that 85 per cent of their credit business is now done on the revolving account system. Revolving credit is much less important for Eatons and the Hudson's Bay Company, but both companies have developed similar plans. Some other retail chains, known as junior department stores, already do a large part of their business on revolving credit, and the system is spreading. We therefore considered it of prime importance to assess whether or not this development is in the public interest.

We have carefully weighed the arguments for and against the system, and because we are informed that its very existence would be placed in jeopardy by requiring disclosure of service charges to the customer in annual percentage rates, perhaps it is time to consider whether or not the advantages outweigh the disadvantages.

Representatives of the Retail Council of Canada maintain that this method of selling is a service to their customers; that they are not interested in it as a revenue producer, but only as a means of stimulating sales and "as a basis of achieving economy in the use of credit staff." The main arguments advanced in favor of the system by businessmen who use it or participate in its financing, are these: (1) that the widespread use made of revolving credit demonstrates that it is what the customer wants; (2) that it is so organized as to reduce to a minimum the cost of administration; (3) that it provides an important stimulus to sales, increasing the business of the establishment and therefore helping the economy; (4) that "the traditional way" of doing consumer credit business should not be lightly tampered with "except when absolutely necessary to protect the public against abuse or unconscionable charges."; and finally, (5) that, "Legislation which would require the expression of simple annual interest rates on all types of credit account would require retailers to abandon cyclical type accounts and probably bring about severe repercussions on the national economy."

There seems to be no doubt that the revolving account system, which gives the customer possession of the goods without any discussion, let alone revelation, of the cost of "credit service", can cause no hardship at that time. Whether or not he would choose to wait till pay day if he understood that he would be paying at least 18 per cent per annum and probably a much higher rate, for the privilege of buying on credit, is another question. A spokesman for the Retail Council of Canada told us that, "Control of the amount borrowed and the customer's mode of operation of the account is firmly exercised by the retailer." The Council's brief puts it this way: "...the authorized balance is controlled by the good judgment of the authorizer." The customer learns the details of his commitment not at the time of taking possession of the goods but at a later and unspecified date, when the bill comes from the accounting department. The game appears to be one in which all the cards are in the hands of one player.

We understand that the saving in administrative costs results from making the best use of staff by spreading the work of servicing the accounts over the whole month. This involves billing the customers, not at the end of each month, but according to the company's system of filing accounts, usually alphabetically by customers' names or addresses. This may very well be convenient for the company, but as far as the customer is concerned the result is that if he happens to make a purchase shortly after the day on which his account has been "serviced" the cost of "service" and the change in his over-all account will not be brought home to him until several weeks later.

The rapid rise in credit accounts of the large department stores since the institution of the open-end accounting plan supports the view that the system does stimulate sales, but what part of these purchases would in any case be made later for cash, or would be made in other retail stores, is not clear. There would inevitably be a tendency for customers to concentrate their buying in outlets where they had accounts of this type, perhaps also to pay less attention than formerly to comparative shopping. These considerations raise questions about the impact of the system on the competitive position of other retailers, and on the whole economy.

Compared with the age-old and universal method of showing charges for the use of money as interest rates—a method now readily abandoned by many—the relatively new and evolving plans collectively termed "revolving credit" can hardly be called traditional. We have been reminded that most laws which change the status quo are opposed by a section of the community. But the fact is that in a market economy the status quo is undergoing continual change by forces other than the law. It is quite legitimate for various segments of business to devise methods which will increase their own advantage. Many examples come readily to mind. The trucking industry and the airways have cut into the business of the railroad. There is a constant battle in packaging among the paper industry, various metal groups, glass and plastics.

Confining our attention to the field of consumer credit we see that not only is the consumer credit pie growing, but shares of different interests are shifting, and "outsiders" are edging in. More companies are financing their own credit sales rather than selling their paper to finance companies. An official of one of the largest department stores admitted to us that the credit business "reflects a profit." We were told by various witnesses that the purchase of appliances reduces the amount of money spent on services; that the move by finance companies into car rentals has cut into car sales; that some builders are selling stoves and refrigerators in a package deal with new houses, thus cutting out both the retail dealers in these goods and the finance companies. Changes of this kind are bound to result in gains for some groups at the expense of others, and those who lose out must seek new areas of business in the same way as was done by the consumer loan companies after the 1956 amendments in the Small Loans Act.

Smaller businessmen can be seriously affected by innovations instituted by powerful corporations with a view to increasing their own share of the pie. In those circumstances they are in no position to protest as they have a right to do if the power is exercised by government. They can ask that any public regulations be applied equally to all. This is in fact what representatives of smaller businesses have asked for.

Should disclosure legislation necessitate abandonment of the cyclical type of account, the question as to what effect this would have is still open to argument. It would undoubtedly cause some shift in buying and lending patterns. Professor Donald McGregor of the University of Toronto told the Ontario Committee he thought shifts resulting from disclosure legislation would not be major shifts. The Confederation of National Trade Unions believes revolving accounts to be such a menace and an erosion of the purchasing power of consumers, that they should be abolished. That exemption from general regulations of certain types of accounts could open the door to abuse is implied by the unanswered question put by a committee member to a spokesman for the Retail Council of Canada:

> "In the event that there was legislation proposed that made disclosure mandatory for the non-cyclical and non-open-end accounts, is there any definition that you can suggest to the committee as to the type of accounts which should be exempt from disclosure which would not lend itself to abuse? Naturally, if there is disclosure in simple annual interest for one group and not for another, every person trying to abuse the laws would strive to get into the group where disclosure is not necessary."

The real problem seems to be that there is no specific and uniform definition of revolving or cyclical accounting, the method being adapted to suit local circumstances and individual firms. The definition evolved in Alberta was "continuous deferred payment plans", but a spokesman for the Retail Council of Canada was unable to suggest a solution for the problem of possible abuse through changing the form of the plan.

Revolving or cyclical accounting has to date been little used by small retailers, and it presents what appears to be the greatest conflict of interest in the retail trade, perhaps one of the important reasons for the setting up of the Retail Council of Canada in 1963 to speak separately from the long established Retail Merchants Association. This system of accounting—if revolving credit can be called a system when it appears to be a generic rather than a specific term—has been a source of much confusion and misunderstanding. The customer is in the dark as to the carrying charge on his purchase; the general credit manager for Simpsons-Sears Ltd., Toronto, spoke of "the further complications in the retail department store business caused by what we call 'add on'..."; and development of this system has even made it necessary for the Dominion Bureau of Statistics to discontinue publication of meaningful and detailed data on consumer credit which it formerly reported.

Coming events were already casting their shadow before in a DBS report on retail credit for the fourth quarter of 1950:

> "A new form of credit known as 'revolving credit' has been expanding for some time past. Because of its increasing importance and its inclusion in the new Consumer Credit regulations, an attempt has been made to obtain consistent reporting of this type of credit. In this report, it has been included with the charge or other credit category."

But the system spread and took many different forms, and the task of the DBS became more difficult, until a decade later all attempts to obtain consistent reporting had been abandoned and retail credit statistics were thenceforth lumped together under "total accounts receivable". No longer were instalment accounts distinguishable from charge accounts.

So complicated is this method of granting credit that a Retail Council of Canada representative said "... we cannot conceive of any form of disclosure which can be devised to handle our cyclical and add-on type of accounts." His colleague agreed with the suggestion of a committee member that, "It probably would be possible to figure an interest rate with a computer," adding, "but whether we could afford to do that is another question." The argument against requiring disclosure of interest rates charged on this type of account was summed up by a then Co-Chairman: "What you are saying is, in effect, if there is legislation in this regard you will have to change your accounting methods. That is all you have said, as far as I can see."

It appears to us that a type of accounting which is admitted to be incompatible with disclosure legislation and which makes it impossible for the retailer to tell the customer the interest rate, is hardly likely to enable the customer to figure that out for himself. Much less can he be expected to do any comparison shopping between different merchants, or to consider whether it would be to his advantage to obtain the money from another source. When interest rates are surrounded by mystery, the Canadian Federation of Agriculture reminded us that "unwise and damaging purchases are made by those who cannot really afford them." We have come to the conclusion that to make an exception

from general regulations for a type of account which is so vaguely defined, and yet is being used in a growing number of firms, would be opening the door to confusion. There is a great danger that this system will tempt the unsophisticated and those with small incomes to pile up debts beyond their ability to repay. We support the view advanced by most disinterested parties that we should confine ourselves strictly, if at all possible, to the annual basis. We note that Mr. Irwin, the financial consultant, shared that opinion, although he warned that unless you get acceptance from those using revolving credit "they can foul it up pretty well, too." We express our confidence that reputable business firms will act in an ethical way.

Consumer-Borrowers Not All in Same Position

For many—probably most—Canadians, all that is needed to put them in a bargaining position roughly equal to that of the lenders is access to objective and unbiased information. These are the people who, with all the cards on the table, and with access to various sources of credit, can do their own shopping. But investigations in the United States have shown what is no doubt true here too: that a section of the consumer public are not comparison shoppers, and they are likely to be individuals with the lowest incomes. It is they who "often pay the highest interest rates and are in the greatest need of protection."

Most comparison shoppers fall into the group that has aptly been called the unrationed minority. A recent study made for the National Bureau of Economic Research, and brought to our attention by more than one representation, suggests that there are two kinds of consumers:

1. The unrationed minority—those who choose to pay all or part in cash or to accept less credit than is available to them from primary lenders. They pay lower rates than rationed consumers and the limited amount of rate information that consumers have is pretty well confined to this group.

2. Rationed consumers—the majority, whose marginal borrowing cost is in excess of the going rate of primary lenders. The only alternatives open to this group are paying the going rate or doing without the commodity.

Rationed consumers, when they are in desperate need of a loan, meet the lender under such unequal conditions that if he is unscrupulous he is in a good position to press his advantage. But even rationed consumers sometime take out loans for purposes that can hardly be considered essential, and this may be done without consideration or understanding of the consequences. It was represented to us by those whose work brings them in contact with lower-income families that if the true costs of borrowing had been clearly explained in advance, some of the tragedies due to debt would never have developed. This view is supported by empirical investigation of the National Bureau of Economic Research which found the strongest response to acquisition of knowledge of finance rates was "a reduced willingness to borrow among households in the rationed group."

Fortunately, most rationed consumers are above what could be called the poverty line, and would no doubt be able to manage their finances, including some credit buying, if they were in possession of all the facts necessary for making a sensible decision. These are the people who will benefit from disclosure by becoming comparison shoppers.

But we are left with the problem of the minority of rationed consumers who, with all the necessary information, and understanding that their income does not allow for any commitments to pay the high cost of the credit available to them, are in such desperate need of a loan that they will agree to the impossible. The situation of these people has given us cause for concern, and leads us into consideration of how this problem can be solved.

The Gap in the Credit Picture

In view of the importance of credit in business today, various methods are used to ensure that sound credit standards are maintained, and that credit is available at reasonable rates to meet legitimate needs of business as well as of private borrowers. Except in times of emergency, when the national interest is involved, maintenance of sound credit standards is generally left to the judgment of the lenders, the theory being that it is in their own interest to curb unwise use of credit. It has been argued that this is not always a safe assumption, when the salesman has his eye on filling a quota, when collection of the debt is separated from sale of the goods, and when any risk to the lender is virtually eliminated by harsh enforcement methods. That question is discussed elsewhere. Here we are considering measures to ensure that necessary credit is available.

The monetary power of the Bank of Canada aims at seeing that overall, the credit for business is sufficient to meet the needs. The Bank uses its power to influence the interest rates, thereby increasing or curtailing the money supply as seems advisable. The Bank's actions are also reflected to some extent in policies of commercial banks in dealing with their consumer borrowers. And when money will bring high interest rates elsewhere, life insurance companies are more reluctant than usual to expand their low-interest lending to policy holders. In any case, policy holders who are family heads generally resist the idea of encumbering the protection they have provided for their wives and children in case "anything should happen" to them.

But it is well known that sources of credit which are sensitive to the nation's money policies are not open to the low-income person who is without assets to pledge as security. He must rely for cash borrowing on consumer loan companies and money-lenders—institutions whose business expands when money is otherwise hard to get. When interest rates are high enough, there are sure to be willing lenders, and a tight-money period is precisely the time when numbers grow of those who are anxious enough to borrow that they will agree to almost any conditions. The only alternative generally open to the average man is to buy on credit, with the debt accruing to the retail dealer or to a finance company. These are expensive methods of borrowing, and sometimes the rates are exorbitant. Furthermore, no matter how desperate the need, there is always a residue of individuals who are turned down by the consumer loan companies; there is also a limit beyond which it becomes difficult for some to get retail credit.

In addition to those who, because of their personal situation are considered by the commercial lender to be too great a risk, there are others whose requirement for money, theoretically regulated under the Small Loans Act, happens to fall into what lenders consider "a non-profit area", roughly defined as between $1,000 and $1,500. Some lenders refuse these loans, and it is admitted

that this area is not now adequately served. The danger is that in order to obtain the money they need, borrowers will be driven to assume a larger debt, bringing them beyond the upper limit of protection under the Small Loans Act.

When a man applies for a loan somebody else decides whether or not the loan is granted. If the decision goes against the applicant, what then? Several committee members raised the issue of the need for some alternative source of credit at reasonable rates for those who are denied a loan when they really need it, and perhaps also for those whose business is least profitable to lenders, and the cost of carrying which pushes up rates for other borrowers.

Precedents for Government Action

Businesses operating for profit can hardly be expected to go far beyond what they regard as economically feasible, for the sake of fulfilling a socially desirable need or one that is in the national interest. The Government has long recognized this, and has stepped in to fill gaps of this kind, making available loans at low interest rates, either by guaranteeing loans made by traditional lending institutions or by setting up agencies which make loans directly. This is sometimes spoken of as, "Increasing the effectiveness of monetary action through ensuring the availability of credit..." For more than two decades the Industrial Development Bank has provided capital-type loans to small and medium sized firms. The bank is authorized to lend or guarantee loans of money to persons or corporations when

> ..."15 (*b*) credit or other financial resources would not otherwise be available on reasonable terms and conditions..."

Under the Farm Improvement Loans Act, in effect for roughly the same length of time, the Government guarantees farm improvement loans, provided that certain conditions are met. The maximum loan, originally $3,000, has been successively raised until it is now $15,000. The Veterans' Business and Professional Loans Act of 1946 provided for loans up to $3,000, and guaranteed loans for prairie farmers—with the original maximum of $1,000 now raised to $3,000—are available under the Prairie Grain Producers' Interim Financing Act, 1951. The Prairie Grain Loans Act (1960) guarantees loans up to $1,500 to actual producers. For more than thirty years there has been legislation providing mortgage loans to fishermen, and since 1955 the Fisheries Improvement Loans Act has made available government guaranteed loans of up to $4,000.

Fishermen's loans may be obtained from banks, credit unions, caisses populaires or other designated cooperative credit societies. Most of the other guaranteed loans are made through the chartered banks, with the government, as a rule, undertaking to make up any losses as well as to pay the cost of administration.

The Farm Credit Act of 1959 set up the Farm Credit Corporation, which makes low-interest loans to farmers whose farms are mortgaged "and whose experience, ability and character are such as to warrant the belief that the farm to be mortgaged will be successfully operated."

In 1960 the small businessman was added to the list of Canadians eligible for a guaranteed government loan. Under the Small Businesses Loans Act loans up to $25,000 may be granted to "small business enterprises". The Act defines a small business as one with gross revenue not over $250,000.

Social as well as Economic Considerations

Many of these government guaranteed loans are provided for the purpose of expanding or strengthening the economic well-being of the borrower and indirectly, of the Canadian economy. But an interesting example of taking into account social as well as economic considerations—specifically, the credit needs of home and family—is provided by the full title of the Farm Improvement Loans Act, 1944-45: "An Act to encourage the provision of Intermediate Term and Short Term Credit to Farmers for the Improvement and Development of Farms and for the Improvement of Living Conditions thereon". Even earlier, in 1937, the Home Improvement Loans Guarantee Act made it possible under certain conditions laid down in the legislation, to borrow up to $2,000. The upper limit for home improvement loans is now $4,000.

For more than 20 years low-interest loans have been made to home-owners under the National Housing Act. But consumer-borrowers, who are the particular concern of this Committee, are mainly urban dwellers, and a high proportion of them are wage-earners. Because of the vulnerable position of low-income people in need of credit, we were impressed by the findings of the Poapst consumer survey for the Royal Commission on Banking and Finance that those who suffer from intermittent unemployment are more likely to be involved in instalment debt than in mortgage debt. Undoubtedly a high proportion of low-income families are tenants. These people do not benefit by the help given to home-owners under the National Housing Act; nor do they qualify for loans under the Home Improvement Loans Guarantee Act. In any case, that Act does not provide for loans to cover appliances and furniture, essential equipment for the modern household.

Lending Policies of Private Businesses and Government Institutions

The main difference between lending policies of private business enterprises and those of government institutions is that the former are naturally interested mainly in profits, whereas the latter make loans for clearly defined purposes considered to be economically and socially desirable for the individual or company as well as in the general public interest. Perhaps we could adopt a phrase from the credit unions and extend to a wider group of private consumers the privilege which government has long accorded to specified categories of Canadians, of securing at reasonable rates, loans guaranteed by the Government, to be used for "provident and productive purposes". This credit would not be available to acquire minks and diamonds, or for travel to far-off places, but only for purposes related to the well-being of home and family. A high proportion of borrowing by the hard-pressed low-income wage-earner would clearly come within this definition.

Consumer lending companies take the position that borrowers "who lack readily marketable assets and who are in a relatively weak bargaining position

need the services provided by responsible lenders under a suitable regulatory law." We do not quarrel with this, but we believe the time has come when that service must be made available to this vulnerable group not only by the private institutions with which they are now dealing, but by an independent source which would provide an alternative for those who are turned down by commercial lenders. This service element would include much-needed advice concerning the meaning and the cost of credit. The evidence convinces us that the risk of losses on the loans would be very small, and the public interest would be served by preventing low-income families from becoming enmeshed in debt from which they could never hope to extricate themselves unaided.

Commercial banks are already providing consumer credit on a large scale to borrowers who are considered good risks. They also make loans to individuals who might not otherwise qualify, on condition that the Government guarantees to recoup any losses from the Consolidated Revenue Fund. We believe they could be persuaded, with the same kind of government guarantee, to serve the lower-income consumers we have in mind.

If we were to make it possible for farmers and city dwellers alike to borrow at reasonable rates for what could be regarded as necessary expenditures related to the satisfactory functioning of the home, in the same way as we do now for home ownership or farm implements, that could hardly be regarded as establishing any new principle. It is now a matter of official concern to help preserve and strengthen family life, and specifically, to raise the standard of living of families which have failed to share in our general affluence. The strains on family ties that result from overwhelming debt are well documented.

But what makes our suggestion doubly attractive is that it would benefit lenders as well as borrowers. Various witnesses have suggested that in the lending business today, major loans more or less carry the cost of serving smaller borrowers. If lenders were to be relieved of the bulk of both high-risk and low-return customers, it should be possible for them to reduce somewhat the rates charged to their other borrowers. A representative of the consumer loan companies agreed that this was a reasonable hope, although he added a note of caution: "One would have to look at it very carefully."

We have considered various ways of determining who should be eligible for government guaranteed consumer loans. Although the extent of a man's indebtedness is often related to the amount of his income and assets, that is not always the case.

Proposal for Filling the Gap

A spokesman for the consumer loan companies suggested that the dividing line between their business and that of the commercial banks is the income of the borrower rather than the size of the loan, implying that those whose incomes do not meet the bank's requirements must go to consumer loan companies. The immediate and urgent concern of this Committee is an even lower income group—those who do not meet the requirements of the consumer loan companies, or, if they do, they are served at the cost of higher

rates for other borrowers. Our suggestion is therefore that government guaranteed loans at a reasonable interest rate be made available to the lowest income groups as an alternative to borrowing from commercial lenders.

It is not easy, of course, to draw the line between those who would be eligible to use a public facility of this kind and those who would not. In introducing the recent amendments to the National Housing Act, the Minister of Labour said the government is "trying to help those people in the lower and medium income brackets." He added that the new provisions of that Act will benefit mainly "the group earning $5,000 and over". Taking into account today's economic conditions, we believe it would not be unreasonable to make this alternative source of consumer credit available to all families whose annual income is $4,000 or less. The maximum amount that could be borrowed under this scheme would be $1,500. The responsible government agency would provide information and advice to all who wished to have it.

Incidentally, the proposed government guaranteed loans should greatly assist current efforts to establish Indian families in the mainstream of Canadian life. Those responsible for helping them to move from the reserves to the regular working force have noted that credit, which may very well be essential if the transition is to be made, is usually denied to Canada's original inhabitants.

Used Cars—A Special Case

When a representative of the Consumers' Association of Canada was asked where their members feel that the greatest abuses in consumer credit lie, she answered: "I think there are very often abuses in the sale of used cars." Evidence produced in some provincial investigations confirms our impression that there is no group of consumers with so many unhappy purchasers who have made considerable sacrifice to gain possession of an article which they sorely need and which turns out to be useless. Yet no redress for their grievances is available.

Those who buy new cars can learn a good deal in advance about comparative performance of different makes. In any case they are protected by the maker's warranty, and his desire to maintain the reputation of his product. It is fairly safe for the buyer of a new car to make his selection on the basis of appeal to the eye of various designs and colors—factors that are usually stressed by car dealers. But the purchase of a used car is a different proposition. The buyer is often entirely dependent on the dealer's word concerning the age and history of the car, and he must put his faith in the number of miles recorded on the speedometer.

The most important question, of course, is whether the car will go. No matter how attractive its appearance, a car that will not move does not solve a man's transportation problem. When this situation develops after he has signed a purchase agreement as well as a promissory note independent of the agreement, the buyer may find himself liable for paying over a period of months or even years, for a vehicle that never takes to the road. And he is apt to be making these payments, not to the one who sold him the car, but to the purchaser of his agreement or promissory note. We learned that "it is the almost invariable practice that the buyer is required to waive the rights

which the common law and the various provincial sales of goods acts confer on him with respect to the quality and fitness of the goods he purchases."

Even assuming that the car is roadworthy, as most cars undoubtedly are, it is not unusual for the purchaser to commit himself to pay more than he can possibly afford out of his income, with the result that he falls behind. When that happens, a man is apt to find that he has agreed to provisions in fine print that are very harsh indeed.

Recognizing the importance of the motor car industry to Canada's economy, we nevertheless believe that the used car business has become a social problem. A member of the Committee who is president of a social agency told us that his agency is sometimes called on to supply food for children at the same time as their poor father is obliged to keep up payments on an old car. "So this organization, whose object is to help poor people," he said, "in reality helps the finance companies."

The reasons why the financing of used cars is a special problem are: (1) that people with small incomes are more likely to buy used cars than new cars; (2) that finance charges on used cars are considerably higher than on new cars; (3) that a high proportion of used cars are repossessed, due in some cases simply to mismanagement on the part of the would-be purchaser, but excessive finance charges no doubt help to make the size of the payments unrealistic in relation to the income of the debtor; (4) that a used car may be the only means of transportation to and from work, in which case repossession is a calamity for a wage-earner and for the family dependent on him; (5) that when the used car is not as represented, sometimes so deficient that it does not serve the purpose of transportation, the purchaser may be forced to continue making payments to the buyer of a conditional sale agreement who accepts no responsibility to him; (6) that there is no limit to the charges that can be made under the guise of reconditioning it, and this may very well exceed the value of the vehicle. We were informed of a case recorded in a Montreal court where a truck purchased for $650 and repossessed one week later, was resold for $25.

It is clearly in the public interest to provide some protection to used-car buyers, perhaps to make it possible for them to do what is commonly done by purchasers of new cars—borrow money and pay cash. We believe that one of our major recommendations will take care of this problem by making credit available at a reasonable rate in the particular and urgent situation when the car is needed for transportation to work. The individual would then be essentially in the same position as a member of a caisse populaire whose car can be financed altogether by regular payments at reasonable rates of interest and with no lien attached to the car. Furthermore, our recommendation that a maximum financing rate for all used cars be fixed by law (as is now done in New York State for both used and new cars) should help to make dealers more careful in selecting their purchasers. Because of the many possibilities of misrepresenting the age and condition of a used car, introduction of an identification system such as is used in Britain and in some parts of Canada, would make it possible to check in a public place, the history of any car offered for sale. This should not be an insuperable problem in the computer age.

Summary

The most widespread hardships for debtors today arise out of retail credit transactions rather than cash borrowing, and troubles are particularly common in connection with the purchase of used cars. Buying on credit has become a well established practice for all income groups. It is a perfectly legitimate practice, one that stimulates sales and makes it possible for many to enjoy now amenities which they are well able to pay for later in instalments. Undoubtedly there are credit purchases made which are unnecessary and unrealistic, but the same could be said of cash purchases. In our society we are free, as individuals, to use our own resources in any way that gives us the greatest satisfaction, and the Committee has no quarrel with that.

What does concern us is the consequences for themselves and for society when unforeseen circumstances make it impossible for one who has committed himself to credit payments to meet these obligations. Unforeseen circumstances can arise for two main reasons: (1) because the consumer did not understand what he was undertaking, or (2) because his personal situation has changed. When a small income is committed beforehand, a period of illness or unemployment, or even the need to repair the home or replace an expensive item of household equipment or clothing, can completely throw out the family budget. As is often the case, if remedies are to be effective and to prevent recurrence of trouble, they must take into account the root causes. In arriving at our final recommendations we have kept this in mind.

III GROWTH OF CONSUMER CREDIT

Introduction

To pay for the use of money is so much taken for granted today that it may come as a surprise to some that prior to the middle of the sixteenth century it was generally regarded as a serious evil to take any interest, whether exorbitant or not. Up to that time clergy of all denominations condemned usury; the law punished it with imprisonment and forfeiture of principal and interest.

This attitude was based on two thousand years of church and moralist writings. Money was regarded as a medium of exchange. Like any other article, when it was loaned it was absolutely under the borrower's control. We learned that as late as 1572 a lawyer and moralist, Thomas Wilson, wrote a Discourse Upon Usury which he declared to be nothing but "a fraudulent and crafty stealing of another man's goods."

In those days of the relatively simple village economy large amounts of capital were not generally required. Customers of the local money man were mainly peasants, artisans and small merchants who fell upon lean times. Proverbs surviving from that period reflect the social climate of the day: "Better buy than borrow", "Better give a shilling than lend a half crown." In the latter part of the sixteenth century the whole situation changed; with the beginning of the modern economy as we know it came the need for more capital.

Changing economic conditions brought about a change in public attitudes, with resulting pressure for institutional changes. As is often the case, it took some time for the law to catch up with public opinion, and there was a period when practice was removed from theory and principles. Attempts were made "to charge interest indirectly or under another name or through some device."

When the Low Countries began to permit the charging of interest up to 10 per cent the competitive position of English trade was affected. Although the Canon laws were gradually relaxed to permit some exceptions, the big turning point came in Britain in 1571 when Parliament passed an act permitting interest up to 10 per cent. This marked abandonment of the traditional attitude that any profit on money lending is usurious and wrong.

Recognition that interest can be reasonable, changed the meaning of the word "usury" which is commonly understood now to refer to money-lending at exorbitant rates, especially at rates higher than those fixed by law. Interest at a reasonable rate is universally accepted as entirely proper. As a member of parliament put it, the distinction thereafter was between "biting and oversharp dealing" and "a reasonable maximum interest rate set by the State."

Nowadays, for reasons discussed elsewhere, page 2883) those borrowing money, particularly individuals operating as consumers, are concerned not only about interest rates, but equally—perhaps more—about other charges that become part of the cost of the loan.

What is Consumer Credit?

As in all areas of study, there is some difficulty about exactly defining consumer credit, but a reasonable definition appears to be, as the Bank of Canada representative put it: "credit advanced to individuals to finance their expenditures on goods and services as consumers." This would exclude credit

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extended to businesses, borrowing by individuals to finance housing (capital expenditures) and credit used to acquire financial assets such as stocks and bonds. Consumer credit is used to finance things that by their nature have a short life as well as things that will wear out "in a reasonably short time", including furniture, and—an important part of the picture today—motor cars. Articles of this latter kind are what are known as durable goods as opposed to non-durable goods.

Although the granting of credit to consumers in one form or another has a long history, instalment credit on a large scale seems to have grown up with the development of relatively high-value durable goods. It is particularly associated with wide use of the motor car. Parallel with the growth of consumer credit was development of institutional arrangements to facilitate it. Another factor responsible for the increase in consumer credit has been a change in attitude to the incurring of large debts for consumption purposes. And underlying the whole development has been expansion of consumer incomes.

Consumer credit is mainly of two kinds:

1. Cash loans, and
2. "transactions relating to the sale of goods or services on some kind of time-payment plan."

Time Payment Plans

The idea of selling on time is not new. It has been known in Canada since 1850. Many of the earliest time-sale agreements covered the sale of horses—the equivalent of the modern motor car. But much the older form of credit is the cash loan, where the primary transaction is the borrowing of money. This explains why legislation developed mainly to regulate that kind of business.

In recent years, particularly since the Second World War, there has been a tremendous upsurge in the form of credit where the primary transaction is the purchase of goods. This kind of credit also gives rise to debt on which interest must be paid. The subject of interest as well as the wider cost of providing credit to consumers have become matters of public concern.

Needless to say, effective demand for the purchase of goods on credit was low in the thirties due to unemployment, and in the war years it was curbed in the national interest. Before World War II it was mainly the larger items of durable goods that were bought on "time or instalment payment terms". When the family needed a piano, a refrigerator, or a large piece of furniture and they did not have ready money to pay for it, it was bought "on time". It was customary in those days for cash buyers to be given a discount. Then the practice grew up of putting part of the charge for instalment service on the price of the article, with the remainder of the cost a direct charge—perhaps as low as 5 per cent—for "instalment terms".

The Situation To-day

To-day there is seldom any discount for cash. The usual practice is to state a cash price along with the charges for "instalment service". In addition, new types of accounts have been developed to allow for purchase of a wide

variety of consumer goods, including both the smaller durable items and also non-durable goods, that is those designed for immediate consumption.

Except for a set-back in 1951 when restrictions were imposed during the Korean War, consumer credit outstanding has risen steadily from $678 million in 1948 to some $7,000 million at the end of 1965. Table 1 shows that the rise has continued not only in absolute terms but also as a ratio of the gross national product as well as of personal disposable income. Thoughout the fifties it was customary to compare our situation favourably with the United States. In that country, where consumer credit is more highly developed than anywhere else in the world, the ratio of consumer credit was always higher than ours as measured by either of these indices. However, since 1961 we have surpassed the United States both in our ratio to GNP and to personal disposable income.

TABLE 1

CONSUMER CREDIT OUTSTANDING, RATIO TO GNP AND TO PERSONAL DISPOSABLE INCOME, CANADA AND U.S.A., 1948-1963

Year	Ratio to GNP		Ratio to Personal Disposable Income	
	Canada	U.S.A.	Canada	U.S.A.
1948	4.3	5.0	5.9	6.8
1949	4.9	6.2	6.8	8.5
1950	5.4	6.5	7.9	9.1
1951	4.6	6.2	6.6	8.9
1952	5.7	7.2	8.5	10.5
1953	7.0	8.2	10.4	11.6
1954	7.5	8.2	11.0	11.7
1955	8.1	9.0	12.2	13.0
1956	8.2	9.3	12.4	13.3
1957	8.4	9.6	12.4	13.6
1958	8.8	9.2	12.6	13.0
1959	9.4	9.9	13.9	14.2
1960	10.1	10.5	14.4	14.9
1961	10.2	10.0	14.8	14.5
1962	10.6	10.5	15.3	15.1
1963	11.1	10.9	16.0	16.0

SOURCE: Bank of Canada brief, proceedings, p. 118.

At the close of the year 1965 the consumer credit owed by Canadians was distributed as shown in Table 2.

This table tells us who the creditors are, but data are not available to produce a comparable table showing who are the debtors. We do know that a study made in 1959 of 1,500 wage-earning families in Quebec found that 75 per cent of them used some form of credit. The average debt was $1,200 per family; the poorest families used the most credit, the average used it the least, and the wealthiest were in between.

Investigations made for the Royal Commission on Banking and Finance confirm for a wide sample of the population the fact that poor people are heavy users of credit. The Royal Commission reported as follows:

> "Instalment debt is found in 32% of households and at all income levels, although its highest relative use is found in the lower income categories..." and that, "Clerical and labouring personnel use instalment debt most frequently." Furthermore, those "with the smallest amounts of reported assets also make heaviest use of consumer credit —partly because of the absence of any other collateral."

TABLE 2

COMPOSITION OF CONSUMER CREDIT OUTSTANDING, CANADA, DECEMBER 1965

	Millions of $	
Cash loans		
Chartered banks (unsecured)	2,186	
Consumer loan companies	962	
Life insurance policy loans	407	
Credit unions and caisses populaires	840 +	(estimate)
Quebec savings banks (unsecured)	16	
Credit buying		
Sales finance companies & motor vehicle dealers	1,162	
Department stores	565	
Furniture & appliance dealers	209	
Other retail dealers	422	
Oil company credit cards	68	
Consumer loan co. instalment credit	67	
Total	7,000	(approx.)

Source: Bank of Canada Statistical Summary Supplement 1965.

OPEN-END ACCOUNTS

Some retailers allow the customer 30 days to pay for goods without making any extra charge. There are also merchants who make instalment sales contracts clearly setting out the purchase price and carrying charges as well as the amounts and dates of the payments. It is not difficult for customers who enter into arrangements of that kind to figure out the effective annual interest rate. But the Retail Council of Canada informed us that these accounts "probably comprise a very small percentage of the total volume of credit extended by our members." It is the new types of accounts, known as revolving credit or cyclical accounts, budget or "easy payment" plans, that are responsible for much of the growth in credit buying in recent years, particularly in the large department stores. It is these revolving credit accounts which, according to professional social workers who appeared before us, seem to create the greatest difficulty for low-income people.

Revolving credit is a general term applied to a type of accounting mainly used by the large department stores and some retail chains, which permits occasional purchases to be added into the arrangement. It originated south of the border, and appears to be pretty well confined to North America. The system is regulated by law in New York, California, and Massachusetts, but in Canada, where it has become common only in the last decade, it is still unregulated. There is no uniformity in the plans used even by the major retailers, but the method of billing the customer means that he is not informed of the extra charge for the cost of the loan (referred to as the service charge) until some time after he has acquired the goods, when the bill comes from the ac-

counting or credit department. Any particular individual may not receive his bill at the end of the month because the system involves spreading the billing evenly over the whole period. The "service charge" is usually stated in dollars and cents, and not in percentages. Some firms do inform customers of the monthly percentage charged on the outstanding balance, but it is generally agreed that this type of accounting does not lend itself to informing him of the annual rate of interest he is paying.

IV HISTORY OF REGULATIONS

Federal Action

Three federal acts, one of them no longer on the statute books, were considered by the Committee to be pertinent to a study of consumer credit: the Small Loans Act, the Money-Lenders Act and the Interest Act. Only the Small Loans Act fixes responsibility for administration on a department of government. It is the duty of the Superintendent of Insurance to watch over that Act, and the former incumbent of the office reviewed the whole situation for the Committee. The Money-Lenders Act has been repealed. The Interest Act is still in force, but we were told that it has never been really effective in controlling excessive rates of interest.

Perhaps it is worth noting that the earliest legislation in Canada relating to "interest, usury and money-lending", passed in 1777, fixed a maximum rate of 6 per cent per annum for all contracts, the same limit that has been specified in the Bank Act until the recent revision. Severe penalties were laid down, including voidance of the contract, for charging higher rates.

This Act and a similar Act passed in Upper Canada in 1811 were repealed in 1853 and replaced by a new Act which, while it maintained the 6 per cent ceiling on interest rates, reduced penalties provided for infraction in that the contract was voided only in so far as it related to excess of interest. The provisions were further eased in 1858 when the contracting parties were permitted to agree on any rate, with the 6 per cent ceiling retained if no rate was stipulated by the parties or by law. This 1858 Act is the origin of sections 2 and 3 of the Interest Act.

The British North America Act of 1867 specifically allocated the subject of interest to the Dominion. Consequently, in the years 1873 to 1886 Parliament passed several acts concerning interest applicable to specific Canadian provinces.

The Interest Act

These various acts, together with certain provisions concerning Prince Edward Island enacted in 1869, were consolidated in the Revised Statutes of 1886 as "An Act Respecting Interest", which permitted any rate agreed upon. Among the sections subsequently added to the Interest Act were the present sections 4 and 5, sometimes identified with the name of Sir Oliver Mowat. It was he who introduced a bill in the Senate in 1897 which, after extensive revision, emerged in this form. Sections 4 and 5 of the Interest Act provide that unless the yearly equivalent is expressly stated, only 5 per cent per annum can be recovered under a contract running for shorter than yearly intervals. There is provision for recovery of any excess interest paid. Sections 12 to 15, which apply to the western provinces and the Territories, came later. There have been no changes in the Interest Act since 1917.

The Money-Lenders Act

This Act, passed in 1906 and said to have been the inspiration for modern unconscionable transactions relief legislation, was a watered-down version of a bill introduced by the late Senator Dandurand in 1899 as "An Act Respecting Usury." Purporting to impose a maximum limit of 12 per cent on all loans of $500 or less, it was ineffective for two reasons: it lacked any

definition of "interest", and no one was fixed with responsibility for its administration. The Act remained on the statute books long enough to be included in the Revised Statutes of 1952, but when the Small Loans Act was revised in 1956, the Money-Lenders Act was repealed.

The Small Loans Act

The Small Loans Act, 1939, which is further discussed elsewhere, is the most important piece of legislation affecting consumer credit, and the only act for which responsibility is fixed on a department of the federal government. Six small loans companies and 79 money-lenders were licensed under the act at the close of 1964. The distinction between them is the method of incorporation, i.e. whether by a Special Act of Parliament or otherwise.

The outstanding feature of the Small Loans Act is that it regulates in the area in which it operates, the whole cost of the loan, including any and all other expenses as well as pure interest. The maximum rates, stated in per cent per month, apply to the principal amount of the loan outstanding from time to time, and charges may not be compounded or deducted in advance.

The Act requires a lender to be licensed by the Minister of Finance if he wishes to charge more than 1 per cent per month on a loan with principal amount not exceeding $1,500. The charges permitted on personal loans are fairly high because amounts involved are generally small and loans are for relatively short periods. Expenses connected with providing the loans are not directly related to the size of the loan.

The maximum amount that may be charged by licensed lenders is 2 per cent per month on the first $300, 1 per cent on the next $700 and one-half of 1 per cent on the next $500 up to $1,500. What this means in effective percentage rates is illustrated in Table 3.

TABLE 3

EFFECTIVE MONTHLY AND ANNUAL RATES PERMITTED UNDER THE SMALL LOANS ACT, SELECTED SIZES OF LOANS

Amount of Loan	Percentage Rate	
$	Monthly	Annual
300	2.00	24.00
500	1.81	21.72
1,000	1.48	17.76
1,500	1.27	15.24

The Superintendent of Insurance is required to inspect the chief place of business of every licensee at least once a year, and annual financial statements must be submitted in a prescribed form. These are used as the basis of a published report by the Superintendent. The excellent annual reports have been a great help to the Committee in studying the operation of the Act. Originally the prime function of small loans companies and money-lenders was to provide facilities for needy borrowers of small amounts. Although this is still important, these companies have expanded into wider fields. Regulation under the Small Loans Act applies only to loans up to $1,500, but many licensees lend larger sums as well. Some operate also in the unregulated "sales finance" field, which means that they purchase conditional sale agreements. Today

licensees under the act have come to be regarded as an integral part of the instalment buying pattern, a form of merchandising which evidently appeals to all income groups.

Early Regulation under Private Acts of Parliament

Much of the small loans business is done by a few companies operating under special acts of the Parliament of Canada, and because the original acts of this type antedate the Small Loans Act—and represent the first attempts at regulating the business—a brief review is necessary.

In the first quarter of this century money-lending was, for all practical purposes, unregulated. Sporadic complaints were voiced about exorbitant charges being exacted in spite of the Interest Act and the Money-Lenders Act. Small loans companies or personal loan companies developed to meet the needs of the ordinary man for relatively small sums of money for shorter periods of time. They are one kind of so-called finance companies, and most of them have the word "Finance" in their names.

The first small loans company, since re-named Household Finance Corporation of Canada, continues to do by far the greatest volume of small loans business. This company was incorporated in 1928 by a Special Act of Parliament which fixed charges for "interest" and "expenses". The actual annual rate was then "about double the apparent rate,"—roughly 14 per cent for a loan of $100 and 16 per cent for $500.

In 1930 the second company of this kind was incorporated—now the Community Finance Corporation—and in 1933 the company known today as Beneficial Finance Co. of Canada completed the group of the big three operating before World War II. Nine other small loans companies have been incorporated since that time, of which three—Canadian Acceptance Company, Laurentide Finance Company and the Brock Acceptance Company—are still in business, making a total of six. The three last named were set up in the post-war years. At the close of 1964 the three original companies held more than half of the balance of small loans in Canada. They have left it to others, generally speaking, to take the leadership in providing large loans and purchasing conditional sales agreements. A few giants also dominate among the licensed money-lenders, with six of the 79 holding 80 per cent of their small loans outstanding at the end of 1964.

Loans Companies Act Amendment

During the early thirties borrowers were finding it difficult to understand the effective rate of interest represented by the complicated scale of charges on loans. In 1934 an amendment to the Loan Companies Act placed an overriding ceiling of 2½ per cent per month on all companies operating under powers granted by the Parliament of Canada. Although this Act is mainly concerned with companies which lend money on the security of real estate, the ceiling affected small loans companies along with others.

Difficulties soon arose over the fact that business of some small loans companies was mainly concentrated in particular provinces. It was argued that when they had to comply with provincial as well as federal regulations it was a problem to compete with companies operating mainly under other rules. We learned that, "The entire situation continued to be unsatisfactory from almost every point of view."

Need Felt for More Effective Control

At a meeting in the Department of Insurance in 1934, representatives of the small loans companies agreed that the practice of deducting charges in advance should be abandoned. Instead, there would be "single monthly percentage applied to the amount of the loan actually made and remaining outstanding from time to time." But this did not solve all the problems, and it finally became clear that effective legislation was needed.

In 1936 Senator Dandurand, his interest in the subject unabated, introduced a bill based on a recommendation of a sub-committee of the Senate Banking and Commerce Committee, providing for a flat monthly rate on outstanding balances. But for various reasons no action was taken on it by the government.

In 1938 the Banking and Commerce Committee of the House of Commons studied the problem for months, with a stated objective of securing "the best procurable rate for the borrower". That Committee came up with a draft bill providing for a flat, all-inclusive monthly rate of 2 per cent on outstanding balances. The bill applied to loans of $500 or less. In spite of opposition by some lenders, the bill, which required the Superintendent of Insurance to inspect licensed companies at least once a year, finally became law. It is known as the Small Loans Act, 1939, and has been in effect since January 1, 1940.

There have been no changes in the Small Loans Act except for amendments in 1956 raising the maximum loans to which it applies from $500 to $1,500, and substituting graded maximum rates for a flat 2 per cent per month.

Federal Legislation Concerning Credit Unions

Although credit unions are regulated by provincial laws, the Royal Commission on Banking and Finance noted that a federal law respecting credit unions was passed in 1953 "in order to remove any doubts about the constitutional position of the provincial centrals by permitting them to register under a federal act, and to establish a national central, The Canadian Co-operative Credit Society Limited". The report goes on to say that, "Membership in this society, which is supervised by the Superintendent of Insurance, is limited to central co-operative associations declared eligible by Parliament and approved by Treasury Board, a maximum of 10 co-operatives other than credit unions and 15 individuals. The society has not been very active: only four provincial centrals have taken out membership and their investment in its shares and deposits has not been large."

Provincial Action

Caisses Populaires—the "People's Banks"

It seems appropriate to begin the discussion of provincial regulation of consumer credit with a brief sketch of the origin of the credit union movement which pioneered the lending of money to people of small means. Indeed, in the early years of the century there was no other source of loans at reasonable rates for the low-income group.

Before the turn of the century, in his work as official stenographer in the House of Commons in Ottawa, Alphonse Desjardins recorded the debates concerning excessive rates of interest then being exacted by money-lenders from

his fellow-citizens with low incomes. An insight into this area channelled his broad interest in economic and social problems into serious investigation of the problem of usury, and a search for possible solutions.

It was in the Parliamentary Library that he learned of the development of credit unions in Europe and Asia to deal with the credit needs of working people at a time when credit was generally available only for the needs of the businessman. These "people's banks" as they were called, were savings and loan societies organized co-operatively by working people for investment of their savings and to enable them to borrow money for their real needs at low rates of interest. Mr. Desjardins was instrumental in founding in Levis, Quebec, the first credit union on the North American continent in 1900. The Civil Service Co-operative Credit Society formed in Ottawa in 1908, is the largest co-operative credit society in Canada.

A credit union is more than a financial association; it is an association of individuals, usually with some common bond—industrial, parish, ethnic or community—banded together to help themselves and each other. Credit unions have a democratic and local character which appears to be successful in maintaining the interest of members, by encouraging thrift and by lending money for provident and productive purposes. The idea of sharing in the management of a common venture has wide appeal, and in the credit union one member has only one vote, regardless of the number of shares he holds. The chief source of income of credit unions is the interest on loans made to members. Although credit unions have power to borrow money, and sometimes they do borrow from the banks, they borrow mainly from their own "league central".

An important difference between credit unions and the caisses populaires is that loans of the former are principally for personal purposes, whereas the latter invest heavily in mortgages. Both types of organization are changing. They are moving closing together in that each is expanding into the main business area of the other.

In the thirties a group at St. Francis Xavier University in Antigonish, Nova Scotia promoted credit unions as part of a program of community economic development, particularly among the miners and fishermen. A similar movement developed in those years in the farming communities of the western provinces.

The first credit union act on this continent was passed, appropriately, in the province which gave birth to the movement. This was the Quebec Cooperative Syndicates Act which became law in 1906, largely through the efforts of Mr. Desjardins. Incidentally, he also aided the passage of the first act of this kind in the United States in 1909 in the State of Massachusetts.

Today there is credit union legislation in all the Canadian provinces, and generally speaking, it is somewhat similar. In all ten provinces the maximum interest that may be charged by a credit union is 1 per cent per month on the unpaid balance of the loan, and this interest covers all charges and penalties. Twenty per cent of net earnings must be set aside for a guarantee fund to take care of bad debts. The balance is distributed to members. The effective charge is usually from 8 to 10 per cent, and most societies charge the same rate on all loans. The caisses in Quebec lend at a somewhat lower rate.

The manager of Canadian operations for the Credit Union National Association, whose membership includes 96 per cent of all credit unions in Canada

outside Quebec, informed the Committee that there are now in Canada approximately 4,622 credit unions with more than 3 million members and assets of nearly $2 billion. (Note: Quebec caisses populaires are included although they are not members of the association.)

Under the standard by-laws of Ontario the maximum credit union loan is $3,000 plus member's own money (shares) of $1,000; that is a total of $4,000. Some other possibilities (with first mortgages on real estate) may bring the loan up to $10,000. By-laws of some larger credit unions in Ontario permit mortgage loans up to $30,000. For small loans of under $200 no security is required. The protection is said to be "personal character".

The Royal Commission on Banking and Finance stated that, "Each of the provincial credit union acts provides for a system of inspection and supervision. In all provinces except Prince Edward Island, where the league is formally responsible, and Quebec, where the law is unclear, a government agency is responsible for the supervision of credit unions." In some provinces inspections are regular and thorough; in others they are infrequent.

Credit unions, although they perform for members the same lending function as the commercial money-lenders, have quite a different philosophy and outlook. Unlike the business firms, with their emphasis on the glamorous things that credit will buy, credit unions do what they can to encourage thrift. Their borrowers are also savers. In fact, an official of the Ontario Credit Union League informed us that out of 1,000 members of a credit union, about 600 are savers only. The other 400 borrow as well as save.

Retail Instalment Sales Legislation

Under the common law those engaged in conditional sales were doubly favored: on the one hand "they were able to maintain a proprietary position even though the buyer was in possession of the goods"; on the other hand "they were able to avoid registration requirements of the emerging bills of sale acts as well as the fetters which equity places on a mortgagee seeking to foreclose."[1] Although considerable legislation has been enacted to improve the bargaining position of the buyer, revolutionary changes in methods of retailing have resulted in large-scale selling on time that is subject to no public supervision. The seller alone lays down the rules of the game.

Registration of Conditional Sales

Between 1882 and 1907—before anything similar had been done in England, Australia or most of the United States—"all the provinces and territories adopted some form of legislation requiring registration of the conditional sales agreement or the marking of the goods with the seller's name, and, except in the case of Manitoba, conferring upon the buyer a right to redeem following repossession by the seller."

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[1] The quotations in this section are from a definitive article, "Retail Instalment Sales Legislation", *University of Toronto Law Journal*, Vol. XIV, No. 2, 1962, by Professor Jacob S. Ziegel, an expert witness who appeared before us. A good deal of the historical information is based on his research.

These early acts formed the substance of the first Uniform Conditional Sales Act of 1922 which became the revised uniform act of 1947 and then 1955. Legislation of this kind is in force today in most of the provinces.

Farm Implements and Agricultural Machinery Acts

The next important development was special legislation in the prairie provinces (Alberta 1913, Saskatchewan 1915, Manitoba 1919) dealing with sale of farm implements. Although this legislation was designed to meet a special situation, it is important because it contains many features today regarded as essential for safeguarding the interests of consumers in instalment sales. It eliminates oppressive contractual provisions by introducing statutory forms of agreement; it protects the buyer's equity in the goods; and licensing provisions ensure that the statute is observed.

Seizure of Other Goods (Alberta and Saskatchewan)

In 1914 Alberta moved to regulate the extra-judicial seizure of goods, including goods repossessed under a conditional sales agreement. Seizure was to be by a sheriff or one authorized by him, and a judge's order was required for the sale. The provisions were completely revised in 1929. Very important from the buyer's point of view is the power of the court "to suspend any order of sale pending payment of the debt by such instalments or the performance of such other conditions as the court may determine."

Under this legislation a seller must notify the buyer beforehand of an intended sale. If the buyer informs the sheriff in writing that the value of the goods exceeds the amount of the seller's claim, they may not be sold without the sheriff's consent. Finally, after the sale, the seller must file with the sheriff a statutory declaration of particulars, and pay over any surplus. A 1942 amendment requires the seller to elect between suing for the balance of the purchase price and repossessing.

Saskatchewan moved in 1933 to strengthen the buyer's position. This was in response to a recommendation by a Select Committee of the Saskatchewan Legislature in 1932. Moreover, in 1939 and 1940 amendments were introduced concerning implied warranties and conditions and "empowering the court, on the buyer's application, to stay any intended repossession by the seller, on specified items... mainly those which a farmer would regard as indispensable for his operations."

In both Alberta and Saskatchewan the hurdles for the seller have been challenged as infringing on federal jurisdiction over banking and bills of exchange, but without success.

More Direct Control of Finance Companies and Retailers (Nova Scotia)

In 1938 Nova Scotia introduced a licensing statute, The Instalment Payment Contracts Act. It is not a strong statute, and we learned that "no licenses have been refused, cancelled or suspended since 1950." (The Saskatchewan

Companies Inspection and Licensing Act, 1937, also provides for licensing of sales finance companies, but the primary concern there appears to be with their solvency.)

Consumer Credit Controls

(Federal Government, Quebec and New Brunswick)

Consumer credit controls were set up for the first time by the Canadian Government under the War Measures Act. During World War II the Wartime Prices and Trade Board was given jurisdiction over consumer credit and instalment buying. A minimum cash payment (about one-third) was fixed, as well as a maximum period for repayment (6 to 15 months depending on the type of article to be financed). Other policies worked with these controls to cause virtual disappearance of the passenger car for civilian use. The regulations were eased in 1946, revoked in 1947.

The second experience with Canada-wide controls came in 1950-52 under the Consumer Credit (Temporary Provisions) Act. There was concern then about inflation due to the Korean war. In 1951 the minimum down-payment on cars was 50 per cent, and maximum repayment period 12 months. During that year consumer credit actually declined. Since May, 1952 there has been no direct control of consumer credit throughout Canada.

In 1956 the Government was again seriously disturbed about inflation. At that time officials of the Bank of Canada met with representatives of instalment finance companies to try to get agreement on voluntary control of consumer credit, but the companies were not persuaded.

It should be mentioned here that in 1947, the year that the wartime regulations were abandoned, Quebec passed the Instalment Sales Act, apparently intended to continue control of instalment sales in the interests of consumers of modest means, a move that was said to have the full support of the Quebec business community. Generally speaking, the Act applies only to retail sales up to $800; a wide range of goods, including motor cars, is excluded. But within these limits, the legislation is more comprehensive than that of either Saskatchewan or Alberta.

The Quebec legislation fixes a minimum down-payment of 15 per cent and a sliding scale of maximum maturity periods. Payments must be of equal amounts with the exception of a smaller one at the end, and the buyer has the right of prepayment. The maximum finance charge is three-quarters of 1 per cent per month. There is provision for compulsory disclosure of the regular cash price, the time price, the down payment, and the instalments. A statutory form of written contract is laid down.

New Brunswick followed the Quebec precedent in 1949. The New Brunswick Act also called for a 15 per cent down-payment and the maximum maturity period was 24 months. Motor cars were not excluded. These restrictions were difficult to administer, and in 1959 the Act was repealed.

Disclosure

In 1954 Alberta passed the Credit and Loan Agreements Act with disclosure provisions similar to those already described in the Quebec Instalment Sales Act of 1947. The Alberta Act allows for disclosure of either a rate per cent per annum or the cost in dollars. A bill introduced in Manitoba in 1962 requiring statement of finance charges on time sales in simple annual interest rates never became law, and it was amended to substitute disclosure in dollars. A Nova Scotia Act which grew out of recommendations of the Royal Commission on the Cost of Borrowing Money, the Cost of Credit and Related Matters, requires disclosure of finance charges as simple annual interest rates. It became effective early in 1967. Last year the government of Ontario introduced a Consumers Act which among other provisions includes a disclosure requirement both as to amount and interest. Furthermore, the government indicated that credit grantors would be given a year in which to prepare for the inevitable.

Since 1960 a stream-lined disclosure bill which would require every finance charge to be stated in terms of effective rate of interest on the unpaid balance of the cash price, has been repeatedly introduced in the Senate. Debates on the bill have attracted wide attention and growing support, and they have helped to create the current public demand for more protection. The principle has been embodied in several bills introduced in the House of Commons in recent years.

Official recognition of current thinking was indicated in a statement issued after a federal-provincial conference on consumer credit held in Ottawa in December 1966. The meeting felt that "it is both desirable and feasible to extend interest rate disclosure on a uniform basis to personal instalment loan transactions throughout Canada affecting banks, retailers and sales-finance companies and others." The Minister of Finance noted that an amendment to the Bank Act requiring disclosure of bank interest rates would be introduced early in 1967. This assurance from Ottawa along with interest-rate disclosure legislation in varying stages in four provinces, and the other six provinces generally interested in following suit, means that the outlook for Canadians in need of a loan being able to shop for the best credit buy has never been brighter.

V REPRESENTATIONS AND BRIEFS

Carefully prepared briefs, further illuminated by able spokesmen, were a great help to the Committee in studying this complicated and many-faceted subject. Those in the business of lending money as well as retail merchants who sell consumer goods on credit, were represented by their respective associations. All these delegations included key men responsible for administration in some area of consumer credit. The Canadian Chamber of Commerce put before us views which the Federated Council of Sales Finance Companies said accurately reflect the position of Canadian business on this subject. Several other briefs, including one from the Retail Merchants Association of Canada, quoted with approval representations of the Canadian Chamber of Commerce.

A number of delegations spoke for the interests of all, or segments of, the borrowing public: the Consumers' Association of Canada for consumers as a group; the Confederation of National Trade Unions mainly for the working man; the Canadian Federation of Agriculture particularly for the farmer as consumer; the Family Bureau of Winnipeg with special emphasis on problems of low-income families.

Delegations from the credit union movement dealt with the needs of the small borrower, the solution of whose problems they pioneered around the turn of the century. They also enlightened us about their efforts to educate the public ("basically advertising") and their program of "family financial counselling..."

Then we heard from experts who are involved neither as lenders nor borrowers, but whose special knowledge was acquired either in an academic or an administrative role, or both. Submissions of those who appeared purely in their professional or technical capacity are summarized below. Experts who represented government agencies made equally valuable contributions which are reflected throughout the report and acknowledged in the foreword.

Business

The Executive Council of the Canadian Chamber of Commerce, spokesman for 850 Boards of Trade and Chambers of Commerce throughout Canada, 2,700 corporation members and 25 association members, set out the over-all point of view of business. The focus of the Chamber's brief was on purchase credit rather than loan credit, and two members of their delegation also appeared before us when we heard representations from organizations which spoke more particularly for businesses engaged in large-scale retail operations, and finance companies which buy conditional sales agreements.

It was pointed out that of the total consumer credit outstanding at the close of 1963, roughly 60 per cent was in loan credit, chiefly held by chartered banks, loan companies and credit unions. Excluding the $54 million owing to oil companies through the use of credit cards, the remaining 38 per cent—

more than $2 billion—was "purchase credit", i.e. credit created by way of sales by retail merchants. Nearly half of this purchase credit was assigned by the retailer to sales finance companies.

We were told that purchase credit would be "most directly affected by any legislation calling for interest rate form of disclosure," and the position was taken that "since the cost of credit is effectively the difference between the cash sale price and the time sale price it may be contended that it is unreasonable to ask that this mark-up be expressed in terms of an annual rate per year." The Chamber would rely on competition, which they say keeps cash prices in line, to do the same for the price of credit.

It is argued that "conversion of credit charges to interest per annum and the stating of same in a contract at the time of sale (1) is not practical in the case of all credit transactions; (2) that such legislation would seriously affect sales; (3) that the results would involve increased costs; (4) that such practice would tend to obscure rather than clarify credit costs and (5) that the requirement would impose a problem on all retailers but would particularly work a hardship on small merchants." The Chamber therefore supports disclosure of the dollar amount of finance charges, which they say the purchaser can readily compare with the cash price of goods or services so as to determine what he is paying for credit.

Money-Lenders

The two important associations of money-lenders whose strong delegations appeared before us represent, in the main, different segments of the business.

The Canadian Consumer Loan Association formed in 1944, speaks for 54 companies, all licensed under the Small Loans Act. At the end of 1964 they carried 95 per cent of the outstanding balances of loans regulated under the Act. An important feature that distinguishes members of this group from those making up the Federated Council of Sales Finance Companies is that regulated loans—the major part of their business—are made directly by lender to borrower with no dealer intermediary. We were informed that like the credit unions, and unlike the banks, they lend mainly to lower income people, those who seldom have readily marketable assets which can be pledged as security. The small loans companies find it necessary to carry out a good deal of investigation before making loans. For this purpose they operate Lenders' Exchanges. Unlike the loans made by sales finance companies, which are generally for goods or services acquired now for future use, a high proportion of loans made by licensees under the Small Loans Act go into consolidation of debts or refinancing.

Small loans companies also transact business beyond that regulated under the Small Loans Act. Although they agree that regulation of small loans is in the public interest, they are opposed to the recommendation of the Royal Commission on Banking and Finance and others that the scope of that act be extended to cover loans up to $5,000. The argument is that those borrowing above the present ceiling of $1,500 are, in the main, people with higher incomes, to whom a choice of several kinds of credit, some at much lower rates, is now open.

The Federated Council of Sales Finance Companies, set up in 1957, represents 48 companies whose "primary function is to provide wholesale and retail financing for a wide range of durable consumer and business goods." These companies, generally known as acceptance companies, are not parties to the original transaction of a retail sale, but many of the basic terms of the contract are determined by the sales finance company. Their interest in maintenance of a high level of sales is obvious, and in certain respects it is identical with that of the retail dealer. More than 90 per cent of all new cars sold to dealers in Canada are financed by these companies, and this represents a very large part of their business. Other important segments are appliances, furniture and other major durables. In 1964 finance companies accounted for approximately 70 per cent of sales finance credit to consumers, and 90 per cent of instalment credit to business. Together, they held about one-sixth of the total consumer credit outstanding at the end of 1964.

The finance companies expressed the view that "the single most important public policy issue surrounding the field of consumer credit is the manner in which the finance charge is disclosed to the consumer." They maintain that the present method of expressing the cost in dollars and cents is "the most meaningful disclosure of finance charges, from the consumer's standpoint." Armed with this information, they say, the consumer can make "an intelligent and reasonable choice, not only between a purchase on a cash or credit basis, but also among the various competing sources of credit which are available to him." They firmly oppose the idea of requiring disclosure of an annual interest rate or charge for credit. It is argued that to focus attention on the interest rate "may confuse the consumer and provide opportunities for exploitation by some unscrupulous retailers." The finance companies take the stand that, "Legislation enforcing interest rate disclosure would be a disservice to the Canadian consumer."

Their answer to those who believe that use of consumer credit may be excessive, is education in the proper use of credit. This they consider to be one of their own important functions, a function which they are trying to fulfil by co-operation with "high schools, universities, newspapers, radio, television and Better Business Bureaus throughout the country."

Retail Dealers

Like the associations representing the money-lending business, each of the two organizations of retailers is made up of members with more or less a community of special interests. Consequently, their points of view do not always coincide. Nevertheless, they have a common interest—shared, as mentioned above, with the finance companies—in maintaining the high and increasing volume of retail sales, a growing proportion of which are credit sales. Both associations of retailers affirm that they believe in full disclosure to the consumer of what they consider to be the information best suited to enable him to make his own choice of credit purchase.

The Retail Merchants Association is more than 60 years old. It was founded in 1896 and incorporated by Special Act of Parliament in 1910. It has some 20,000 paid-up members, including operators of small, medium and large retail establishments, but small businesses predominate. The Association is organized from the municipal level through provincial associations in all provinces but

Newfoundland. It considers itself "official spokesman for independent retailing in this country", and in spite of the trend towards large-scale store operations, they say there is a growing demand for highly specialized shops with considerable service. Independent stores still dominate in number of establishments and they account for approximately 70 per cent of the total volume of retail trade.

The Retail Council of Canada, formed in June 1963, speaks for the main big department stores and retail stores which account for some 30 per cent of the retail store trade.

The Retail Merchants Association takes the position that "full disclosure of the cost of credit should be made to each purchaser at the time the sale is consummated and the credit contract is signed." It should be "meaningful to the consumer and manageable to the retailer." They oppose "any regulation which would require 'disclosure' in the form of an effective rate of simple interest." They believe this would be "impractical, if not impossible" in their business. The Retail Merchants Association submits that a regulation of this kind "would serve only as an impediment to the ease with which consumer credit is presently granted." Their conclusion is that declaration of an effective rate of simple interest "may have consequences which would impede the economy of Canada." Instead, they advocate disclosure in dollars and cents, arguing that "the declaration of simple interest in a retail credit transaction might well be an open invitation to the minority to engage in unscrupulous practices and to exercise deception on the consumer by various forms of manipulation and misrepresentation."

Perhaps the main area of disagreement in policy between the Retail Merchants Association and the Retail Council of Canada concerns the question whether or not, if regulations do require disclosure of annual interest rates, special exemptions should be allowed for revolving or cyclical accounts. These accounts are used to a limited extent by the smaller merchants, but they are an important and a growing part of the business of big department stores. In this type of account the cost of the credit is generally not made known to the purchaser until some time after the purchase is made.

The stand taken by the Retail Merchants Association is that to give special privileges to this type of account while requiring declaration of the effective rate of simple interest on other credit accounts would discriminate against small retailers. They argue that the same regulations should apply to all. "The independent retailer", they say, "is not in a position to dictate to his customers that all forms of credit will be in the shape of revolving or cyclical accounts."

The Retail Council of Canada admits that, "One of the most important circumstances affecting a contract for the loan of money or the financing of a purchase is the charge being made for the money lent." But they do not believe "that any accurate conversion of a money charge to a simple annual interest rate can be made in respect of the type of credit accounts which comprise the major part of the credit granted by our members." These are the cyclical or revolving accounts which are so hard to understand, and about which we heard so much.

Consumers

The Consumers' Association of Canada views consumer credit as a service with a price that can and should be shopped for carefully. They take the position that "in our competitive system free choice must go hand in hand with

knowledge." To make free choice possible, they rely on truthful disclosure by the lender and education of the borrower. If the consumer knows the cost of borrowing, both in money and in terms of simple annual interest, they believe he will be able to make intelligent use of credit. They therefore want "legislation making full disclosure of financial charges expressed in terms of simple annual interest obligatory on all credit contracts..." They would have "the Government of Canada control the manner of calculations and degree of accuracy in computing the financial charges and calculating the cost in terms of simple annual interest."

Further, the Consumers' Association of Canada "request the Federal and Provincial Governments to enact legislation making provision for a 'cooling-off' period of three days" in the case of door-to-door sales. As to revolving credit, they commend the system used by The T. Eaton Co. in Montreal where, "There is a service charge of 1½ per cent per month calculated on the previous month's balance."

The Association supports the recommendation of the Royal Commission on Banking and Finance that power to regulate loans under the Small Loans Act be extended to cover loans up to $5,000.

The Confederation of National Trade Unions with a combined membership of all affiliates numbering some 150,000 at the beginning of 1965, spoke from the experience of its members. They stated their conviction that "...credit buying is a social evil." They say it "creates the illusion that the majority can readily obtain goods they cannot acquire otherwise under the present economic system." The low salaries of many make this unrealistic; the high cost of interest further erodes their already precarious standard of living.

So convinced is the union of the need to protect families with low incomes, that their inclination would be to recommend abolition of the consumer credit system altogether. However, before suggesting such a radical step they say a good deal might be done to eliminate abuses and give the consumer more protection.

It is pointed out that, "Finance companies borrow at a low rate of interest and lend this same money at exorbitant rates." Misleading advertising and unnecessarily obscure contracts make it difficult for the borrower to find out what obligation he is assuming. It is argued that merchants and finance companies, interested in "profits beyond the sale profit" co-operate to bring this about. The high cost of "the multiplication of middlemen and agencies" is paid indirectly by the consumer.

The union has taken practical steps to educate its own members, and has offered the same help to the general population. Many working people have taken advantage of this. The union has organized a "family budget service" to protect the workers' limited purchasing power by (1) making clear to him the cost of credit, and (2) bringing about a better way of administering the family budget.

They feel that to make their work more effective, what is needed is better protection from the law. They say that the power over consumer credit is now in the hands of the financiers; that it should be reorganized in the interests of preserving the purchasing power and standard of living of consumers, and in the interests of the economy.

The Confederation of National Trade Unions agrees with the recommendation of the Royal Commission on Banking and Finance that the scope of the

Small Loans Act should be extended to cover loans up to $5,000. They would fix a maximum legal interest rate of 9 per cent.

Specifically, the Confederation of National Trade Unions recommends:

1. That "the vendor be obliged to clearly indicate in a sales contract":
   (1) the cost of the product,
   (2) the difference between the cash price and the price on the instalment plan,
   (3) the rate and the cost of interest.

2. That legislators should declare illegal a provision commonly used in contracts for the sale of cars which has been declared by the courts to be "unfair and abusive" although it is "neither illegal nor contrary to public order." They say that, "Since the debtor remains liable for the final balance even after repossession and repair costs of the car, the charge is often greater than the value of the vehicle. In default of payment, the debtor remains liable for the repairs to be made by the garage, the balance of his account and the contract of the second purchaser." If provisions of this kind were outlawed, car dealers would be obliged to check more carefully the ability of the purchaser to repay the obligations he assumes.

The principal recommendations of the Confederation of National Trade Unions are summarized in their own words as follows:

"1. The appointment of a commission to investigate interest rates, particularly with regard to the influence of such rates with respect to the purchasing power and living standards of the consumers.

2. That, in the interim, the rate of interest be set at a maximum of 9 per cent per annum, on a decreasing basis.

3. That adequate measures be provided to enforce the revelation of interest rates, real cost and administrative costs of loans and credit purchases."

The Canadian Federation of Agriculture, "a national general farm organization widely representative of farm people" supports the recommendation of the Royal Commission on Banking and Finance as to the need to continue effective control through the Small Loans Act on interest charged by loan companies. They agree that regulation of interest rates should be extended at least to loans up to $5,000. The Federation questions the direction of policy which would move "away from controls, limitations and guarantees on interest rates."

They are not convinced of the need to raise the ½ per cent provision, since they say the interest rate actually works out as somewhere between 12 and 24 per cent per annum. They note that the three considerations in money lending are:

1. the cost of the money to the loan company,
2. the cost of administration, and
3. the cost of losses for bad debts and collection from poor payers.

On loans over $2,000, they believe 12 per cent per annum "is more than should be charged." If a company is lending to high-risk borrowers who raise the costs to unreasonable levels, perhaps these people should be refused loans.

The Federation "recognizes that buying on credit has become a well established practice in the Canadian economy, and that there are legitimate interest charges and other costs associated with providing the financing of purchases on credit." Nevertheless, "it thinks consumers have a right to know in advance...the real level of finance charges involved, expressed in both dollar amounts and simple annual interest rates", and "that consumers are also entitled to reasonable protection from excessive charges and exploitation at the hands of those providing credit services." They add that "without adequate finance charges disclosure legislation, consumers generally are unable to protect their own interests."

The Canadian Federation of Agriculture calls on the Government:

1. "to pass finance charges disclosure legislation" applicable to "farm machinery and supply credit transactions with farmers as well as to consumer credit as more narrowly defined."

2. "to limit interest rates charged by finance companies to reasonable levels."

Specific suggestions are made for implementation of the legislation:

1. The responsibility should be given to "an appropriate department of government."

2. The administration would issue "an official standard form for finance disclosure purposes" designed to elicit clear and simple information. The form "would be required to be used and attached as one of the documents in every transaction involving consumer credit."

3. The administration would issue interest rate and finance charge books to save finance companies, retail stores and dealers from the need to make complex calculations.

4. The Act should contain a provision that "the price of the article must be that at which cash transactions are normally carried out."

The brief presented on behalf of the Family Bureau of Greater Winnipeg, a social agency financed by the Community Chest, provided us with an insight into the serious human consequences that can result from over-extension of credit. At the same time as they express concern about "consumer credit and debt collection", they recognize the important part that consumer credit plays in the economy. The brief points out that the federal government, "in the public interest" controls currency, and to some extent banking. Consumer credit has developed into "a third purchasing system" which requires government attention.

Although the agency welcomes provincial legislation to provide relief from unconscionable transactions, they emphasize that what is needed is protection "at the time transactions are being made." Families are sometimes forced to skimp on necessities of life to meet payments on agreements which would never have been made had they been understood.

But dealings that cause difficulties to pile up are not always unethical. Social agencies are concerned about credit issued in situations "where the

ability to pay does not exist." They "sharply question" the assumption that in order to protect his own interests the creditor can be relied on to exercise the necessary caution. The creditor is not necessarily the chief loser when payments fall behind. Concern is needed for the debtor, for his family, and for the community at large. The tensions built up in harassed individuals and families "frequently contribute to family breakdown, mental illness, crime, and economic dependency."

Illustrations were provided of how situations arise for which there is no foreseeable solution even though lenders act "according to routine business practices, and the borrowers, without dishonest intent although without realistic thinking..." The submission is that, "The widespread existence of situations like these demonstrates that our present system of relying solely on the caution of the creditor does not provide adequate control."

The Family Bureau of Greater Winnipeg urges that legislation along the lines of the Orderly Payment of Debts Act (which was so helpful to low-income families in Manitoba until 1961 when it was declared to be bankruptcy legislation and therefore outside provincial jurisdiction) be enacted by amendment to the federal Bankruptcy Act. (See discussion of recent amendments, p. 2838). The agency would also like to see provincial legislation to exempt from garnishment or seizure "basic necessities" related to size of family; also "protections to the purchaser's equity on repossession of goods." Following is a summary of specific recommendations made.

1. That the total interest and other charges be stated as a simple annual percentage in both loans and conditional sales contracts.

They would amend the Interest Act "to include in the definition 'interest' all the costs of the loan on lien notes, conditional sale contracts and chattel mortgages"; bring conditional sales and lien notes within the Small Loans Act which, in its definition of "loan" includes all the costs of the loan.

2. That a waiting period be established in respect of conditional sale contracts and lien notes. This would be a three to five-day cooling-off period.

3. That there be protection from excessive charges on small loans, including conditional sale contracts.

The Family Bureau of Greater Winnipeg supports the Consumers' Association of Canada in recommending that the Small Loans Act should apply to loans up to $5,000. They would add "conditional sale contracts, lien notes and chattel mortgages."

4. That a minimum down-payment be required in all conditional sale or lien notes.

5. That steps be taken to investigate the practice of selling conditional sale contracts or lien notes in bulk to collection agencies and finance companies, with a view to establishing some controls in this area of business practice.

It is suggested that the assignee of a lien note or conditional sale contract should take it "subject to the equities between the original purchaser and vendor."

6. That the Parliament of Canada should take immediate steps to amend the Federal Bankruptcy Act to provide enabling legislation under which a scheme of orderly payment of debts could be established by the provinces. (See p. 2838.)

Credit Unions

The Ontario Credit Union League Ltd., incorporated under provincial charter in 1942, made its submission "both on its own behalf and on behalf of the 1,425 credit unions in Ontario", members of the League. The League in turn is a member of the Credit Union National Association which also appeared before us.

The Committee was told that it is the practice of credit unions to make full disclosure to members of the cost of their loans, both in dollars and percentage-wise, and we were given a simple formula for doing this. The belief was expressed that "... similar disclosure of dollar cost and percentage charge can be made by other lenders", and it was strongly recommended that all consumer credit lenders should be required to state in all contracts and all advertising and publicity:

1. the *full* dollar cost of credit (including all charges);
2. the percentage rate of *all* charges expressed in a uniform way.

The League endorses the recommendation of the Royal Commission on Banking and Finance that regulation of small loans be extended to amounts up to $5,000, with the present 2 per cent per month maximum applying on the first $300, and 1 per cent per month maximum on all higher amounts.

The brief of the Credit Union National Association points out that the reason why it is necessary to disclose to the borrower "the total cost of the loan expressed both in dollars and cents and in terms of per centum per annum" are:

1. so the borrower will fully understand the obligation he is undertaking; and
2. so that he will be able to compare the cost of the loan with any other loan he might be able to secure.

Approval is expressed of provincial legislation such as the Ontario Unconscionable Transactions Relief Act, but it is emphasized that "there is also a desperate need for disclosure legislation to prevent the innocent or the ignorant user of credit from signing such a contract in the first place."

Specific recommendations are these:

"(*a*) that extenders of every kind of credit be required to disclose in writing to prospective borrowers both the total cost in dollars of the credit to be extended and the rate in terms of simple annual interest;

(*b*) that all advertising by credit extenders give full details of the total costs in dollars and in terms of per centum per annum;

(*c*) that victims of unconscionable transactions be granted redress by the courts, and those who have exacted the unjust terms be penalized under the law."

They also advocate continuing education of the consumer in the better handling of his finances.

La Federation des Caisses Populaires Desjardins, in addition to describing the origin of their movement, which is discussed elsewhere, provide examples of the way in which they clearly set out payment conditions of loans, leaving the borrower in no doubt about the interest rate per annum, and illustrating how the rate is calculated on the gradually decreasing debt. For instance, the total interest paid on a loan of $100 for one year at 6 per cent, repaid over 12 months at the rate of $8.34 a month, is $3.30. (The part of the payment going to interest gradually drops from 50 cents the first month to 5 cents for the final month.)

The Committee was informed that the difference between the annual interest rate on mortgages and the charge made for personal loans is about 1 per cent. The equivalent of this 1 per cent reduction for mortgage loans is also given for personal loans "secured by shares, savings, or readily negotiable bonds."

La Federation des Caisses Populaires Desjardins urges the need for legislation:

"(*a*) to determine a reasonable limit to the cost of consumer credit and to eliminate usury;

(*b*) to oblige creditors and merchants to reveal the *real cost of credit* in terms of simple annual interest rate expressed in percentage form, so that the consumers may compare the costs of loans and credit terms offered and know the obligation they undertake;

(*c*) to force creditors and retailers to tell the truth as to the rate of charges when they advertise;

(*d*) to foresee the cancellation of those contracts which are not complying with this legislation;

(*e*) to oblige the lenders of money who presently come under the jurisdiction of the Small Loans Act to report to the Federal Superintendent of the Assurances on all their loans not exceeding five thousand dollars ($5,000);

(*f*) to oblige consumer goods retailers to demand from the consumer a money down payment equal to 20 per cent of the regular price of the merchandise offered, at the time of purchase, and to prevent them from charging interests and other finance costs exceeding 1 per cent per month or 12 per cent per year, and to establish interests and other financial charges on the unpaid balance of credit according to the simple annual interest method."

The Experts

In addition to the many experts who represented particular institutions or were part of delegations speaking for various groups, independent experts gave us the benefit of their technical knowledge, gained in the academic and practical worlds. Mr. Douglas D. Irwin, C.A., Financial Consultant to the Ontario Select Committee on Consumer Credit, and Dr. Jacob S. Ziegel, Professor of Law at the University of Saskatchewan and author of authoritative publications on consumer credit, prepared written submissions which are summarized below.

Mr. Irwin emphasized that pure interest rarely exists, but nevertheless the term is in common use. He suggested that the term "interest" might be

avoided and discussion could be simply in terms of "the cost of money". However, a committee member expressed apprehension that to do this could further confuse the constitutional issue.

A summary of Mr. Irwin's expert opinion follows:

"1. It is mathematically possible to determine a rate % on all loan situations by use of:

—actuarial methods

—arithmetic methods

2. Practically, it would be an intolerable administrative burden to use the above methods from first principles to determine rates on individual contracts, but rates may be readily determined for an individual contract by development of tables of universal application to all contracts of a specific lending classification (with the exception of cycle credit accounts which are subject to special circumstances).

3. Disclosure requirements should be of universal application and the basic methods of calculating rates should be determined for each classification of loan contract.

4. Use of tables would not appear to add a significant administrative burden insofar as tables are presently used, extensively, to determine finance charges.

However, practical considerations suggest that the tables should permit a measure of tolerance when applied to a particular contract. A degree of accuracy of one-eighth of 1% has been suggested but this could be further refined.

5. A common language of expression and common criteria of measurement could be sought so that rates would be comparable. Pursuant thereto it would appear necessary that all elements of the cost of borrowing in all contracts must be included in the calculations.

In the case of blended payment contracts all payments should be nearly equal (say within a variation of 10% from the average).

6. Cycle credit accounts may have to be considered separately. If the buyer (borrower) retains the initiative the lender may have to be permitted some tolerance in regard to disclosure of the effective rate applicable from day to day. Compliance with rate disclosure might be confined to declaration and imposition of a monthly and/or annual rate % on the current balance or average balance.

7. Disclosure of rate % may be in addition to, not in substitution for, disclosure in dollars thereby providing for common language and measurement without disturbing possible borrower preferences."

Dr. Ziegel's brief contributed a good deal of the historical and background information used and acknowledged elsewhere in this report.

He points out that two American economists, Nugent and Henderson, predicted more than 30 years ago that, "As in the small loans field, society will probably begin by restricting the use of certain credit instruments and end by finding complete supervision necessary." A survey of the situation today "shows that their prophecy was substantially correct, not only for the United States, but also for other countries." Generally speaking, the initial concern is to protect the buyer's or hirer's equity. Then comes prohibition or regulation of unfair contractual clauses, especially those relating to warranties and condi-

tions. "In the third—generally post-war—stage there is a belated realization of the importance of regulating the financial terms of the agreement. Hence disclosure requirements and hence the limitation of finance charges of various kinds and the statutory regulation of the buyer's right to rebate in case of prepayment."

Dr. Ziegel says "the social importance of some form of regulation can hardly be denied." And he concludes with this statement:

> "In the twentieth century, the century of the common man, the common man, paradoxically, has been at a disadvantage because of the powerful forces arraigned against him in the market place and his own excusable ignorance of legal and economic facts...."

In a supplementary brief dealing with the constitutional aspects of consumer credit regulation Dr. Ziegel listed sections of the British North America Act which in his opinion confer specific powers to legislate concerning consumer credit. They are:

Federal government: Section 91,

(15) Banks and banking
(18) Bills of exchange and promissory notes
(19) Interest
(21) Bankruptcy and insolvency
(27) Criminal law

Provincial governments: Section 92,

(13) Property and civil rights

91 (15) He considers that this section would cover "all aspects of consumer loans made by the chartered banks." He would have the position of the banks clarified, permitting them to charge more than 6 per cent, but requiring that actual, all-inclusive charges be stated in one rate. He would lay down regulations concerning advertising, and proclaim the right of the consumer to prepay a loan and save on interest payments, something that the banks now permit as a courtesy.

91 (18) He would make it impossible to deprive a consumer who is being sued on a note, of the right to raise defences which could be raised against the original seller. The businessman already has this kind of protection.

91 (19) He supports the principle of a disclosure law "which would require the finance charge component in every consumer credit transaction to be stated both in terms of dollars and cents and in terms of a percentage rate on the declining balance of the principal." He adds his support to the recommendation of the Royal Commission on Banking and Finance that the limit of the Small Loans Act be raised from $1,500 to $5,000, and that the rate structure be reviewed. He would extend the Act to cover "all other consumer credit transactions involving a sum not exceeding $5,000."

The supplementary brief discusses the need to clarify the extent of the federal government's power to legislate concerning interest and matters incidental thereto, but be that as it may, Dr. Ziegel points out that "if the federal government has no power to regulate finance charges under this head, then the provincial governments do have it."

91 (21) "Provincial legislation frequently authorizes a county or district court judge to order the payment of a judgment debt by instalments." However, it has been held that legislation to permit consolidation of debts is beyond

provincial jurisdiction. It rests with the federal government, because it deals with bankruptcy and insolvency, a subject within the exclusive jurisdiction of the federal government. Dr. Ziegel urges the federal government to exercise this power so that consumers who over-extend their financial resources can make plans "to rehabilitate themselves expeditiously and with minimum expense." (See p. 2838).

91 (27) Under the wide powers of the federal government to legislate concerning the criminal law Dr. Ziegel suggests that,

(*a*) certain types of undesirable activities which do not fall under other headings of section 91 could be prohibited (e.g. prohibition of "cut-off" clauses and wage agreements).

(*b*) criminal law power could be an alternative for legislation that may fall under one of the other headings in section 91, e.g.

1. Prohibition of usurious finance charges in instalment sales and service agreements, and
2. Disclosure law.

But whether or not this use of the criminal law powers would stand up in the courts he felt remained to be seen. Dr. Ziegel summarized his views as follows:

"1. There appears to be little doubt that, by virtue of its powers over banks and banking, the federal government has plenary powers to regulate all aspects of consumer credit loans extended by the chartered banks.

2. It seems equally clear that the federal government has the constitutional power—if not indeed the exclusive power—to curb abuses connected with the taking and negotiation of promissory notes. It is submitted that it also has a concurrent power to prohibit the insertion of 'cut-off' clauses in consumer credit agreements.

3. It is submitted that the *Barfried* case [discussed at length in the proceedings] does not impugn the validity of the federal Small Loans Act and future legislation of a similar character, and that a disclosure law would fall within the 'interest' power of the federal government, at any rate where that law is restricted to the disclosure of the cost of loans.

4. Whether the federal Interest power also extends to the regulation and disclosure of finance charges in instalment sales is a moot point, in view of the 'time-price' doctrine. The prohibition of usurious finance charges could, however, probably be justified under the criminal law power, though the justification of a disclosure law under this head would present substantial difficulties.

5. Finally, there is little doubt that the federal government has jurisdiction under its bankruptcy and insolvency powers to adopt legislation to provide relief for consumers who are overburdened with debts."

Mr. Dan McCormack is included with the independent experts because of his experience of more than two decades as sales manager for one of the largest independent sales finance companies in Canada. No longer in that business, he has, in his own words, "no axe to grind", but his intimate knowledge of "captive sales agencies and captive sales financing"—an area hardly touched on by others—was most helpful to the Committee.

Mr. McCormack did not prepare a formal brief. He made his presentation in person and submitted to extensive questioning. His evidence dealt mainly with "denial of economic freedom to dealers" because of manufacturers dictating to them the "choice" of finance companies. However, he did admit to counsel for the Committee that dealers, in turn, whether independent or captive, sometimes exert pressure on customers to direct their "choice" of financing.

VI COMMITTEE'S FINDINGS

Recent Trends

In order to place in perspective changes that have occurred in recent years in the whole consumer credit picture, we have compared the figures provided by the Bank of Canada for the years 1953 and 1963. In that ten-year period, as Table 4 shows, all segments of the consumer credit business have expanded but the rate of growth has varied widely. The most striking change is due to the entry of the chartered banks into the small loans business on a large scale. Now the banks have displaced the retail dealers as the largest segment. Both instalment finance companies and life insurance companies are relatively less active in consumer lending than they were a decade ago, and the reasons for that are discussed elsewhere. Growth of consumer loan companies has been phenomenal. Credit unions and caisses populaires have practically doubled their share of the credit business, but they continue to represent a relatively small segment of the whole (12 per cent).

TABLE 4

Change in Composition of Consumer Credit Outstanding at Year End, 1953 and 1963

Credit Grantors	1953		1963		10-Year Increase	
	Millions of $	% Distribution	Millions of $	% Distribution	Millions of $	% Increase
Retail dealers	624	31.5	1,141	21.6	517	82.9
Instalment finance companies	516	26.0	873	16.5	357	69.2
Chartered banks	308	15.6	1,432	27.1	1,124	364.9
Life insurance companies	225	11.4	385	7.3	160	71.1
Consumer loan companies	176	8.9	808	15.3	632	359.1
Credit unions and caisses populaires	129	6.5	640	12.1	511	396.1
Quebec savings banks	3	0.2	14	0.3	11	366.6
All credit grantors	1,981	100.1	5,293	100.2	3,312	167.2

Source: Bank of Canada brief, proceedings, p. 112.

The fall of the retail dealers from first place occurred in spite of tremendous growth in department store credit sales. What has happened is that the weight of the retail credit business has shifted. At the same time as many retailers have been feeling the competition from other forms of credit, the big department stores, by moving into a system of accounting which is not readily adaptable to smaller firms, have been increasing their share of the credit business within the retailers' segment. (See Table 5.)

TABLE 5

CHANGE IN COMPOSITION OF CREDIT ON RETAIL SALES OUTSTANDING AT YEAR END, 1953 AND 1963

Credit Grantors	1953		1963		10-Year Increase	
	Millions of $	% Distribution	Millions of $	% Distribution	Millions of $	% Increase
Department stores	167	14.6	456	22.6	289	173.1
Charge account credit (including oil company credit cards)	274	24.0	413	20.5	139	50.7
Instalment credit	183	16.1	272	13.5	89	48.6
At retail level	624	54.7	1,141	56.6	517	82.9
Instalment finance companies	516	45.3	873	43.3	357	69.2
All retail credit grantors	1,140	100.0	2,014	99.9	874	76.7

SOURCE: Bank of Canada brief, proceedings, p. 112.

This has no doubt been an important factor in the overall increase in their sales. Comparative data for department stores and for the other retail group in which credit granting is most common—the furniture, and appliance and radio dealers—are shown in Table 6.

TABLE 6

RETAIL SALES OF DEPARTMENT STORES AND OF FURNITURE, AND APPLIANCE AND RADIO DEALERS, CANADA, 1954 AND 1963

	1954	1963	9-Year Increase	
	Millions of $	Millions of $	Millions of $	%
Department Stores	1,062	1,649	587	55.3
Furniture, and Appliance and Radio Dealers	486	581	95	19.5

SOURCE: Supplementary brief, Retail Council of Canada, proceedings, pp. 706–7.

Next to the chartered banks, the greatest absolute increase in the 10 years ending with 1963, in consumer credit outstanding, is represented by the consumer loan companies. Although these companies continue to deal mainly in cash loans, it has been suggested that they are gradually moving into the purchase credit area. Table 7 gives some support to this theory, and it is a possibility that the Committee has kept in mind.

TABLE 7

CHANGE IN COMPOSITION OF BUSINESS OF CONSUMER LOAN COMPANIES, SHOWING OUTSTANDING CASH LOANS AND INSTALMENT CREDIT AT YEAR END, 1953 AND 1963

Nature of Credit	1953		1963		10-Year Increase	
	Millions of $	% Distribution	Millions of $	% Distribution	Millions of $	% Increase
Cash loans	173	98.3	753	93.2	580	335.3
Instalment credit	3	1.7	55	6.8	52	1,733.2
All consumer credit	176	100.0	808	100.0	632	359.1

SOURCE: Bank of Canada brief, proceedings, p. 112.

SMALL LOANS

Throughout the hearings of this Committee no subject has come up more often than the Small Loans Act, and practically all the words spoken about it have been words of praise. We were told—and the hearings have left us in no doubt—that a book could be written about this Act alone.

The Small Loans Act came into effect in 1940 at a time when it was generally agreed that the situation with respect to small loans was deplorable, and that legislation was needed in the public interest to bring order out of chaos. The provinces were consulted before the Act was adopted. Although one or two of them expressed some reservation about its constitutional validity, none opposed it at that time, nor has any province done so since. There was naturally some opposition from money-lenders, but by and large, the Small Loans bill had the blessing of those whose business it was designed to regulate. And to this day, with regulations adapted to changing conditions, the Act has continued to enjoy the confidence of those in the business. In fact the Canadian Consumer Loan Association helps the Superintendent of Insurance in policing the small loans business generally.

Administrators of the legislation assure us that enforcement has presented no serious difficulties; the few occasions on which it has been necessary to apply legal sanctions have generally arisen out of misunderstanding rather than deliberate evasion of the Act.

We heard no suggestions that operation of the Small Loans Act should be in any way curtailed, but many have urged that protection of the small borrower be improved both by increasing the size of the loan to which the Act applies, and by broadening the definition of "loan" to include specifically purchase credit as well as loan credit.

The arguments in favour of broadening the scope of the Small Loans Act are: (1) that more than 25 years' experience demonstrates the value of its provisions, and it would be in the public interest to extend the jurisdiction exercised under the Act; (2) that since the Act came into effect the whole field of consumer credit has greatly expanded and changed in nature, and that the small loans business has been much affected by these changes.

The Act has served many small borrowers well. Although the upper limit was originally $500, since 1957 protection has been extended to those borrow-

ing up to $1,500. The Royal Commission on Banking and Finance has recommended that the upper limit should be further raised to include loans up to $5,000. This recommendation has been endorsed in briefs presented to us by the Consumers' Association of Canada, The Canadian Federation of Agriculture, the Family Bureau of Greater Winnipeg and others. It is opposed by the consumer loan companies, and Mr. MacGregor, with long experience in administering the Small Loans Act, feels that to move up to $5,000 might mean going beyond consumer finance into an intermediate area.

The other way in which we have been urged to recommend extension of the scope of the Small Loans Act is to ensure that it applies specifically to purchase credit as well as loan credit. Many types of credit transaction common today were not even contemplated a quarter of a century ago, and it is becoming increasingly difficult to say whether a transaction involves mainly the sale of goods or the lending of money. At the same time the evidence shows that the money-lending business has gradually moved away from the simple matter of supplying needy borrowers with small sums of money.

The small loans business continues to grow both in amount of money involved and in number of loans made. Loans regulated under the Act advanced in one year now total more than $800 million; the number of accounts is close to 1½ million, and the average loan is $570. As Table 8 shows, the size of the loan has been gradually increasing in recent years.

We learned from the report of the Royal Commission on Banking and Finance that "the administrative expenses of the consumer loan companies are the highest of any class of financial institution." The high expenses are associated with numerous small branch offices. "They have almost doubled in the seven years ending in 1961 until now there are a quarter as many consumer loan offices as there are chartered banks." In spite of these high costs, net profits after taxes are also high compared with other major institutions. For example, they are more than double those of the mortgage loan business.

TABLE 8

NUMBER OF SMALL LOANS MADE BY SIZE OF LOAN, 1962–1964

Size of Loan	Year					
	1962		1963		1964	
$	No.	%	No.	%	No.	%
1- 500	642,108	49.2	650,678	47.1	667,082	45.4
501-1,000	584,825	44.8	608,337	44.1	646,797	44.0
1,001-1,500	77,222	5.9	121,048	8.8	155,815	10.6
Total	1,304,155	99.9	1,380,063	100.0	1,469,694	100.0
Average size of loan	$537		$558		$570	

SOURCE: Report of the Superintendent of Insurance for Canada, 1964, p. vi.

Refinancing and Consolidation of Debts

It has become a widespread pattern in recent years—evidently encouraged by money-lenders—for a person who requires a further loan before he has discharged his present indebtedness, to borrow more than enough to pay off

his debt or debts, receiving at the same time a certain amount of money for his immediate use. If the transaction is with the finance company to which he already owes money, this is called refinancing his loan. If the new and larger loan is taken to pay off various debts, some to other creditors, it is called consolidation of debts.

Both practices have the effect on the borrower of increasing his indebtedness and putting off, perhaps indefinitely, the happy day when he hopes to be in the clear. Furthermore, the cost of the loan, that is the interest and other charges which he must pay for the use of the money, is likely to snowball. Those who enter into arrangements of this kind are generally low-income families in desperate need of cash, the families least likely to be in a position to secure money at favourable rates, and probably also lacking in understanding of business transactions. With current emphasis on the need to protect the family as an institution, and evidence on all sides of the threat to family solidarity that results from unmanageable debt, this seems to be an area where more protection is needed.

Without suggesting that there is no legitimate place for refinancing and consolidation of debts, we would point out that it can open the door to abuse. The practice of refinancing is now so common that only about 35 per cent of the money debited to present debtors is actually paid to them in cash. Well over 60 per cent goes to refinance previous loans. (See Table 9.)

Spokesmen for a number of consumer loan companies recently told the Nova Scotia Royal Commission that "there will be as many as three refinancings after the first borrowing and that the average borrower will remain on their books continuously for about seven years." The Nova Scotia Commissioner remarked that "a very substantial proportion of the persons who borrow from the consumer loan companies remain more or less indefinitely on the books of these companies." Because these current debtors are the source of 74 per cent of all new business, the practice of refinancing makes a big impact on the over-all accounts. So great is the impact that 47 per cent of all small loans goes into refinancing, leaving little more than half to be paid to borrowers in cash. (See Table 10.)

How the cash advanced is shared by those already on the books of the lenders, new borrowers, and those who have discharged earlier loans is shown in Table 11.

TABLE 9

REGULATED SMALL LOANS ADVANCED TO CURRENT BORROWERS, 1962–1964

Description of Loans to Current Borrowers	Year					
	1962		1963		1964	
	$	%	$	%	$	%
For refinancing.....	336,231,421	64.8	370,839,738	65.3	396,307,112	64.3
New funds advanced.....	183,014,326	35.2	196,792,439	34.7	220,078,008	35.7
Total.....	519,245,537	100.0	567,632,177	100.0	616,385,120	100.0
Loans to current borrowers as percentage of all small loans.....	74		74		74	
All small loans.....	700,906,537		769,648,673		837,636,533	

SOURCE: Report of the Superintendent of Insurance for Canada, 1964, p. vi.

TABLE 10

ALL REGULATED SMALL LOANS, SHOWING NEW FUNDS ADVANCED TO BORROWERS AND MONEY APPLIED ON DEBTS ALREADY INCURRED, 1962–1964

Destination of funds	Year		
	1962	1963	1964
	$	$	$
Advanced to borrowers	364,675,116	398,808,935	441,329,420
Refinancing	336,231,421	370,839,738	396,307,112
All small loans	700,906,537	769,648,673	837,636,533

SOURCE: Report of the Superintendent of Insurance for Canada, 1964, p. vi.

TABLE 11

NEW FUNDS ADVANCED IN REGULATED SMALL LOANS BY CLASS OF BORROWER, 1962–1964

Type of Borrower	Year					
	1962		1963		1964	
	$	%	$	%	$	%
Current borrowers with earlier loans undischarged	183,014,326	50.2	196,792,439	49.3	220,078,008	49.9
New borrowers	128,117,933	35.1	143,444,483	36.0	157,414,766	35.7
Previous borrowers with earlier loans discharged	53,542,857	14.7	58,572,013	14.7	63,836,646	14.5
All new funds advanced	364,675.116	100.0	398,808,935	100.0	441,329,420	100.1

SOURCE: Report of the Superintendent of Insurance for Canada, 1964, p. vi.

Summary

The present situation is, then, that those who are already in debt to the small loans companies or money-lenders—and more than half of the borrowers are in that position—actually receive in cash only 36 per cent of the small loans debited to their accounts. Furthermore, nearly half of all funds advanced in small loans go, not to the borrowers, but to their creditors.

Who some of these creditors are can be deduced from the statement in the report of the Royal Commission on Banking and Finance that many of the consumer loan companies are "subsidiaries or affiliates of sales finance companies or of foreign-owned consumer loan companies." At the end of 1961 "five American-owned companies had 57% of all business and three subsidiaries of Canadian finance companies a further 28%."

That consolidation of debts is a lucrative business is borne out by a statement of a representative of the Retail Merchants Association. "At the moment," he said, "even some of the smaller finance companies are trying to get in on this credit bandwagon. They are trying to get people to consolidate their

accounts, to borrow the money from them and pay cash. Many of those dealers in Canada now are refusing to take cash for goods contracted for on credit, because the credit is a good thing. They are in the finance business rather than in ordinary business."

In view of the fundamental changes in business methods as they affect transactions regulated by the Small Loans Act, the time appears to be ripe to re-think the definition of a small loan. Perhaps the whole purpose of the Act should be reviewed in the light of current practices in the credit business in the sixties.

The primary function of the small loans companies and money-lenders used to be to enable needy people to borrow small sums. Although they continue to be practically the sole source for desperate borrowers, the business of actually providing cash has become much less important to them as they have moved into other, and more lucrative areas.

It is not a simple matter to determine an appropriate scale of maximum rates for small loans. In Mr. MacGregor's words, "The proper objective would seem to be the level at which efficient lenders only may make a reasonable profit rather than a higher level that would attract the inefficient as well. Looked at from the borrower's standpoint, one must have regard for the desirability of ensuring adequate facilities, especially for needy borrowers of small amounts, and yet of securing the best procurable rate."

What facilities are now available to the little man who finds himself in need of a loan? Unless he is a member of a credit union he has little chance of borrowing at a low rate of interest. Of the three main sources open to him one, the finance company, does not deal directly with the consumer. If the money is needed to purchase goods he may be able to buy them on credit, in which case he may become indebted to the retail dealer or to a finance company if the agreement is sold. But if his need is for cash, there appears to be no alternative to borrowing from the small loans companies or money-lenders. The trouble with that is that if the man is already in debt—a most likely situation—the condition attached to receipt of money is likely to involve him in additional borrowing, putting off even further the day when he can hope to be out of debt.

Many customers of small loans companies and money-lenders are people who are unable to obtain credit elsewhere. Some have no doubt been turned down by the banks. The main reasons for this, as revealed in the Poapst sample survey for the Royal Commission on Banking and Finance, are likely to be that they lack security, guarantee or collateral (39.3%); tight money policy (24.7%); poor risk (9.8%); insufficient income (9.5%). Furthermore, we were informed that about 50 per cent of those who apply for small loans to the consumer lending companies or money-lenders are rejected.

Even after this selection process, 60 per cent of the borrowers from these companies earn $400 or less per month, and about 80 per cent earn $500 or less. Because sales finance companies are not regulated, comparable information is not available concerning the financial status of their debtors, but there is no absolute selection of risk such as operates in the banks and insurance companies, and consequently a considerable proportion of their dealings are with people of small means. Table 12 shows that these three institutions—small

loans companies and money-lenders; finance companies; and retail merchants —charge a much higher rate than do institutions which restrict their loans to the better off.

That is not to say that all borrowers from high-cost lenders are poor people, but individuals with substantial incomes and considerable assets are in a better bargaining position and are able to borrow at lower rates. Since choices are made only among actual alternatives, for the low-income groups the striking change in the decade 1953 to 1963 was the tremendous increase in involvement with consumer loan companies. Admittedly, retail dealers and finance companies both have more money outstanding, but their lending is not concentrated among the poor. The growing importance of the banks in consumer lending has had little effect on the business of the money-lender, since the banks restrict their lending to a higher income group. Part of the recent mushrooming of consumer credit—particularly bank loans—represents borrowing by what have been called unrationed borrowers. These are the people with other alternatives who borrow money only when rates are favourable.

Sales Finance Companies

Sometimes consumers wish to make substantial purchases which they are unable or unwilling to make out of savings. The balance may be financed by the retailer, or he may assign the conditional sale contract to a finance company. Companies of this kind, which grew up following World War I to finance automobile sales, continue to find their principal source of business in this area, but financing of household goods and of commercial and industrial items is also important to them. The role that these companies play in the consumer credit finance field has grown tremendously in the post-war years, and they are the largest single group of borrowers in the money market. But their developing power and influence have not been matched by increased accountability to the public. As the Royal Commission on Banking and Finance noted, they are the only major financial institutions unregulated by any act other than normal company legislation. They make no reports to responsible officials of the kind that form the basis of published data on consumer loan companies and money-lenders.

The finance companies insist that they are neither retail merchants nor money-lenders, but they describe themselves as "in the business of extending credit". Nevertheless, the larger companies have subsidiaries which are consumer loan companies. They also have affiliated insurance companies to provide that "service". And it is these large companies that control the lion's share of the business. Like the small loans business, sales financing is highly concentrated in a few companies.

Ten finance companies do about 90 per cent of the business covered by DBS statistics; the four largest account for about 80 per cent. Most of the others—there are some 150 in all—are quite small, many with only one office. At the close of 1965 Canadian consumers owed sales finance companies $1,140 million, and more than $900 million of this, roughly 80 per cent, was for the financing of passenger cars (including those sold for commercial as

well as personal use). Financing the sale of motor cars accounted for 78 per cent of the business done in December 1965.

Although the finance company is not an actual party to the original contract between buyer and seller, it certainly seems to be looking over the seller's shoulder. The finance company has usually determined in advance for both buyer and seller the financial terms of the deal, generally including the requirement that the purchaser sign a personal note, which will be assigned to the finance company along with the agreement for sale. The finance companies even provide retailers with a standard form on which agreements are made. Once the customer has signed on the dotted line his relation to the finance company is soon made clear. In the words of one of their representatives, "We deal with the consumer after the fact, because he makes his payments directly to our offices." Some sales finance companies buy these agreements subject to recourse against the merchant if the customer defaults. The customer has no such recourse against the finance company if the goods prove to be deficient. The President of the Federated Council of Sales Finance Companies referred to the purchaser as "the customer of the dealer and therefore, indirectly, our customer . . ."

Finance companies compete to have retail dealers bring them their contracts, and the competition is in the terms on which they offer to buy these agreements. An important inducement offered to the retailer to obtain these profitable contracts is the "wholesale" financing of their inventories at much below retail rates (around 6½ per cent on new cars, 7½ per cent on used cars, including the "service charge"). Availability of credit at favourable rates is important to the retailer, and for some smaller businesses it may be essential to survival. We were informed that the sales finance company pays for the dealer's cars at the factory, and that the same arrangement may apply to appliances and boats. A member of the Committee expressed his view based on wide experience, that, "Retailers cannot possibly go into business today without the service of an acceptance corporation or a finance company."

Another bond between the finance companies and the retail dealers is that they share with the dealer the finance charges which the customer pays. The sum set aside for the dealer, sometimes called the dealer's reserve, is "the difference, if any, between the retail price for the financing established by the dealer and the wholesale price established by the finance company." The exact amount credited to the dealer varies somewhat, depending on whether the sale is of appliances, home improvement, new or second hand car. The dealer's share is said to vary from 10 per cent to 20 per cent of the total charge to the consumer.

A member of the Chamber of Commerce delegation, also Vice-President and Deputy General Manager of the Industrial Acceptance Corporation Limited, compared the dealer's share with the insurance agent's commission. The analogy implies that the finance company is paying for the service. Many retail dealers are very close to being agents of the finance companies. As one finance company representative put it, "It is the merchant who creates the business on our behalf."

Economic Effects of Consumer Credit

It is more than thirty years since Robert S. Lynd called the consumer "the man few economists know". Much has happened since that time to bring the consumer and his behavior to the attention, not only of economists, but

also of governments and administrators. It is now recognized that decisions of consumers concerning whether to buy, what to buy, and when, exert a powerful influence on the flow of goods and services. When all is said and done, the goods and services produced and consumed form the substance of our national economic life. The Royal Commission on Banking and Finance observed that "it is the individual and collective wants of persons that the other categories of borrowers (the financial institutions and markets) are ultimately designed to serve."

Personal expenditure on consumer goods and services accounts for roughly two-thirds of Canada's gross national expenditure. The importance to the economy of all this spending is beyond dispute, but the more specific interest of the Committee is in the fact that a high proportion of the purchasing power of consumers each year goes for goods and services already received; at the same time they are committing their future income for things to be enjoyed now.

What effect this growing custom will have on the overall economy is causing some concern to responsible people. As far back as 1938 the final report of the Banking and Commerce Committee of the House of Commons spoke of the need for "further information as to the relation between consumers' credit and business depressions." Today the issue may be inflation rather than depression, but in a general sense several members of the Committee repeatedly raised the same question: possible effects on the economy of either uncontrolled rise or too much restriction on consumer credit.

Nobody suggested that consumer credit was not rising fast enough now. Except for references to the reduction in consumer spending that took place during World War II—when prices were controlled and consumer goods were scarce—and fears voiced by representatives of the finance companies and retail businessmen concerning possible repercussions if credit were to be curtailed, little light was shed on the economic effects that could be foreseen if the tide were stemmed. The General Manager of the Retail Council of Canada thought that increased use of credit probably caused people to invest more in capital goods, such as labor saving devices, and less in services. We note that the Ontario Committee felt it was not within their terms of reference to evaluate "whether the total volume of credit is at a desirable level or whether legislative action should be taken to restrain the use of credit generally..." Professor Ziegel gave us his view that credit restrictions would not impede the economy. He said that British experience with fairly strict regulations speaks for itself. "Consumer credit there has doubled... in the last five years." He added: "I think the same is true of Australia."

When a country is threatened with inflation or recession various methods may be employed to deal with it. We rely mainly on monetary and fiscal policies as an antidote. Monetary policies are used to regulate the overall amount of credit. When interest rates rise, there is a general tightening of credit to business, but a rise in interest rates appears to have little effect in curbing consumer credit. The reason for this is that in a period of tight money those with money to lend become more selective, making fewer loans and investments of the kind that tend to produce lower yields. The usual high yield on money lent to consumers is not particularly sensitive to changes in

the much lower business interest rates. There may be a certain amount of credit rationing by the banks, and there are signs now that the banks are emphasizing saving in their advertising. The way Mr. Bouey of the Bank of Canada explained it was that finance companies can always get hold of money if consumers "want to pay" 15, 18 or 20 per cent.

Neither do consumer loan companies appear to make any major changes in their lending policies. Small lenders, who must depend on bank credit, may be short of funds, but the Royal Commission on Banking and Finance notes that subsidiaries of Canadian and American firms—and they do most of the business—"obtain all the funds they need from their parents and appear to be little affected by such difficulties."

So lucrative is the retail financing of motor cars that to ensure the flow of this consumer credit business, finance companies continue to undertake the wholesale financing of cars even if it is hardly worth the paper-work when they must borrow at approximately 6.25 per cent and lend at 6.50 per cent.

More than one member of the Committee raised the question whether unrestricted growth of consumer credit impairs control over monetary policy. Perhaps as good an answer as any is to be found in the evidence given in an earlier enquiry by the Governor of the Bank of Canada concerning his predecessor's efforts in 1956 to curb the volume of consumer credit, particularly instalment finance, by attempting to get voluntary agreement of the credit grantors. He was not successful. The Co-Chairman's question to the representative of the Bank of Canada as to whether "there is any indication that legislation permitting some control by the Bank of Canada over consumer credit agencies at a time of financial or monetary emergency would be beneficial" went unanswered. However, Mr. Bouey agreed with a member of the Committee that "if we felt consumer credit was getting out of bounds we could not look to the Bank of Canada to curtail it, it would have to be done through some act of Parliament."

Social Effects

The importance of the collective spending of consumers in influencing economic conditions has been considered above. But it must not be forgotten that how well Canadians manage their personal finances is of fundamental importance also to the well-being of the household and family, and indeed of the whole society.

It is reassuring to have the opinion of the Royal Commission on Banking and Finance that "by and large Canadians manage their finances with greater wisdom than appears to be popularly believed. Most households appear to have a reasonable pattern of assets in relation to family needs, income and risk-taking ability. Most, too, have made sensible use of instalment and other credit to acquire physical assets that yield them high returns, not only in financial terms but in terms of convenience and ease of household living."

Overall statistical data document the striking growth of credit in the post-war years, but detailed information concerning consumers' personal finances is sparse. Available data are usually in gross figures or averages, and much of the discussion concerning possible dangers in over-extension of credit has been in terms of comparison of total consumer credit with aggregate earning power of consumers, with their total assets, or with the gross national product. When Mr. Bouey of the Bank of Canada was considering the "ratio of consumer credit to personal disposable income", he recognized that it can give only "a very rough indication of the probable capacity and willingness of

consumers to incur further increases in debt." The Nova Scotia Royal Commission on the Cost of Borrowing Money, the Cost of Credit and Related Matters, points out the need for statistics on personal finances of consumers. The report of that Commission observes that the degree to which individuals are excessively committed cannot be determined by reference in general to the financial position of consumers. Professor Neufeld of the University of Toronto has also spoken of the need for "data on personal disposable income and net worth of individuals using consumer credit."

Although it is subject to the same limitation that it deals with "the average borrower", one of the few informed opinions that has come to our notice concerning a safe amount of credit for an individual to assume, is found in a statement made to the Ontario Committee by the chartered banks. They suggest that "instalment obligations up to 15 per cent of net income, exclusive of residential mortgages" would be reasonable. One who represented the Consumers' Association of Canada at the hearings of our Committee, recently told the Canadian Home Economics Association that only families who have an income above subsistence level can afford to use credit at all. Well publicized recent studies suggest that roughly one-fifth of Canadians are in what is declared to be the poverty group. It would therefore seem that her estimate that about 10 per cent of Canadian families are unable to cope with credit is no exaggeration. The words of the final report of the Commons Banking and Commerce Committee of June 1, 1938 bear repeating to-day: "The unhappy lot of those who have a deficit economy, in the sense that they are chronically unable to live within their income, is not to be bettered by borrowing (no matter the rate)."

Consumer credit can take various forms, but not all kinds of credit are available to the low-income groups who do not usually possess assets which can be pledged for security. Banks and insurance companies lend mainly to those who are better off, leaving the poor people—unless they can borrow from credit unions—to the small loans companies, retail credit dealers and the sales finance companies, all of whom, for reasons explained elsewhere, charge high rates.

A man may borrow from one party to pay another in cash, or he may deal with a merchant who sells him an article (or a service) and at the same time lends him the money to pay for it. If, as often happens, the retailer sells the instalment contract to a finance company, the debtor may be obliged to make his payments to one who has no obligation whatever to him. But the sale of the original agreement to pay does not change the nature of the transaction. The essential unity in consumer credit is the fact that it practically always arises out of the sale of goods and services, and in every case it creates debts which the consumer undertakes to pay.

From the point of view of the consumer, then, the important first question is whether or not he can afford to add to his commitments. This is something which the wise buyer decides for himself. But temptation is great in a world of easy credit, and not everyone is sufficiently well informed to make a rational decision. The danger is that poor people will, through lack of understanding of the consequences, bite off more than they can chew. At a conference on consumer credit held at the University of Saskatchewan a few months ago, a Co-Chairman of this Committee observed that the poor need protection because "they are more gullible, more easily cheated, less conscious of the quality of goods they buy, more likely to over-commit themselves, more likely to deal with high cost neighbourhood stores and pedlars, less aware of credit charges, less able to understand and assert their rights." He added that, "For them a missed pay cheque spells disaster."

Losses on loans and on time sale agreements are relatively small. Should payments fall behind, a well organized collection system includes "reminder notices, telephone calls, letters, and, in some cases, personal calls at customers' homes." Finally, there is the threat, at least, in the mind of the borrower, of legal proceedings, perhaps the dreaded garnishee of wages. Little wonder that the sacrifices that may have to be made by the debtor's family to keep up payments over an extended period are not the lender's prime concern, particularly if all contact with the original seller ends when the customer signs on the dotted line, and the agreement is immediately sold to a finance company.

Obviously, it is before he commits himself that the unwary consumer needs disinterested advice. Today this kind of person puts himself in the hands of those whose business depends on selling goods and services. A representative of sales finance companies, arguing against disclosure of annual interest rates, told us that the interest of the common man "is not how much percentage interest he is going to pay but, basically, is he apt to obtain credit." The applicant for the loan may very well allow the urgency of his present needs to obscure a realistic assessment of his future financial position, and enthusiasm for maintaining a business quota is likely to be uppermost in the mind of the lender. These circumstances combine to create a potentially dangerous situation for the borrower with scant resources.

Counselling

The president of the Canadian Consumer Loan Association told us of experiments being conducted in Ottawa and Winnipeg by the Credit Grantors' Association with what they call a "free debt counselling service" to help those whose debts have grown beyond their capacity to cope with them. Managers of various companies contribute their time in the evenings to counsel these people. This type of counselling was provided for 310 Winnipeg families in 1963 and 225 in 1964. We were told that the plan is expected to spread. There was some suggestion that these experimental programs "are trying to give free service" to those not in a position to pay for consolidation of their debts, but, generally speaking, consolidation of debts appears to involve adding to already high interest charges. A member of the Committee asked whether it would not be better to arrange for consolidation of debts without increasing the amount of money involved and adding to the interest. The answer was: "...I think that most good Canadian citizens are not anxious, when they get into a state of indebtedness, to go to a welfare agency and get assistance in that way. They want to pay their own way." We were informed that company staff is available "to talk to people and to guide them and counsel them in how they should pay and straighten themselves out."

We have learned also of a private agency called The Credit Counselling Service set up in Toronto under a 23-member board of directors. The president, a lawyer, said in a press interview that "the service was an outgrowth of a general belief among social workers, family courts and businessmen that inability to handle money creates many personal problems in a large cross-section of the community." The president states that the agency is not a charitable organization, and that they are "just as interested in seeing that the creditors get paid for goods legally bought as we are in guiding a debtor, or managing his affairs so he can pay his way out of his difficulties". Emphasis seems to be on working out ways to meet the payments and on the use of credit. There is apparently no plan to give advice on whether or not a purchase should be made.

The brief presented to us by the Canadian Consumer Loan Association stated that, "It is a matter of record that consumer loan companies cooperate

fully with the armed forces benevolent funds and other welfare organizations when such organizations are called upon to assist families to adjust their affairs." The annual reports published by the Army Benevolent Fund Board set up by Parliament in 1947, illustrate the importance to veterans and serving soldiers, and hence to society, of this cooperation. Because families of serving soldiers and veterans form a large and probably representative sample of Canadian families, their experience with consumer credit problems provides an insight that is unique. Furthermore, many of the situations dealt with by the Fund have originated in civilian life.

In its report for the year ended March 31, 1962 the Board notes that "the consumer credit 'explosion' has had a serious effect on the financial well-being of a number of Canadian families."

> "Where the head of the household had thorough knowledge of money management based on a high educational level or perhaps sound training given by parents, no problem arose. If, on the other hand, the family had no opportunity to learn the fundamentals of domestic financing, they very often became the victim of highly-developed sales practices and easy credit with the inevitable result—a serious debt problem.
>
> Many of these families were found to have a critical lack of knowledge regarding interest rates, carrying charges, conditional sales contracts, charge accounts, revolving budgets and other forms of financing which must be readily understood if the consumer is to avoid becoming involved in personal debts."

The following extracts from two recent annual reports of the Board graphically describe contemporary problems affecting a great many Canadian families:

> 1963: "Again this year, the number of applications where a summons or judgment for debt has been issued showed a marked increase. Creditors appeared to be resorting to seizure, garnishment of wages, repossession of goods or other legal action for the satisfaction of debt in greater extent than has been the custom in previous years."
>
> 1964: "The cost of living continued to be a real problem for families living on a marginal income—and the need for assistance for such families marked the year's activities.
>
> The type of applicant assisted by the Fund is usually a good citizen. He is attempting to provide a reasonable standard of living for his family and very often his problem can be met by financial assistance, together with counselling which will permit him to overcome the temporary financial distress. The Fund has accepted the responsibility to help this group, where there is a willingness to help themselves."

Some measure of the importance of the work of the Army Benevolent Fund is the number of cases dealt with in a year. In the fiscal year ended March 31, 1964, 3,142 grants were approved, most of which were made when an unexpected contingency had caused a financial problem. These contingencies included "sickness, accident, death or other occurrence resulting in loss of income, damage to property or severe financial indebtedness." Although many individuals helped by the Board are already financial casualties, a continuous preventive program is also carried on through publication of informative material on budgeting, consumer buying, sales financing, consumer borrowing, buying and selling of automobiles, insurance and savings plans, as well as by preventive individual counselling.

There is no doubt that a great many families—especially those with low incomes—desperately need financial advice. Those who can no longer cope with their debts certainly need help, but from the point of view of the individual consumer as well as that of society, the need for advice is most urgent before any new commitment is made. We are impressed with the preventive work done by the Army Benevolent Fund Board, and feel that to make that kind of help available to all families would be in the public interest.

Because those offering to lend money or sell goods are hardly in an independent position to advise prospective customers, we believe this kind of advice should be offered through the regular family agencies in the community. Emphasis would be more likely to focus on the best use that can be made of the limited family income, and there would be less chance of stress being put mainly on "the proper use of credit" when the budget cannot reasonably provide for any extra outlays.

When it has been decided on a rational basis that the consumer can safely assume a proposed debt, then the question arises as to which form of credit is the best buy for him. That usually boils down to the cost of the loan, a subject that is discussed below. Other than the cost of the loan, and consequences that follow for those whose payments fall behind, conditions of borrowing are of greater interest to lenders than to borrowers. For it is the method of financing the loan that determines who ultimately collects, and how much, for the use of the money and services connected with the transaction (i.e. interest and other charges). Finance companies, consumer loan companies and retail dealers as well as banks and credit unions, are all anxious to increase their share of consumer credit, although some are more selective than others of their clientele.

The Cost of the Loan

It costs money to borrow, that is to rent the use of someone else's money, and individuals and families are advised to shop for credit as for other goods and services. This advice comes not only from the Consumers' Association of Canada but also from those who offer to supply the credit: finance companies, money-lenders and retail merchants. The need for a loan is often directly related to an immediate outlay. Once it has been decided that the individual must borrow, the important question for him is whether it would be advantageous to borrow cash or to deal on credit with the seller of the goods. A spokesman for the Canadian Chamber of Commerce agreed that the best way of deciding this is to determine the respective rates of interest. If the decision is to buy on credit, it is well to take into account the possibility that the credit agreement may be sold to a finance company, setting up new obligations to unknown parties.

Should the plan be to borrow and buy for cash, the next question is where the prospective borrower can get the best buy. Those who have a relatively large current income, relatively good financial prospects, and sufficient assets that can be liquidated which they are willing to pledge as collateral, are in a good bargaining position. These individuals, who are not only willing but practically certain to be able to pay, are a lender's best risk. Although consumers generally pay a higher rate for credit than businessmen, those who are considered first class risks have no trouble in borrowing from banks. They are also more likely than the average man to have insurance policies on which they can raise money. Rates charged by insurance companies are most favorable, and bank rates on consumer loans are also relatively low.

But these sources are not generally open to the low-income group. Except for those who are members of credit unions, they must borrow from loan companies or money-lenders. Some kinds of retail credit buying are also open to them. Generally speaking, only the more expensive types of credit are available to the poor.

The main reasons for this are that in the small loans business, loans are by definition of a size that raises the costs of administration; and since these loans are often made without security, there is said to be considerable risk attached. In retail sales financing, the costs of administration are generally high. Current rates paid by consumer borrowers are summarized in Table 12.

TABLE 12

ESTIMATED ANNUAL PERCENTAGE COSTS OF CONSUMER BORROWING

	Rates	
	Stated %	Effective Annual %
Cash loans		
Chartered banks	6 p.a.	9¼–11¼
Credit unions	1 per month	8–10
Caisses		6– 8
Consumer loan companies (depending on amount of loan; under $1,500)		15.24–24
Life insurance policy loans		6
Credit buying		
Sales finance companies		
New Cars		12.5–18.8
Smaller contracts		16–23
Retail stores		13–17 approx.

Source: Compiled from data provided by Research Department, Bank of Canada.

Because the above rates differ somewhat from those presented by Mr. Andre Laurin of the Confederation of National Trade Unions, Mr. Laurin's estimates are set out below:

	Approximate annual %
Cooperatives	6
Banks	6–12
Finance companies	6–24
Acceptance companies	18–60

The man on the street thinks of the cost of borrowing money as interest, and generally speaking, that is the cost as far as the businessman is concerned when he is lending mortgage money or borrowing himself. But when he is dealing with the private consumer the word "interest" is taboo. So deep-seated is the desire to avoid speaking of interest rates that a representative of the sales finance companies said they figure their business in terms of "the return per $100 that we make available". A member of the Committee quickly observed that this was really the same thing as talking about percentages. In

dealing with the consumer a separate method of calculation is used: all costs of a loan are usually lumped together in what is called the service cost for the whole transaction. Abandonment in transactions with the consumer of the age-old and otherwise universal practice of expressing yield on money as a percentage per annum was singled out by the Nova Scotia Royal Commission as "the direct and principal cause of much of the confusion which undoubtedly exists today concerning the cost of lending and credit."

The Nova Scotia Royal Commission pointed out that, without exception, disinterested Canadian sources favor disclosure of the cost of credit as a rate of interest. For loans regulated under the Small Loans Act, of course, all related charges are included in the cost of the loan. Opposition to extending this concept to larger loans and to retail credit agreements "has almost exclusively come from the industry, particularly from the highly vocal and well-organized sales finance companies who have mounted an extensive campaign against it."

Those who undertake to pay finance charges are in a poor position to assess their value when they are given no information as to how the charges are made up. Representatives of the finance companies who appeared before us estimated that more than half of the cost of the money they provide is for other than interest charges. We learned from the Chamber of Commerce delegation that "...most retail stores find two-thirds of the cost [of extending credit] is other than interest, and one-third may be classed as money cost. The other costs are legal, staff, space, telephone, stationery, investigation, collections, reserve for losses, etc. The charge for forebearance, or what we think of as interest, will cover only one-third of the actual cost of most retail transactions on credit."

No person has suggested that interest is not a factor in the cost of lending money. Professor Ziegel assured us that "so far as economists are concerned, interest means the cost of the loan or other credit being extended". That is not, however, the judicial interpretation. Admitting that other costs than interest often enter, it seems reasonable to inquire what these costs are, and to what extent they occur in different types of consumer credit. We have the word of a financial expert, that pure interest is an economic concept of the value attached to the use of money, per se. It is compensation for deferring satisfaction of wants which immediate use of the money would otherwise bring. Pure interest in this sense rarely exists, but the term is nevertheless in common use where other factors are present in the cost of the loan. "Perhaps the closest approach to pure interest", said Mr. Irwin, "is found in the case of a government Treasury Bill in regard to which service cost, direct costs and risks are, practically, non-existent."

Except for the rare case of pure interest, "every charge for the use of money includes, in some measure, at least three of the following elements:

1. Pure interest
2. Risk
3. Service costs
4. Direct outlays (e.g. legal fees)"

If the interest element is to be considered as simply compensation for forbearance of use of the money, presumably the interest rate could not depend on who borrows the money. The much higher cost of money to consumers must lie in the other three elements. As to the risk, it is true that consumer loans and consumer credit are often granted without security. However, the evidence as to losses suffered by lenders convinces us that the risk is relatively small, certainly not sufficient to account for the great difference in cost of consumer loans as compared with business loans. We agree with the Nova Scotia Royal

Commission that, "Risks are grossly overstated in the modern context." It is doubtful whether the lender's risk is any greater—or even as great—as that assumed by the unsophisticated consumer when he signs an agreement to buy goods, perhaps of doubtful quality, from an establishment which he may never have heard of before.

"Service costs" are seldom spelled out and they naturally vary a good deal. Though some services are admittedly provided for the convenience of the consumer, others, such as purchasing the contract and investigating the applicant, are more likely to benefit the lender. When it was suggested to a representative of the Canadian Chamber of Commerce that "... what you are saying is that credit is an expensive service to the customer." the answer was: "It is a service. Whether it is expensive or not is a matter of opinion." Since there are no absolute standards in this area, opinions appear to be roughly divided between those in the money-lending business and all other members of the community. It is significant that the consumer is given little or no information on which he could base a reasonable judgment, and no choice as to whether or not he wishes to buy the services.

Direct outlays, including legal fees, enter into overall costs of lending. In the case of finance companies and money-lenders, costs of this kind as well as investigation of individual circumstances, should be greatly reduced by standardization of transactions and by the large amount of business done with people already on the books. (See Table 10.)

As for retail credit—department stores should seldom require costly legal work on individual accounts. There must be considerable expense connected with the sale of cars, but it should not be too difficult to account for necessary legal fees and disbursements in the same way as is done in mortgage deals and other transactions.

Our conclusion is that there is good reason for charging higher rates to consumer borrowers than to business borrowers, but we do not understand why the spread should be so great. If lenders refuse to reveal the elements that enter into the costs of consumer loans, we can only conclude that the charge is higher than economically justifiable. A spokesman for the finance companies defended their resistance to stating interest rates on the grounds that "people would be inclined to take a second look." This statement provoked one of our members to observe that that would be all to the good.

Honesty and Truthfulness

The Committee affirms its belief in the inherent honesty and truthfulness of the average Canadian. We include both individual businessmen and the general public—by no means mutually exclusive groups. All workers are consumers, and most adult consumers are workers. All businessmen are members of the general public, but only a minority of the public are businessmen, or even acquainted with business practices.

Borrowers

We learn from lenders that failure of borrowers to pay as promised results not so much from irresponsibility or deceit on the part of the debtor as from unforeseen changes in his circumstances such as ill health or loss of employment, making it impossible for him to fulfil his undertaking. Other evidence,

particularly that of the credit unions and social agency representatives, emphasizes the part that lack of understanding of a transaction can play in entering on the road to disaster.

Lenders

A committee which appeared before the Nova Scotia Royal Commission on behalf of the local branch of the Credit Grantors Association of Canada, the retail committee of the Halifax Board of Trade and the Halifax-Dartmouth Credit Exchange, related their experience that "as much trouble had been occasioned by irresponsible credit granting and lending as by irresponsible borrowing and buying." Nevertheless, experience of administrators of the Small Loans Act—the only source of information concerning Canada-wide consumer borrowers over an extended period—is that lenders regulated by the Act seldom contravene its provisions. Any infractions have generally been due to misunderstanding rather than deliberate evasion. But even if we accept the fact that borrowers are generally truthful and that most lenders are carrying on a legitimate business in an ethical way, all admit that there is room for improvement in consumer lending practices.

Businessmen have a legitimate interest in curbing practices that give their business a bad name as well as in improving the efficiency of their methods. Legitimate operators in the small loans business welcomed the Small Loans Act which did so much to rid them of the unfavorable image of the money-lender. Obviously, a good deal of the resources of money-lenders or credit grantors go into selection of their risks and the exercise of control over extension of credit on their behalf. This helps to explain the very small losses on bad debts suffered by banks, finance companies, department stores, other retail stores, and even the consumer loan companies which deal mainly with the lower income groups. Representatives of these institutions informed us that their losses on loans are almost as low as those of the credit unions which have the undoubted advantage of personal acquaintance with the borrowers who are also their lenders. Losses suffered by these different lending institutions generally vary only within a relatively small range—from about one-half to one per cent. It is obvious that the interests of lenders are well protected.

It is the special role of government to protect society's weaker members. In transactions between corporations and businessmen on the one hand and the man on the street, there is no doubt about who is in the weaker bargaining position. Although some evidence of abuses was presented to our Committee, we learned a good deal more about this aspect from reports of individual cases brought to the attention of provincial investigating bodies. Abuses appear to be most common in the sale of used cars and in door-to-door selling; the growing practice of consolidation or refinancing of debts also gives us concern, and it is discussed elsewhere. There is evidence of changing practices in retail selling which may benefit some kinds of business at the same time as they damage the prospects of others. The second mortgage field, though not within our terms of reference, becomes relevant to consumer credit when, as sometimes happens, a mortgage is taken out to pay for consumer goods. Another practice, common in the United States, is emerging here: that of selling in a package deal with the house, a stove, refrigerator, washer and dryer—the durable goods that now make up a considerable part of consumer credit buying. As-

suming that various segments of business will each look after their own interests, the fact remains that decisions facing the average man are becoming increasingly complicated, and the consumer's need for advice and protection grows.

Advertisers

Spokesmen for social agencies have long advocated that advertising of small loans be regulated, but until fairly recent times loan companies have claimed that they were advertising to inform the public that loans were available, not to persuade people to borrow. That is hardly a serious argument today when we are continually bombarded with suggestions to travel now to far-off places, and pay later, or to see "friendly Bob Adams" who will consolidate all our debts. There is a basic conflict between the philosophy of the advertising man, "Don't sell the steak—sell the sizzle" and the consumer's desire to buy a good steak. Nowadays advertisers lure customers with repeated reminders of the importance of making this purchase or taking that trip if they want to be like the others. Children and young people are extremely sensitive to advertising of that kind, and parents are naturally influenced by the aspirations of the family as well as their actual physical requirements.

The unsophisticated are easy prey for novel merchandising devices including package deals, special offers, premiums and services of all kinds when they are represented as means of stretching a small income. The endless stream of persuasion via television, radio, magazines, newspapers, billboards and in the mail, has become a predominant part of our environment.

It hardly seems fair to pit the man on the street against the most sophisticated psychologists employed to pierce his armor, but it would be difficult to regulate the gentle art of persuasion. However, when it is a question of misleading or deceptive advertising responsible authorities must protect the gullible. The Retail Merchants Association is concerned about practices of a few retailers who "persistently and deliberately carry misrepresentations in their advertising." A representative of the Association who appeared before us, recently told the press that while misrepresentation is practised only by a small percentage of retailers, the "image of deceit" rubs off on thousands of legitimate storekeepers who are trying to do business honestly. Association members say they are happy to face fair competition, but they are hurt by a few competitors who offer bargains that the public will never get.

Concrete examples of misrepresentation in advertising were brought to the attention of the Committee. One advertisement suggested that a sewing machine would be given away free with the purchase of a cabinet, the price quoted for the cabinet and the machine together being the same as the price for the cabinet alone. Another led prospective customers to believe that by purchasing a record library it was possible to acquire a stereo set free. The price quoted for 62 records was $4.98 each. Only 15 of these records were listed on the open market at that price, 17 were selling at $1.98 or $2.98, and

the remaining 30 were discontinued records. Then there was the offer to buy $180 worth of silverware for $69.95, accompanied by a "credit gift certificate" for $110. The "balance payable" was exorbitant for the inferior merchandise offered.

Merchandising and advertising of goods and services important to health and safety have been regulated for many years by the Department of National Health and Welfare, and innovations of all kinds are constantly watched. Weights and measures are regulated with a view to preventing fraudulent and deceptive packaging. But there is strong public demand for further protection, not only from dangerous products and short weight, but from outright misrepresentation and fraud. The Retail Merchants Association would have the Combines Branch of the federal government regulate advertising in the same way as the Federal Trade Commission does in the United States, with power to order advertisers whose claims contain misrepresentations to "cease and desist."

An insurance consultant recently expressed the kind of concern that ethical businessmen have when standards of conduct in their own field are threatened, noting that advertising and sales methods employed by some accident and health insurance companies "provide an example in many cases of actions which may be legal but are far from ethical". He went on to say that, "Policy provisions which are hard for the insured to understand even when the insurer makes every reasonable effort to clarify them present problem enough. But for the unethical company, the temptation to take advantage of the insured's lack of knowledge is irresistible, and it is a simple matter so to word its advertising and its policy contracts as to trap the unwary, without actually breaking the law.[1]."

Similar concern for maintaining ethical standards in the retail business was expressed to us by a representative of the Ontario Retail Merchants Association. He referred to misleading advertising which seems to suggest no down-payment and which would convey the impression that no extra cost was involved in buying on credit. He felt that people advertising along these lines should be required by law to state what the ultimate total payment would be.

We heard criticism of those who advertise cash loans in such a way that the unwary greatly underestimate the cost of the loan. A professor who appeared before us mentioned the need for regulation of advertising practices of banks. He would make it mandatory for banks to disclose in their advertising the actual cost of the loan, stated in the same way as in the agreement itself.

Several submissions emphasized that all advertising of costs by those who extend credit, whether by lending money or by selling goods, should be

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[1] "Insurance Ethics—From the Inside Looking Out", Henry K. Duke, CPCU, CLU, *Annals of the American Academy of Political and Social Science*, January 1966, pp. 102-107.

required to state the total cost in annual percentage rates as well as in dollars and cents. That is a necessary part of applying the concept of full disclosure not only to those who are at the point of entering into a financial obligation, but to all Canadians. Only if the consumer understands the cost involved will he be able to decide freely and rationally whether his financial situation makes it feasible for him to assume credit. And his freedom to choose among different kinds of credit the arrangement that is the best buy for him, obviously depends on statement of the cost in simple and uniform terms.

All which is respectfully submitted,

DAVID A. CROLL
Joint Chairman

APPENDIX No. 1

SENATORS AND MEMBERS OF PARLIAMENT WHO SERVED ON THE COMMITTEE DURING INVESTIGATION OF CONSUMER CREDIT

(November, 1963 to April, 1966)

For the Senate:

The Honourable Senators

Bouffard (Deceased)
*Croll (Joint Chairman)
Davey
Deschatelets
*Gershaw
Hastings
Hayden
*Hollett
*Irvine
Lang
*McGrand
Robertson (Kenora-Rainy River) (Deceased)
*Smith (Queens-Shelburne)
Stambaugh (Retired)
*Thorvaldson
Urquhart
*Vaillancourt—17.

For the House of Commons:

Messrs.

Allmand
Andras
Basford (Joint Chairman)
*Bell (Saint John-Albert)
*Cashin
Chretien
*Clancy
*Coates
Cote (Longueuil)
*Crossman
*Deachman
Drouin
Duquet
Gauthier
Greene (Hon. J. J., Joint Chairman)
Grégoire
Gundlock
Hales
Irvine,
Miss Jewett

Messrs.

Lachance
Lefebvre
Kindt
*Macdonald (Rosedale)
*Mandziuk
Marcoux
*Matte
*McCutcheon
*Nasserden
Olson
Orlikow
Otto
Pennell (Hon. L.)
Pugh
*Ryan
Saltsman
*Scott
*Vincent—38.

*Served throughout the hearings on consumer credit.

APPENDIX No. 2

LIST OF WITNESSES

	Date of Appearance	Name	Title	Organization
1.	June 2 and 9, 1964..	Kenneth R. MacGregor...	Then Supt. of Insurance.	Dept. of Insurance, Canada
2.	June 9, 1964.....	H A Urquhart.....	Admin. Officer.....	
3.	June 16, 1964.....	Gerald K. Bouey.....	Chief, Research Dept...	Bank of Canada
4.	June 23, 1964.....	John M. Hallinan.....	General Manager.....	Ontario Credit Union League
5.	.....	John H. F. Burton.....	Assistant Supervisor of Exams.....	
6.	July 7, 1964.....	J. M. Bentley.....	President.....	Canadian Federation of Agriculture
7.	.....	David Kirk.....	Exec. Sec.....	
8.	.....	Lorne W J. Hurd.....	Assistant Exec. Sec.....	
9.	July 14, 1964.....	Robert Ingram.....	Manager Can. Operations.....	Canadian Credit Union National Association
10.	.....	Robert Davis.....	League Legislative Specialist.....	
11.	Oct. 20, 1964.....	Mrs. V. Wilson.....	Chairman, Comm. on Planning and Organization.....	Consumers' Association of Canada
12.	.....	Mrs. A. G. Brewer.....	National Advisory Council and former Publicity Chairman....	
13.	Oct. 27, 1964.....	G. Egerton Brown.....	Director, Immediate Past Chairman of Executive Council.....	Canadian Chamber of Commerce
14.	.....	Paul Beaudoin, C.A.....	Member.....	
15.	.....	W. F. Corning.....	Research Assistant.....	
16	Oct. 27, 1964 and Mar. 23, 1965	Keith MacDonald.....	Member.....	
17.	Oct. 27, Nov. 17, 1964; Mar. 9, 1965	N. Liston.....	Member.....	Canadian Chamber of Commerce and Retail Council of Canada
18.	Nov. 10, 1964.....	Dr. Jacob S. Ziegel.....	Associate Professor of Law, U. of Sask.	
19.	Nov. 17, 1964 and Mar. 9, 1965	A. J. McKichan.....	General Manager.....	Retail Council of Canada
20.	.....	J. W. Erwin.....	Member.....	
21.	.....	H. A Simmons.....	Member.....	
22.	Mar. 9, 1965.....	Paul Harrison.....	Member.....	
23.	.....	W. G. Upshall.....	Member.....	
24.	Dec. 1, 1964.....	S. J. Enns.....	M.P., (Portage-Neepawa).....	Family Bureau of Greater Winnipeg
25.	.....	Daniel B. Fenny.....	Bureau Rep.....	
26.	Dec. 8, 1964.....	Andre Laurin.....	Tech. Advisor of Ed. Service, Family Budget Section	Con. of National Trade Unions

LIST OF WITNESSES

	Date of Appearance	Name	Title	Organization
27.	Dec. 15, 1964.....	Emile Girardin.....	President.....	La. Fed. des Caisses Pop. Desjardins
28.	.....	Paul-Emile Charron.....	Assistant Director General.....	
29.	Feb. 23, 1965.....	Douglas D. Irwin, C.A....	Financial Consultant, Ont. Select Committee on Consumer Credit	
30.	Mar. 16, 1965.....	Don Rolling.....	Assistant Manager.....	Retail Merchants Association of Canada Inc.
31.	.....	W. W. Boys.....	Second Vice-Pres. Dom. Ass'n.....	
32.	.....	Vincent R. Deir.....	Director, Ontario Association.....	
33.	Mar. 23, 1965.....	Peter Paul Saunders.....	President.....	Federated Council of Sales Finance Companies
34.	.....	G. E. Trudeau.....	Director.....	
35.	.....	J. Johnstone.....	Chairman, Legal and Legislative Committee	
36.	.....	W. Watson.....	Vice-Pres.....	
37.	.....	Dr. J. Singer.....	Research Director and Consulting Economist	
38.	.....	E. Michael Howarth.....	Executive Vice-Pres.....	
39.	.....	Kenneth Inch.....	Member.....	
40.	Mar. 30, 1965.....	J. T. Wood.....	President.....	Canadian Consumer Loan Association
41.	.....	J. S. Land.....	Past Pres.....	
42.	.....	E. J. Hendrie.....	Past Pres.....	
43.	.....	R. A. Mackenzie.....	Member.....	
44.	.....	R. G. Miller.....	Member.....	
45.	.....	Helmut Miller.....	Member.....	
46.	.....	R. W. Stevens.....	Counsel.....	
47.	.....	F. C. Oakes.....	Public Relations Chairman.....	
48.	April 21, 1966.....	Dan McCormack.....	Vice-Pres. and General Manager, Carling Acceptance Limited.	

APPENDIX No. 3

BILLS REFERRED TO THE COMMITTEE

Shortly after the appointment of the Joint Committee on Consumer Credit by the 26th Parliament, eleven bills already on the order paper were referred to us for study. All but one—the well-known disclosure bill which has been introduced in the Senate repeatedly since 1960—originated in the House of Commons. Some of these bills have changed sponsors during the life of the Committee, and a few new bills were subsequently referred. It sometimes happens that an identical bill, re-introduced in a new session, is again referred to the Committee; there are other instances in which a bill which has been several times introduced in Parliament with no change in substance, has been referred to us only once.

The bills considered by the Committee (14 in all when duplicates have been eliminated) are listed below in the order in which they were officially brought to our attention. Each bill is explained briefly, and some general comments follow.

Bill Referred By	Title and Purpose	Sponsor or Sponsors
26th Parliament	(1) An Act to make provision for the Disclosure of Information in respect of Finance Charges Every person who carries on the business of extending consumer credit would be required to disclose in writing to the consumer the total cost, expressed both as a lump sum and in simple annual interest.	Senator Croll
	(2) An Act to amend the Bankruptcy Act (wage-earners' assignments) Outlines procedure for granting debt-ridden wage-earners extension of time up to three years or longer in court's discretion, at price of discipline of budgetary control, to pay debts 100 cents on the dollar. Also provides for relief against unconscionable transactions.	Mr. Gilbert (Broadview) and Mr. Orlikow (Winnipeg North)
	(3) An Act to amend the Small Loans Act (advertising) Would require licensees advertising amount of monthly or periodic repayments to state cost in terms of annual percentage rates.	Mr. Orlikow
	(4) An Act to amend the Small Loans Act (interest rates) The rate of interest or "cost of loan" would be reduced from 2 to 1 per cent per month on any part of the unpaid principal balance not exceeding $300.	Mr. Orlikow and Mr Gauthier (Roberval)
	(5) An Act to provide for the Control of Consumer Credit Provides for disclosure of actual amount of interest charged on the sale of both real and personal property, as well as for restricting interest to 10 per cent per annum.	Mr. Scott (Danforth)
	(6) An Act to amend the Bills of Exchange Act and the Interest Act (off-store instalment sales) Amendment to the Bills of Exchange Act would give consumer three full days to cancel any bill or note given as collateral in sales made in his home or other "off-store" premises. The change in the Interest Act would compel the seller to include a clause to this effect in the contract.	Mr. Orlikow

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Bill Referred By	Title and Purpose	Sponsor or Sponsors
26th Parliament	(7) An Act to amend the Bills of Exchange Act (instalment purchases) Object is to enable persons who give bills or notes in retail credit transactions to defend themselves against transferees by requiring that note on face indicate relationship with a retail transaction.	Mr. Peters (Timiskaming)
	(8) An Act to amend the Interest Act Proposal that interest be limited to 12 per cent.	Mr. Orlikow Mr. Leduc (Gatineau) and Mr. Allard (Sherbrooke)
	(9) An Act to amend the Interest Act (application of Small Loans Act) Would limit interest rates generally to those stipulated in the Small Loans Act unless otherwise provided by law.	Mr. Martin (Timmins)
	(10) An Act to provide for Control of the use of Collateral Bills and Notes in Consumer Credit Transactions Consumers who sign promissory notes as collateral in credit transactions would be warned that they could become liable to innocent purchasers of same. Interest rates would be limited to 1 per cent per month on principal amounts up to $500 and one-half of 1 per cent on any balance exceeding $500.	Mr. Ryan (Spadina)
	(11) An Act to amend the Combines Investigation Act (captive sales financing) Would prohibit practice of "captive" sales financing by manufacturers or distributors of goods or associated sales finance companies, and so permit customers to shop in a free, competitive market.	Mr. Noble (Grey North)
27th Parliament	(12) An Act to amend the Weights and Measures Act (truth in packaging) Bill is intended to ensure that a retail purchaser of packaged goods is fairly informed of the weight or measure of the contents.	Mr. Orlikow
	(13) An Act to amend the Small Loans Act (interest rates) The upper limit of loans to which the Small Loans Act appl es would be raised from $1,500 to $5,000. For loans over $1,000 the interest rate would be reduced to one-half of 1 per cent per month on unpaid balance.	Mr. Allard
	(14) An Act to amend the Small Businesses Loans Act (trucking industry) "Trucking" would be added to the definition of a business enterprise. The definition of "small business enterprise" would be broadened to include a business with estimated gross revenue up to $300,000 instead of $250,000.	Mr. Leblanc (Laurier)

Comments on Bills

Disclosure

One of our main recommendations endorses the substance of the Senate bill dealing with disclosure in writing of the total cost of consumer credit both as a lump sum and in simple annual interest. This bill is a descendant of one first introduced in the Upper House in 1960, now simplified for the reason that

some of the original provisions are being taken care of in other ways. The revision of the Bank Act now before Parliament, which followed the report of the Royal Commission on Banking and Finance, means that banks will lead the parade of financial institutions giving meaningful disclosure to their customers of the full cost to them of borrowing money. The long-time sponsor of the bill, which applies the same principle to other lenders has said that, "We can expect and cannot accept less from other credit grantors in the field."

As to the disclosure bills originating in the House of Commons, one goes beyond our terms of reference in that it covers real property transactions as well as consumer credit. The other would require small loans licensees to specify in their advertising the cost of loans. We agree with the objective of this bill, and one of our recommendations attests to that.

Interest

There is ample evidence of widespread support for bringing down the cost of borrowing. Three members of parliament have separately introduced bills to amend the Interest Act so as to limit the interest rate to 12 per cent per annum. Another bill would extend to other types of loans the rates fixed under the Small Loans Act. Three separate bills propose a reduction in the rates under the Small Loans Act, one of them providing also for extension of the scope of the Act to loans up to $5,000, a plan which has solid support and which is among our recommendations.

Limitations on interest rates are also set out in two other bills dealing respectively with disclosure and with credit purchases. The Committee has considered these proposals as well as others made to us during the hearings. We do recommend that some limitations be put on interest rates, and we have particularly kept in mind the importance of ensuring that low-income people have access to credit at reasonable rates for essential needs.

Wage-Earners' Assignments

Recent amendments to the Bankruptcy Act will enable the setting up of machinery to make it possible for wage-earners to assume orderly payment of their debts without extreme sacrifice. This is essentially the purpose of one of the bills referred to us.

Bills and Notes in Consumer Credit Transactions

One of the bills before us would require bills and notes in consumer credit transactions to be so identified in order to warn the purchaser of the circumstances; another would give warning to the consumer that if he signs the document it may be sold to a third party against whom he will have no claim. One of our recommendations should take care of the undesirable practices which these bills are intended to do away with.

Captive Sales Financing

The Committee agrees that customers should be free to shop in a competitive market, and we believe that our recommendations will work towards that end.

Off-Store Sales

We recommend that when purchases are made from itinerant salesmen, time be allowed for a cooling-off period, something that has been urged on us by many responsible people and is contemplated by one of the bills referred to us.

Truth in Packaging

We are in sympathy with the purpose of this bill, but it is more appropriately a subject for the report on Consumer Credit (Prices).

Small Businesses

This subject is beyond our terms of reference.

Present State of Legislation

Experience has convinced us of the truth of a statement made when the Committee was set up, that there is need for "an attempted consolidation of these inter-related acts." After studying the subject for many months one of our most knowledgeable members informed the House of Commons that there was "need for complementary and cooperative action by the federal and provincial governments for the purpose of securing the protection of consumers . . ." Considerable progress has been made in this direction, and many parts of the report bear this out, but much still remains to be done in this rapidly changing area of business.

APPENDIX No. 4

Selected References

1. Proceedings of the Special Joint Committee of the Senate and House of Commons on Consumer Credit, 1964-66, Queen's Printer, Ottawa.

2. Annual Reports of the Superintendent of Insurance for Canada, Small Loans Companies and Money-Lenders licensed under the Small Loans Act 1939, 1940 to 1964, Queen's Printer, Ottawa.

3. Report of the Standing Committee of the House of Commons on Banking and Commerce respecting Small Loan Companies, No. 14, June 1, 1938, Queen's Printer, Ottawa.

4. Various annual and other publications of the Dominion Bureau of Statistics on consumer credit, Queen's Printer, Ottawa. Note especially monthly report on Credit Statistics, Catalogue No. 61-004.

5. Report of the Royal Commission on Banking and Finance, 1964, Queen's Printer, Ottawa.

6. Poapst, J. V., *Consumer Survey,* a study prepared for the Royal Commission on Banking and Finance, 1965, Queen's Printer, Ottawa.

7. Urquhart, M. C. and Buckley, K. A. H., Editors, *Historical Statistics of Canada,* 1965, Cambridge University Press.

8. Final Report of the Royal Commission on the Cost of Borrowing Money, the Cost of Credit and Related Matters in the Province of Nova Scotia, 1965, Queen's Printer, Halifax.

9. Final Report of the Select Committee of the Ontario Legislature on Consumer Credit, Sessional Paper No. 85, June 10, 1965.

10. Ziegel, Jacob S., "Retail Instalment Sales Legislation: A Historical and Comparative Survey", *University of Toronto Law Journal,* 1962, Vol. XIV, No. 2, p.p. 143-175.

11. Ziegel, Jacob S. and Olley, R. E., Editors, *Consumer Credit in Canada,* proceedings of a Conference on Consumer Credit May 2-3, 1966, The University of Saskatchewan, Saskatoon, Canada. Note especially Professors Fortin and Neufeld.

12. Juster, Francis Thomas, and Shay, Robert P., *Consumer Sensitivity to Finance Rates,* National Bureau of Economic Research, 1964, New York.

13. "Ethics in America: Norms and Deviations", *Annals of the American Academy of Political and Social Science,* January, 1966.

14. Annual Reports of the Army Benevolent Fund, 1962-64, Ottawa.

15. Bill S-17, An Act to amend the Bankruptcy Act as passed by the Senate, 26th May, 1966, Queen's Printer, Ottawa, See Part X.

16. Bill C-222, An Act respecting Banks and Banking, 1st Reading, July 7, 1966.

17. The Attorney-General for Ontario V. Barfried Enterprises Ltd., *Canada Supreme Court Reports,* 1963, p. 570.

THE SENATE

Friday, February 17, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENT TABLED

Hon. Jean-Paul Deschatelets tabled:

Copy of an Agreement between the Government of Canada and the Government of the Province of British Columbia for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

CANADA DEPOSIT INSURANCE CORPORATION BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. T. D'Arcy Leonard, Acting Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-261, to establish the Canadian Deposit Insurance Corporation:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Leonard, Acting Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-261, to establish the Canada Deposit Insurance Corporation, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Jean-Paul Deschatelets: Honourable senators, with leave of the Senate, I move that this bill be read the third time now.

Hon. Louis P. Gélinas: Honourable senators, before this bill receives third reading may I make a few remarks?

In this house yesterday, and also in the committee this morning, a question was raised about the caisses populaires being included in the other institutions coming within the provisions of this bill. The caisses populaires do not at this time come under the jurisdiction of the Canada Deposit Insurance Corporation, and there is not as yet a provincial deposit insurance fund in Quebec, but, since 1948 the caisses populaires have had their own deposit insurance fund. That fund today amounts to approximately $2 million. Therefore, the depositors are protected now, and have been for the past 19 years.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE
Ottawa

17 February 1967

Sir,

I have the honour to inform you the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 17th February, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General.

The Honourable
The Speaker of the Senate.

ADJOURNMENT

Hon. Jean-Paul Deschatelets: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, February 21, at 8 o'clock in the evening.

Motion agreed to.

NATO PARLIAMENTARIANS

TWELFTH ANNUAL CONFERENCE AT PARIS, FRANCE

The Senate resumed from Thursday, February 9, the adjourned debate on the notice of the Honourable Senator Aird that he will call the attention of the Senate to the Twelfth Annual Conference of NATO Parliamentarians held at Paris, France, 9th November to 14th November, 1966, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

Hon. M. Grattan O'Leary: Honourable senators, I did not intend to speak on this subject today—or on any other, for that matter—so I want to reassure you at once by saying that I have left at home the few notes I had. Therefore, whatever my speech may lack in substance, it at least will have the merit of brevity.

First, I wish to congratulate Senator Aird and Senator Lefrançois on two excellent pieces of reporting.

When I recall that the last Canadian delegation to the NATO Parliamentary Association Conference consisted of such persons as Senator Brooks, Senator Aird and Senator Lefrançois, I must say I am immensely pleased. But I have felt inclined to complain about the casual manner in which we select our delegates to the meetings of international associations.

I was a delegate to the NATO Parliamentary meeting in New York two years ago. Parliament had been dissolved and the members of the House of Commons were no longer members of Parliament. They were busy with the general election. Finally, in order to get delegates to the conference, the authorities responsible scraped the bottom of the barrel, and two or three days before the conference was to open in New York I was asked if I would go along. I consented to go only when I found I was to be accompanied by some very substantial persons, including the Deputy Leader on this side of the house (Hon. Mr. Choquette) and Senator Chubby Power.

Nevertheless, when I arrived at the meetings in New York I found that the British, the Americans and the French had evidently exercised great care in the calibre of the people they had selected to represent them in their delegations.

I remember that Senator Power, unfortunately, was called away on business. At the first meeting of the Political and Economic Committee Senator Choquette and I found ourselves sitting opposite the British, French and American delegates.

The French delegation was completely brilliant. Its chairman, an Alsatian, spoke English, almost the most beautiful English I have heard in many years. Indeed, Dean Rusk, in a meeting which he addressed at the conference, said he hoped to live long enough to learn to speak English as well as this French delegate.

The British delegation had persons of the calibre of Lord Gladwyn Jebb, a man who had been the British Minister to the United Nations, who had served as the British Ambassador to Paris, and who has recently written an authoritative volume on foreign affairs. With him was the Baroness Elliott, wife of the once famous Walter Elliott, a leading light of the British Conservative party and, incidentally, a half-sister of Margot Asquith, a woman who had been attending these conferences year after year. When she discussed NATO and its obligations and difficulties she reminded me of a good sports editor sitting down and discussing sports.

These people sat directly opposite us and next to them were the Americans. In that delegation there were Senator Saltonstall, a distinguished gentleman from Boston; Senator Case of New Jersey, one of the ablest senators in the United States and an expert on foreign affairs; the distinguished Senator Javits, who is now being mentioned as vice-presidential candidate in the United States in the coming elections, and lastly there was Senator Robert Kennedy.

As we sat facing such eminent delegates it was brought home to me that if we are going to attend conferences such as that, we must be more careful in selecting our representatives. This holds true of the Canada United States Interparliamentary Group.

I am sure His Honour the Speaker will understand what I have in mind when I say that the United States selects for these conferences people of the highest standing and order, and they maintain a continuity.

Senator George Aiken and Congressman Cornelius Gallagher have been on these conferences year after year. All of you will remember two or three years ago when these gentlemen visited us here. We had on the floor of this house Mr. Mansfield, the Democratic leader in the United States Senate. We had Senator Saltonstall, and Senator

Sherman Cooper, a man of great distinction in American politics. These were the people they sent, and they have been sending them to us year after year. I must confess that the people we have been sending to these conferences, a lot of the present company including His Honour the Speaker excepted, have not been of quite the same calibre.

I remember the day we met these people in a committee room at the last conference. Do you know what they had in front of them on their desks? They had Mr. Gordon's book *Troubled Canada*, and they knew all about his writings. While these are charming people, while in their hospitality they are magnificent, when you meet them face to face across a committee table they are a bit different. They can be cold, hard-headed and at times ruthless.

Again I say there is some value in being representatives at these conferences, especially the Canada-United States Interparliamentary Group, but if we are going to do it, in the name of common sense let us do it right or not at all. I would rather not go to a conference of that kind than go there improperly or inadequately briefed, and with delegates not quite up to the standard of the Americans.

So far as NATO is concerned, I was interested the other day when Senator Aird and Senator Lefrançois spoke pridefully of the great prestige which Canada and our Canadian delegates enjoyed at this conference. It may well be that they enjoy such prestige, but I must confess that at the conference I attended Canada's prestige was at a very low ebb.

Let me give you an example of what I mean. I found myself on the Political and Economic Committee, and was one of the members appointed to draft the recommendations and resolutions. Well, all that meant was that the secretariat drafted the resolutions. When the final draft came before us, I discovered that the main recommendation, which I am quoting only from memory, said "We recommend that NATO continue the integration of American and European forces."

American and European forces! I took that resolution to Senator Saltonstall and I said, "Senator, surely you do not agree with this. Do you realize what we have in Europe in the way of NATO forces? Do you realize that of the fourteen nations represented in this conference, we are at least fourth in our military contribution to NATO, and here you are recommending to the NATO Council a continuation of the integration of American and European forces?" Senator Saltonstall replied, "You are perfectly right, and if you wish to bring it up on the floor I will be glad to support you." There was no sense in bringing it up on the floor, but I wrote a letter and sent it to the president of the conference. He wrote back to me under his own hand and said, "Do you want to say American, Canadian and European forces?" I said no, that there was no need for that at all. All that was required was to say "North American and European forces." And in his own hand he wrote that in.

These people apologized for this oversight. They admitted, "We know what Canada has been doing; and we don't do this to disregard you or to downgrade you, we just did not think about Canada." And, honourable senators, this is true—they just do not think about us. But that was the way the resolution was going to go.

Now, I say that the only way we can change this situation, if we want to change it, is to see that in future the Canadian delegates to these conferences are not selected because the Government or the Senate want to give somebody a trip. I know there is some value in members of the Commons and the Senate being allowed to go to these conferences and to acquire the information that can be acquired there, but there should be some continuity in the leaders. When we send two or three delegates each year they should not leave Ottawa with the small degree of information given to them. I am not blaming the Department of External Affairs. I remember that before leaving for the two conferences I attended, I went before extremely able men from the Department of External Affairs for a half-hour briefing. Honourable senators, this is nonsense. You just cannot come in out of the cold and absorb all the knowledge that External Affairs has in five or ten minutes' briefing.

As regards going to NATO conferences, I think there is something else that should be said. We in Canada are inclined to speak of a NATO that was born some twenty years ago. Well, two years ago one of the leading European experts on foreign affairs wrote in a European journal that NATO in fact had become an historical relic. He said, in effect, this is not the thing we set up in 1949—or whenever it was set up—and this is not the world that existed when we set up NATO; therefore, the time has come to reassess our position.

I think the time has come to reassess Canada's position, and we should stop this talk about fulfilling our obligations to NATO. How many members of the Senate or of the Commons know exactly what are our obligations to NATO, and how many senators can rise and tell me now whether if we are called upon to fulfil our North Atlantic obligations to NATO we could put to sea the ships and men to fulfil those obligations? I say we cannot, and I am sure the Government Leader (Hon. Mr. Connolly, Ottawa West) knows that. We could not today put to sea the ships, the submarines or any naval forces to fulfil what we have agreed to do under our obligations to NATO.

I read in this morning's press—and I am not going to quote the article—that yesterday in the British House of Commons there was presented a White Paper on Defence. The vital thing about it was that the British intimated clearly to West Germany that unless she agreed to pay more towards the upkeep of the British Rhine forces, a great number of those forces would be withdrawn. But the White Paper said more. It was produced in the British House of Commons and was subsequently explained at a press conference by the Right Honourable Mr. Healey, Secretary of State for Defence, who said:

> A reduction of European-force levels by both NATO and the Warsaw Pact powers would contribute to a detente between eastern and western Europe.

Then going on to note that NATO itself, with the withdrawal of France, is re-examining its European strategy, it expresses the hope that the Allies may find it possible to withdraw some of its forces and rely on constantly improved air transport to provide for front-line reinforcements.

In his press conference Mr. Healey also said:

> There is little danger of aggression now from the Soviet Union and its allies.

And he went on to say:

> The likelihood of a major war in Europe is very small indeed, because it would certainly become nuclear immediately.

Honourable senators, in the light of this, in the light of France's withdrawal, in the light of vastly changed conditions in Europe and the rest of the world, why do we in Canada go on continuously paying for fulfilling our obligations to NATO? What are those obligations under this changed strategy? What are those obligations under the changed NATO itself?

One criticism I feel like making of our Government—though I am sure I will be accused of partisanship—is that year after year, we get no information of any substance from our Government about what our foreign policy really is.

Let me give you an example of this. Two years ago the Leader of the Government (Hon. Mr. Connolly, Ottawa West)—and I am sorry he is not in his seat—came before this House and with a great flourish told us we were agreeing to send troops to Cyprus. I remember then asking him whether any other governments had decided to send troops to Cyprus; and he said, quite properly, that they were not in a position to reveal this information, that it was confidential. But he did say that other nations were sending troops, and that we were not alone in this enterprise. He particularly mentioned Brazil. Brazil has sent nothing to Cyprus. The Scandinavian countries have sent a small token force; Ireland has sent a small token force; but we have been there for two years, and we have been told continuously that almost immediately, or in a very short time, our forces would be withdrawn. Well, they have not been withdrawn. This is not a UN force, and I cannot see how it can do anything for the prestige of the United Nations, as everybody knows it is not a UN force. Even the UN tabs on the caps of these Canadian troops are paid for by Canada. We pay for their food, for their clothing, and for their transportation. We would pay the pensions of dependents of any of our soldiers killed in Cyprus.

What is it all about? Does any honourable senator believe that this country, alone almost in the world, has some obligation to keep the peace between Turkey and Greece? Honourable senators, these are two NATO powers; they are on one of the flanks of NATO. If it is the obligation of any nation or any number of nations to keep Greece and Turkey apart, that obligation is with the NATO nations themselves.

Hon. Mr. Rattenbury: Would the honourable senator permit a question, please?

Hon. Mr. O'Leary (Carleton): Yes, indeed.

Hon. Mr. Rattenbury: In view of the job you say we are doing in Cyprus, are you familiar with our naval commitment to NATO, and how far we are short of it?

Hon. Mr. O'Leary (Carleton): I think it is true that if tomorrow we were asked to put certain ships to sea manned by a certain

number of sailors, we would not be in a position to do it.

Hon. Mr. Rattenbury: That is an observation.

Hon. Mr. O'Leary (Carleton): That is an observation, but I think if you look into the facts you will find it is correct.

I say it is not the role of Canada, it is not the duty of Canada to go to this far-off island and keep peace between Turkey and Greece.

The distinguished Senator Fulbright, in a book which he has just had published, said that Americans today are acting as if they were God's agents on earth to see over all human behaviour. I think this criticism is fair, but I am afraid we are getting in the frame of mind—a little nation such as Canada—that we think it is our duty to keep peace in Cyprus, and so we have been constantly told without the least substance of truth. We have been told constantly that the presence of our troops there averted war. I have not seen one scintilla of evidence to support that claim. I do not believe it, and I doubt if any honourable senator in this House believes that, just because we have a certain number of troops there, Turkey has been kept from going to war with Greece. It is not pleasant for me to say these things.

I had some other observations to make—

Hon. Mr. Roebuck: Go ahead.

Hon. Mr. O'Leary (Carleton): I have not the facility of my honourable friend to keep in my mind all these things. I am only acting as a pinch-hitter here to keep this House in session today. I was asked just 20 minutes before the house met if I would rise and continue this debate. I said that I had no notes, but that I would do my best.

An Hon. Senator: You are "pinching" all right!

Hon. Mr. O'Leary (Carleton): I hope I have not unduly annoyed anyone, but I do insist that we in Canada deserve more information from our Government about what it is doing.

What is our policy with respect to Vietnam? I have tried to read the statements of the Secretary of State for External Affairs. I frankly say I cannot make head nor tail of them; I do not know what he is talking about. This is not as it should be. I think some further information should have been given this House about Cyprus. The matter was brought in here with a great flourish. The Government Leader said this was a new fact in the Senate: we are now giving you information about foreign affairs. We are asking the Senate to agree to this. And we agreed to it, but since then we have not heard a blessed word from Senator Connolly about the force in Cyprus.

Hon. Norman A. MacKenzie: Honourable senators, may I make a suggestion to Senator O'Leary?

As I think you know, this is a field in which I have had a life-long interest and one in which I continue to try to keep informed. I was very much interested in what Senator O'Leary told us; it does suggest to me we do need more information. We have in the Senate a Standing Committee on External Relations. The chairman of that committee is not in the chamber this afternoon, as he usually is, and I would hope that Senator O'Leary might suggest to the appropriate authorities of the Senate and to the chairman of that committee that, in due course, it should meet and call before it the kind of people who could give to the members, and through them to the Senate, the kind of information for which Senator O'Leary has asked.

The only other thing I want to add is that I understand there is a conference being held at Scarborough near Toronto, between March 2 and 5 on the question, "Is NATO obsolete?"—which is exactly the point Senator O'Leary has raised. It is to be held under the auspices of three distinguished organizations, and those taking part in it are prominent and knowledgeable individuals. I would hope and expect that out of that conference we would get some reports which would be useful to Senator O'Leary and the members of the Senate.

Much to my regret, and although I have some responsibility for the organization and the calling of this conference, I will not be able to attend because of commitments in western Canada. However, I thought it would be in order for me to suggest to the Senate and to Senator O'Leary (Carleton) that this matter might be pursued a bit further by the Standing Committee on External Relations.

Hon. Arthur W. Roebuck: Honourable senators, I have to leave the chamber in ten minutes, and I should like to say a few words on this subject before leaving.

I congratulate Senator O'Leary (Carleton) for bringing up this matter of whether we in Canada have an obligation to police the various nations of the world that get into trouble because of their quarrelsome character. When

we were sending men to the Congo I expressed a great deal of concern and doubt as to what we were doing. I think I expressed the same sentiments when we sent men to Cyprus, and I have voiced them on various other occasions with regard to all the extra-Canadian military activities of ours. So, while in this off-hand manner I am not expressing an opinion with respect to what we are doing at this moment in Cyprus, I do think, in support of Senator O'Leary's suggestion, that we ought to be fully and continuously informed as to what we are doing and what our representatives are doing around the world.

Let me say something about Senator O'Leary's comments as to the conference which he attended. I think one of the criticisms which he did not level at us, at himself, or at his fellows on that occasion, and one that is due, is a criticism of our modesty. That is particularly pointed up in this instance by the fact that we had two leading members of this chamber facing a larger number, but they were the equal of any of them, namely Senator O'Leary (Carleton) and Senator Choquette. At the same time, I do feel that our delegations to these conferences are necessarily weak—not in the quality of the delegates themselves but in the method of selection, in the lack of a briefing, and in the lack of continuity.

For some years I spent a great deal of time on the Commonwealth Parliamentary Association. I felt I was being honoured and favoured on several occasions by representing Canada at those conferences abroad. I thought it was a compliment and a privilege to be able to represent Canada, but there is no continuity in the representation.

Though I attended a conference not long ago in the West Indies, at the request of the government of that country, I have not recently attended other conferences. In saying that, please do not misunderstand me—I have no wish to attend any more of them because there is plenty of work to do here in Canada. My loyalty, my obligation, and my wishes are to serve Canada and to serve her here.

I do think, however, that we should give further consideration to the whole question of our representation at these affairs. Notwithstanding the desirability of new members going abroad and learning what it is to represent Canada, and learning something of the nations that they visit, we should put that selfish attitude aside. As Senator O'Leary said, the leaders of the delegations should have a certain continuity, and be men who have devoted themselves to the study of foreign affairs and of the subjects that are brought up for discussion. Moreover, they should be men who are capable of holding their own in all circumstances, as Senator O'Leary and Senator Choquette did on that occasion.

It is my opinion, arising out of the honourable senator's description, that he should not have been satisfied with having the chairman change the resolution. He should have accepted that as an opportunity to tell the rest of them what Canada is doing and has done in world politics.

Thank you, honourable senators, for allowing me to say these few words. Let me thank Senator O'Leary (Carleton) for his free and vigorous thought, and for the wonderful way in which he expresses it in this chamber.

On motion of Hon. Mr. Everett, debate adjourned.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bill:

An Act to establish the Canada Deposit Insurance Corporation.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, February 21, at 8 p.m.

THE SENATE

Tuesday, February 21, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

INTERNATIONAL CONFERENCES

DEBATE ON MEETING OF NATO PARLIAMENTARIANS AT PARIS—QUESTION OF PRIVILEGE

Hon. John J. Connolly: Honourable senators, before we proceed with our business this evening I should like to rise on a point of personal privilege to make reference to the remarks of Senator O'Leary (Carleton) on Friday last when, unfortunately, I was not present.

First, I should like to commend the honourable senator for contributing to this debate, though he was not a delegate at the NATO meeting in Paris last fall. I do not want him to think that in saying that I am applying soft language first in order to deliver a knock-out punch later. I do thank him for his participation in that debate and compliment him upon his contribution.

I think it is fair for me to say this evening that I have a complaint—one which I believe is shared by all of us—that too few honourable senators participate in our debates. In view of the ability of the people who are here, this is regrettable. For example, we seldom show much enthusiasm for sitting in the evening. I am not against that lack of enthusiasm, but I feel that we might very well accomplish a good deal by sitting occasionally in the evening as well as in the afternoon.

I know some of these remarks will appear in the press, for it is only when we make critical remarks of the Senate that they get to the press. But perhaps we owe it to ourselves that this should be said.

I also think that after a relatively long adjournment when we come back to business senators are very often unprepared to proceed with debates, some of which are urgent. Without being in any way invidious to any individual, I think this is rather unfair to all honourable senators.

I should like therefore to appeal to the more experienced senators to lead the way and to encourage the newer members of the Senate to make contributions to the debates as various pieces of legislation come before us. This is the work of the Senate. It is the work that is reported from the Senate, and this chamber is well qualified to do it.

Since I have been the leader I have tried to do as much as I can to spread sponsorship of bills as widely as possible. I cannot ask members of the Opposition to sponsor a bill and defend the Government—although on one occasion when my party was in opposition I sponsored a Government bill, explained it, and urged that the Senate should pass it, but this was an unusual occasion.

The business of the Senate and the work of every committee is every senator's responsibility. That is the first point I want to make.

Honourable senators, the second point is this. Senator O'Leary (Carleton) talked about the inadequacy of preparation on material that is available for delegates who attend international meetings. I think he gave an unfortunate example, that of NATO parliamentarians' meeting held in New York two years ago when Parliament was dissolved. He and Senator Choquette and Senator Power were appointed to be members of the Canadian delegation. The plain fact of the matter was that the members of the House of Commons did not exist at the time, because it was during an election.

I was particularly pleased that on that occasion there were members of the Senate who were able to go to New York and represent the Canadian Parliament. And I say frankly to Senator O'Leary—and I wish he were present to hear this—that if the occasion arose again I would be the first to nominate him to go, and these other senators too, because I think the capacity to do that resides in this house, and on that occasion they discharged their responsibility very well.

He complained that on that occasion there were poor briefings. As a matter of fact, on that occasion there may not have been any briefings. It is perhaps of interest that I should recall the first NATO meeting I attended. I was appointed by Senator Ross Macdonald. The only briefing that we had was a half-hour period on the morning we left for overseas. I made up my mind on that occasion that if ever I were involved again, this procedure would not be repeated. The next year, I insisted that NATO delegates be given thorough briefings over a period of time by officials from various departments who had specialized knowledge, and I think these briefings were of value.

When a senator or a member of the Commons is appointed to one of these delegations,

not only is he there officially, but in my humble opinion he has a personal responsibility to see to it that he represents his country as adequately as he possibly can.

At the second NATO meeting to which I was sent—and there was some continuity in this because I did go a second year—I was in the Opposition at the time and arranged with an official of the Research Council, an official of the Department of Defence Production, and an official of another department,—I forget which—to help by giving me some material for papers which could be submitted.

The Economic Council of NATO at the time was going to discuss the question of the economics of work in outer space. I remember a particularly useful paper that was prepared, and which I adjusted to suit the requirements of the NATO meeting. The paper dealt with the Alouette weather satellite that was put up by Canada, a non-nuclear power and not working in outer space at the time. This was of immense value and interest to other NATO countries who did not have the capacity to put these vehicles into outer space, and this has been used a number of times.

I use that as an illustration—and I hope you believe me—not to say what a great fellow I am or to pat myself on the back, but because opportunities are available to every parliamentarian at international meetings, if he will but use the occasions to do these things. This involves a good deal of personal initiative.

I remember too on the occasion when Senator Javits was chairman of the Economic Committee, trying to do as much as I personally could to help him. Senator L. P. Beaubien was there at the time, and we both took some initiative in trying to help him develop a corporation which later became known as ADELA and which acquired a capital of some $25 million to assist developments going on in Latin America.

There was no doubt about the fact that Senator Javits and the other members of that committee appreciated the kind of help given to the chairman on that occasion. But one has to seek out these opportunities. Here again in the Senate there are people who cannot only seek out such opportunities but can take advantage of them.

Senator O'Leary mentioned Lady Elliott in the course of his speech. She was particularly impressed with the work done by the Canadian delegation on that occasion. I do not think there is anybody who can speak English as fast as she can, but she happened to have on her committee Mr. Paul Tardif, Member of Parliament for Russell, who also can speak English pretty fast. When he found that Lady Elliott was getting her words in between his, he very quickly switched into fast French and beat her to it!

However, the idea of good general briefings has got across to the officials in charge of the work of these international meetings and anybody who goes to the meetings now, after the years of experience that some parliamentarians have had, could not complain that there were not opportunities to be properly briefed.

Let me say something about the Commonwealth meeting last year. I happened to be the Chairman of the General Council, not the President of the Canadian Branch at that time. I arranged as a personal initiative first to get a paper for committee work for that conference on what Canada was doing in the field of education in external aid. This was of immense value to the committee considering the problem.

I arranged, and had to pay out a good deal of personal money, to get a professional opinion on changing the rules in the House of Commons. This paper was a contribution of value to the people who participated in that conference.

I had a paper done by officials of the Senate on the workings of the Upper House in Canada, and the debate in the committee on that particular subject was greatly enhanced by reason of the material provided in that paper, and particularly because of the way our retired colleague Senator Hugessen dealt with the material.

I also arranged for a paper to be prepared on the work in the field of external aid by the Canadian Churches in Commonwealth Countries. I was most grateful to Dr. Bennett of the Canadian Branch of the World Council of Churches in Toronto for the invaluable material he sent to me for that purpose, and to Father George of the Canadian Catholic Conference in Ottawa for information as to the work done by missionaries of the Catholic faith.

It may be that other international groups such as the Canada-United States Committee, and the Interparliamentary Union are not as fully briefed as are the others. I would think that in the case of the Interparliamentary Union the briefing is now quite thorough.

In my view Senator O'Leary (Carleton) is perhaps too pessimistic about the value of the Canadian contribution to this work. This is demonstrated by the fact that the first

Canadian President of the Interparliamentary Union was Senator Dessureault from Quebec, who sits here tonight; the first Canadian President of NATO Parliamentarians was Mr. Jean Dubé of the House of Commons, and he is in office now; and I happen to be the second Canadian chosen to be the Chairman of the General Council of the Commonwealth Parliamentary Association, having been preceded in office a number of years ago by Senator Roebuck.

Senator O'Leary also complained that since the Cyprus force was originally established, "we have not heard a blessed word from Senator Connolly about the force in Cyprus." I wish he had been with me last Sunday night when I had the privilege of occupying the pulpit in Glebe United Church to make a speech. If he had been there he would certainly have heard the "blessed word"—but I do not know that he would have described it that way. I am pleased to say that tomorrow afternoon I shall attend a function here in the city in connection with the installation of the new Roman Catholic Archbishop, and I am going to be able to speak aloud in my own church. The only time I have ever spoken aloud in my own church was at my wedding, and that was fine for me but not for my wife.

Senator O'Leary was critical of our role in Cyprus and of our role in NATO. Now I would say to Senator O'Leary if he wants to be critical of these two items that is fine with me; that is his business and he, like any other senator, is entitled to criticize. But I do not think it is necessarily incumbent upon me to make a speech about Cyprus or about NATO on every occasion an incident happens to come up. He encourages me, apparently, to make speeches.

I have had many words of complaint from some of my colleagues that I speak too much in this chamber, and I do not have to look far away to see some of my most cogent critics who now laugh. But the plain fact of the matter is that if Senator O'Leary wishes to criticize, or if any other senator wishes to criticize in this way, there are practical ways of accomplishing results. These were indicated by Senator MacKenzie and Senator Roebuck in the debate the other day. Questions can be asked, and when they are asked I shall do my best to get answers to them. We have too in this house the invaluable device of bringing matters of serious national consequence to the attention of the Senate. Senator O'Leary could inaugurate a debate on this type of topic if he so desired.

There is yet another step available to him: he could have directed his attention to one of his own colleagues, the chairman of the Standing Committee on External Relations. I am not being critical of Senator Thorvaldson when I say this, but the External Relations committee has the capacity to investigate problems of this kind any time it desires. It is a simple matter to raise this with the chairman of that committee. I am sure he would be more than pleased to convene a committee meeting and arrange for the appropriate individuals to attend.

Having read Senator O'Leary's speech, and believing in the old adage that you should not send a boy on a man's errand, I have already taken the initiative and have spoken to the Secretary of State for External Affairs and asked him if he would be willing to come and talk about these matters before the Standing Committee on External Relations. He informed me that he would be more than happy to do so at any time the chairman or Senator O'Leary desired.

Honourable senators, I hope I have not taken too much time on these points but it seemed an appropriate opportunity to deal with some of them in fairness to us all.

Hon. A. J. Brooks: Honourable senators, I did not know we were going to have a debate on this subject tonight, otherwise I would have been better prepared—perhaps that would have been unfortunate in itself!

As I understand the Leader of the Government, he has two complaints. One is that there are not enough members making speeches, either long or short, on the subjects that come before this chamber for consideration.

A number of honourable senators were formerly members of the House of Commons, and they appreciate that there is an incentive to speak in that house which is not apparent in the Senate. I realized that when I was appointed to the Senate. The members of the House of Commons, of course, represent constituents, and when they rise in their place to speak, most of them are speaking not only to the House of Commons but also to their constituents, whether they be in Saskatchewan, New Brunswick or elsewhere. In this chamber we are supposed to give sober second thought to legislation, and I have often thought that there should be more sober second thought given by honourable senators.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Brooks: In an institution such as ours, where we have more than one hundred members, I do not think the debating should be left almost entirely on many occasions to ten or fifteen honourable senators. We have an excellent opportunity to prepare speeches in the Senate. Before receiving bills for consideration here they are debated for sometime at the resolution stage in the House of Commons and the press deals with the principle and the subject matter of each bill. Then after further debate the bill is given second reading, and more often than not it goes to a committee. So, if honourable senators wish to speak on these subjects there is splendid groundwork available upon which they can build their speeches and make comment, give sober second thought, and make changes if necessary.

So much for speeches. I, as Leader of the Opposition in the Senate, together with my colleague, have asked a good many honourable senators time and time again to prepare speeches, but because on occasion even months pass before matters of which we have been notified are brought before the house, these honourable gentlemen are often away when the bill in question is before the Senate. I know that some honourable senators who expect to speak on matters that are coming up in a few days in this chamber are not present tonight. However, we do our best so far as arranging for debate is concerned.

I am sorry that I was not here the other evening when Senator O'Leary (Carleton) delivered a very good speech, but I have read it. He spoke on NATO, and he seemed to know what he was talking about. He was a bit critical about the preparation of the delegations we send to these various conferences. I agree with the honourable Leader of the Government that our delegations—at least, those of which I have been a member—have generally been well prepared. I could make the one criticism, that very often the delegates are chosen three or four weeks or perhaps longer before the conference, and then at the last minute some of them discover that they cannot go and others who have had no opportunity of preparing themselves have to take their place.

Hon. Mr. Connolly (Ottawa West): This is very true.

Hon. Mr. Brooks: I was a member of the delegation to the NATO Conference at Paris this past year. I have not spoken in the Senate on NATO problems as yet, but I am going to speak on them when the matter of defence comes up. As anyone who has followed the situation in NATO over the past two years knows, it changes almost from month to month and even from day to day. A speech one would make on NATO today might not be appropriate in two or three weeks' time.

However, NATO is there, and it will need to be there for as long as Europe is divided into East and West, and for as long as Berlin is divided. There is no question about that. NATO is not obsolete. NATO will be needed just as long as Russia keeps 124 or 125 divisions—a tremendous army that she is showing no signs of reducing—in eastern Europe. NATO surely will not be in a position to reduce its forces while Russia keeps such a large force there. China and Russia are having their differences now, but they may resolve them in a few years.

I must not get into my speech on defence at this time, but what I want to say is that NATO is not obsolete, and the people of this country and of the western nations must not think so.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Brooks: I was a member of the delegation to the United Nations on several occasions, and I want to say that our External Affairs people, whether it be in connection with the United Nations, NATO, or any other organization, brief our delegates very well.

Cyprus was mentioned in the speeches made the other day on NATO. I would point out that Cyprus has nothing to do with NATO; the Gaza Strip has nothing to do with NATO; Malta has nothing to do with NATO; and the Congo has nothing to do with NATO. These are matters entirely outside its jurisdiction.

Hon. Mr. Connolly (Ottawa West): They are peacekeeping operations.

Hon. Mr. Brooks: Yes, but they are under the United Nations.

Hon. Mr. Connolly (Ottawa West): They are peacekeeping operations.

Hon. Mr. Brooks: But they are not under NATO.

Hon. Mr. Connolly (Ottawa West): Yes, that is right. They are under the United Nations.

Hon. Mr. Brooks: So, the speeches made the other afternoon had almost nothing to do with

NATO at all, except the remarks of Senator O'Leary (Carleton).

As I was going to say, I went with Senator Dessureault to Belgrade one year. Senator Dessureault, the head of the Interparliamentary Union, and our officials in Belgrade had meetings every morning and we were thoroughly briefed.

I was at the United Nations in 1955 when the present Prime Minister, the Right Honourable Lester B. Pearson, was the Minister of External Affairs. Every morning for an hour, before we went over to the United Nations building to discuss the different problems, we had a good briefing. If it was a military matter that was being discussed, men like General Burns spoke to us. We also had meetings with Mr. Ritchie, who was our ambassador to the United Nations. There were others as well, and they were all completely competent. These men always gave us briefings. I learned this lesson well when I headed the Canadian delegation to the United Nations in 1962.

The delegation to the last NATO conference was an excellent one. I want to pay a tribute to Mr. Ryan, who was the head of that delegation, for the good work he did. We were briefed before we left Canada, and we were briefed in Paris.

I am not one of those who believe that when a delegation is sent to the United Nations, or to any other international conference, it must be composed always of old members. I think these delegations should be composed half of new members and half of older members. How are the new members going to learn if they are not offered the opportunity to attend these meetings? In my opinion, a well balanced delegation to the United Nations, NATO, or anywhere else, is one that has among its members experienced men who have attended before, and also bright, new men who are willing to take their part.

Honourable senators, I have nothing more to say. I feel that the officials of our Department of External Affairs do an excellent job, and they are the people who are responsible for the briefing of our delegations.

The Hon. the Speaker: Honourable senators, before any other member speaks may I observe that the discussion participated in so far by the honourable Leader of the Government and the honourable Leader of the Opposition has been based upon a question of privilege, and I would remind the House that the subject matter of the discussion is still on the Order Paper. The debate in which the honourable Senator O'Leary (Carleton) spoke was adjourned and its continuation is on the Order Paper for this evening. There will be an opportunity for further debate on the subject.

Hon. Norman A. MacKenzie: Honourable senators, I do not wish to make a speech, but merely to make one comment further to what I said the other day.

I think Senator O'Leary (Carleton) was unduly modest in his opinion of the representatives that Canada sends to conferences abroad. I have attended a great many of these conferences, beginning back in 1924 with the League of Nations when Senator Dandurand, Honourable E. M. MacDonald and Dr. Skelton were the delegates. At all of these conferences, almost without exception, I have been proud of the quality, character, ability and intelligence of the Canadian delegates who attended. They may not have made as many speeches, and they may not have talked for as long as some of those to whom Senator O'Leary referred, but there are reasons for this. The main one is to be found in the very nature of Canada itself in relation to the importance of the issues involved as compared with countries such as the United States, the U.S.S.R., Britain or France.

Hon. Allister Grosart: Honourable senators, I rise on a point of privilege. I regard it as a point of privilege because the remarks that have been made refer to some extent to all of us who have at any time represented this chamber at an international conference. I say that in order to bring my remarks within the limits imposed by His Honour the Speaker.

I am sure Senator O'Leary (Carleton) would be quite capable of replying to the comments on his speech by the honourable Leader of the Government, if he felt that any reply was required. However, I did notice that the honourable Leader of the Government suggested that Senator O'Leary (Carleton) should have raised the points that he did raise by some other method of procedure, such as by question, inquiry, or reference to a committee. I point out that Senator O'Leary made his remarks in what surely is the most normal and appropriate way, and on an occasion on which it was opportune to make them, namely, when he was resuming a debate which was adjourned on his motion, the subject of which was exactly the subject of his remarks—a NATO conference, and the attendance at it of Canadian representatives.

Hon. J. Campbell Haig: Honourable senators, I should like to congratulate the honourable Leader of the Government in the Senate upon his recovery from an attack of influenza. The rest seems to have done him a great deal of good because he rose promptly on a question of privilege immediately we began this sitting. This is a matter that he could very easily have brought up other than on a question of privilege.

I should just like to say that some of us who have served as delegates at these international gatherings have certain reservations about what the leader has said.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Otto had been substituted for that of Mr. Andras on the Special Joint Committee on Consumer Credit and Cost of Living; and that the name of Mr. McQuaid had been substituted for that of Mr. Woolliams on the Special Joint Committee respecting Mr. Justice Landreville.

PUBLIC SERVICE STAFF RELATIONS BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-170, respecting employer and employee relations in the Public Service of Canada.

Bill read first time.

SECOND READING—DEBATE ADJOURNED

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Maurice Bourget, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, the bill now under consideration is, in my opinion, very complex. You will realize that in a few moments when I try to explain some of the 116 sections it includes. You will easily understand that I do not intend tonight to explain the bill clause by clause. I will therefore give only a general summary of it and I will point out the most important items so that the members of this house who did not have the opportunity to attend the sittings of the committee or were not members of it will be able to understand at least the general scope of it.

But before getting to the heart of the matter, I am pleased to mention here the active part taken by the members of the Senate who sat on the joint committee and to mention also how faithfully they attended the many sittings of that committee.

It might be interesting to point out here with regard to Bill C-170 now under consideration that the committee had to hold 33 sittings which lasted an average of two and a half hours each.

Hon. Mr. MacDonald (Brantford): You were the joint chairman, I understand?

Hon. Mr. Bourget: I am only speaking of those who were members of the Senate, excluding the co-chairman, who was also a senator.

[*Translation*]

Last week, when the bill was being discussed in the other place, I had the opportunity to hear some speeches delivered by members of all political parties. I am aware of the fact—as you yourselves undoubtedly are—that we are not supposed to read in this house speeches delivered by honourable members of the other house, but there is nothing to prevent us from going there once in a while to listen to their speeches. I found out—as you yourselves probably did—that it is more interesting to hear the honourable members deliver their speeches than it is to read them later in *Hansard.*

In any case, I spent several hours there in order to see how the bill was being discussed by our colleagues in the other place. I must say that all without exception—and as I said, speeches were made by members of various political allegiance—expressed their satisfaction of the work performed by the committee. It was also emphasized that the discussions during those meetings remained free from any political partisanship and that the sole purpose of committee members was to bring the best piece of legislation possible before both houses of Parliament.

It might be interesting to point out that even though there was not full agreement on the 116 clauses of the bill, there was nevertheless sufficient agreement for the report submitted by that joint committee to be concurred in unanimously.

I would be remiss if I failed to mention the valuable assistance we were given during this study, by the officers of the Treasury

Board as well as by the three Public Service commissioners. I believe that once again, the honourable senator members of the committee will second me when I say that these officers, those of the Treasury Board as well as those of the Civil Service Commission, have shown their high qualifications in helping us to understand better and to grasp more thoroughly the complex problems involved in this legislation.

I must not forget, either, to give particular thanks to the clerk of our committee for his unfailing devotion.

[*Text*]

Members of this chamber are aware that the provisions of Bill C-170, an act respecting employer and employee relations in the Public Service of Canada, has been the subject of careful and exhaustive examination by a Special Joint Committee of the Senate and the House of Commons. In large part, the provisions of the bill follow the recommendations of the preparatory committee on collective bargaining in the Public Service which was established by the Government in the summer of 1963.

As honourable members may recall, this committee of senior government officials under the chairmanship of Mr. A. D. P. Heeney, was asked by the Government to make preparations for the introduction into the Public Service of an appropriate form of collective bargaining and arbitration. Its report and recommendations, prepared after months of intensive research and extensive consultation with employee organizations and with a number of highly qualified labour-relations specialists, was presented to the Government in the summer of 1965. The legislation was introduced in the Commons in the spring of 1966, and following second reading was referred for detailed study to the special joint committee to which I have made reference.

As a joint chairman of this commitee, I would like to assure honourable members that this study, which was a very thorough one indeed, was conducted throughout in the same non-partisan atmosphere which has always characterized parliamentary consideration of legislative measures relating to the internal administration of the Public Service. The deliberations of the committee have resulted in acceptance by the Government of a number of significant improvements in this legislation.

Honourable senators, this is surely an indication of the value of the work done by the committee. I am sure that all honourable members will agree that the committee is to be commended for a job well done.

Hon. Mr. Connolly (Ottawa West): And its chairman.

Hon. Mr. Bourget: Well, I bow to the honourable leader.

Passage of this legislation will provide employees of the Government of Canada with collective bargaining rights comparable with those accorded employees in the private sector, rights which have been sought by our public servants for the past several years. It is a source of much satisfaction to me, as I am sure it is to all members of this chamber, that these important rights are now to be made available to employees of the Public Service.

Members of the Senate will be familiar with the broad legislative framework within which these rights are to be exercised. In essence, the legislation is rooted in the principles governing collective bargaining legislation in the private sector.

A Public Service Staff Relations Board, the counterpart of the familiar Labour Relations Board under other labour relations statutes, will be responsible for administering the legislation. The board will consist of an independent chairman, vice-chairman, and from four to eight other members, appointed by the Governor in Council as being representative in equal numbers of the interests of the employer and employees respectively.

Its responsibilities will include the determination of bargaining units, the certification of bargaining agents, and the investigation of complaints alleging violation of the statute by either the employer or employees' organizations.

In addition, the board will be responsible for providing administrative support to the other third party functions envisaged by the bill, relating to dispute settlement and grievance adjudication.

The responsibilities of the chairman will extend beyond those normally assigned to chairmen of labour relations boards in other jurisdictions, embracing functions which, under the Industrial Relations and Disputes Investigation Act, for example, are vested in the Minister of Labour. I refer in particular to the responsibilities assigned to the chairman for the administration of the dispute settlement provisions of the bill.

I have said, honourable senators, that the bill is rooted in the principles of collective

bargaining legislation applying to the private sector. Having said this, I would point out, however, that there are a number of significant differences between this legislation and that governing collective bargaining in the private sector. This will come as no surprise to members of this chamber, all of whom are familiar with the special characteristics of a national public service.

One important difference relates to dispute settlement. In most jurisdictions in Canada, conciliation is the standard process for the resolution of disputes arising out of negotiation of collective agreements. Unlike most labour relations statutes, Bill C-170 provides employees with a choice of two dispute settlement processes. Disputed matters may be referred to the Public Service Arbitration Tribunal for binding arbitration as contemplated by the bill, or they may be referred to the more familiar *ad hoc* conciliation board process for report and recommendations.

The bill provides that, before notice to bargain may be given, the bargaining agent will be required to specify the dispute settlement process that is to be applicable to the bargaining unit in respect of which it has been certified. The process so certified would remain binding on employees in the bargaining unit during the ensuing negotiations, and the process would continue in effect until changed in accordance with the provisions of the bill.

Employees in bargaining units subscribing to the arbitration route—I think this is the most important part of the bill because it gives members of the Senate an idea of how this most important clause will work. As I said before, even if I wished to explain all the clauses, I would not be in a position to do so because I do not have the know-how to explain the effect of all the clauses. However, this is the part of the bill that appealed to me, and I suppose it is the same with members who sat on our committee—this is one of the most important parts of it.

Employees in bargaining units subscribing to the arbitration route would be prohibited from striking in all circumstances. Employees in bargaining units that have opted for conciliation, on the other hand, would be free to strike seven days after a conciliation board had presented its report to the Chairman of the Public Service Staff Relations Board.

The right to strike—here again is a very important aspect—would not apply to employees in the bargaining unit performing duties necessary in the interests of the safety and the security of the public. In this regard, the bill provides that no conciliation board may be established and no strike may occur until the employer and the bargaining agent have agreed upon, or the Public Service Staff Relations Board has determined, the employees in the bargaining unit whose duties relate to the safety and security of the public.

Honourable members will recognize that these provisions of the bill are designed to achieve a reasonable balance between the right of the employees on the one hand to withdraw their service in a labour dispute and, on the other hand, the need to ensure the continuation without disruption of those services which impinge so directly on public safety and security.

There are other differences to which I should like to make a brief reference. The bill places certain restrictions upon the matter of collective agreements. Unlike employees in the private sectors, a number of important terms and conditions of employment applying to employees in the public service have been the subject of special parliamentary enactment, that is to say, the Public Service Superannuation Act and the Civil Service Act, which, with the enactment of a bill—that will be another bill, C-181—will be replaced by the Public Service Employment Act.

The terms and conditions with which these statutes are concerned have broader application than to the employees contained in a particular bargaining unit, applying as they do to employees throughout the public service. In addition, the capacity of the Government as employer to implement an obligation arising out of a collective agreement dealing with any such term on condition of employment is circumscribed by Parliament.

For these reasons, the Government has concluded that these restrictions on the subject matter of collective agreements were fully justified—as a matter of fact, a conclusion with which the joint committee has agreed.

Similar restrictions will also apply to arbitral awards and conciliation board reports.

While on the subject, I should point out that these provisions of the bill ensure that the "merit system of appointment"—which honourable Senator Choquette will know of, as he is from Ottawa and has heard a great deal about it—which has been one of the great traditions of the Canadian Civil Service, will not be subjected to the stresses and strains of the bargaining table.

Another noteworthy difference relates to employee grievances. Under the provisions of the bill the employer will be required to es-

tablish processes throughout the Public Service for the resolution of employee grievances. Provision has also been made in the legislation for the adjudication of certain kinds of grievances by adjudicators appointed by the Governor in Council.

Grievances that may be referred to third party adjudication include those arising out of the interpretation or application of a collective agreement or arbitral award, together with those relating to disciplinary action resulting in discharge, suspension or financial penalty.

Most labour relations statutes in other jurisdictions, while providing that grievances arising out of the interpretation or application of a collective agreement are to be resolved by binding arbitration, leave the establishment of grievance procedures to the initiative of the parties and the bargaining process. A statutory provision in this legislation requiring the employer to establish grievance processes was considered necessary in recognition of the fact that it might be some time before all employees in the system were represented by bargaining agents and covered by collective agreements.

Before concluding my remarks I would like to draw the attention of members to those provisions of the bill concerned with the commencement of collective bargaining. The provisions of the original bill in this regard were examined very carefully by the joint committee with the result that the relevant clause 26 has been substantially revised.

Clause 26 is designed to permit collective bargaining to be implemented in an orderly manner. This objective is to be accomplished in two ways: One, by provisions requiring that during a transitional period and subject to a discretionary power in the Public Service Relations Board, to be used in prescribed circumstances, bargaining units for all portions of the Public Service other than the separate employers listed in the bill are to be based on the occupational group concept; and, two, by provisions permitting the carryover of the existing cyclical pay review process into the transitional period.

I quite agree that many of the members of the Senate cannot readily understand clause 26, and that is the reason I would suggest that those who are interested in seeing what the clause really means read what the witnesses, the experts, or the members of the treasury Board have said in that respect.

Under its provisions, employees would become eligible for collective bargaining within the sixty-day period after the coming into force of the Act; that is, within this period, organizations representing employees in the several occupational categories specified in the bill could make application for certification as bargaining agents. The dates after which collective agreements could be entered into, or arbitral awards rendered, with respect to employees in each category, are identified in Schedule B of the bill. These dates are as follows: March 31, 1967 for employees in the operational category; December 31, 1967 for employees in the professional, scientific and technical categories; and March 31, 1968 for employees in administrative support and administrative and foreign service categories.

I should also explain that under the existing pay review program, the pay review date for each category occurs six months earlier than the dates to which I have just referred. This six-month difference between pay review date and the date after which a collective agreement may be entered into will permit the parties to utilize pay data supplied by the Pay Research Bureau and pertaining to the pay review date in negotiating the first agreements. I should add that the Government has indicated a willingness to consider retroactivity to the pay review date with respect to rates of pay negotiated in the first agreements.

In my view, honourable senators, this is good legislation. It is my hope, as I am sure it is the hope of all honourable members, that its enactment will assist materially in developing a mature employer-employee relationship in the Public Service of Canada. I am aware, of course, that a sound legislative framework will not of itself ensure the emergence of this kind of relationship. Much will depend on the attitudes of the respective parties themselves. The legislation will be successful to the extent that the employer, bargaining agents and the employees they represent, are prepared to meet the challenges of collective bargaining in a mature and responsible manner. Goodwill and a spirit of "give and take" will be required on both sides of the bargaining table. I wish them well.

[*Translation*]

These are some remarks which I wanted to make concerning the bill. I hope honourable senators now have a better idea of its significance. This measure is undoubtedly not perfect, but I think it will be recognized, as it has been unanimously in the other place, that

this legislation will appreciably improve the relationship existing between the employer, which is the government, and the civil servants. We will be able to observe the application of this legislation in the following years and, with the experience we shall have gained, bring in the necessary amendments.

In closing I should like to quote some words concerning the bill now before us spoken by the Prime Minister of Canada during an address to the founding convention of the Public Service Alliance of Canada. I quote:

> An efficient collective bargaining scheme between the government and its employees cannot be created by an act of parliament or the governor general's signature. This objective can only be achieved through the efforts of a great number of people working in good faith in order to serve the interests of management and employees, at all levels of the public service. Obviously, problems will only be solved by dint of hard work and with great patience. We must not count on miracles.

[*Text*]

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Choquette: Before adjourning the debate I would like to ask a question. This bill was given extensive study by a joint committee and it was studied clause by clause, and therefore I do not think it is necessary to send it to a committee of the Senate. Is it the intention of the sponsor to do so?

Hon. Mr. Bourget: If the honourable senator thinks it is not necessary, I would agree. As I said before, it took only about six or seven hours to pass these three bills, C-170, C-181, having to do with the civil service, and C-182, having to do with the Financial Administration Act. Because of the time spent, I do not think it will be necessary to send it to a Senate committee. It is quite clear that even if it is not perfect, the report of our joint committee has been unanimously accepted.

Hon. Mr. Choquette: I may not even wish to speak after this thorough explanation, but I will adjourn the debate.

On motion of Hon. Mr. Choquette, debate adjourned.

PUBLIC SERVICE EMPLOYMENT BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-181, respecting employment in the Public Service of Canada.

Bill read first time.

SECOND READING—DEBATE ADJOURNED

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Norman A. MacKenzie, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, I am pleased to have the opportunity of introducing Bill C-181 intituled "An Act respecting employment in the Public Service of Canada." This bill was given first reading in the House of Commons on May 12 last. In the interval it was given second reading and referred to a joint committee of the Senate and the House of Commons. In due course it received third reading in the other place.

The joint committee met whenever possible during the autumn and winter months and gave careful and detailed study to the bill and to every section in it, as well as to various briefs presented to the committee and the witnesses who appeared before it.

I would like to pay tribute to the members of this committee who, in my opinion, were unusually well qualified for the task assigned to them; and I would pay special tribute to my colleagues of the Senate, among them Senator Bourget, who acted as Joint Chairman and did an admirable job, Senator Cameron, Senator Deschatelets, Senator Denis and Senator Fergusson.

Perhaps I can do no better than to read you some paragraphs from the statement made to the committee by the Chairman of the Civil Service Commission, Mr. John Carson. With leave of the Senate, I would include certain relevant portions of that statement in the record. Mr. Carson said:

> The first major objective that will be served by the proposed Public Service Employment Act is the re-affirmation of the merit principle as embodied in previous legislation and the extension of its application to certain groups of employees that are now exempt from the provisions of the present Civil Service Act... It provides the necessary statutory

> framework and inspiration for the development and maintenance through changing circumstances of an effective and efficient staffing agency... the legislation has to take into account a new dimension—the proposed system of collective bargaining for public servants.

That was dealt with in Bill C-170.

> It is expected that organized employees will negotiate with their employer to arrive at mutually satisfactory conditions of employment and pay. This is a situation that precludes the participation of a third body independent of the organized employees and of the employer... Bill C-181 accommodates the requirements of collective bargaining in that it relieves the Commission of its traditional responsibility for recommending rates of pay and certain conditions of employment. Furthermore, Bill C-181 removes matters of discipline from the jurisdiction of the Commission .
>
> Bill C-181 makes possible the extension of the Commission's jurisdiction to groups of employees that are now exempt from the provisions of the Civil Service Act...
>
> Under the proposed Public Service Employment Act, all departments and agencies will enjoy certain freedom of action in staffing matters with a view to facilitating efficient and effective operations in an age characterized by rapid change. Yet at the same time a greater number of employees will benefit from the basic guarantees of fair-play and equity inherent in the bill.
>
> Specifically, Bill C-181 allows the Commission to delegate any of its powers, functions and duties, except the hearing of appeals.

There was considerable discussion in the committee on this question of the hearing of appeals, and an amendment was introduced because it was felt that it would not be proper for the same body that was responsible for making appointments to sit in judgment on the justice and the propriety of these appointments. Therefore special arrangemnets were made in the amendment to deal with this situation.

> It is the intention that deputy heads and their officers should have delegated authority for making appointments to and within the public service.

This provision will have a marked effect in that it will greatly reduce the time involved in making appointments particularly at the regional and local levels.

The legislation will explicitly require the commission to report annually to Parliament on the discharge of its responsibilities, and particularly in this area of appeals where there is any dissatisfaction with the actions or decisions of the commission. Under this legislation all matters having significant financial implications will be transferred to the Treasury Board.

Now, honourable senators, turning to the specific clauses of the bill which occasioned most of the debate and discussion at the joint committee, I would refer you to clause 6 which deals with the delegation of authority, clauses 8 and 9 which deal with authority to appoint, and clause 12 (2) which prescribes selection standards and ensures that there shall be no discrimination on the basis of sex. This resulted in an lively discussion in the committee in which Senator Fergusson was particularly interested, and she made a valuable contribution to ensure that her sex would not be overlooked.

Hon. Mr. Connolly (Ottawa West): Nobody can overlook that sex.

Hon. Mr. MacKenzie: Clause 16 (2) deals with the use of both the English and French languages and, for that matter, other languages that may be necessary for the purposes of the appointment. It explicitly states that the candidate may request that he be examined either in English or in French or in both, or if the appointment has a concern for another language, in that language too. Clause 21 provides for appeals and for the nature and composition of the appeal board. Clauses 26 and 27 deal with resignations and with the abandonment of employment. Clause 28 deals with probation.

Clause 31 deals with incompetency and incapacity, and clause 32 has to do with political partisanship. This was one of the most difficult matters we had to deal with, and I think it would be in order if I were to read that clause in detail. As amended, it reads as follows:

> (1) No deputy head and, except as authorized under this section, no employee, shall
>
> (a) engage in work for, on behalf of or against a candidate for election as a member of the House of Commons, a member of the legislature of a province

or a member of the Council of the Yukon Territory or the Northwest Territories, or engage in work for, on behalf of or against a political party; or

(b) be a candidate for election as a member described in paragraph (a).

(2) A person does not contravene subsection (1) by reason only of his attending a political meeting or contributing money for the funds of a candidate for election as a member described in paragraph (a) of subsection (1) or money for the funds of a political party.

(3) Notwithstanding any other Act, upon application made to the Commission by an employee the Commission may, if it is of the opinion that the usefulness to the Public Service of the employee in the position he then occupies would not be impaired by reason of his having been a candidate for election as a member described in paragraph (a) of subsection (1), grant to the employee leave of absence without pay to seek nomination as a candidate and to be a candidate for election as such a member, for a period ending on the day on which the results of the election are officially declared or on such earlier day as may be requested by the employee if he has ceased to be a candidate.

(4) Forthwith upon granting any leave of absence under subsection (3), the Commission shall cause notice of its action to be published in the *Canada Gazette*.

(5) An employee who is declared elected as a member described in paragraph (a) of subsection (1) thereupon ceases to be an employee.

(6) Where any allegation is made to the Commission by a person who is or has been a candidate for election as a member described in paragraph (a) of subsection (1), that a deputy head or employee has contravened subsection (1), the allegation shall be referred to a board established by the Commission to conduct an inquiry at which the person making the allegation and the deputy head or employee concerned, or their representatives, are given an opportunity of being heard, and upon being notified of the board's decision on the inquiry the Commission,

(a) in the case of a deputy head, shall report the decision to the Governor in Council who may, if the board has decided that the deputy head has contravened subsection (1), dismiss him; and

(b) in the case of an employee, may, if the board has decided that the employee has contravened subsection (1), dismiss the employee.

(7) In the application of subsection (6) to any person, the expression "deputy head" does not include a person for whose removal from office, otherwise than by the termination of his appointment at pleasure, express provision is made by this or any other Act.

Hon. Mr. Aseltine: Is that a new section, or was it in the old act that is now being repealed?

Hon. Mr. MacKenzie: It was not in the original legislation—that is, the old act. This is a new section and new legislation.

As I stated earlier, there is provision in section 45 for a report to Parliament. With respect to the question raised by the honourable Senator Aseltine, I think it would be in order to point out that the concensus of the joint committee was:

> ...that the whole question of political participation by public servants should be reviewed after the next general election in the light of experience and knowledge gained to that time. Interested groups might then wish to make more specific representations for the consideration of Parliament.

Honourable senators, as was pointed out to you by my colleague (Hon. Mr. Bourget) who introduced and moved second reading of Bill C-170, a great deal of time, thought and work went into the study of these bills. Many amendments were proposed and accepted. Other than those I have mentioned, most of these were concerned, not with the content but with the wording of the bill, with a view to improving it and making it better legislation.

Again, I say of this bill—as was said of the other bill—that there was in due course unanimous agreement on the bill as amended and the report to the House of Commons and to the Senate. So, honourable senators, I commend the second reading of Bill C-181 to your favourable consideration.

Hon. Mr. Pearson: Would the honourable senator permit a question? Under section 32 of the new legislation, do I understand that any member of the Civil Service can join a union—that is, the C.L.C., or the Teamsters'

Union—or a half a dozen, a dozen or even a hundred, and run for Parliament while belonging to a union or organization outside the Civil Service?

Hon. Mr. MacKenzie: Section 32 makes it possible for any member of the Civil Service, other than those exempted, to participate in political activity. It specifies what that participation means, and it does include the right to stand for election and, if elected, naturally, to become a member of the appropriate legislature for which that person has been elected. There were no qualifications in this section on the point you raise as to membership in bodies that are outside the scope or competence of the Public Service Commission, or of the legislation in question.

On motion of Hon. Mr. Grosart, debate adjourned.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-182, to amend the Financial Administration Act.

Bill read first time.

Hon. John J. Connolly, with leave, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report of the Auditor General to the House of Commons for the fiscal year ended March 31, 1966, pursuant to section 70(2) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the Committee's reports Nos. 1099 to 1146 inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

PRIVATE BILL

BAPTIST GENERAL CONFERENCE OF CANADA —BILL WITHDRAWN AND FEES REFUNDED

Hon. J. Campbell Haig, with leave of the Senate, moved:

That the Order of the Senate of 7th July, 1966, referring the Bill S-43, intituled: "An Act to Incorporate Baptist General Conference of Canada", to the Standing Committee on Miscellaneous Private Bills, be discharged and the bill be withdrawn; and

That the Parliamentary fees paid upon the bill be refunded to the petitioners.

Hon. Mr. Roebuck: Explain.

Hon. Mr. Haig: Honourable senators, this bill, to incorporate a religious body, is now not necessary because an amendment to the Canada Corporations Act provides that a group of not less than three persons may apply to the Registrar General to be incorporated by Letters Patent, and thereby receive the same powers they would have if incorporated by a special act. This is a cheaper method of doing what these petitioners wish to do. The organization is not wealthy, and the petitioners now intend to apply to the Registrar General for incorporation by Letters Patent.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, February 22, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

PUBLIC SERVICE STAFF RELATIONS BILL

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Bourget, for the second reading of Bill C-170, respecting employer and employee relations in the Public Service of Canada.

Hon. Lionel Choquette: Honourable senators, in the first place I would like to congratulate Senator Bourget on his very clear and comprehensive analysis of Bill C-170, an act respecting employer and employee relations in the Public Service of Canada.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Choquette: Senator Bourget was a dedicated co-chairman of the special joint committee of both houses which examined the bill. His co-chairman was Jean-T. Richard, M.P., an old friend of long standing. That committee, of which I had the honour to be a member, was assiduous and thorough-going. It held 48 meetings and heard the evidence of 47 witnesses who presented extensive briefs.

Honourable senators, that this bill is before us at all is due in large part to the work of the joint committee. Many amendments were made, to the manifest improvement of the bill. As honourable senators are aware, the committee's report covers more than 20 pages in the *Votes and Proceedings* of the House of Commons for Friday, February 3, 1967.

In passing, may I observe that there has been a recent parliamentary development which I consider to be in the best interests of the Senate, of Parliament and of Canada as a whole. I refer to the extensive use now being made, in almost every matter of national concern, of joint committees of both houses. Each set of members, that is the senators and the commoners, brings to bear upon the subjects under discussion a somewhat different set of values. As senators, it is not needful for us to have an eye on the next election—although some of us retain a certain academic interest in such affairs—and are thus enabled to take a view which might not completely coincide with that of those whose destiny it is to account periodically to the electorate.

I tried to list these joint committees, but I lost track. Suffice it to say that they include such matters as immigration, divorce, consumer credit, the hearing of the case of Mr. Justice Landreville, and many others.

For my own part I do not propose to vote against the second reading of the bill in this chamber. In so stating, however, I must confess that I retain certain misgivings concerning at least one aspect of the bill, namely, the provisions relating to the right to strike. This right is not one which has been formally accorded to public servants, except in very few countries, not including either the United Kingdom or the United States.

I seriously question the advisability of Canada's taking the lead in the Anglo-Saxon world by endorsing by formal enactment a right to strike within the public sector, in effect against the Government, despite all efforts to exclude designated employees. Rather, it seems to me, that the tradition which has governed since Confederation in the public sector should be extended to the parties of the so-called private sector, when the national economy and interest become involved, and this without the sporadic intervention of isolated Acts of Parliament designed to close the barn door after the horse has been stolen.

I suspect that the alleged demand for the right to strike is either completely illusory or of very recent vintage indeed. I have here the view submitted to the Special Committee of the House of Commons by the Civil Service Association of Canada in April 1961. On page 21 of that brief the following appears, and I quote:

> We strongly emphasize that the strike is not now, nor ever has been an issue. Government employees, with some very minor exceptions, do not wish to strike. Rather we prefer impartial arbitration as a method of resolving differences.

I do not wish to ignore what may have transpired in the last five or six years, but I do issue the warning that organized government may be sowing the seeds of its own obstruction, if not destruction. The picture of a small group of "designated employees"—and that is underlined—running around like roosters with their heads cut off trying to administer the Government of a country which, according to the Secretary of State for External Affairs, may be the third or fourth most powerful nation in the world within 25

years, is a sorry spectacle indeed. A general without an army cannot win a war; a designated employee with no staff cannot administer the Government.

In what I have said, honourable senators, I am being in no way critical of what has been described as the finest civil service in the world. Quite the contrary, I would like to see it there continuing to work for the betterment of Canada and not out on strike.

It has been wisely said that the genius of the British Constitution is to be found in the fact that continuity of government at all times is thereby guaranteed. For an Act of Parliament to contemplate a situation in which 80 or 90 per cent of the civil establishment would refuse to carry out their administrative responsibilities is, to my mind at least, ridiculous. It is all very well to say that the public and private sectors should be treated equally; it is also easy to say that a dedicated servant will never strike. Much the same has been said in the past about dedicated school teachers. What needs to be said is that if the strike is to assail the foundations of effective government itself, a halt should be called. My understanding is that the right to strike is to be denied not only to designated employees but to the armed forces and, I believe, to the R.C.M.P., but if the entire Treasury Department were out on strike these people would be on short rations indeed.

Honourable senators, strikes are not free of consequences. If you will bear with me I would like to quote a few paragraphs from what I consider a very important editorial which explains this question probably better than I could do. I read from the *Globe and Mail* of Friday, April 29, 1966 as follows:

> Revenue Minister E. J. Benson has indicated that the strike weapon will be granted to the vast majority of civil servants. Only those whose duties are necessary for the safety and security of the public will be denied strike action, and the Government's definition of safety and security will be so narrow as to make these few in number. It would not, for example, prohibit a strike by postal workers.
>
> Mr. Benson added that if a work stoppage continued so long as to create chaos in the country Parliament could order a return to work. But this power Parliament already has, and it is a power that should remain extraordinary in use. If Parliament became a regular part of the machinery of negotiation, it could expect to be frequently in use, for many unions feel that to fail to use all available bargaining tools is to run the risk of getting less than the maximum possible for their members. We could be courting recurring chaos and the degeneration of Parliament into a sort of permanent conciliation board.

If you will bear with me I will quote further.

> One need only review last summer's postal strike to see the problem. The strike chiefly involved workers in Montreal, Toronto and Vancouver—it was nowhere nearly total. And in Montreal, where it lasted longest, it ended in 17 days. Yet in that time the Montreal public moved from sympathy to antagonism for the postal workers, to the point where it was sending delegations to Ottawa demanding that the strike be ended.
>
> The strike hurt Montrealers. Old-age pensioners had to go to special centres to pick up their cheques, and to get there some had to spend money they couldn't afford, others collapsed while they waited in line, others were too infirm to make the trip and simply had to do without, as did many private pensioners.
>
> Businesses lost millions of dollars. Some almost ceased to operate as orders were cut off; others were pressed close to bankruptcy as payments ceased and they were without working capital.

The editorial continues in the same vein, and I will spare you from further reference to it. That gives a true picture of what may happen when we give the people the right they had not asked for until at least 1961.

As recently as last evening, the Ottawa *Journal*, the Government Leader's favourite newspaper—

Hon. Mr. Connolly (Ottawa West): Except at election time!

Hon. Mr. Choquette: Yes, except at election time—contained an interesting editorial on the very point I am dealing with now. One short paragraph states:

> But whatever may be the theory of equal strike rights for civil servants, the fact is that they are regarded as having responsibilities apart from those of the ordinary worker.

A little later it states:

> We share the concern of some Opposition members who now are wondering

whether any employees should be granted the right to strike. The federal employees are being offered rights to negotiate as unions and should also be granted assurances of fair arbitration with arbitrators of the calibre of Supreme Court judges.

The Civil Service should never divorce itself from reality in demanding rights equal to those of persons working for private enterprise. A civil servant enjoys certain serenities and working conditions known by relatively few outside government service. Among other things they have reason to believe that their employers are not suddenly going to go out of business.

Here is a little hint for this chamber:

Perhaps the Senate will take a closer look at this bill?

Having said that, and having meant what I said, I must add that the bill, taken as a whole, should inure to the benefit of the public service and to that of Canada as a whole. One must appreciate that most legislative measures these days are experimental in character. They are, if I may say so, as much "acts of faith" as they are Acts of Parliament. We are told constantly, even when we doubt the validity of some pieces of legislation, that experience will show what has gone wrong and what needs to be repaired. Fortunately, in Parliament we are often able to repair our mistakes and to take a new approach to the future.

I for one am no preacher of doom and gloom. Nor am I one who takes any great measure of satisfaction in being able to say, "I told you so!" That sort of exercise is for children. We should, therefore, hope that this piece of legislation will serve to the advantage of public servants, without prejudice to the state, and I for one, for all my misgivings, am prepared to give it that opportunity.

Hon. Jean-Paul Deschatelets: Honourable senators, we are all indebted to the sponsor, the honourable Senator Maurice Bourget, and to the honourable Senator Choquette for their excellent speeches on Bill C-170.

Since Senator Choquette has expressed some misgivings about the specific point as to the right to strike within the public service, I would like to speak very briefly at this time from some notes I have in favour of this specific aspect of the legislation.

A large number of Canadians inside and outside the public service feel strongly that the right to strike is a fundamental right. To these people a strike prohibition is repugnant, and can only be justified where at least a case can be made in the public interest. A strike prohibition in the legislation, therefore, would deny a right that has been granted to employees generally in the private sector. Services provided by many public servants, though important, cannot be construed as essential, and certainly no more essential than services rendered by many employees in the private sector.

Honourable Senator Choquette referred to the postal strike of 1965. I should like to say that it clearly indicates that employees will strike even though a clear legal right to strike does not exist. Having these considerations in mind, the Government concluded that it would be unrealistic in this legislation to deny the right to strike in all circumstances.

The legislation adequately protects the public interest by certain provisions which, (a) permit disputes to be resolved by binding arbitration; (b) deny the right to strike in all circumstances to employees in the public service who are performing duties necessary in the interests of the safety and security of the public; and (c) grant the right to strike only where a conciliation board has been established and seven days have elapsed from the receipt by the chairman of the Public Service Staff Relations Board of the report and recommendations of the conciliation board.

I should like also to emphasize the fact that the public interest in this matter is further protected by the capacity of Parliament to act where the rights granted by this legislation are being used in gross disregard for the well-being of the community.

The provisions of the bill relating to strike were adopted, as all of us know, after very careful consideration. They have received the support of the special joint committee of both houses, and they are therefore in this bill. The purpose of my remarks at this time is to point out that there are some safeguards and some flexibility in this measure.

Honourable senators, these are the points that I thought advisable to put on the record at this time.

Hon. Arthur W. Roebuck: Honourable senators, I join with others who have spoken in this debate in thanking Senator Bourget for the wonderful explanation he gave of this bill. I should like to join also with the

Honourable Deputy Leader of the Government in this house (Hon. Mr. Deschatelets), in his statement that the right to strike is fundamental—whatever that may mean. It is essential to freedom. The abolition of it is a denial of freedom. I think that the right to strike granted in this bill is the best part of the bill because honourable senators should remember that the power to strike does not depend on this bill. Civil servants have that power, and have always had it.

My friend across the way says that in 1961 the civil servants expressed in an orderly way that they had no wish to strike. Of course they had no wish to strike. Who has? The strike is a costly procedure to both parties. It is like war—generally, both parties are losers. On the other hand, war is often necessary and is forced upon us, and sometimes the weapon of strike is forced upon the employee, sometimes by the unreasonable and dominating character of the employer.

Freedom to strike is simply freedom. We have found in times gone by that the cure for too much freedom is more freedom, and now we will find that the real solution to this question of combined action on the part of some against the power of others is a deeper appreciation of the rights of others, a more kindly and calmer thought on the part of both parties, rather than compulsion by Parliament or by themselves or others. Yes, it is just a bit of growing up, shall I say; it is an adult attitude rather than a juvenile thinking by both parties in the course of their negotiations.

Hon. Mr. Choquette: There are three parties here, the Government, the employer and the strikers.

Hon. Mr. Roebuck: And I am going to draw a distinction between two of those parties, the Government and Parliament, in just a moment. However, before doing so, let me say that had it been possible for Parliament to prevent strikes—and what my friend has said about strikes in the Civil Service applies to strikes everywhere; it is war and almost universally a loss to both parties—that kind of legislation would have been passed long ago.

As a matter of fact, the House of Landlords in England did their best to prevent even the formation of unions, and many a man was deported just for belonging to a union. I remember very well the story of the Tolpuddle Martyrs, the men who formed a union and were deported to Van Diemen's land, and some of their descendants are now in Canada.

Hon. Mr. Brooks: That was many years ago.

Hon. Mr. Roebuck: It was well over a hundred years ago. It so happens that I was Minister of Labour for the Province of Ontario when the hundred years passed, and we celebrated the anniversary in the City of Toronto. We brought the descendants of the Tolpuddle Martyrs to Toronto and gave them a dinner. At that time I was able to produce a pamphlet written by my great, great uncle who defended the Tolpuddle Martyrs on that occasion, both in Parliament and in the courts. That pamphlet had been on the shelves of my family for a hundred years.

A hundred years ago unions themselves would have been declared illegal, perhaps not in this country but certainly in Great Britain, if that would have made unionism impossible. However, it was not possible, and the choice today is between orderly freedom and the responsibility of those who exercise it, as against cobblestones, shall I say, and violence, on the part of those unjustly suppressed.

I wish to draw a distinction in this instance between the Executive and Parliament itself. The right to strike, which we are now granting, and which power already exists on the part of the grantees, would not be exercised against Parliament; it would be against the Government, the Executive, the bureaucracy, the Establishment; it would be against those exercising power but not against Parliament itself.

The situation will not be greatly different in the future from what it is today. When a strike takes place after a conciliation board has acted, after those in authority have done what they can, then finally the parties will come to Parliament. It will be substantially the same in the future as it has been in the past. I am sure that these people in the Civil Service will act very much as did the teachers in the Province of Quebec just recently; they have taken the decision of Parliament and gone back to work. They were not prepared to accept the decision of the Establishment. Their fight was with the Establishment, not with Parliament, and so it will be in the future. If these civil servants strike, it will be against the Executive, against those who arbitrarily set wages and pass rules. Their appeal will be to Parliament itself, and I am reasonably sure that when Parliament acts, its laws will be obeyed in the future as they have been in the past. The general result will be freedom rather than suppression.

I think the best part of this whole bill is the abolition of the supposed suppression of strikes by arbitrary power and the acknowledgment of the right of civil servants to do what they now have the power to do should they will to do it. This is enlightened legislation.

Hon. John M. Macdonald: Honourable senators, may I say a word or two on this bill concerning that particular phase which has been spoken of by the last two speakers.

To my way of thinking, if you are giving collective bargaining to any group, it must be collective bargaining as a whole. If, for example, you take away the right to strike, then you are not giving collective bargaining. I see no objection to that in view of the way business relationships between employer and employee are carried on in this day and age.

My only objection would be that in certain cases there is no right to strike, such as where the safety and security of the public are concerned. One of the speakers mentioned that in the case of the postal workers it made no difference that they did not have the right to strike because they could strike anyway.

Hon. Mr. Roebuck: Of course.

Hon. Mr. Macdonald (Cape Breton): If they could strike anyway, why put in a prohibition against any class of worker? Personally, I believe that we are nearing the time when perhaps there will be some new type of relationship between employers and employees. We may have labour courts and bodies of that kind. But as long as we have the present system, those who are employed in the Government should have every right along with those employed in the private sector of industry. I can see no reason why there should be any difference between the rights of those in the public sector and those in the private sector.

Let us face facts. Many of the gains which have been made by employees have been made through the use of strikes. Others have been made because the right to strike is there. Perhaps over the last two years there have been more strikes than normal, but in every one of those cases, as I recollect them, a substantial gain has been made by the employee by the use of the strike.

Always, again according to my recollection, the employers state they cannot afford increases. There is always some good reason advanced why wage boosts cannot be given. Yet, at the end of the year in the financial pages of the newspapers you see that these companies who said they could not afford a wage increase enjoy a larger profit than they ever had before.

Hon. Mr. Brooks: Not the Government.

Hon. Mr. Macdonald (Cape Breton): The Government is no different from any other employer.

Hon. Mr. Brooks: It does not make any profit.

Hon. Mr. Macdonald (Cape Breton): Some may say that such strikes are against the public. Every strike affects the public some way or another. If Parliament should decide that its employees should not have the right to strike, then it must give something in place of that. Their employees' wages must be higher or the benefits must be better in some way.

I have no doubt in the world that the time will come when we will see strikes in the unions of public employees. We usually see strikes when negotiations break down. That is not something of which we need to be afraid.

I say that Government employees should have the right to strike just the same as anyone in private employment, so I have no objection to the granting of the right to strike in this case. My only possible objection would be that those who are employed by the Government should suffer any restrictions with respect to rights enjoyed by those in the private sector.

Hon. Donald Cameron: Honourable senators, my participation in this discussion will be brief. I would like to start by complimenting my friend Senator Bourget on the excellent speech he made in presenting the bill to the Senate, and to couple with that a word of appreciation for the way both chairmen of the joint committee, Senator Bourget and Mr. Richard, discharged their responsibilities during the 49 sittings of the Joint Committee on the Public Service.

I would like to pay a special tribute to the members of that joint committee. I have been in the Senate for eleven years and in that time I have sat on many committees. I would say that this has been one of the best committees in which I have ever participated. It had strong representation from every party. The attitude at all times was reasonable and constructive. The fact that, in a bill as contentious as this, we were able to get a unanimous recommendation to the Government speaks for itself. We did have differences within the

committee, but these were resolved in a true democratic process. When I tell you there were 55 amendments made to the original bill in those 49 sessions, it will give an idea of how thorough and complete the analysis was.

My comments on Bill C-170 relate to a reservation on the bill. I am in favour of the measure for I think it marks a forward step in labour-management relations in this country. But I would be less than frank if I did not say that I have a very strong reservation about the granting of the right to strike in any organization affecting the public services.

Hon. Mr. Choquette: Hear, hear.

Hon. Mr. Cameron: I think this has to be guarded with extreme care.

This bill is experimental, and I am in favour of it. I look upon it as an interim bill which can be amended and modified as time goes on. The fact that in this bill we grant the right to the public service to strike imposes a dual responsibility. There is one responsibility on the civil servants to use their power with responsibility and discretion. I was very glad to note in a communication from the Professional Institute of the Civil Service that they did not think that the right to strike was an essential part of this bill, or words to that effect. We have given the right to strike and it imposes a very heavy responsibility on the civil service to use that power or that right with discretion.

The second responsibility which this bill imposes is on the Government. The Government of Canada today is one of our largest employers of labour. It is big business, and it is the responsibility of Government more than any other employer in Canada to set a good example of expeditious and efficient management. I am sorry to say that this has not always been the case. There are many instances, all too many, in the spectrum of government administration today when the Government as an employer has been dilatory and inefficient in carrying out the administration of business.

This dilatoriness and inefficiency has come about, in my judgment, because there are too many officials, particularly at the lower level of the Civil Service, who operate from Ottawa, perhaps 1,000 or 2,000 or 3,000 miles away from the people whose welfare they are dealing with. They are dealing with people and with problems about which they have an insufficiency of knowledge. Also there is on the part of our civil service establishment a built-in resistance to change, which I am sorry to see. It has been said that we have a good civil service in this country—and we have. Particularly at the upper levels, Canada is very well served.

However, I want to say to this chamber and to the Government as a whole that there is a growing feeling today that the Civil Service is exercising a role which is almost usurping that of government in too many cases.

Some Hon. Senators: Hear, hear.

Hon. Mr. Cameron: This bill is a good example on which to raise this matter. As I said a moment ago, no country is better served by its top level of administration than is Canada, but there are too many people in the Civil Service who are looking for reasons not to change, who are hoping that if they do not do something the bogey will go away. You and I know that there is no reason in the world why it may take six weeks, two months, three months or 15 months to get a reply from some civil servants in this town. But this is true—and it is true of some ministers of the Crown. This goes back across parties. In an ordinary business administration this just would not and could not happen. I sound this warning: the Government should set an example both with respect to the speed with which decisions are made and with respect to the efficiency of the operation.

Now that we are giving the right to strike, I want to just make an observation about strikes. To me a strike is anarchy. That is a pretty strong way of putting it, but it is so. It is anarchy in the field of labour-management relations. I do not blame the people in organized labour who have gone on strike and who will continue to do so, but once you have a strike the effects are considerable. First there is a breakdown in communications; then there is a disruption of services, a disruption of business, a disruption of friendships and personal relationships and, lastly, a disruption of community life.

At this time in the twentieth century there must be a better way of settling disputes than through the kind of anarchy I have described here. This is the only weapon organized labour has had, and they have been justified and will be justified in using it in the future unless the Government and private management deal with their grievances more expeditiously and efficiently than has been done in all too many instances.

Reference has been made to the postal strike. I am one of those who are very critical of the postal department in this country. I

think it needs to be overhauled from top to bottom, and I hope we get to that another time. But I have gone into the matter of the postal strike and studied the Montpetit Report, which is an excellent report, and there is not a shadow of a doubt that these postal men had every right to stirke. They had grievances going back for months and years unanswered. They were frustrated; they had no indication that they were going to get justice done. I do not blame them, although a postal strike is one of the most disruptive things that can happen.

You could go along the same lines with the longshoremen's strike and with the C.N.R. strike. They had grievances building up over years which had simply been swept under the rug or had not been dealt with nearly as quickly or as expeditiously as should have been the case. Under this new act, if we are going to avoid strikes and further obstructions the Government has the first responsibility to make sure that there is a new approach to labour-management relations.

There is a better way in my judgment to solve industrial disputes, whether it be in government or in private industry; as I said in my speech in the Senate on November 16, 1966, it is by the establishment of labour courts. Some countries have labour courts which have access to the complete documentation of the productivity of labour, both from the company's standpoint and from that of profits earned.

It is very unpopular to say to some companies that they must open their books so that the Government can see what the situation is. But this will have to come. If the Government of Canada, speaking for all of the people of Canada, is going to have the right to set up this kind of court it must have access to the facts. It must be able to adjudicate on the basis of factual knowledge, and it must assure both government and labour that justice will be done.

That is all I have to say in connection with this piece of legislation. It is a step forward. It does give the civil servant a right he has not had before—a right which I hope he will use with discretion. More important than anything else, however, is the fact that the Government should take a new look at its business relationships and deal more expeditiously and efficiently with grievances than it has in the past.

Hon. Jacques Flynn: Honourable senators, as has been indicated, this is a substantial bill which has required assiduous study by the joint committee appointed to consider it. This committee and the sponsor in this place, who happened also to be co-chairman of that committee, deserve the thanks of Parliament for the work they have done.

Hon. Mr. Deschatelets: Hear, hear.

Hon. Mr. Flynn: At this point there appears to remain only one contentious question, namely, the one being debated this afternoon: the right to strike given to some of the public servants.

After the experience which we have had recently in the Province of Quebec—which by the way is the first state, I would say, in the Commonwealth to experience the public servants' right to strike—we should not regard the provisions of this bill in this respect as a great victory or achievement. I have some misgivings, and I am far from being convinced that Parliament is not being dragged into adopting this provision by the strength of a "sacred cow" principle, which I call the right to strike, rather than by real conviction. Indeed I am far from believing that Parliament really is earnest in its decision, for I have not seen many legislators here in Ottawa or elsewhere who have shown complete assurance that this right to strike by public servants is a good thing.

One must make a distinction between the right to strike in the private sector and the right to strike in the public sector. In the private sector it is an essential tool of negotiation and furthermore can be exercised with good results. You can go on strike in the private sector and remain on strike for a long time before it affects the public generally. You can remain on strike long enough to convince the employer that it should revise its position. But in the public sector, except in a very limited area, the experience has been that this right cannot be exercised for a long time. This has been proven with railways. We could never afford to have a long strike of our railway employees. Therefore this right in the public sector does not mean the same thing as it does in the private sector.

If, as has been the case, Parliament has thought it its duty to intervene before a strike of railway employees could take place, or very soon after it did take place, it means that we cannot afford to give this right to strike and it means that this right to strike has no significance or value in this domain.

Hon. Mr. Roebuck: May I ask a question?

Hon. Mr. Flynn: Please do.

Hon. Mr. Roebuck: Have not the railroad men on all occasions obeyed Parliament?

Hon. Mr. Flynn: I am not discussing that point at all. I agree that they have obeyed Parliament, but I was not discussing that point. I was just pointing out that, when Parliament considers that a right should not be exercised, it intervenes before a strike takes place, or intervenes only a few days after the strike begins. And this has not the same meaning as the right to strike in the private sector where the strike can last for a long time. So I do not think that you can envisage the right to strike in the public sector in the same light as you do in the private sector.

Honourable Senator Roebuck has said the right to strike is of the essence of freedom. I like the idea; I think it is part of this sacred cow principle that I was mentioning earlier, but I do not think it is really a part of freedom. What is essential is a means of achieving justice for the employees concerned. This is of the essence of freedom, and not the right to strike. If it were of the essence of freedom, why should it not be given to members of the armed forces, or to members of the police forces, or to firemen? Their freedom is as important as the freedom of other employees. Why should you not give it to all employees of all departments from the deputy minister down to the last member of the R.C.M.P., if it is of the essence of freedom?

Hon. Mr. Roebuck: May I answer the question you have just asked as to why we do not give it to policemen and to firemen?

Hon. Mr. Flynn: Please do.

Hon. Mr. Roebuck: I had much to do with that, and I can give you the information that the policemen voluntarily relinquished this right. They were not forced to do so; it was not done over their heads; it was not arbitrary. It was an agreement, or an understanding between the Legislature of Ontario and policemen and firemen. That is the distinction.

Hon. Mr. Flynn: This is a question of fact and I would not deny it. I do not know what the circumstances were to which my honourable friend is alluding. But the point I am making is that if the right to strike is of the essence of freedom it should be given to everybody. If members of the police forces do not wish to use it because they think they should not do so, that is all very well, but if the principle is as strong as my honourable friend indicates, this bill should not restrict the right to strike or take it away from the R.C.M.P. and the armed forces.

Hon. Mr. Roebuck: You may be right.

Hon. Mr. Flynn: But I suggest it is not of the essence of freedom; I suggest it is a tool of negotiation or a way of achieving labour conditions which are just and fair. In this connection I can call upon the support of somebody who is not a member of the parties represented here and could not be branded as anti-labour. I refer to Mr. David Lewis, a member of the New Democratic Party. I quote from the report of the debate which took place last August concerning the strike of railway employees. Mr. Lewis had this to say:

> We did not utter pious phrases about the right to strike being a sacred right and then propose legislation that takes it away. It is just sheer rubbish to talk about its being a sacred right if you do not intend to let people exercise it. What good is a right if there is no opportunity to use it? The fact is that it is impossible for the country to permit a long strike of the railway workers, a strike which would really give them victory, because sooner or later parliament would have to step in. We realized that and knew that was the case.

Is there any difference between the right of railway employees and the right of the majority of public servants? I think Parliament would have to step in right away and do the same thing it did in the case I was referring to. The problem is that the Government or Parliament has not found an alternative to this right to strike in cases affecting the public services. We should have tried to find a formula to settle problems pertaining to the labour conditions of public servants. In the same speech I quoted from a moment ago, Mr. Lewis had this to say about the railway employees:

> The solution to the problem was to set a standard by which the earnings of the railway workers could be measured.

I say that we should have searched for such a standard to measure the salaries of public servants and take away a right which is a complete illusion because we cannot let them exercise it. And I am very sorry that we did not have the intestinal fortitude to face the

reality as it is. This is my own feeling—that we are afraid of being misunderstood and criticized by refusing the right to strike to public servants. Yet at the same time we know very well that we will not let them exercise it for any length of time, if they act collectively, that is, if it is not a strike in an isolated area.

We should have provided a standard by which their labour conditions could have been measured. If we had done this we would really have achieved something rather than succumb to the idea that the labour unions would have been critical of Parliament for not allowing the right to strike.

Hon. Mr. Roebuck: We had the standard of durable goods.

Hon. Mr. Flynn: Yes, but the problem of arbitration boards is that they have no rules by which they are governed. If you provide simply compulsory arbitration without saying under which rules it shall operate, it cannot give any guarantee to anybody. What I am suggesting is that we should have provided compulsory arbitration by boards which would operate under certain very definite rules. This would have been something worth while; this would have been progress. It would be quite different from giving a right that has no meaning any more in the public service because we cannot let the public servants use it for any length of time or in a truly efficient manner.

Hon. L. P. Beaubien: Honourable senators, I am much impressed by the calibre of the discussion on this bill which has already been thoroughly threshed out in committee and has been very well debated here. Personally, I tend to agree with my colleague Senator Flynn in that it seems rather futile to allow people the right to do something which you will have to step in and stop if they try to do it. If the railway employees go out on strike and tie up the country we must pass a bill and stop the strike.

However, I also agree with Senator Cameron that we are to a certain extent exploring with this type of legislation, and therefore I think we should pass this bill. If there are too many abuses these things will correct themselves in time.

One point I want to bring up is that there are three parties involved in all these disputes: There are the strikers, the employers and the general public. In the domain where we are dealing with a government-granted monopoly, a great many people are involved, because they rely on the assurance that certain things will be done, such as the mail being delivered, trains running or the ports admitting goods from abroad. The innocent public can be seriously hurt and even put out of business, and they should have the right of appeal to the courts.

I know a man who a little over a year ago bought some steel in Europe and chartered a ship to transport it. It lay in the harbour of Montreal for weeks, and that nearly ruined him. By hearsay, I know of another fellow who had a farm on which he raised chickens. He bought grain, but it was lying in a warehouse in the harbour of Montreal and he could not get it out, and so had to kill off his chickens. When the postal strike was on there were many people who suffered financial loss because they could not collect the money owing to them. People mailed their cheques out, but they were not delivered. As I say, there are many people hurt in such situations, and it seems to me something should be done in the domain where the Government has created a monopoly. The Government is responsible when the innocent bystander is hurt through absolutely no fault of his own.

Hon. Malcolm Hollett: Honourable senators, I am not quite clear on a certain matter and I am seeking information.

Clause 3 of the bill, on page 6, states:

> This act applies to all portions of the public service.

Then there follow these words:

> Additions to and transfers within Schedule A.

I look at Schedule A on page 52 of the bill, and there are listed forty-nine departments and other portions of the public service of Canada in respect of which Her Majesty, as represented by the Treasury Board, is the employer.

Am I to understand that all the employees of these various branches and departments will be given the right to strike, if and when this bill is enacted? Can anyone answer my question?

Hon. Mr. Deschatelets: Honourable senators, I am sorry that the sponsor of the bill is not present this afternoon, and since I had nothing to do with its presentation I am not in a position to give a proper answer. However, if he would like me to take this question as notice, I will certainly supply the answer by tomorrow.

Hon. Mr. Hollett: I would like a proper answer with regard to that matter.

If honourable senators will look at the list of bodies set out in Schedule A, you will see that the last mentioned is the War Veterans Allowance Board. If it is a fact that all these branches and portions of the Public Service are given the right to strike, then the War Veterans Allowance Board employees are given that right and, in consequence thereof, may deprive war veterans—who gave their blood and the best part of their lives for their country—of their allowances.

The spirited speech made by our honourable colleague Senator Flynn caused me to look at this a second time. I admired what he said, and am quite sure he spoke in the interest of all Canadians. Therefore, I am of his opinion.

Let us take another body included in the list, the second to last, the Unemployment Insurance Commission. Are all the employees of the Unemployment Insurance Commission given the right herein to strike? If they are, can you imagine the plight of the many unemployed—300,000 or 400,000, most of the time—in this country who are obtaining unemployment insurance? Are we giving the employees of this commission the right to strike and thereby depriving these 300,000 or 400,000 Canadians of their unemployment insurance for a while? If we are doing that by this bill, we are not performing an excellent service for our fellow Canadians.

Others listed are: The Tax Appeal Board, the Tariff Board, the Statute Revision Commission, the staff of the Supreme Court—it would be terrible if the Supreme Court, the Exchequer Court, or the Royal Canadian Mounted Police went out of existence for a time—I think there is some provision against their going on strike. Then there is the Royal Canadian Mint. I hope they do not go out of operation because of strike action. I hope the Government will not be responsible for keeping them out so that we will not have money to spend.

Once upon a time I was a civil servant; I was a mere magistrate. As I listened to the various speeches, I was wondering what would have happened in our little province if all the magistrates and their clerks had gone on strike. Crime would not have been checked and various matters could not have been brought before the courts.

Hon. Mr. Roebuck: There would have been fewer people in jail anyway.

Hon. Mr. Hollett: Yes, there would have been fewer people in jail, and you could not have let out those who were in; that is the trouble.

There are other offices: The Office of the Superintendent of Bankruptcy, the Representation Commissioner, the Governor-General's Secretary, the Comptroller of the Treasury, the Fisheries Prices Support Board, the Dominion Bureau of Statistics—and I guess we could get along without some of the statistics—the Atlantic Development Board, and so on.

I am not sure whether the right to strike is being given to all the employees of these various branches of Government. If such is the case, I can see the day is not too far distant when we will not have a Government because there will be no employees. I think we are playing with fire here. I agree that every man, woman and child in this country should have certain rights guaranteed by the Government of Canada.

What is the need for this? Are there many people in public employment who are suffering as a result of the fact they now do not have the right to strike? If there are, there must be some other means of helping them.

A few days ago we had a strike in a hospital in Newfoundland. To me, that is dastardly, and if the Government of Canada or the Government of Newfoundland gives the right to strike to employees of any hospital, then I have no use for such a government, whether it be federal or provincial. There are many things in this connection we have to consider.

As I say, I was impressed by the speech of the Honourable Senator Flynn. We are not speaking in a partisan manner at all. There are many good features in this bill we should pass, but I think we ought to understand clearly just where we are going to get off if some day some fool in a unit of employment under the Government takes the law into his own hands. After all, there are individuals in this country who can convince everybody else that they must follow him. I have seen that happen in my own province, and you might see it happen in the Civil Service. If we have strikes whereby so many departments and branches of departments are going to be held up, then, my friends, we shall not have a country at all for a while. I know there may be measures which will help to cure some of these ills, but why should we create them? I repeat, I am only asking for information.

Hon. Mr. Deschatelets: I am in a position to give a short answer to the honourable senator's question. The answer is: Yes, subject to the limitations specified in the bill as to the security and safety of the state.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Deschatelets moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Muriel McQ. Fergusson moved the second reading of Bill C-182, to amend the Financial Administration Act.

She said: Honourable senators, Bill C-182, to amend the Financial Administration Act which was passed in 1951, is the third bill in the legislation package proposed by the Government with the object of implementing collective bargaining in the Civil Service.

In the main this bill is concerned with tying up the loose ends created by the other two bills, and for that reason it must be considered in relation to them.

As honourable senators were told when the other two bills were introduced here, these three bills were studied over a long period by a joint committee of the Senate and House of Commons, which had extremely capable joint chairmen and many members who were very knowledgeable about the problems of government employees and labour relations generally. Senator Bourget stated there were 33 meetings of the committee on Bill C-170, which is the longest of the three bills and required the most study. I think that on the three bills there were about 49 meetings of the committee, many of them being very protracted.

The members of the committee obviously were determined to avoid using the committee as a forum for the expression of political or party prejudices. They co-operated very well, with the apparent objective of producing workable bills to provide a system of collective bargaining for civil servants that would be to the advantage of all employees of the Government and a credit to Canada. This made attendance at the meetings interesting and worth while, and it produced many suggestions for amendments that were accepted and acted upon by the Government. These, in my opinion, improved the original bills.

The assistance given the committee by the officials of the Treasury Board, Dr. Davidson, Mr. Love and Mr. Roddick, and by the three Commissioners of the Civil Service, made the task of the committee very much easier. The patience of these officials in explaining the bills, their willingness to consider and refer to the Government suggestions made by the committee members, and to bring back acceptable amendments, engendered in the members of the committee warm appreciation and great respect for them. The complete knowledge of the standing of every clause in the three bills which the secretary, Mr. Edward Thomas, always had at his finger tips was also most helpful to the committee.

Honourable senators, I should like to thank Senator MacKenzie for his kind references to me last night in connection with the work of the committee, but I fear my contribution to that work was slight. I was particularly interested in the work because for ten years immediately prior to my appointment to this chamber I was a civil servant. Nevertheless, I found the proposed legislation required a great deal of study in order to understand it. My most valuable contribution, I think, was in the fact that I was almost always present at the committee meetings. I am grateful to the Honourable Leader of the Government in this house (Hon. Mr. Connolly, Ottawa West) for appointing me to this committee and for giving me the opportunity of learning so much about the operation of the Civil Service of Canada. I shall certainly follow with the greatest of interest the future operation of these bills if they become law, as I hope they will.

Honourable senators, perhaps I should not have the temerity to mention this subject today, after the discussion in this chamber during the last two sittings as to the kind of delegates Canada sends to international organizations of which she is a member. However, when I was in Iran in the fall of last year as one of the Canadian delegates to the meeting of the Interparliamentary Union I was exceedingly interested to learn that in that country they were setting up a civil service under a Civil Service Act and a Civil Service Commission. This was a project under the auspices of the United Nations for which plans had been in the making for several years. Although they did not adopt all of the Canadian legislation with respect to the civil

service, among the things they did decide to adopt were the merit system of appointment and promotion, which we value so highly, and also our system of classification. My interest in this was greatly enhanced when I learned that the leader of this United Nations project was a Canadian civil servant, Mr. Laco Hunt, who has now completed his assignment and returned to Canada.

As I have already mentioned, Bill C-182 is so closely concerned with the other two bills in this package that it can only be understood when considered in relation to them, and for that reason I must refer to them briefly.

Bill C-170, the Public Service Staff Relations bill, which was introduced so ably in this chamber by Senator Bourget, a joint chairman of the committee, provides for the introduction into the Civil Service of a system of collective bargaining and arbitration. A very important element of this plan is the identification of the Treasury Board as the representative of the Government as employer in this central bargaining system.

Bill C-181, which was explained so clearly by Senator MacKenzie, is primarily concerned with re-defining the goal of the Civil Service Commission as a staffing agency concerned with preserving and strengthening the merit system of appointment and promotion, and job security which has long been enjoyed by civil servants in Canada. Under Bill C-181 these rights will be extended to thousands of additional employees of the Government who up to this time have been prevailing-rate employees. With so many additional employees being covered by the proposed legislation the Public Service Commission, as it is named in the legislation, will operate over a wider field than that in which the Civil Service Commission has operated. However, the managerial responsibilities which the Civil Service Commission has carried for approximately half a century will not be assigned to the Public Service Commission.

To give effect to the underlying assumptions in Bills C-170 and C-181, it is essential that the Treasury Board have the necessary authority to carry out the obligations placed upon it by Bill C-170, and that it assume the managerial responsibilities that are being removed from the jurisdiction of the Civil Service Commission.

Bill C-182 is primarily concerned with fitting the Treasury Board for its broader role as the central management agency of the Public Service.

A moment ago I stated that the Treasury Board is to have the principal responsibility for representing the Government in the collective bargaining system for the Public Service. If it is to exercise this responsibility effectively it must be in a position to enter into commitments at the bargaining table and to carry out those commitments. The Treasury Board now has much of this authority. The scope of its authority over the matters which may enter into negotiations is, however, incomplete and is the subject of some doubt.

At the present time, the Treasury Board shares some elements of personnel management authority with the Governor in Council, the Civil Service Commission, individual ministers, and a large number of boards and commissions.

Uncertainty regarding the scope of the Treasury Board's management authority also exists because of the qualifications now contained in the Financial Administration Act, which provides that the board's authority in matters of personnel management is "subject to any other Act." In other words, whenever the Treasury Board now wishes to exercise authority in the field of personnel management it must be certain that its actions are in accord with any limitations or qualifications as may have been established in any other statute. I am told there are at least 75 statutes which place limitations or qualifications of varying degrees on the personnel management authority of the Treasury Board.

If this situation were to continue it would be extremely difficult, if not completely impossible, for the Treasury Board to exercise its employer responsibilities at the bargaining table. You will find that Bill C-182 corrects this situation and concentrates and places in the hands of the Treasury Board, for the first time, management authority over the matters which may form the subject of collective agreements and arbitral awards.

Bill C-182 also recognizes that, important as the negotiation and administration of collective agreements may be, personnel management in the Public Service goes beyond these activities. The Royal Commission on Government Organization stated there was a need for central co-ordination and determination of broad personnel policies for the Public Service. The Glassco Commission also stated that departments and agencies should be given greater authority to manage their own personnel and be held correspondingly more accountable for efficient performance in their departments or agencies.

Honourable senators will find that Bill C-182 provides that responsibility and authority for determining and co-ordinating personnel management policies for the Public Service will be placed clearly upon the Treasury Board, and also that it will allow authority to be delegated to departments and agencies so that they can apply and adapt these policies to their own requirements, within guides and subject to accountability measures determined by Treasury Board.

Honourable senators, if Bills C-170 and C-181 are passed by this house, as I trust they will be, in order to round them out, complete them and make them workable, it will be necessary to pass also Bill C-182, which I recommend to you.

On motion of Hon. Mr. Blois, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of Reports of the Standing Committee on Divorce Nos. 1099 to 1146, inclusive, which were presented yesterday.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted on division.

RESOLUTIONS PRESENTED

Leave having been given to revert to Presentation of Petitions:

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1075, for the relief of Helen Ann Georgina Manels Pitre.

Resolution 1076, for the relief of Jacqueline Margaret Allard Parent.

Resolution 1077, for the relief of Annette Champagne Mainville.

Resolution 1078, for the relief of Colombe Gervais Gauvin.

Resolution 1079, for the relief of Denyse Mathieu Cousineau.

Resolution 1080, for the relief of Marie Marguerite Bernadette Boileau Dulude.

Resolution 1081, for the relief of Joseph Leonce Boulanger.

Resolution 1082, for the relief of Roland Gariepy.

Resolution 1083, for the relief of Louis Morency.

Resolution 1084, for the relief of Lise Longpre Thouin.

Resolution 1085, for the relief of Joseph Jean Jacques Couvrette.

Resolution 1086, for the relief of Paul Leo Gingras.

Resolution 1087, for the relief of Pierrette Bergeron Bilodeau.

Resolution 1088, for the relief of Pierre Jarry.

Resolution 1089, for the relief of Tamas (Thomas) Scitovszky.

Resolution 1090, for the relief of Shirley Ann Cripps Fryer.

Resolution 1091, for the relief of Joseph Arthur Roland Boivin.

Resolution 1092, for the relief of Jean Paul Daunais.

Resolution 1093, for the relief of Judith McGregor Romano.

Resolution 1094, for the relief of Maria Theresia Bitter Stenner McIntosh.

Resolution 1095, for the relief of Jane Helga Larson Stolovitch.

Resolution 1096, for the relief of Marie Paule Louise Marinier Mercier.

Resolution 1097, for the relief of Hymie Lozner.

Resolution 1098, for the relief of Claudette Gauthier Desormeaux.

Resolution 1099, for the relief of Heather Florence MacTavish Racine.

Resolution 1100, for the relief of Noreen Elizabeth Bramhill Vipond.

Resolution 1101, for the relief of Riva Pressman Betnesky, otherwise known as Riva Pressman Bennett.

Resolution 1102, for the relief of Jean Claude Gelly.

Resolution 1103, for the relief of Manuel Berkson.

Resolution 1104, for the relief of Simonne Venne Trudeau.

Resolution 1105, for the relief of Joyce Naomi Herscovitch Abbey.

Resolution 1106, for the relief of Chrystalenia Platis Vlahos, otherwise known as Chrystalenia Platis Vlachos.

Resolution 1107, for the relief of Patricia Ann Hewer Stecko.

Resolution 1108, for the relief of Roslyn Davidson Lomonosof.

Resolution 1109, for the relief of Paul Emile Guimont.

Resolution 1110, for the relief of Marise Evelyn Roobroeck Matthews.

Resolution 1111, for the relief of Esther Ginsberg Kanter.

Resolution 1112, for the relief of Margaret Rose Paine Stone.

Resolution 1113, for the relief of Anne Kirkland Langdon.

Resolution 1114, for the relief of Dorothy May Timperley Johnson.

Resolution 1115, for the relief of Champlain Rosen.

Resolution 1116, for the relief of Barbara Tessie Aronovitch Pecker.

Resolution 1117, for the relief of Myrna Cohen Myrovitch, otherwise known as Myrna Cohen Myro.

Resolution 1118, for the relief of Claudette Chatelain Tremblay.

Resolution 1119, for the relief of Guy Serafimoff.

Resolution 1120, for the relief of Dorothy Fuchs Hartel Chrastina.

Resolution 1121, for the relief of Maria Dydynski Soumalias.

Resolution 1122, for the relief of Martha Pollack Nemtin.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck moved that the resolutions be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, February 23, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

ADMINISTRATION OF JUSTICE

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Goyer had been substituted for that of Mr. Richard on the list of members appointed to serve on the Special Joint Committee respecting Mr. Justice Landreville.

GOVERNOR GENERAL'S RETIRING ANNUITY BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-265, to provide for the payment of a retiring annuity to the Governor General of Canada.

Bill read first time.

SECOND READING—DEBATE ADJOURNED

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, this bill is among the House of Commons bills which have been distributed to all honourable senators. It is in the form in which it received first reading in the other place, and in that form it was passed last evening not only without debate but without explanation.

This bill apparently was discussed a good deal privately and went through very quickly. I am not insisting upon anything more this afternoon than the privilege, for which I thank honourable senators, of being able to explain it at this time.

I should say first of all that the present salary of the Governor General of Canada is, in Canadian dollars, $48,667. This figure was reached many years ago when the salary of the Governor General was fixed in pounds sterling at 10,000 pounds. At that time the pound was worth $4.86⅔. The Canadian equivalent of the salary as originally fixed has never been changed. I do not know how many years back it goes, but obviously it goes back very far indeed.

I may say in the second place that under section 10(1)(k) of the Income Tax Act this salary is not taxable. The Governor General as the representative of the Crown in this country receives the money and is not subject to tax for the salary he receives while holding office.

The bill itself will affect three people: the present Governor General, General Georges Vanier, the immediate past Governor General, Right Honourable Vincent Massey, and one other earlier Governor General, Lord Alexander of Tunis. I may say too that it could affect and benefit the wife of any previous or existing Governor General, and would in fact be applicable to Madame Vanier and to Lady Alexander in so far as the widow's entitlement is concerned.

The amount of the pension proposed to be paid to retired Governors General is set out in clause 2 of the bill which provides for an annuity equal to one-third of the salary of the Governor General, and that annuity amounts to $16,222 per annum. This sum is payable in equal monthly instalments. It is taxable in Canada, and it is taxable also, so far as Lord Alexander is concerned, since he is a resident of the United Kingdom, under the tax convention between Canada and the United Kingdom, in the United Kingdom. There is no withholding tax on any annuities which would be paid to Lord Alexander.

In addition to the provision of an annuity for a retired Governor General, the bill contains a provision that an annuity shall also be paid to the widow of a Governor General if she was his wife at the time he ceased to hold the office, and that the annuity payable to the widow shall be one-half of the annuity payable to the Governor General. In this case the amount payable to the widow in Canadian dollars would be $8,111.

As I have already indicated, the payments will be made in monthly instalments out of the Consolidated Revenue Fund. The payment that is made to any retired Governor General or, indeed, to a widow, as the case may be, will not affect or be affected by the payment of any pension or annuity that any person coming under this legislation might become entitled to as a result of any Act of the Parliament of Canada. We can go no further

than that. In other words, there is a complete entitlement, and there is no deduction. I repeat that the annuity will be income in the hands of the recipient and will be taxable in the appropriate jurisdiction.

Honourable senators, this is the pith and substance of this measure. It is obviously a simple one.

Hon. Mr. Paterson: Might I ask the Government Leader if provision is made for paying their entertainment expenses, or are they required to pay them out of the salary?

Hon. Mr. Connolly (Ottawa West): No, there is an entertainment allowance. There is an allowance for expenses incurred by the holder of the office, the amount of which, I regret to say, I cannot give at this moment. However, I think it fair to say that Governors General have to dip into these non-taxable payments of salary they receive, perhaps to some considerable extent, to meet expenses incurred in the conduct of the affairs of their office.

Hon. Mr. Beaubien (Bedford): Is it possible for the Government by Order in Council to increase the salary of a Governor General? Is it possible by Order in Council to increase it from the $48,000, or does this have to be done by an Act of Parliament?

Hon. Mr. Connolly (Ottawa West): I apologize, but I cannot give a definite answer. I can only say to the honourable Senator Beaubien that if the Governor General's salary is fixed by statute, then an Act of Parliament would be required. If the Governor General's salary is not so fixed—and I think the latter would be the case—then it can be increased by Order in Council, but just what the procedure orginally followed was I am not in a position to say. I can inquire and let the honourable senator have the information.

Hon. Mr. Beaubien (Bedford): Thank you.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I think I would be attempting to gild the lily were I to speak about the high regard in which all Canadians have held the persons who are to benefit under this act. I think that one of the great acts of the previous Government—

Hon. Mr. Choquette: One of the many!

Hon. Mr. Connolly (Ottawa West): I do not want to enlarge and I do not want to become political, but one of the great acts of the previous Government was the appointment of General Georges Vanier as Governor General.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I know of no individual who has been more dedicated to the service of his country, not only as Governor General but during his distinguished career in the Diplomatic Corps and particularly during his distinguished and valorous career in our armed forces.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): Both he and Madame Vanier have endeared themselves to the hearts of Canadians everywhere.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I shall say no more about them. Perhaps it would be improper were I to do so.

I should like to pay a similar tribute to the first Canadian to hold the office of Governor General of Canada. I speak of a very distinguished and cultured Canadian, one who has done great things in the field of philanthropy, education, culture, and, indeed, in the field of business, and who has served his country superbly as Governor General, the Right Honourable Vincent Massey.

I have a special place in my heart, as I am sure have all other honourable senators who have met him, for Lord Alexander. He served this country very well after valorous service in the last war in both Africa and northwest Europe. He came here and performed the functions of the office of Governor General in a way that commanded the admiration, respect and affection of all Canadians. With his name I couple that of Lady Alexander.

Honourable senators, it is only appropriate, even at this late date, that we should be giving this kind of recognition for such outstanding service on the part of these several outstanding people.

Hon. A. J. Brooks: Honourable senators, I wish to move the adjournment of the debate. It does occur to me, however, that in the cases of Lord Alexander and the Right Honourable Vincent Massey some amendment should be made to this bill. I have not read the bill carefully, so I do not know for sure whether this is necessary, but section 2 (2) reads:

> An annuity payable under this section shall commence on the day the annuitant ceases to hold the office of Governor General and shall continue thereafter during his natural life.

I would think there would have to be an amendment of some kind made, although, as I say, I have not really studied the bill, and no doubt it will receive study in committee.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I will answer Senator Brooks question briefly now so that it will be on *Hansard*. Section 2 applies not only to the present Governor General but to future holders of that office. Section 4 specifically refers to former Governors General and the widows of former Governors General, and it makes applicable to those persons the provisions of subsections 1 and 3 of section 3. That is the section that authorizes payments to be made to previous holders of the office.

Hon. Mr. Brooks: Yes, I had not read the bill very carefully.

On motion of Hon. Mr. Brooks, debate adjourned.

DIVORCE

JOINT COMMITTEE—NOTICE OF MEETING

Hon. Arthur W. Roebuck: Honourable senators, may I call to your attention the fact that the joint committee of both houses studying the quesion of divorce will meet on the half hour. A very distinguished contingent will be making a presentation to the committee. There will be two bishops, two reverends and three professors—a very strong and important delegation from the Anglican Church of Canada.

I have reasons for anticipating that not too many members from the House of Commons will be present, so I am asking that as many honourable senators as possible attend the meeting of the committee at 3.30. May I at this time withdraw?

Hon. Mr. Connolly (Ottawa West): Honourable senators, in the interests of ecumenism as well as the interests of the Senate, I endorse what Senator Roebuck has said. However, I hope that we shall have no difficulty about a quorum at the time of Royal Assent, which honourable senators can anticipate being announced a little later.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Consolidated Index and Table of Statutory Orders and Regulations published in the *Canada Gazette*, Part II, for the period January 1, 1955 to December 31, 1966. (English and French texts).

23031—114

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, February 28 at 8 o'clock in the evening.

Hon. A. J. Brooks: Can the honourable Leader of the Government give us some idea of what business we can expect to deal with when we return here next Tuesday evening? Can he also give us an idea as to whether the plan or intention of the Prime Minister to conclude the present session on March 10 next is being adhered to? Does the Leader feel it will be possible to conclude the session by that date?

Hon. Mr. Connolly (Ottawa West): In answering the second question first, I think the Prime Minister was making an educated guess when he announced that date, and it is now turning out to be an uneducated guess.

I cannot begin to assess the length of time that will be required to complete the legislation before Parliament this session. It may not be unrealistic to assume that if we are able to conclude before Easter we shall have been reasonably successful in dealing with the work that is before Parliament. However, this is a personal view and certainly not one that would in any way bind or express the intention and the views of the Government. It is simply a guess on my part.

At the present time in the other place they are dealing with a bill to make provision for appeals to an Immigration Appeal Board. They have announced that a bill to provide general incentives to industry for research as one of the next measures to be dealt with. Third reading has to be given to a bill dealing with the Excise Act. There are certain statutory salaries of judges to be adjusted by legislation. The Small Businesses Loans Act is to be amended, but it is not a major piece of legislation. The Income Tax Act is to be amended as a result of the second last budget, the major budget of the year. The Bank Bill and the bill on the unification of the Armed Forces, both of which are now in committee, have to be dealt with. Therefore, there is a good deal of work ahead for this session.

I proposed the adjournment of the Senate to Tuesday evening especially to accommodate the honourable Senator McCutcheon. I understand that at that time he proposes to speak on Bill C-182, to amend the Financial Administration Act. Senator Blois may be speaking on that bill this afternoon.

Hon. Mr. Brooks: There is no great pressure of business, is there? I presume the adjournment until Tuesday evening is in order to accommodate Senator McCutcheon.

Hon. Mr. Connolly (Ottawa West): Except that there is pressure upon us, honourable senators, to deal with an extensive program of legislation. I am bound to say that there is a good deal of work ahead of the Senate. I am most grateful to the honourable Leader of the Opposition (Hon. Mr. Brooks) for the kind of co-operation and help he gives me in trying to schedule the sittings of the Senate. I am afraid that without proper co-operation of that kind both sides of the house would be seriously inconvenienced at times.

I try to schedule the work here so as to cause the least inconvenience, as I know that travel arrangements are difficult for some honourable senators. I hope honourable senators have it in mind that this is one of the real problems a leader has. I am told I worry too much about it, but I think it is worth worrying about.

Hon. Mr. Brooks: That was not the point, Mr. Leader. I can assure you that I am very pleased indeed to co-operate in the work of the Senate and always will be. However, you said it was to accommodate Senator McCutcheon. My point was that because there is not so much business pressing us now, it is no inconvenience to the Senate, as far as I can see, to let this bill stand over until Tuesday. We have given close attention to the three bills dealing with civil servants. Yesterday we had an excellent debate on the Public Service Employment Bill and the Financial Administration Bill. There is no reason why it should be considered an accommodation for Senator McCutcheon personally to let this bill stand over until next Tuesday.

Motion agreed to.

PUBLIC SERVICE STAFF RELATIONS BILL

THIRD READING

Hon. Maurice Bourget moved the third reading of Bill C-170, respecting employer and employee relations in the Public Service of Canada.

The Hon. the Speaker: It has been moved by the honourable Senator Bourget, seconded by the honourable Senator Deschatelets, that this bill be now read the third time. Is it your pleasure, honourable senators, to adopt the motion?

Hon. Mr. Phillips: On division.

Motion agreed to and bill read the third time, on division, and passed.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mrs. Fergusson, for the second reading of Bill C-182, to amend the Financial Administration Act.

Hon. Fred M. Blois: Honourable senators, it is not my intention to take much time discussing this bill this afternoon, but there are some things I would like to say. I do not intend to go into the financial sections, or those referring to the Governor General's warrant, as I understand an honourable member from this side of the house intends to speak on this later.

Honourable senators, the bill was ably explained to us yesterday by the honourable Senator Fergusson. She explained that this is one of three bills, Bills C-170, C-181 and C-182, dealing with matters pertaining to civil servants. There is one section in the bill now before us which causes me some thought and which I wish to bring to the attention of the house. It involves the tremendous amount of work that will be put on the Treasury Board.

We know that many of these responsibilities have been handled by the Civil Service Commission. The major portion of these will now come under the authority of the Treasury Board. We realize that members of the Treasury Board who are also members of the cabinet are very busy men. No doubt their departments take up practically all their time, and I do not feel they can afford the time to look after all the matters enumerated here, some of which seem to be minor.

For instance, on page 3, in the proposed new section 7(1) there are many points which seem to me to be minor ones.

Paragraph (a) of that subsection says:

> determine the manpower requirements of the public service and provide for the allocation and effective utilization of manpower resources within the public service;

That may not take up too much time, but it certainly will take up some.

Paragraph (b) says:

> determine requirements for the training and development of personnel in the public service and fix the terms on which such training and development may be carried out;

It would seem to me that a lesser body could carry some of these minor duties now going to the Treasury Board.

Paragraphs (c) and (d) say:

> (c) provide for the classification of positions and employees in the public service:
>
> (d) determine and regulate the pay to which persons employed in the public service are entitled for services rendered, the hours of work and leave of such persons and any matters related thereto;

These seem to me to be minor details which are to come under the authority of this very important board, the Treasury Board.

The next paragraphs say:

> (e) provide for the awards that may be made to persons employed in the public service for outstanding performance of their duties, for other meritorious achievement in relation to those duties and for inventions or practical suggestions for improvements;
>
> (f) establish standards of discipline in the public service and prescribe the financial and other penalties, including suspension and discharge, that may be applied for breaches of discipline or misconduct, and the circumstances and manner in which and the authority by which or whom those penalties may be applied or may be varied or rescinded in whole or in part;
>
> (g) establish and provide for the application of standards governing physical working conditions of, and for the health and safety of, persons employed in the public service;
>
> (h) determine and regulate the payments that may be made to persons employed in the public service by way of reimbursement for travelling or other expenses and by way of allowances in respect of expenses and conditions arising out of their employment; and
>
> (i) provide for such other matters, including terms and conditions of employment not otherwise specifically provided for in this subsection, as the Treasury Board considers necessary for effective personnel management in the public service.

The Treasury Board is to deal with those things and it is to be a bargaining board as well. It will be the employer of the various employees of the Public Service, which now runs into many thousands of people.

I realize that the Treasury Board is probably the brain body of the Cabinet. It is composed of important, busy people. This bill puts on that board what seems to me to be an unnecessary amount of work. Surely the Civil Service Commission could handle its work just as effectively.

I am not objecting particularly to this provision. I am simply calling it to the attention of members of the Senate. It would seem to me, after careful thought, that this bill might be held up to find out why it is considered necessary to burden the Treasury Board with all these small details in addition to the real work it has to do in the days that lie ahead.

I think the bill deserves some attention by this honourable body which is here to give second thought to legislation. This is one case where sober second thought is much needed.

On motion of Hon. Mr. Brooks, for Hon. Mr. McCutcheon, debate adjourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1075 to 1122, inclusive, which were presented yesterday.

Hon. Muriel McQ. Fergusson, for Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 1075, for the relief of Helen Ann Georgina Manels Pitre.

Resolution 1076, for the relief of Jacqueline Margaret Allard Parent.

Resolution 1077, for the relief of Annette Champagne Mainville.

Resolution 1078, for the relief of Colombe Gervais Gauvin.

Resolution 1079, for the relief of Denyse Mathieu Cousineau.

Resolution 1080, for the relief of Marie Marguerite Bernadette Boileau Dulude.

Resolution 1081, for the relief of Joseph Leonce Boulanger.

Resolution, 1082, for the relief of Roland Gariepy.

Resolution 1083, for the relief of Louis Morency.

Resolution 1084, for the relief of Lise Longpre Thouin.

Resolution 1085, for the relief of Joseph Jean Jacques Couvrette.

Resolution 1086, for the relief of Paul Leo Gingras.

Resolution 1087, for the relief of Pierrette Bergeron Bilodeau.

Resolution 1088, for the relief of Pierre Jarry.

Resolution 1089, for the relief of Tamas (Thomas) Scitovszky.

Resolution 1090, for the relief of Shirley Ann Cripps Fryer.

Resolution 1091, for the relief of Joseph Arthur Roland Boivin.

Resolution 1092, for the relief of Jean Paul Daunais.

Resolution 1093, for the relief of Judith McGregor Romano.

Resolution 1094, for the relief of Maria Theresia Bitter Stenner McIntosh.

Resolution 1095, for the relief of Jane Helga Larson Stolovitch.

Resolution 1096, for the relief of Marie Paule Louise Marinier Mercier.

Resolution 1097, for the relief of Hymie Lozner.

Resolution 1098, for the relief of Claudette Gauthier Desormeaux.

Resolution 1099, for the relief of Heather Florence MacTavish Racine.

Resolution 1100, for the relief of Noreen Elizabeth Bramhill Vipond.

Resolution 1101, for the relief of Riva Pressman Betnesky, otherwise known as Riva Pressman Bennett.

Resolution 1102, for the relief of Jean Claude Gelly.

Resolution 1103, for the relief of Manuel Berkson.

Resolution 1104, for the relief of Simonne Venne Trudeau.

Resolution 1105, for the relief of Joyce Naomi Herscovitch Abbey.

Resolution 1106, for the relief of Chrystalenia Platis Vlahos, otherwise known as Chrystalenia Platis Vlachos.

Resolution 1107, for the relief of Patricia Ann Hewer Stecko.

Resolution 1108, for the relief of Roslyn Davidson Lomonosof.

Resolution 1109, for the relief of Paul Emile Guimont.

Resolution 1110, for the relief of Marise Evelyn Roobroeck Matthews.

Resolution 1111, for the relief of Esther Ginsberg Kanter.

Resolution 1112, for the relief of Margaret Rose Paine Stone.

Resolution 1113, for the relief of Anne Kirkland Langdon.

Resolution 1114, for the relief of Dorothy May Timperley Johnson.

Resolution 1115, for the relief of Champlain Rosen.

Resolution 1116, for the relief of Barbara Tessie Aronovitch Pecker.

Resolution 1117, for the relief of Myrna Cohen Myrovitch, otherwise known as Myrna Cohen Myro.

Resolution 1118, for the relief of Claudette Chatelain Tremblay.

Resolution 1119, for the relief of Guy Serafimoff.

Resolution 1120 for the relief of Dorothy Fuchs Hartel Chrastina.

Resolution 1121, for the relief of Maria Dydynski Soumalias.

Resolution 1122, for the relief of Martha Pollack Nemtin.

Resolutions adopted, on division.

PUBLIC SERVICE EMPLOYMENT BILL

SECOND READING

The Senate resumed from Tuesday, February 21, the adjourned debate on the motion of honourable Senator MacKenzie, for the second reading of Bill C-181, respecting employment in the Public Service of Canada.

Hon. Allister Grosart: Honourable senators, I congratulate Senator MacKenzie on his excellent presentation of this bill, to which he as a member of the Joint Committee of the Senate and the House of Commons on the Public Service of Canada, contributed a great deal. Valuable contributions were made also by Senator Bourget, who was the distinguished and hard working co-chairman of that committee. As he has told us, that committee sat for no fewer than thirty-three sessions, most of them long sessions, afternoon and evening, and it gave this bill and the other two bills with which it is associated a very thorough examination.

The title of the bill might, on first glance, appear to be misleading. It is entitled "An Act respecting employment in the Public

Service of Canada." Of course, it is far from the only act dealing with that subject, and it most certainly does not cover all aspects of employment in the Public Service of Canada. The bill on which Senator Blois spoke deals with the same subject, although it is only an amendment to the Financial Administration Act, but it brings about a fundamental change in the Government's employer-employee relationship.

The pivot bill of this trio, C-170, is entitled "An Act respecting employer and employee relations in the Public Service of Canada." So, as the sponsor of this bill has said, the three bills are very closely connected. Perhaps to put my remarks in context I should distinguish them in that particular respect, although I am not suggesting that this is a complete distinction of the three bills.

Bill C-170 introduces what has been called the "new dimension" of collective bargaining into the public service. We have heard various views in this chamber as to the wisdom and desirability of that. I will not comment on the generality of it, but will have some remarks to make on particulars as they are dealt with in Bill C-181.

One of the main effects of Bill C-182 is, as Senator Blois stated, to make the Treasury Board the bargaining agent, or, to be more exact, the official representative of the Government of Canada for bargaining purposes under Bill C-170.

In some respects Bill C-181 is a cleanup bill. It deals with a number of matters consequent upon this very important decision of the Government to introduce the principle of collective bargaining into the public service. It deals with some of these incidental or coincidental matters very well. With others I think not so well, as I will suggest as I go along.

The scope of the bill might be summarized as follows: It replaces the existing Civil Service Commission with a new body to be known as the Public Service Commission of Canada and which is described in this act. By and large it is the same commission and, as we have heard recently, apparently the present commissioners, or at least the present chairman, will carry on. That is my understanding.

The bill of course—and this is the core of it—perpetuates the traditional "merit system" of employment, promotion and release, which has been the heart of our public service tradition in Canada since the original act of 1918. The bill also places the specific responsibility of staffing and selection in the public service on the new Public Service Commission. This introduces into the principle of collective bargaining what some might regard as a fundamental contradiction, because it divides the employer into two. In its aspect as Treasury Board, the Government bargains with its employees; in its aspect as Public Service Commission the Government appoints, promotes and releases.

This is one of the difficulties that will no doubt be encountered in the operation of this act, but in bringing this to the attention of the senators it is not my intention to be critical. It must be a long time since any bill or group of bills brought before this chamber had the background, study, preparation, examination and analysis that this group of bills has had.

It has been decided, in the wisdom of the Government and, generally, on the recommendation of the Heeney Commission which sat for two years, then on the recommendation of the Government of the original bill, and then again on the recommendation of the joint committee, and finally on the recommendation of the Committee of the Whole of the other place, that the original government bill should be changed in many respects. Consequently there were many amendments, and while we may have some doubts about the efficacy of some of the original measures or subsequent amendments, I think the fair thing to do is to agree to give it a try.

In this matter of the dual personality of the employer, arguments are of course already beginning. The crux of the main argument is: what belongs in collective bargaining? If employees argue that hiring, promoting and firing form an essential part of the process of collective bargaining and should be under collective bargaining, I think it would have to be said that there is good argument in favour of that position. However, we are faced with a division. The Government on the one hand deals with one part of the subject matter of employer and employee relations, and on the other hand it deals with another part—hiring, promoting and releasing. We can only wait and see how it will work out and hope that it will work out for the best.

The bill, as incidental to this ingenious, if strange, division of powers—the splitting of the personality of the employer—removes all matters of pay and discipline from the new commission, the Public Service Commission, and gives them to the Treasury Board. This, I would think, is a concession to the employee point of view that pay and discipline most

certainly are matters that should come under the collective bargaining aspects of the employer-employee relationship.

This bill, then, in the now famous section 32 attempts to describe the conditions under which political activity will be permissible to members of the public service, and it will apply to something like 300,000 Canadian citizens. I call it an "attempt" because, as I read the bill and as I read the discussions on it, I would say that the bill as we have it leaves far more questions unanswered than it answers. I will deal with that in a minute.

Finally, this bill pointedly ignores one very important group of public servants of Canada—somebody says they might amount to 1,500 in number—the employees of the House of Commons and of the Senate. There has been a good deal of discussion about that and I will refer to that matter again in a moment.

Perhaps I might deal with the first four points together, because they are very closely interrelated. I refer to the new commission itself, the merit system, the establishing of staffing arrangements, and the pay and discipline clauses.

We start off with the fact that the Government of Canada is Canada's largest employer. As we look at the new commission we are reminded, or should be reminded, that the basic purpose of the old commission which it replaces was, above everything else, to maintain the merit system in the public service of Canada.

As one of the most informed authorities I can think of in this matter said on one occasion, and I refer to Mr. Arnold Heeney, perhaps our most experienced public servant, "If we cannot maintain this distinction between the independent Civil Service Commission and the Treasury Board as employers, I say in my judgment that the whole Canadian tradition will fall to pieces."

So the question naturally arises, honourable senators, can we under the conditions of this bill and the two corollary bills maintain that merit system? Naturally, we all hope we can. But I think certainly that in one respect, and perhaps in two, this bill has inherent in it a deficiency which is going to cause a great deal of trouble in the maintenance of the merit system.

I have already said, of course, that the Public Service Commission will have the responsibility for hiring and firing. However, the bill provides for a delegation and a subdelegation of that authority which I for one think is extremely dangerous. In future the Public Service Commission may and no doubt will, because it is anticipated that it will, delegate this power to appoint, to promote, to release, first of all to deputy ministers, and the deputy ministers under section 6 are empowered to make a further delegation to officers of their departments. I need hardly spell out for honourable senators the danger inherent in this. Instead of this impartial Public Service Commission, distinguished above all else in the fact that it is impartial and set apart from all Government departments, instead of that we are going to have deputy ministers in the position of being able to hire, promote, demote and fire, and they are going to be able to delegate that power.

Surely this is a retrograde step. I have endeavoured to find out why it was incorporated in this bill, and I have seen no explanation that makes any sense. The one usually given is that this is in line with the recommendations in the Glassco Report, and those of us who have sat in the Finance Committee have heard over and over again an explanation of the Glassco Commission's idea that there should be great decentralization in the administration of the public affairs of Canada. Personally, I think there has been perhaps too much lip service given to that; I think too many people have come to believe that decentralization is in itself a good thing. I suggest that here we have an example of decentralization gone wrong. I do not for one minute agree that there should be a delegation of the Public Service Commission's powers in matters of appointments, promotions and releases to any departmental body, because it is exactly in this area that all the abuses of the past arose, abuses sometimes called political patronage. This opens the door to a return to that system. Surely a deputy minister, close as he must be to this minister, who is a politician and one would hope a statesman, would be under his influence and would be under very definite political influence in this matter of merit which is the very heart of our public service tradition.

This matter has been raised elsewhere, but not I think as strongly as I am raising it now. Perhaps to some extent this arises out of experiences of my own. I am also aware of the fact that there is a further extension in this act, a very important one, that the provisions of this bill and of the other bills are now extended to the prevailing rates employees whose appointments were, and I do not think I am being anything but factual when I say

this, regarded as basically a matter of political patronage. It is a good thing that they are not now the subject of political patronage except again through this delegation of the impartial power of the Public Service Commission to the various departments.

Hon. Mr. Connolly (Ottawa West): I wonder if the honourable gentleman would mind an interruption at this point, and I do not do this for the sake of scoring a debating point. The matters he has raised have been the subject of very serious consideration by independent bodies and groups who have studied the problem raised by the presentation of this legislation and faced by the Government. I would point out to him that there is much to be said first of all for the recommendation of the Glassco Commission on the point of decentralization, and I think that that recommendation found general acceptance in quarters in which the problem arose. I think also there was a firm feeling that the merit system should continue to prevail in appointments to the public service of Canada, and that, indeed, if the merit system did not prevail, then we would be taking a very retrograde step. I want to give that assurance as a point of government concern and government policy. I would like to ask the honourable senator if he does not think that this language in section 6 helps greatly to meet the difficulty which he apparently sees in the legislation. Section 6 is permissive in the first place and says:

> The Commission may authorize a deputy head to exercise and perform, in such manner and subject to such terms and conditions as the Commission directs...

and so on. It was hoped by the inclusion of those words that much of the kind of criticism being voiced by the honourable gentleman might be answered. Perhaps he does not think it has been answered completely; it is very difficult to put the kind of language down that would do what I would like to see done, and at the same time comply with what I consider to be the laudable objectives in this segment of the Glassco Commission report. I simply ask him to consider the language of section 6 (1) in that light.

Hon. Mr. Grosart: I thank the honourable Leader of the Government for his interjection and for what he has just said, which, I might say, supports the theory I have had for a long time that it would be an excellent thing if in this chamber we were to go into Committee of the Whole to debate some of these matters. I think he would agree with me that he may have extended the rules a little bit in his interjection, because I was just about to indicate some of the qualifications that have been made. I do not really object to an interjection such as this, but I would suggest very respectfully to him that it would be helpful to me if he would wait until he hears my whole argument before he gives me what he considers to be the view of the Government on any of these matters.

Hon. Mr. Connolly (Ottawa West): I apologize. I thought the honourable gentlemen was going on to deal with the prevailing rates, and I wanted to make the position clear. I am sorry.

Hon. Mr. Grosart: That is quite all right. I really made this remark so as to get a breather and to see exactly where I was. I would have gone on—and perhaps it is not necessary now—to quote what Miss Addison, a member of the Civil Service Commission, said on this matter. She said:

> I would like to assure you and the members of your Committee that delegation of authority by the Commission does not mean abandonment of responsibility.

Miss Addison said other things which I feel it is only fair to add to my remarks:

> ...there will be a systematic analysis of the results of all staffing appeals to identify and isolate any cases of misrepresentation or misuse of selection standards by Commission or departmental officers.

She also said:

> ... There will be a periodic statistical analysis of the distribution of employees by occupation and level to identify shifts that may be attributable to the improper application of standards.
>
> Third, there will be a systematic spot-checking or post audit of individual cases selected at random in each occupation and level to ensure that the provisions of the act and regulations are being met by officials holding delegated authority; and fourth, there will be a periodic review of staffing processes in the Commission's own organization and in departments to develop increasing competence of staffing officers in the application of the Commission's selection standards.

I was going to say that it is of the utmost importance that the commission recognize that this delegated authority is temporary, that no department should be allowed to believe that the old days are back again and

that because the commission delegates this authority to the department it can now hire, promote, demote and fire as it wishes. One criticism I have of the bill is that this assurance of Miss Addison does not appear in it. We can only hope. Of course, this authority given by the commission to delegate is permissive, but we are assured there is to be the implementation of the Glassco Report in this respect.

I come now to the fifth aspect of the bill I mentioned in my original enumeration, one that has perhaps caused the longest and certainly the most heated discussion. This is section 32, which attempts to define the degree of political activity that will be allowed public servants.

The history is that the Government completely shied away from this. The original draft of Bill C-181 incorporated the provisions of the earlier act, which provisions have been taken generally to be a prohibition of all political activity on the part of public servants covered by the act. The minister made no bones about this. He said, in effect, "We will leave it to the committee. The committee is composed of members of all parties, and we will let you tell us." The committee made this recommendation, as appears in the bill, and the Government accepted it despite serious attempts to have some amendments made.

Section 32 of the bill starts with a general prohibition on all political activity. It says:

> (1) No deputy head and, except as authorized under this section, no employee, shall
>
> (a) Engage in work for, on behalf of or against a candidate...

and so on. Then it makes three exceptions: a public servant may attend political meetings; he may contribute funds to a political party; and he may become a candidate in an election, with the permission of his department or the Civil Service Commission. It is obvious that everyone has completely ducked the problem.

I think that honourable senators with practical experience will agree that to say to public servants, "You may attend meetings; you may contribute funds; if you get permission, you may be a candidate"—

Hon. Mr. Choquette: And heckle your minister.

Hon. Mr. Grosart: We will come to that in a moment. The whole thing is abundantly absurd: "You may attend meetings; you may contribute funds; if you get permission, you may be a candidate." What about all other political activities? It does not say you can be a member of a political party. When an attempt was made to clarify that, the Government held up its hands and said, "No, we do not want to go that far; we are afraid of that." It was even said, "Maybe we do not need to. Maybe there is a difference between the responsibilities of the public servant as a public servant and as a private individual." In fact, it seemed to me and others that the minister went so far as to say that there is no prohibition at the present time on a civil servant becoming a member of a political party.

I bring up that one point in support of the fact the Government and everyone else has completely ducked the real problem here, and I think it is a real problem for our public servants. They are entitled to know and have explicit guidelines as to what degree of political activity they may or may not engage in, particularly when we remember that the prevailing rate employees will come under this legislation when it becomes an Act of Parliament.

As I read this bill, it seems to give even a deputy head, a deputy minister, the right to attend meetings, to contribute funds and to be a candidate. I have read the bill carefully, and I think I have read everything that was said in committee. If I am wrong I would like to be corrected, but certainly it does permit very senior public servants to engage in some political activities.

Hon. Mr. Smith (Queens-Shelburne): I am following the honourable senator very closely, but where does he find that reference in the proposed legislation which, in his opinion, opens up political activity to senior officials in the public service?

Hon. Mr. Grosart: The answer is in the wording of the act. Perhaps the honourable senator would refer to clause 32, which reads:

> (1) No deputy head and, except as authorized under this section, no employee, shall

engage in certain activities. Then:

> (2) A person does not contravene subsection (1) by reason only of his attending a political meeting or contributing money for the funds of a candidate for election as a member described in paragraph (a)

That describes the various types of candidatures that are covered, and that is it. The key word is "only," and I think that is the authority for my statement.

I will not argue the point, and I would not believe for one moment that any deputy minister would engage in this kind of activity, but certainly—and this has been said over and over again—there are other public servants in a highly confidential, advisory policy-making relationship with ministers who are going to be allowed to engage in some political activity.

If my judgment is worth anything, I would say it would have been much better either to prohibit any kind of political activity completely, or to spell it out explicitly. Senator MacKenzie attended the committee meetings. I think the committee recognized this point, but I thought they rather lamely said, "We are going to recommend this, and after the next election it can be reviewed." In other words they said, "We do not think it will work." And I agree with them.

I do not deny that there is a problem. I think most honourable senators would say that the ideal for Canada would be a public service that is impartial, non-political, non-partisan, dedicated to one thing, to serve Canada and the policies laid down from time to time by the government of the day.

In the minds of some, of course, that is in conflict with another important ideal, namely the right of 300,000 public servants to engage in political activity. I know that if I were a civil servant the last thing in the world I would want would be even the smell of permission to be allowed to engage in political activity. I would be much happier being told, "You are joining the public service. You are going to serve Canada, not any political party in Canada."

It is rather interesting to note that the Civil Service Commission itself, after considering this matter, was inclined to say that it might make sense to allow public servants to engage in some degree of political activity, but, if so, the decision should be left to the independent Public Service Commission. They reviewed what has been done in other jurisdictions. It is also interesting to see what happens when an endeavour is made to allow public servants to engage in some political activities but not in others.

A memorandum prepared by the Civil Service Commission and dated August 15, 1966, tells what the law is in France:

> More generally, French public servants enjoy nearly full political rights. They may join political parties, write for political publications, and participate in political meetings and congresses.

Then, listen to this:

> It is expected, however, that their behaviour will be characterized by a degree of restraint and moderation commensurate with the social responsibilities which they assume by virtue of their rank in the executive hierarchy.

That, at least, indicates how impossible it is to try to separate the public service efficiently from politics.

In the United States, of course, they have gone all the way over to allowing partisanship in the public service. This memorandum of the Civil Service Commission in describing the situation in the United States says:

> In the United States, employees in the competitive service—

That is one particular section of their public service.

> —may have a normal but unobtrusive political life.

I personally would not ask any public servant to try to carry on his public duties and have a normal but unobtrusive political life. In other words, it would be a failure because a political life that is unobtrusive is a failure. This memorandum goes on:

> They may express their opinions on all political subjects and candidates, make voluntary campaign contributions, participate in non-partisan local elections, sign petitions, attend political rallies and join political clubs, as long as they do so in such a way—

Again, this absurdity.

> —as not to take an "active part in political management or political campaigns".

I can go on *ad infinitum* and *ad nauseam*.

The United Kingdom, of course, has come up with an answer that appears to satisfy the public service and the legislatures in the United Kingdom. I should like to mention this because this is the system that the Civil Service Commission itself suggested should have been incorporated in this act. This is the "three-tier" system which separates or divides the public service into three classifications. The top civil servants, the policy makers or the higher ranking civil servants, may not engage in any political activity. This memorandum says:

> In the second group, the administering body would be responsible for delineating the type of policital activity in which

various employees, or classes of employees could engage outside normal working hours, either during or between elections, and would also be responsible for granting special leave to those who, in its opinion, could be eligible to resume their position if they were unsuccessful candidates in a federal or provincial election. In this respect, the rule would be that the actual political activity permitted should not be such as to impair the continued usefulness of the person in the position in which he is employed.

I find it very difficult to think of any effective political activity on the part of a public servant that would not in some way either impair his future usefulness or—and what could be worse— greatly expedite his promotion because he had done a good job politically for the party that happened to be forming the Government.

The sixth aspect of the bill is the fact that the members of our parliamentary staff have been left out. I am not critical of the bill on this count, but I think it is important that it should be drawn to the attention of this house, having regard to the fact that it is my responsibility to discuss this bill from one point of view.

A very strong criticism here—and one that is very difficult to counter—is that parliament is now saying to the Government: "You must now bargain collectively with your employees. You must have standards set by the Treasury Board which must be followed by the Public Service Commission as to hiring, promoting, demoting, and so on. You must allow a certain degree of political activity. You must maintain a merit system." This is Parliament laying strict obligations in respect of the employer-employee relationship on the Government, and yet that same Parliament is saying nothing with respect to its own staff.

Of course, there are answers to this, and an obvious one is that no Act of Parliament is necessary for Parliament to deal with its own employees. As we all know, this is normally done in the other place through the Internal Economy Commissioners, and here by our own Standing Committee on Internal Economy. I suppose it could be said that the Internal Economy Commissioners in the other place are, in effect, the Government because the composition of that body is the Speaker and four cabinet ministers. Here we have a long tradition, and one that seems to have worked very well, in dealing with these matters through our Standing Committee on Internal Economy.

I suppose the justification for the omission might well be that in the event that collective bargaining is granted, as it will be, to other members of the public service, and a strike occurs, Parliament would always have the final recourse of intervening in the public interest, and it would be very difficult if Parliament, under a system of collective bargaining, had a strike of its own employees. Parliament might be made completely ineffective, and unable to intervene. It just could not work without its employees. I think most of us would at least grant that we might get along without any of our employees, but there might be a constitutional question as to where we would be without, for example, the services of our distinguished Gentleman Usher of the Black Rod, not to mention our equally distinguished clerks at the table. I am not suggesting, of course, that they would ever avail themselves of any such opportunity, but this does raise the question.

Honourable senators may have been asked, as I have been, the question by some of our staff: Where do we stand? My understanding is that the Government will now take the initiative in referring this matter to the proper representatives of the employer—the two chambers of Parliament—and the suggestion has also been made that some kind of opportunity will be created for the staff of those two chambers independently to bring their wishes before the Internal Economy Commissioners of the House of Commons and our own Standing Committee on Internal Economy.

I would think this would be a forward step because I feel a great deal of sympathy for our own staff if they find themselves in the position of being completely left out of this "new dimension," as it has been called over and over again, in our public service.

Honourable senators, I have been critical of some aspects of this bill, but perhaps I should say in concluding that having in mind the many viewpoints that had to be reconciled, this bill is the best that could be expected. Although I have criticized some parts of it, I would not suggest for one minute that I could improve on it. It should now be given a chance, and I think it is obvious that for it to succeed it requires a degree of public spirit, tolerance and understanding on the part of both the employer and the employees. I think the employer particularly is going to find himself somewhat behind the starting line, because he will be dealing with people who

have a good deal more experience in this very complex area.

I am sure all honourable senators join with me in wishing a full measure of success to this noble experiment, so that in the future there may be a growth of stature in and esteem of our public service to match the very high standard it has reached until now, a standard so many people regard as the highest in the world.

Hon. Norman A. MacKenzie: Honourable senators—

The Hon. the Speaker: May I remind the house that if the honourable senator speaks now it will have the effect of closing the debate.

Hon. Mr. MacKenzie: Honourable senators, I have listened with a great deal of interest to the comments made by Senator Grosart about this bill, and I am grateful to him for the interest that he has shown by his study of the bill and by bringing to our attention a number of important and difficult questions that are inherent in the bill.

May I refer briefly to the main points which Senator Grosart touched upon. The first was the division of powers as between the new Public Service Commission and the Treasury Board, which was also dealt with by Senator Blois when he spoke on Bill C-182, to amend the Financial Administration Act.

I think it fair to say that this was done because it was felt that it would give the Public Service Commission a feeling of independence and of prestige, and a feeling, too, on the part of the members of the Civil Service of detachment, fairness and equity, if the commission were not the bargaining body to which they had to look for increases in pay and improvement in conditions of work. The actual appointment, the promotion, and as Senator Grosart called it, the firing or discharging of civil servants is left with the Public Service Commission. But again care was taken that provision should be made, where appropriate, that any individual who felt himself aggrieved might bring his grievance in an appropriate way to the attention of the proper bodies or individuals.

Because of this, I am not so concerned by this division as Senator Grosart is, nor am I so concerned as Senator Blois was about the increased responsibility of the Treasury Board. I am sure that by an enlargement of its staff it will be able to deal with the details he mentioned, and reserve for itself the major and difficult issues of policy.

The second point Senator Grosart dealt with was delegation of authority. I would like to assure him and the other members of the Senate that this was a matter to which the joint committee gave a great deal of attention, consideration and debate.

You have here a situation that arises so frequently in human affairs, that of choices between this good and that good, or, if you like, the choice here in respect of delegation of authority as to whether you are to leave it as it was formerly, to the commission itself to make all the decisions regardless of distances, locality, or the time involved. It was felt that in some cases this might mean weeks or even months of delay in respect of matters that needed immediate action. For this reason it was decided by the committee that it would be best to delegate, or allow a delegation of authority by the commission to a deputy, or a deputy minister, or through him, to some other official so that decisions might be made and action taken as quickly as possible and as circumstances required. But here again the right of the individual who felt himself aggrieved is reserved to appeal any situations in which he felt injustice to him had been done.

As Senator Grosart properly pointed out, the final authority does remain vested in the commission itself, and it can take back the authority if there is evidence of injustice or discrimination. As Senator Grosart said, in reading from the report of one of the present commissioners of the Civil Service Commission, there will be a periodic survey of the results of this delegation.

In addition, provision in the bill is made for reports to Parliament. Special mention was made in committee, and I think provided in the legislation, that these reports to Parliament would be thorough and detailed and would indicate how this policy was working out, indicating too where it was successful and where it was weak, with a view to amendment and changes in the procedures and practices of the commission itself, and more particularly in respect of the delegation of authority.

Coming to the third question, that of political activity, as I stated in introducing the bill the other evening, and as Senator Grosart so properly pointed out, this is and will continue to be a very difficult problem, because again you are here faced with a choice.

Senator Grosart made mention of the fact that there are 300,000 members in the public service. They are also citizens of Canada, and many of them feel they should have exactly the same rights and privileges as every other Canadian. Many of them feel there is nothing about the work they do that is so important

or so sensitive that it should deny them the normal rights of the citizen to engage in political activity.

All of us I think have had some experience in public affairs, and we know that in business, and certainly in universities, there are situations or positions of a sensitive kind which make it difficult if not impossible to allow individuals to engage in political activity because of the consequences of doing so.

Senator Grosart also made mention of the British system. There is a great deal to be said for it. This was thoroughly discussed and debated, and I think the reason it was not accepted by the committee was that it felt that in a sense the British system suggested there were three classes of citizens. Canadians, by and large, do not like to think that they are not in every respect the equal of every other citizen, and to relegate a certain group to the category of three rather than one was thought to be rather invidious and undesirable. It was for this kind of reason that the British plan or system was not recommended.

As I have already stated, there was a great deal of discussion and debate in committee. I think there was a general feeling that this bill is neither a complete denial to civil servants of any participation in the political life of the country nor does it leave it wide open for everybody to engage in any and every form of activity.

This is an experimental and exploratory measure, the best that could be arrived at in the circumstances. Some people in key positions will be expected to refrain from engaging in political activity. Others are given limited areas in which they may engage in political activity.

There was considerable debate and difference of opinion about this limitation, and particularly about membership in political parties. I do not intend to repeat that today, as it is in the evidence of the committee which members of the Senate can read if they wish. It is my desire to assure the Senate that this point was carefully discussed and dealt with.

It was only at the end of this long discussion that it was decided that membership in parties, because of the different nature of the membership and demands on members when they become members, in terms of giving loyalty to a party and the discipline of a party, as contrasted with other parties, should not be specifically approved and thus was responsible for this section of the bill in its present form.

Hon. Mr. Grosart: Would the honourable senator permit a question which is perplexing me. Would he agree that at the present time, as a result of the bills before us, no public servant in Canada knows or is able to find out whether he may or may not be a member of a political party and remain in the public service?

Hon. Mr. MacKenzie: I can only give my personal opinion about that. The bill is here and it speaks for itself.

Hon. Mr. Grosart: It does not say anything about it. It does not say yes or no.

Hon. Mr. MacKenzie: It says certain things and I think it follows from what it says that an individual who is proposing to be a member of a political party would have second thoughts about it, in view of the fact that it is not specifically mentioned.

As the honourable senator says, it is one of the unanswered questions. The general recommendation of the committee, which the honourable senator described as a rather lame answer to the problem, was to have another look at the situation after the next general election, to see what has happened in the interval and to see how it works.

Honourable senators, an amendment was made in the House of Commons, to which I would like to draw your attention. It refers especially to the Leader of the Opposition in the Senate. The Leader of the Government at the present time is already governed by other legislation.

At some future time the Leader of the Government might also be in the position where this kind of amendment would be important.

I refer to section 37, subsection (6), as it originally stood, and which read:

> (1) A Minister may appoint his Executive Assistant and other persons required in his office.
>
> (6) This section applies to a person employed in the office of the person holding the recognized position of Leader of the Opposition in the House of Commons as it applies to a person employed in the office of a Minister.

No mention was made there of the office of the Leader of the Government in the Senate or of the office of the Leader of the Opposition in the Senate. The bill was amended so as to provide for these two individuals.

Honourable senators, with those remarks, I commend the bill for second reading.

Hon. Donald Smith: Honourable senators, in the copy of Bill C-181 which I hold in my hand, as passed by the House of Commons on

February 20, 1967, those words have been added. They are underlined in my copy as being changes made in the bill due to the activities of the joint committee which considered this subject. May I ask if what I have said is correct, or is there some longer wording which I missed?

Hon. Mr. Connolly (Ottawa West): No, that is right.

Hon. Mr. MacKenzie: I am not sure if we are referring to the same editions of the bill, as there were several. The amendment to which I refer was made in the House of Commons on February 20. It was not in the second copy of the bill which was sent to us.

Hon. Mr. Connolly (Ottawa West): It is in the copy as passed by the House of Commons on February 20.

Hon. Mr. MacKenzie: Yes, but not in the second one that was presented to us.

Hon. Mr. Connolly (Ottawa West): It is not in the first reading edition of the bill.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Muriel McQ. Fergusson: Honourable senators, with leave of the Senate, I move that this bill be read the third time now.

Motion agreed to and bill read the third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

Government House
Ottawa
23 February 1967.

Sir,

I have the honour to inform you that the Hon. Robert Taschereau, P.C., Chief Justice of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 23rd of February at 6.45 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate

Hon. Mr. Connolly (Ottawa West): Honourable senators, I move that the Senate do now adjourn during pleasure, to reassemble at the call of the bell at approximately 6.40 p.m.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Robert Taschereau, P.C., Chief Justice of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give royal assent to the following bills:

An Act respecting employer and employee relations in the Public Service of Canada.

An Act respecting employment in the Public Service of Canada.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, February 28, at 8 p.m.

THE SENATE

Tuesday, February 28, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

DISTINGUISHED VISITOR IN SENATE GALLERY

Hon. John J. Connolly: Honourable senators, I should like to draw the attention of the Senate to the presence in the gallery this evening of Mr. Howard Hilton Spellman, Chairman of the Special Committee on Matrimonial Law of the Association of the Bar of the State of New York. Mr. Spellman is said to be the father of divorce law reform of that state. A distinguished attorney, Mr. Spellman came here to give evidence before the Special Joint Committee on Divorce.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING

Leave having been given to proceed with Order No. 1:

The Senate resumed from Thursday, February 23, the adjourned debate on the motion of Hon. Mrs. Fergusson for the second reading of Bill C-182, to amend the Financial Administration Act.

Hon. M. Wallace McCutcheon: Honourable senators, at the outset may I thank all honourable members for agreeing on Thursday last to adjourn this debate so that I might say a few words this evening. I am also appreciative of the fact that the order of business has been changed somewhat because of my personal engagements. Were it not for the adjournment of the debate, Bill C-182 would have been passed as a companion bill to C-170 and C-181 and would have received Royal Assent last Thursday evening.

I also wish to pay tribute to the joint committee which considered these three bills, to Senator Fergusson's participation in that committee and to the manner in which she presented this bill to us.

Senator Fergusson said:

> Bill C-182...is the third bill in the legislation package proposed by the Government with the object of implementing collective bargaining in the Civil Service.
>
> In the main this bill is concerned with tying up the loose ends created by the other two bills, and for that reason it must be considered in relation to them.

With much of that I agree, but in her later remarks Senator Fergusson indicated what I want to emphasize, that this bill is a great deal more than a tidying up bill, to use her own words, "with the object of implementing collective bargaining in the Civil Service." For that purpose, I want to refer in some detail to the bill we have before us.

Clause 1 of the bill re-enacts section 5 of the Financial Administration Act and, as I think will be evident, it adds very greatly to the authority of the Treasury Board.

I do not propose to read all the subsections at length, but subsection (b) says:

> the organization of the public service or any portion thereof, and the determination and—

The next word is underlined, indicating it is new.

> —control of establishments therein.

In subsection 1(c) three words are underlined, namely, "financial management, including", and then it goes on with the detail.

Subsection 1(e) reads:

> (e) personnel management in the public service, including the determination—

Those are new words.

> —of terms and conditions of employment of persons employed therein; and
>
> (f) such other matters as maybe referred to it by the Governor in Council.

The words "such other matters" are new.

By subsection 2 the Treasury Board is authorized to exercise the powers, other than the powers of appointment, of the Governor in Council—in other words, the powers under the acts listed, other than powers of appointment, are in the hands of the Treasury Board. And these are very important acts. They are the Public Service Superannuation Act, the Canadian Forces Superannuation Act, the Defence Services Pension Act, the Royal Canadian Mounted Police Superannuation Act, the Royal Canadian Mounted Police Pension Continuation Act, and such of the provisions of any other act as may be specified by the Governor in Council.

Then there is provision for the enactment of regulations:

> 6. Subject to any other Act, the Treasury Board may make regulations—

And these are new.

(a) for the purpose of ensuring effective coordination of administrative functions and services among and within departments;

(b) for the establishment of general administrative standards of performance and respecting the assessment of the performance of portions of the public service in the light of such standards.

Those are new powers conferred upon the Treasury Board.

We come next to clause 3 of the bill which re-enacts section 7 of the act, and this is substantially new. Note the powers:

7. (1) Subject to the provisions of any enactment respecting the powers and functions of a separate employer but notwithstanding any other provision contained in any enactment, the Treasury Board may, in the exercise of its responsibilities in relation to personnel management including its responsibilities in relation to employer and employee relations in the public service, and without limiting the generality of sections 5 and 6—

I shall paraphrase these powers. It can determine the manpower requirements of the public service; determine the requirements for the training and development of personnel; provide for the classification of positions and employees in the public service; determine and regulate the pay to which persons employed in the public service are entitled for services rendered, the hours of work and leave of such persons and any matters related thereto. It can provide for awards for meritorious service, establish standards of discipline, establish and provide for the application of standards governing physical working conditions, determine and regulate the payments that may be made to persons employed in the public service by way of reimbursement for travelling or other expenses and by way of allowances in respect of expenses, et cetera, and provide for such other matters, including terms and conditions of employment not otherwise specifically provided for as the Treasury Board considers necessary for—and these are the governing words—effective personnel management in the public service.

Subsection 2 is a provision by which the Treasury Board may delegate some of these very broad authorities to the deputy head of a department, or the chief executive officer of any portion of the public service, a delegation which is to be in such manner and subject to such terms and conditions as the Treasury Board directs.

I move now to section 5 of the same re-enacted section 7, in which there is a provision that makes it abundantly certain that the very wide powers now conferred apply, notwithstanding prior provisions in that regard. I am not going to comment on the provisions of subsection 7 of that re-enacted section which largely relate to dismissal for security purposes.

The subsequent sections of the bill are the tidying up sections that I believe were referred to by Senator Fergusson. By and large they substitute for the Minister of Finance the President of the Treasury Board, and they separate the functions of the Minister of Finance in certain instances where in the former statute both the President of the Treasury Board and the Minister of Finance were mentioned. On the other hand, one subsection is interesting because it ties in with what I have said as to the enlarged authority of the board. I refer to clause 5 of the bill re-enacting section 15 of the act. There the significant words are added in paragraph (a), that the comptroller may:

(a) provide accounting and other services in connection with financial management—

Financial management and personnel management are the themes that go through this whole section.

I have said that the subsequent sections are, in my opinion, largely the tidying up sections, that is, tidying up sections which are consequential on the passing of Bill C-178, being the Government Organization Act of 1966, which received the Royal Assent some time ago. I had something to say in this chamber concerning that act, and I shall be referring to it again in a moment. As I said, the remaining sections are largely tidying up sections, with the exception of clause 6 of the bill which re-enacts section 28(1) of the Financial Administration Act. That is the section that provides for the use of Governor General's warrants. If I am not mistaken, the change in the section is simply to provide that it is now the President of the Treasury Board and not the appropriate minister who will certify to the propriety of the payment on the authority of Governor General's warrants in the context set out in the bill.

In so far as the President of the Treasury Board is now required to make that recommendation or report to the Governor General,

then I suggest that this amendment is an improvement; but I do say with all seriousness that the continuance of the provision for Governor General's warrants in the Financial Administration Act is highly undesirable, and that while that provision has been there for many years—for all I know, for close to a century—in recent days it has been, in my opinion, abused. I am pointing no finger at any government. I make that as a simple statement of fact, that it has been used as the medium to accomplish that which it was not intended to accomplish.

A bill has been introduced in the other place in the last few days—I thought I had it here, but it matters not—which, if enacted, would do away with the use of Governor General's warrants. I am not suggesting that I agree with the provisions of that bill; but I think it does indicate a feeling that the time has come when some better provision must be made for the financing of the affairs of Parliament during special situations in which it is considered that Governor General's warrants should be used.

In that connection, I would like to refer to the Auditor General's Report for the fiscal year ended March 31, 1966. At page 18 there is a prologue following which the Auditor General says:

> When the 1965-66 special warrants were being prepared the departments were instructed by the Treasury Board that each vote and class of payments required special consideration in the light of section 28 of the Financial Administration Act.
>
> The Treasury Board also advised the departments to review and take into account the particular audit comments contained in the Auditor General's Reports for 1962-63—

I have no doubt he was commenting on what had taken place under the Government of which I had the honour to be a member.

> —and 1963-64. These general instructions were supplemented by specific guidelines for determining
>
> (a) the items which might properly be provided for by special warrant, and
>
> (b) the proper amount to be provided in each special warrant for each acceptable item.

Now, this:

> In the Audit Office view these guidelines were not always followed in the preparation of the special warrants—

I like the very careful language that the Auditor General uses.

> —and a number of the items provided for did not meet the test of being "urgently required for the public good" as required by section 28 of the Act.

Of course, section 28 of the Act provides that the only payments which may be authorized by Governor General's warrants are such as are "urgently required for the public good".

As one who has signed recommendations for Governor General's warrants, and in the presence of many persons who, I think, have done the same thing, I suggest that it is very difficult to meet the objective test of what is "urgently required for the public good" with respect to one's own department.

All I am saying is—I am not criticizing any government or any minister—that we should strain every effort to find a procedure which would avoid the necessity for this type of discretionary action.

This bill, rather than being merely a tidying up bill, is really a bill which implements the heart of the Glassco Commission Report.

When Dr. Davidson, the Secretary to the Treasury Board, appeared before the Senate Standing Committee on Finance on June 9, 1966—he appeared on a number of occasions during both the present and the previous session, but this happened to be the quotation which came most easily to my hand—he said, at page 219 as follows:

> The heart of the Glassco Commission's report and recommendations, so far as my own assessment is concerned, is to be found in Volume 1 which deals with some of the broad, overall issues relating to the management and organization of the Government service taken as a whole.

He then goes on to delineate what the first report that I have here says, and there are four reports in the first volume which is entitled "Management of the Public Service". He goes on to say that it has to do with:

> ...the creation of a new role for the Treasury Board as an entity separate from the Department of Finance under a President of the Treasury Board—an entity that is to be responsible for what you might call the central management function in the organization of the Government as a whole.

And later:

> As I say, this, in my judgment, at least—

And I am in complete agreement with Dr. Davidson in this.

> —is really the heart of the Glassco Commission's work because it relates to the whole range of activities of the Government of Canada and its various departments and agencies.

That is really what this bill is all about. This bill would have come before us, or should have come before us, without any regard whatsoever for the other two bills, because this is the bill which confers statutory authority on the prime and most important recommendation—to use Dr. Davidson's words again—to implement the "heart of the Glassco Commission's report," a report which was received with praise from all groups in Parliament.

But there is one important recommendation, and this disturbs me, which has not yet been implemented and which goes to the heart of this whole problem. Because I did not want to trespass on your time in view of your indulgence to me, I did not reiterate the new and very broad powers that this bill, if enacted, would give to the Treasury Board. I could have repeated them, I could have expanded on them and then I could have come back to them again to make sure that they had the proper impact. What I want to say is I think that this is the greatest transfer of power within the government service that has ever taken place, and it is done under the guise of a very simple bill to amend the Financial Administration Act.

In the course of producing its first volume, Management of the Public Service, the Glassco Commission made this recommendation at page 54:

> It is our conclusion that the Treasury Board needs to be strengthened by the appointment of a presiding minister with no departmental responsibilities, who would give day-to-day guidance to its staff, provide the initiative needed within the Board itself, and ensure that general considerations of good management find adequate expression within Cabinet on all matters to which they are relevant.

Now, when my colleague Senator Blois was speaking on this matter at the last sitting he suggested that the powers and responsibilities that were being conferred upon the Treasury Board were of such a nature and such an extent and so overpowering that he was concerned as to whether the Treasury Board could properly carry them out.

I must confess that I think the powers that have been conferred are proper and appropriate and can be properly administrated and executed. But I do suggest that that will not be the case unless this other recommendation which I have just read is carried into effect.

I made this same observation—which shows how little the present Government listens to my voice—when I was discussing in this chamber Bill C-178, the Government Organization Act, 1966, which is now law. That was the bill in which—I must be careful of my language—the Minister of National Revenue, for whom I have the highest respect, was also named President of the Treasury Board.

So right in the teeth of the recommendation of the Glassco Commission we have a minister presiding as President of the Treasury Board who, far from not having departmental responsibilities, has the most heavy departmental responsibility, and who no doubt is wondering when he can take that week off that the Minister of Finance referred to and read the recommendations of the Carter Commission so that he can make some forward plans as to the new computers which he will undoubtedly have to purchase in the somewhat remote event that the report is fully implemented.

Now I suggest, honourable senators, that if the responsibilities of the Minister of Justice prior to the enactment of Bill C-178 were such that they should be put under three ministers—and I hasten to add that there were a few responsibilities of the Secretary of State which were divided up in that trifurcation—then I do not quarrel with that; I think that that was probably appropriate. I do think the time may come when we have to distinguish between ministers and members of the cabinet or we will run out of space in the cabinet room—but that is because the administration of Government is becoming more complex.

Having said that, I think that the division of responsibilities between the now Minister of Justice, as defined in the new statute, and the Registrar General and the Solicitor General is highly appropriate. And I think that each of the gentlemen has plenty of responsibilities to keep him occupied. But I say, if the Minister of Finance—as the Glassco Commission indicated, and the bill before us suggests that the Government agrees—found the responsibilities of the Treasury Board, and certainly the very large responsibilities we are now dealing with, too great a burden when added to his other responsibilities, I

say that they should not be the responsibility of any Minister of the Crown who has any responsibilities other than the general responsibility that a Cabinet Minister has to his colleagues.

I am very much concerned about this. I want to refer again to the report of the Auditor General. I will not read it but will just refer to the foot of page 3 and to the top of page 4, where he refers to his findings on the Royal Commission on Government Organization. This is his report for the fiscal year ended March 31, 1966, where he refers to the very substantial increase of over 30 per cent in four years in the cost of the administrative overhead, staff, and so on, of government, and where he points out that during the year ended March 31, 1966 the number of employees authorized for departments, crown corporations and other instrumentalities had increased by nearly 11,000, which brought closer to 21,000 than to 20,000 the increase in the number of employees authorized since the royal commission published its findings, and he refers to the recommendations that have not been implemented, and so on.

I am sure Dr. Davidson, Secretary of the Treasury Board, would not agree in toto with the implied criticism by the Auditor General. It may be that with respect to some of these recommendations which the Auditor General says are not being implemented, the Government has not decided that they should be implemented. It may be that the staff and other increases can be satisfactorily explained. But I suggest that if the President of the Treasury Board had no other responsibilities save that, we would have proceeded faster in the implementation of the Glassco recommendations; that cabinet decisions would have been made more quickly; that if the Government were not going to proceed to implement certain of the many specific recommendations that were made, we would by this time know the decision, and we could ask why and endorse it or criticize it.

I suggest further that if we had a President of the Treasury Board who was freed of other responsibilities to which I have referred, we would have been able to press ahead more rapidly with the implementation of the heart of the Glassco recommendations, the management of the public service. I suggest that a minister whose sole responsibility was to do that would probably have seen that the senior staff or senior outside consultants were available to proceed at a much more rapid pace than that at which we have proceeded. In saying this I do not intend any reflection on the officials of the Treasury Board. I believe that the Secretary of the Treasury Board, who was my deputy at the time when his only responsibility was as deputy in the Office of Government Organization, and who was not responsible for the multitudinous other duties he has now, is probably the most overworked and overtaxed public servant in Ottawa today.

Hon. Mr. Connolly (Ottawa West): And maybe underpaid too!

Hon. Mr. McCutcheon: I know he is. I assert that without question.

Reservations and doubts have been expressed both here and in other places about these three bills. I have spoken now, and I apologize for the length of time I have taken, only because I do not think this is a subordinate bill. By and large I think this is the most important of the three bills, and I wanted to put that in context if I could. Reservations have also been expressed about this trio here and in another place, but having been examined by the joint committee, all members of both houses are prepared, I think, to accept them for what they are, that is, an innovation in the management of the public service, whether we are referring to the function of the Public Service Commission, to the function of the Treasury Board, or to the so-called collective bargaining being instituted.

Having said that and having raised the doubts that I have and made the criticism that I have, I am not opposing this bill. I am sure the salient provisions and particularly the great omission I have referred to will be before us in an amendment to this bill or an amendment to one of the other acts to which I have referred or by other appropriate action. Therefore, far from opposing the bill, I support it. On the other hand, I think I should say that having regard to the importance of seeing that the heart of the recommendations of the Glassco Commission are implemented to the advantage of the members of the public service of this country and of the people of Canada, from the point of view of cost and efficiency, we will watch very closely what takes place in the next little while.

Hon. Mr. Connolly (Ottawa West): Will the honourable senator permit me a question?

First, may I say that I have been very much impressed, as I am sure all honourable senators have been, with the very careful analysis he has made of this important piece of legislation. In the course of his remarks he

made reference to the bill which is known to me only as Bill C-178, the Government Organization Act, 1966. I have this act in front of me, and in clause 32 which deals generally with financial administration and which amends section 3 of the Financial Administration Act among other things, it provides as follows:

> 3. (1) There shall be a committee of the Queen's Privy Council for Canada called the Treasury Board over which the President of the Treasury Board appointed by Commission under the Great Seal of Canada shall preside.
>
> (2) The committee constituting the Treasury Board shall, in addition to the President of the Treasury Board, consist of the Minister of Finance and four other members of the Queen's Privy Council for Canada who may be nominated from time to time by the Governor in Council.

It then goes on to deal with alternate members, rules and procedures, the duties of the President and of the Secretary of the Treasury Board, etc. My honourable colleague has referred to the fact that at the moment the President of the Treasury Board is the same person as the Minister of National Revenue. Do I take it from his remarks that there is nothing in Bill C-178 which would in fact prevent the Government from saying to a minister who occupies both positions, "Hereafter you will occupy one position and surrender the other."

Hon. Mr. McCutcheon: That is quite correct. I hope the Government will do that very soon, and I hope the present President of the Treasury Board will continue to be the President of the Treasury Board.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Muriel McQ. Fergusson moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

Hon. Mr. Connolly (Ottawa West): May I take this opportunity to thank again all honourable members for giving unanimous consent to proceed with Order No. 1 first at this sitting.

HON. ARTHUR W. ROEBUCK

BIRTHDAY FELICITATIONS

Hon. John J. Connolly: Honourable senators, I am sure you would want me on behalf of all members to wish one of our very distinguished and perhaps most elderly member a very happy birthday. I am, of course, referring to Honourable Senator Roebuck.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): You will notice that he is wearing a red carnation. I am sure that is not without significance. I am also sure that I am expressing the views of all of us when I say that we pray every night that when we reach our eighty-ninth birthday we shall be as hale, as hearty and as alert as he is.

Hon. Senators: Hear, hear.

Hon. Arthur W. Roebuck: Honourable senators, it is difficult for me to reply to so kindly a reference as has been made by the Government Leader.

Birthdays are very important when one is very young, but then their importance edges off. They are not as important in middle life. Then they become very important when they run up into the eighties and the nineties. It is not difficult to grow old—you just have to stick about. But it is a problem to keep what you, sir, have just mentioned, your punch, your alertness, your ability to take pleasure in your work.

I remember an old fellow once in my position who said—

Hon. Mr. Connolly (Ottawa West): I bet he was 60!

Hon. Mr. Roebuck: No; he was older than that. He said, "You know how I know my youth is long spent? Because my get-up-and-go has got up and went." My chief reason for being thankful at the moment is that my "get-up-and-go" has not yet got up and went. But I still take great satisfaction and pleasure in the work of the Senate and of the committees to which I belong.

I suppose the finest thing in life is the friends you make. I know no more delightful group of friends than that I have around me in this Senate chamber. It makes very little difference in this chamber on which side of the Speaker you happen to sit. Your kindness, your friendship, your goodwill and this pleasant reference at the present moment make me happy indeed that I am one of the members

of this chamber, and I thank you all for your friendship.

Hon. Senators: Hear, hear.

JOINT COMMITTEES

CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Watson (Assiniboia) had been substituted for that of Mr. Irvine on the Special Joint Committee on Consumer Credit and Cost of Living; and that the name of Mr. Forrestall had been substituted for that of Mr. Brand on the Special Joint Committee on the National and Royal Anthems.

CRIMINAL CODE (HATE PROPAGANDA)

JOINT COMMITTEE—COMMONS CONCURRENCE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Resolved: That this house do unite with the Senate in the appointment of a Special Joint Committee to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada as set out in Bill S-49, intituled: "An Act to amend the Criminal Code"; and
>
> That 12 members of the House of Commons, to be designated by this House at a later date, be members of the said committee; and that Standing Order 67 (1) be suspended in relation thereto; and
>
> That the committee have the power to call for persons, papers and records, to examine witnesses, to report from time to time, and to print such papers and evidence from day to day as may be ordered by the committee; and
>
> Ordered: That a message be sent to the Senate informing that House that the House of Commons do unite with the Senate for the above purposes.
>
> Attest
>
> Léon-J. Raymond,
> The Clerk of the House of Commons.

POSTAL SERVICES INTERRUPTION RELIEF BILL

COMMONS AMENDMENT

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons returning Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services, and acquainting the Senate that they have passed this bill with the following amendment, to which they desire the concurrence of the Senate:

> Page 2, Line 46. Immediately after clause 4 add the following new clause:
>
> "5. Where in respect of any application under section 2, any matter or thing is authorized or required by this Act to be done or proceeded with by or before a judge of the Exchequer Court of Canada, the matter or thing may be done or proceeded with by or before any other judge of the Court as though the application were an application to the Court."

The Hon. the Speaker: Honourable senators, when shall this amendment be taken into consideration?

Hon. John J. Connolly: I move that this amendment be taken into consideration at the next sitting.

Motion agreed to.

JUDGES ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-267, to amend the Judges Act.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. W. Ross Macdonald moved, with leave of the Senate, that the bill be read the second time now.

He said: Honourable senators, this is an important bill, as is any bill which deals with the judiciary. It might be easier for honourable senators to follow what I have to say if they have Bill C-267 before them.

It provides for an increase in the salary of judges who have been appointed by the federal Government; that is to say, judges of the Supreme Court of Canada, of the Exchequer Court of Canada, of the superior courts of the provinces, and of the county courts. This is the first salary increase that has been granted to judges since 1963. A percentage or uniform increase has not been made, but rather an

attempt has been made to fix the salaries of judges at a figure in keeping with the importance of their duties and the respect connected with the judicial office.

Honourable senators will notice in clause 1 of the bill the salaries which are to be paid to judges in future. In the explanatory notes on the page opposite are the salaries which are now being paid. It will serve my purpose, I think, if I indicate the increase in each instance.

The Chief Justice of Canada will receive an increase of $5,000. The puisne judges of the Supreme Court of Canada will each get an increase of $5,000. The President of the Exchequer Court of Canada will be increased by $7,000. The Chief Justices of the provincial trial courts and courts of appeal will get an increase of $5,000. The puisne judges of provincial trial courts and courts of appeal will receive an increase of $5,000. The District and County Court judges will receive an increase of $3,000.

Honourable senators, in addition to the increases I have mentioned, the new section 20 of the bill provides for an additional salary of $2,000 annually to be paid to these judges, subject to specified conditions. At the present time in certain provinces the judges receive a provincial grant over and above the salary they receive from the federal Government. Section 20 does not prevent them from accepting that grant from the province, but if they do accept it they do not receive the $2,000 I have mentioned.

The amount of the provincial grant varies in different provinces, but honourable senators will understand that if in a province a judge receives in addition to his salary an amount of $3,500—which I believe is the amount paid in Ontario—he will not take the $2,000 from the federal Government, because he cannot have both. In some provinces that grant is not made, or if made it is less than $2,000, and in those circumstances the judge will no doubt accept the $2,000.

As this section will not come into effect until June 1, the judges will have an opportunity to decide which grant they will take.

I should explain further that in some provinces a general grant is not made to judges, but the judge is appointed to another position. He may be appointed to the position of judge of the Surrogate Court at a salary. There is nothing in this bill to prevent a province from doing that, but the result can easily be seen. In one province a County Court judge might get his $19,000 and his $2,000, whereas in another province he might also get a salary of, say, $3,000 or $5,000 for being the Surrogate Court judge. Honourable senators, I cannot think of anything the federal Government can do about that, except perhaps bring the attorneys general of the provinces together to see if they can work out some uniform basis. That is the position that will arise if this bill passes.

Section 21 provides that travelling allowances shall be paid to judges. No great change is effected by this bill. Judges who travel on court business will get their travelling expenses. Payment is made for travelling expenses if they are incurred on court business.

I shall not deal with clause 3. It merely deletes a reference to the Circuit Court of the District of Montreal. That court is not now in existence.

Clause 4 provides that the salary of a judge upon retirement is fixed at the amount of the salary I have mentioned, plus $2,000. For instance, the annuity on retirement of a County Court judge would be based upon $19,000 plus $2,000 or, in other words, on $21,000.

Clause 5 is quite important because it prevents a judge from acting as a commissioner, arbitrator, adjudicator, referee, conciliator or mediator. He is, indeed, prevented from acting in those capacities unless he is appointed by a government, either federal or provincial, or by an order in council. If he is so appointed he can act as an arbitrator, but if he does so act he cannot receive any fees, or any payment apart from his actual travelling and living expenses. This is a change from what has existed in the past.

As honourable senators know, a number of judges, especially County Court judges, have been acting as arbitrators, and have been spending considerable amounts of time in doing so. In some counties there have been complaints from the Bar that the County Court judge has been away too much in connection with arbitrations. It has been decided that in future a judge cannot act as an arbitrator unless he is expressly authorized by statute to so act. I might repeat here what I said before, namely, that if he does act he is paid only his actual travelling expenses.

Honourable senators, that explains the provisions of this bill. I should like to comment on the fact that the County Court judges will now be relieved in large part of the duties they have assumed in the past in respect of arbitrations. They will now be able

to spend considerably more time in their counties.

At the present time the Divorce Act of Ontario provides that the Supreme Court of Ontario has jurisdiction for all purposes under that act. That is to say, in the province of Ontario—and I think this generally applies to all provinces—divorce actions must be tried by the Supreme Court judges. According to the latest figures I have been able to obtain, in 1964 there were 3,474 divorces granted by the Ontario courts, and in the same year there were 7,748 divorces granted in all parts of Canada, excluding Quebec and Newfoundland.

It seems to me that these divorce actions could be tried just as well by County Court judges. Indeed, it would be to some advantage, for such judges are sitting in the court of their county continually. At the present time a Supreme Court judge comes to a county four times a year. In the meantime motions can be heard before the County Court judge but in many instances it is necessary to go to the larger centres of the province to have motions heard. I realize that there may be some disadvantage in having a divorce tried in a particular county and that it might be felt that another judge would be better able to deal with it.

I would suggest to our leader, therefore, and I believe others have made similar suggestions, that if and when the Divorce Act is amended the present wording of the act:

> The Supreme Court of Ontario has jurisdiction for all purposes of this act.

be amended to read as follows:

> The Supreme Court of Ontario and the County Courts of Ontario have concurrent jurisdiction for all purposes of this act.

That is my suggestion, honourable senators, and I leave it with you for your consideration.

Hon. Walter M. Aseltine: Honourable senators, I had intended to adjourn the debate, but since it is quite early perhaps it might expedite the passing of this measure if I say now what I intended to say at a later date.

The honourable Senator Macdonald (Brantford) has given a good explanation of the bill. I shall mention some of the things he said, but I will try to avoid needless repetition.

As I read the bill, it accomplishes five things. First, its main purpose is to revise the salaries of our judges, which have not been revised for some time. Senator Macdonald stated that their salaries have not been revised since 1963—I thought it was longer ago than that.

Second, the bill makes provision for the payment of an additional salary of $2,000, subject to certain specified conditions. Senator Macdonald gave a very good explanation of that, and I will not deal with it at length.

Third, the bill clarifies and broadens the law in some respects as to travelling expenses that judges are allowed, by providing that judges be paid their actual expenses when required to travel to hold court, sit in chambers or perform other official functions.

Fourth, the bill provides some relief with respect to the payment of estate taxes for widows of judges who receive annuities under the act. Senator Macdonald did not touch on that, and I will just refer to the explanatory note opposite page 8 of the bill. It states that the purpose of the amendment is to enable estate taxes to be paid on widows' annuities by instalments.

Finally, subsections 1 and 2 of section 38 of the act are repealed and are replaced by a new subsection 1 which provides that judges can act as commissioners, arbitrators, adjudicators, referees, conciliators or mediators, if there is a federal or provincial statute authorizing them to do so, or they are so authorized by the Governor in Council or by the Lieutenant Governor of a province. However, they receive no remuneration whatsoever—only their actual travelling and other expenses if they are paid by the federal or provincial governments, as the case may be, for that kind of work. That is my interpretation of that section.

Hon. Mr. Connolly (Ottawa West): That is right.

Hon. Mr. Aseltine: With regard to revision of judges' salaries, a District or County Court Judge will receive $19,000 per annum, an increase of $3,000. However, as Senator Macdonald (Brantford) said, they are usually paid something by the provinces in which they do their work, principally for Surrogate Court work. The additional sum they receive varies. I think our District Court judges in Saskatchewan receive $3,000. I was under the impression that in Ontario they received $4,000, but Senator Macdonald says it is $3,500.

Hon. Mr. Macdonald (Brantford): That is not for Surrogate Court work; they receive that as a general thing.

Hon. Mr. Aseltine: For surrogate and other work that they do.

Hon. Mr. Macdonald (Brantford): For other work. Surrogate work is not specified.

Hon. Mr. Aseltine: At any rate, it is quite clear that if they do receive from a province any annual or other periodic compensation as a judge of a Superior or County Court, they do not receive any part of the $2,000 from the federal Government.

All judges of the supreme or high courts get an increase of $5,000, with the exception of the Exchequer Court judges, who receive an increase of $7,000.

These salaries are set out in detail on pages 1 to 5 of the bill, and I do not intend to deal with them further. However, I wish to make some general remarks.

In the first place, these salaries are not as remunerative as they would seem to be. When the newspapers of the country report that the Chief Justice of Canada will be receiving a salary of $40,000 a year and that the salaries of the other judges will be increased, they fail to mention that the full salary in every case is subject to income tax, that the judges will have to pay back to the Department of National Revenue about one half of what they receive by way of salary. It means that the Chief Justice will only have about $20,000 left to live on and maintain his position in life. This also applies, more or less, to all judges. They must pay a heavy tax on their salaries and other income, if any. Incidentally, Members of Parliament are also heavily taxed on their indemnities.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Aseltine: It is necessary that our judiciary maintain a very high standard. It is frequently said that the independence of the judiciary is the cornerstone of our Canadian democracy. I think that the increase in the salaries of our judges is warranted. An attempt is being made by this bill to bring their salaries more in line with those paid to judges in England. I for one have always contended that the salaries should be attractive enough that the leaders of the Bar will accept judicial appointments. I would rather err on the side of generosity than to be too niggardly. I am proud of our judges and of our courts. My experience of over 50 years of legal practice in Western Canada convinces me that our judges are of a very high standard. We want to keep them that way, and one way to do so is to see that they receive reasonable remuneration for their work.

I know I will be pardoned if I say that at one time I thought I would be appointed to the bench, but I became a senator instead. Whether that was a loss or a gain for the judiciary will never be known.

Hon. Mr. Connolly (Ottawa West): It has been a gain for the Senate.

Hon. Mr. Aseltine: For some time I have been of the opinion that our County Court judges, or District Court judges as they are known in Saskatchewan and Alberta, might take some of the load off our Supreme Court judges if they were given jurisdiction to deal with divorce petitions. Senator Macdonald (Brantford) has dealt with that very fully. I do not intend to say much more about it, except that if our divorce laws are modernized, as I expect and hope they will be, until the cases level off in numbers there will be a great many petitions to be heard. In my opinion, there will be more than the judges of the superior courts can handle. By giving the lower courts jurisdiction in divorce matters, it would lighten the load of the higher court judges and would work to good advantage.

I said previously that most of our County Court or District Court judges do provincial work, and in some of the provinces they do all of the Surrogate Court work. They are paid for that work by the provinces. On that account, they would not qualify for any part of the additional salary of $2,000 as above mentioned, if they receive more than that amount from the provinces.

As Senator Macdonald (Brantford) has stated, their maximum would be $21,000 from the federal Government. This is somewhat less than the salary that the Supreme Court judges will receive, but I have not heard any real complaints on that score.

With regard to the extrajudicial duties of our judges, I sincerely hope that these duties will be kept to a minimum. Otherwise the work in certain judicial areas will pile up and will not receive the first-class attention it should have.

Honourable senators, generally speaking, I am in favour of this legislation.

Hon. Jacques Flynn: Honourable senators, before I offer some comments on this bill, I would ask the honourable sponsor whether he intends to move that this bill be referred to a committee. I do not believe that it is necessary but I would like to know his intentions in this connection.

Hon. Mr. Macdonald (Brantford): I am in the hands of the Senate. If there is a desire that it should go to a committee, I would not object. I agree with the honourable senator, that there is no necessity at the present time, from what has been said so far, to send the bill to a committee.

Hon. Mr. Flynn: In the event that it is not referred to a committee, it may be that the honourable sponsor could give me a brief reply to some short questions.

In the new section 6 it is provided that the District Judge of the Admiralty District of Quebec, as well as those of the Admiralty Districts of British Columbia and Ontario, will receive a salary of $1,500. My understanding is that the judges who occupy these positions are justices of the Superior Court in Quebec or of the Supreme Courts in the other provinces and who will, by the other provisions of the bill, receive a salary of $28,000, being $26,000 plus $2,000 under the new section 20. The additional $1,500 under the new section 6, would put them up to $29,500, which is $1,500 more than the puisne judges of the Exchequer Court who are empowered to act in admiralty all across Canada. Would my interpretation be correct in this respect?

Hon. Mr. Macdonald (Brantford): Yes. From my reading of the bill, I would think the honourable senator's interpretation is correct. Of course this is no different from a judge in a province receiving $3,000, $4,000 or $5,000 for acting as Surrogate Court judge. He would get that in addition to his salary of $19,000.

Hon. Mr. Flynn: I was not arguing this point. My next question is this. In view of the fact that we do not have before us the other sections of the act which are not amended but which may be affected by this bill, I wonder whether the pensions payable to the judges and their widows would be adjusted on the basis of the new salaries.

Hon. Mr. Macdonald (Brantford): Yes. Under the provisions of this bill they are adjusted on the basis of the new salaries. I might say that they are adjusted on the basis of the salaries mentioned here, plus the $2,000, whether they get that $2,000 or not. Supposing they are getting $3,000 or $4,000 from a province, and they continue to do so, when it comes to calculating their pension it will be based on the $21,000.

Hon. Mr. Flynn: My last question to the sponsor is in connection with a comment he made about the new section 20. If I understood him correctly, he suggested that it was optional for the judges either to continue receiving the payments provided by the provincial governments or receive instead the $2,000 provided in this section. Would that be correct?

Hon. Mr. Macdonald (Brantford): Yes, that is correct. They have until the first day of June to make their election. The honourable senator will see that in the new section 20(4).

Hon. Mr. Flynn: That is my point. I do not see that there is any option. The new section 20 says:

> There shall be paid to every judge who is in receipt of a salary under this act... an additional salary of $2,000 per annum as compensation for any extra-judicial services that he may be called upon to perform by the Government of Canada or the government of a province.

Whether he is called upon or not, is irrelevant here. He gets the $2,000.

It may be done by subsection 2 of that section. It does not apply to "a judge who receives from a province any annual or other periodic compensation as a judge of a superior or county court." Then, would the honourable sponsor explain if this would not be in contradiction with the new section 39, as provided in section 6 of this bill.

It seems to me that we are trying to put into effect the principle, with which I am in total agreement, that any judge should not be able to accept any salary, fee or remuneration or other emolument for his services and should not be called upon to discharge any other duties than those relating strictly to his office.

Hon. Mr. Macdonald (Brantford): I do not know if I follow the honourable senator's questions. A judge is appointed, we will say, by the federal Government to be a County Court judge, and he accepts that appointment. In accepting that appointment he gets a salary of $19,000 plus $2,000. There is nothing in this bill that will prevent a provincial government from also appointing him to another judicial position such as a Surrogate Court judge and paying him for that service. The option that he has of accepting or not the $2,000, only refers to any general payment which may be made by a province, without restricting it to any special work.

I can speak only for my own province where a payment of $3,500 is paid to the judges of the County Court for general services. Under this bill if a judge accepts that $3,500, he does not get the $2,000.

Hon. Mr. Flynn: I am very much indebted to the honourable Senator Macdonald for his explanations.

Hon. Mr. Connolly (Ottawa West): I think the honourable Senator Macdonald may have omitted an answer to one question that the honourable senator asked earlier, that is, whether or not the $2,000 that is provided in the new section 20 here is included in the amount on which the judge's pension is based. I think that was the question.

Hon. Mr. Macdonald (Brantford): I answered it.

Hon. Mr. Choquette: That was answered. It is included, and the pension is based on that.

Hon. Mr. Connolly (Ottawa West): It is provided in clause 4, in the new section 30 of the act, and not in section 20.

Hon. Mr. Flynn: It is included, but I think the honourable leader will agree with me that it seems strange, in this sense, when he had the option of refusing the $2,000 if he continues to receive an emolument from a provincial government. In any event, that may be the situation.

Hon. Mr. Connolly (Ottawa West): The provincial governments of course may change their legislation in view of that.

Hon. Mr. Flynn: I would suggest that that would be the proper thing to do.

Honourable senators, I do not propose to make lengthy comments. I merely wished to clear up a few points.

We are indebted to honourable Senator Macdonald for his explanations. This is an important bill and I am in full agreement with all that he and Senator Aseltine said regarding our judiciary. We have a well respected judiciary that we should be proud of. The main thing is to give our judges complete independence. I would agree with Senator Aseltine, that I would rather err in being too generous than in being niggardly with regard to salaries to our judges.

This bill makes an adjustment which is substantial in some respects but which is not exaggerated. I think it has met generally with the approval of the population of this country. What is strange, however, is that it does not really try to solve the problem that has been pointed out by the sponsor with respect to some extra-judicial duties or para-judicial duties performed by our judges and for which they receive a fee from either a provincial government or from other sources.

It seems to me that we should have dealt with this once and for all. In the Province of Quebec I know that the Judges of the Superior Court are not in receipt of any salary from the provincial government. From time to time they have acted as commissioners or arbitrators or in other capacities as described in Section 5 of this bill which amends Section 38 of the Judges Act. They have for these duties received some compensation.

Hon. Mr. Connolly (Ottawa West): Would that be for private parties?

Hon. Mr. Flynn: Let us say when acting as arbitrators in a labour conflict sometimes they have been in receipt of compensation. I do not know if they are presently, but some years ago this used to be the case.

Hon. Mr. Connolly (Ottawa West): Oh yes. Sometimes it is provided in the labour agreement that a distinguished judge will be resorted to as an arbitrator.

Hon. Mr. Flynn: He would be acting as sole arbitrator, for instance.

Hon. Mr. Connolly (Ottawa West): Yes, quite.

Hon. Mr. Flynn: I know that it exists in some conventions as far as the provincial court judges of Quebec are concerned.

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Flynn: But what I suggest is that the judges of Superior or Supreme Courts of our provinces are much too busy with the discharge of the ordinary work allotted to these courts to be taken away for periods of time to discharge extrajudicial or parajudicial duties. I do not agree with the idea at all that they should count on remuneration from other sources.

I think that we are providing here, or should provide here, an adequate salary, and that should be all, because if you allow a judge to receive a fee or a salary from another source, it is only human nature that he will be looking for this opportunity. We are trying to correct this in suggesting to some of the

judges who have been in receipt of a salary from a provincial government, to forsake it and take instead the $2,000. But it seems to me that the way to do it would be to provide a salary of $28,000, as is provided for the judges of the Exchequer Court. We could say once and for all that they shall not act for anybody else or receive remuneration from anybody else, or we will apply strictly section 39 as amended. That section reads:

> Except as provided in subsection (3), no judge shall accept any salary, fee, remuneration or other emolument or any expenses or allowances for acting in any capacity described in subsection (1) of section 38.

Instead of "acting in any capacity described in subsection (1) of section 38," I would have said "shall not, for acting as judge, except if he is required to do so by the Governor General in Council or by the Lieutenant Governor in Council." Only in those instances should a judge appointed by the federal Government be allowed to discharge any extrajudicial duties, and in that case he should receive only his travelling and other expenses.

Hon. Mr. Connolly (Ottawa West): If the honourable senator does not object, is that not done in clause 5, section 38, which reads:

> 38.(1) No judge shall act as commissioner, arbitrator, adjudicator, referee, conciliator or mediator on any commission or on any inquiry or other proceeding unless—

And then it gives the two exceptions. It seems to me that that covers the point you have raised.

Hon. Mr. Macdonald (Brantford): I think that clause does not prevent a province from appointing a federal judge to the position of Surrogate court judge in his county.

Hon. Mr. Connolly (Ottawa West): Oh, no.

Hon. Mr. Flynn: That is what I mean. I want to go further.

Hon. Mr. Connolly (Ottawa West): Very well. I apologize for interrupting.

Hon. Mr. Flynn: Because section 20 here says:

> There shall be paid to every judge... an additional salary of $2,000 per annum as compensation for any extra-judicial services that he may be called upon to perform by the Government of Canada or the government of a province.

Whether he is called upon to discharge or to perform such extrajudicial services, is, as I mentioned, irrelevant because he gets it one way or the other.

My suggestion would be that we should provide a salary of $28,000 for performing the duties of his office, including duties that he may be called upon to perform by the Government of Canada or by the government of a province, but under an order in council. I would even go so far as to say with the prior approval of the chief justice, because we know—and this is the situation in Quebec —that our judges of the Superior Court in Quebec are overburdened with work, and when we ask a judge of the Superior Court to act as a commissioner, he may be away from his court for two or three years. In the meantime his colleagues have to assume the burden and share the work that he is not able to perform as judge. This should be restricted as much as possible.

I think we should do away with the practice of any provincial government paying an emolument of any kind to a judge appointed by the federal Government.

I am not opposing the bill. I realize that this is a pragmatic approach to this problem. It may be that the next step this Parliament will take will complete the solution of this problem.

So far as the increases are concerned, I think we are all in agreement that they are well deserved and are needed to maintain our judiciary in a completely independent state. Otherwise I hope that when the next bill amending our Judges Act comes before Parliament, the suggestions I have made may in part be enacted.

Hon. G. Percival Burchill: Honourable senators, in the discussion which has been going on I have enjoyed listening to the legal members of the Senate. I rise as a layman to say that I approve of the bill. I think one of the main reasons for giving judges adequate salaries, as has been mentioned, is that they should be an independent body. I agree with that, but I think the salary should be sufficiently attractive to induce legal men of high calibre to take positions on the bench so that they will be secure. The salary should be sufficiently attractive that they would not be tempted to remain in their professions where they could earn very much more.

Hon. Mr. Aseltine: Would you exempt them from income tax?

Hon. Mr. Burchill: Oh, no, I would not go that far. However, I have heard of many eminent legal gentlemen being offered positions on the bench but they declined because they could earn much more in their profession as practising lawyers. So, I am all in favour of the bill.

I would just like to say to the sponsor of the bill, Senator Macdonald (Brantford), that I was rather intrigued by this $2,000 and the discussion which has just taken place in reference to additional salaries paid by the provincial governments. Senator Macdonald used the term "for general services." I think this does not apply where a judge is appointed to a specific position, but in the case of general services which he gives. What is meant by "general services"?

Hon. Mr. Macdonald (Brantford): I do not have the provincial statute in front of me, and I have no doubt that these words do not appear in the statute in that form. However, I do know that judges of County Courts in the Province of Ontario get an amount of $3,500 annually from the provincial government. I take it that that is paid to them for duties which come to them in the course of their position as judge of a county. I cannot detail what those services are, but I know they do receive that amount.

Hon. Mr. Connolly (Ottawa West): Perhaps it is for police commission work.

Hon. Mr. Macdonald (Brantford): I think the cities pay them a fee for police commission work in addition to this $3,500.

Hon. Mr. Choquette: They also get appeals from the court of revision and probate.

Hon. Mr. Macdonald (Brantford): Yes; and it probably has something to do with their work in the selection of jurors.

Hon. Mr. Roebuck: Thirty years ago when I was more familiar with it than I am today, we gave them $3,500. This was given to all judges who performed Surrogate Court work. That may well have changed in the many years that have gone by since then, but in those days it was for Surrogate Court work only.

Hon. Mr. Brooks: That would be in the Province of Ontario only?

Hon. Mr. Flynn: May I suggest that the provincial governments do not have to pay any salary to a judge if, by a provincial act, they give him jurisdiction in a certain field. If the Ontario law says that a judge of the Supreme Court shall act as Surrogate Court judge, the provincial government does not have to pay him any salary for that work.

Hon. Mr. Macdonald (Brantford): That is correct in Ontario. I can only speak for my own province. In Ontario the County Court judges are all Surrogate Court judges as well.

Referring to some remarks made a few moments ago by honourable Senator Flynn, I may say that I agree generally with what he has said. It has, however, been a difficult problem to change the legislation so that it would conform to the systems that have been developed in the different provinces. The province has counted on a judge to perform certain duties, and I do not know what the situation would be if the federal Government were to say that he could no longer do them. I think the solution would be, as I mentioned previously, a conference of attorneys general of the provinces to try to work out something that is common to all provinces. I think that is the only way this problem could be solved.

Hon. Mr. Choquette: I do not have the original act here, but I wonder if the sponsor of the bill could tell us what is the widow's pension and what it is based on. Does she get one-third of the actual salary that the judge received on his retirement or half that amount? What proportion does she get?

Hon. Mr. Macdonald (Brantford): I can only speak from memory, but I think it is fairly accurate to say that the position under the new act is that the judge would get two-thirds of $21,000, which would be $14,000. In the event of his death the widow would receive one-third of the $14,000.

Hon. Mr. Flynn: It would be adjusted on the basis of the $21,000?

Hon. Mr. Macdonald (Brantford): Yes.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Macdonald (Brantford): Would the Senate be prepared to give third reading now?

Hon. Mr. Flynn: Is there any reason why it should receive third reading now?

Hon. Mr. Macdonald (Brantford): Well, there is some urgency in connection with the bill. As honourable senators will understand, there are judges being retired from month to month under the present act. I believe there are some retirements due in the immediate future. That is the only urgency. I do not know what will be added by a delay of one day in giving third reading to the bill.

Hon. Mr. Flynn: It could not receive Royal Assent tonight anyway.

Hon. Mr. Macdonald (Brantford): I have no objection. Accordingly, I move that it be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

APPROPRIATION BILL NO. 1, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-271, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

STATUTORY SALARIES REVISION BILL, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-266, to provide for the revision of certain salaries fixed by statute.

Bill read first time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly: Honourable senators, in this case I shall also move with leave, that it be placed on the Orders of the Day for second reading at the next sitting. This does not mean that all these bills will be dealt with at the next sitting, but at least we will have them on the Order Paper.

Motion agreed to.

SMALL BUSINESSES LOANS ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-270, to amend the Small Businesses Loans Act.

Bill read first time.

Hon. John J. Connolly with leave, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

RURAL ECONOMIC DEVELOPMENT FUND ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-274, to amend the Fund for Rural Economic Development Act.

Bill read first time.

Hon. John J. Connolly moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of

Wednesday, February 22, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Revised Capital Budget of the Farm Credit Corporation for the fiscal year ending March 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, and a copy of Order in Council P. C. 1967-255, dated February 14, 1967, approving same. (English and French texts).

Revised Capital Budget of the Canadian Corporation for the 1967 World Exhibition for the year ended December 31, 1966, pursuant to section 15(2) of the Canadian World Exhibition Corporation Act, chapter 12, Statutes of Canada, 1962-63. (English text).

Capital Budget of the Canadian Corporation for the 1967 World Exhibition for the year ending December 31, 1967, pursuant to section 15(2) of the Canadian World Exhibition Corporation Act, chapter 12, Statutes of Canada, 1962-63. (English text).

Report of Operations under the Municipal Improvements Assistance Act for the year ended December 31, 1966, pursuant to section 11 of the said Act, chapter 183, R.S.C., 1952. (English and French texts.)

Report of the Royal Commission on Taxation, dated December 22, 1966, Volumes 1 to 6, inclusive, together with a Consolidated Index and Press Releases numbered 1 to 31. (Chairman: Mr. Kenneth LeM. Carter). (English and French texts).

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 1147 to 1211, inclusive, and moved that the said reports be taken into consideration at the next sitting.

Hon. Mr. Macdonald (Brantford): May I ask the honourable Senator Roebuck if that means that 1,211 petitions in divorce have been considered by the Senate during the present session?

Hon. Mr. Roebuck: I am not sure when the numbering started, but I am certain of this, that during 1966 we passed over 1,000 resolutions which I had moved in this house.

Hon. Mr. Macdonald (Brantford): Thank you.

Hon. Mr. Roebuck: It occurs to me that the numbering commenced at the opening of the present session on January 18 of last year. So, the number of 1,211 covers more than a year.

Hon. Mr. Choquette: But they are in the present session. They are cases which have been heard during this session, which has been a lengthy one.

Hon. Mr. Roebuck: That is right. That number represents the cases heard during this session, commencing on January 18, 1966.

Hon. Mr. Choquette: That is right.

Motion agreed to.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, before moving the adjournment of the Senate, and without referring to incidental matters like the commons amendment to the Postal Services bill, tomorrow it is proposed to deal with Bill C-252, to provide general incentives to industry, and Bill C-270, to amend the Small Businesses Loans Act.

Then, depending on the progress made on those two items, if there are other items on the Order Paper it might seem appropriate to proceed with, we shall do so. However, I think the two items I have just mentioned should have priority.

Hon. Mr. Brooks: We have already given first reading to both those bills?

Hon. Mr. Connolly (Ottawa West): Yes. They have received first reading and stand for second reading.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, March 1, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

PUBLIC SERVICE

ENLARGEMENT OF REFERENCE TO JOINT COMMITTEE

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Ordered: That the Special Joint Committee of the Senate and House of Commons on the Public Service of Canada be further empowered to inquire into and report upon the matter of the pensions paid on account of the service of former members of the Royal Canadian Mounted Police and of former members of the armed forces.
>
> Ordered: That a message be sent to the Senate informing Their Honours thereof.
>
> Attest
>
> Léon J. Raymond
>
> The Clerk of the House of Commons

Honourable senators, when shall this message be taken into consideration?

Hon. John J. Connolly moved, with leave of the Senate:

> That the Senate do agree that the Special Joint Committee of the Senate and House of Commons on the Public Service of Canada be further empowered to inquire into and report upon the matter of the pensions paid on account of the service of former members of the Royal Canadian Mounted Police and of former members of the armed forces; and
>
> That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

STANDING COMMITTEE ON EXTERNAL RELATIONS

NOTICE OF MEETING

On the Order for Reports of Committees:

Hon. Gunnar S. Thorvaldson: Honourable senators, I wish to make a short statement regarding a meeting of the Senate Standing Committee on External Relations which has been arranged for next Wednesday, a week from today, at 9.30 a.m. The Honourable Paul Martin, Secretary of State for External Affairs, will be appear before the committee at that time. He will make what I believe will be a comprehensive statement on Government policy in regard to NATO. Indeed I believe that Mr. Martin will be making the most complete statement on NATO that he has made to date. Consequently, it is hoped that all members of the committee, and other senators as well, will arrange to be present. Mr. Martin will first invite questions on Government NATO policy, and then he will be prepared to invite questions on Canada's position regarding the conflict in Vietnam and on any other areas of concern in foreign affairs.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—THIRD READING

Hon. Muriel McQ. Fergusson moved the third reading of Bill C-182, to amend the Financial Administration Act.

Motion agreed to and bill read the third time and passed.

JUDGES ACT

BILL TO AMEND—THIRD READING

Hon. W. Ross Macdonald moved the third reading of Bill C-267, to amend the Judges Act.

Motion agreed to and bill read the third time and passed.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

> GOVERNMENT HOUSE
>
> Ottawa
>
> 1 March 1967
>
> Sir,
>
> I have the honour to inform you that the Hon. J. R. Cartwright, M.C., Puisne Judge of the Supreme Court of Canada, acting as Deputy to His Excellency the Governor General, will proceed to the Senate Chamber today, the 1st March, at

5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate

POSTAL SERVICES INTERRUPTION RELIEF BILL

COMMONS AMENDMENT CONCURRED IN

The Senate proceeded to consideration of the amendment made by the House of Commons to Bill S-55, to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

Hon. John J. Connolly moved that the amendment be concurred in.

He said: Honourable senators, I think the amendment is one that would commend itself to the members of this house, but perhaps a brief explanation is in order.

Honourable senators will remember that we passed Bill S-55, which provided for relief because of hardship or loss suffered by reason of the postal strike and interruption of postal services between July 22 and August 7, 1965. The form of relief provided in that bill was by way of application to the Exchequer Court of Canada. I know I am threshing old straw, because Senator Denis, the sponsor, explained the bill very fully at that time.

The relief, as I have said, is to be obtained as a result of an application to be made to a judge of the Exchequer Court of Canada. Some members of the other place felt that the use of the word "judge" might imply what the lawyers describe as *persona designata,* and that an individual member of that court who started with a case would have to continue it.

As honourable senators know, the Exchequer Court is a circuit court, which means that judges are at times absent from Ottawa for long periods. Therefore, it was felt that in order to avoid having the individual judge before whom the proceedings were initiated being required to deal continuously with those proceedings, an amendment might clarify the situation. The amendment, which will be clause 5 of the bill, provides that:

> Where in respect of any application under section 2, any matter or thing is authorized or required by this Act to be done or proceeded with by or before a judge of the Exchequer Court of Canada, the matter or thing may be done or proceeded with by or before any other judge of the Court as though the application were an application to the Court.

I think this amendment is entirely reasonable.

Amendment concurred in.

APPROPRIATION BILL NO. 1, 1967

SECOND READING

Hon. John J. Connolly moved the second reading of Bill C-271, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

He said: The form of this bill is the least of our concerns this afternoon, because it is in the usual form of all appropriation bills. The substance is the matter which concerns us, so I will devote my time to that, without specific reference to the clauses of the bill. Honourable senators are fully aware of the clauses in these appropriation bills and for practical purposes they are invariably identical.

The purpose of the bill is to permit the Government of Canada to lend to Expo a further sum of $21 million at the rate of 5⅝ per cent.

It will be remembered that on December 20, 1962, an act known as the Canadian World Exhibition Corporation Act was passed and assented to by this Parliament. The item in this case is in the supplementary Estimates of the Department of Finance. The Canadian World Exhibition Corporation Act is chapter 12 of the Statutes of 1962-63. In sections 11 and 12 of that act there are financial provisions.

Section 12 is the key section. It provides:

> (1) With the approval of the Minister of Finance and the Minister of Finance of Quebec, the Corporation may borrow money for the purposes for which it is incorporated, on the security of notes, bonds or debentures of the Corporation.
>
> (2) The Corporation shall not issue any notes, bonds or debentures under the authority of subsection (1) except at such rates of interest and subject to such other terms and conditions as may be approved by the Governor in Council and the Lieutenant Governor in Council and

> unless payment of the principal amount thereof and of the interest thereon is guaranteed by Her Majesty and Her Majesty in right of the Province of Quebec as provided in subsection (3)...

This is the legal foundation for the proposal which is made to Parliament now.

I should advise the Senate that, to date, under that section 12, a total of $154 million has been loaned to the Corporation. In 1965, some $80 million was authorized, but all of that was not drawn before the end of that fiscal year; the amount of $44 million was drawn up to that time, and the rate then was 5⅛ per cent.

In the fiscal year 1966-67 there were borrowings in the amount of $110 million, also at 5⅛ per cent. All this money was drawn in the fiscal year.

I should advise the Senate that, in addition to these borrowings, there were grants to the Corporation totaling $40 million. One-half of this money is provided from federal sources: the other half is provided from sources in the Province of Quebec. Of the second half mentioned, 37½ per cent is provided by the provincial Government and 12½ per cent by the Corporation of the City of Montreal. All of these amounts and allocations were the result of agreements made by the authorities concerned in the year 1963.

Hon. Mr. Brooks: Pardon me, what were the percentages again?

Hon. Mr. Connolly (Ottawa West): I am referring now to grants and I am away from the borrowings. The grants were to total $40 million. Of that, 50 per cent was from the federal source and 50 per cent was from the Quebec source. The Quebec source was divided as follows: 37½ per cent from the province and 12½ per cent from the City of Montreal.

Section 10 of the Canadian World Exhibition Act provides:

> (1) The Corporation shall, as soon as practicable...submit for the approval of the Governor in Council and the Lieutenant Governor in Council its overall plan for the Exhibition, setting forth the various undertakings and projects proposed—

To this date the overall plan has been estimated to cost approximately $379,446,000. Of this, $221,436,000 is a capital outlay and $156,261,000 is for operating expenses.

This money is used for the purpose of Expo and for the work that is being done on the site by the Corporation. It includes the buildings that the Corporation itself erects, roads at the site, bridges and sewers. It includes buildings that may not be used by Expo but that will be rented by Expo for the purposes of the project. It includes, too, the provision of parking lots, some of which are on the south side of the St. Lawrence and for which access for persons using those parking lots has been provided.

This amount does not include the amounts that have been spent by the provincial government for roads or the amounts spent by municipal government for subway connections for traffic control and the like.

The investment obviously is enormous, but the tourist expenditure that can be expected as a result of the holding of this world's fair will also be enormous—not only in the City of Montreal but in many other parts of Canada. We will have visitors here in the centennial year from all parts of the world, and they will be touring many parts of the country.

Hon. Mr. Isnor: Could the honourable leader tell us in whose name that $221 million will be vested?

Hon. Mr. Connolly (Ottawa West): It will be vested in the name of the Corporation. Perhaps the honourable senator will not mind if I continue, and as I go along I will make clearer what might happen with reference to the capital projects that have been developed.

I am informed that some 62 nations have spent or will spend two-thirds of the amount that Expo will spend on the site. This will be for their pavilions and their exhibits. This is only an estimate, but it gives another boost to the amount of money being spent on this project. The Exposition will open on April 28 and will close on October 27, a period of six months. In this respect it is governed by the rules established by the Bureau of International Exhibitions. Such exhibitions are authorized to be held every three years and they run for a period of six months.

So much for the expenditure side of the ledger. The revenue side is necessarily a forecast at this stage, but I am informed that the revenue forecasts are in part at least based on the expectation that some 35 million visitors will go to that site in the course of the six months during which the exhibition runs.

I am informed that the salvage value of the capital installations at this time can only be estimated. The asset value of the buildings and pavilions, not including such things as roads and sewers, is now about $175 million,

of which sum the exhibiting countries will spend approximately $142 million. I am informed that there is still room available for more exhibitors, for more sponsorship of products and for such things as benches on the grounds and even for more pavilions, but the officials who have discussed this matter with me, have told me that this project is already assured of being a great success and will redound, not only to the credit of the City of Montreal and of the Province of Quebec, but to Canada as a whole. Revenues will accrue from income taxes on profits earned by exhibitors and others, from customs and excise sources, and from the tourist dollars that will be spent there and elsewhere. There will be an increase in the volume of foreign dollars spent in Canada, and inevitably there will be business contacts made that one may expect will result in a further expansion of Canadian trade abroad.

I am told that it is a rule of the Bureau of International Exhibitions that the foreign pavilions must be removed within a period of six months from the date the exhibition comes to an end, unless other arrangements are made with the host country and, in this case, with the Corporation. Some of the Canadian installations will, of course, remain as a tremendous asset to Montreal. They are, for example the stadium, being built by the Canadian Automobile Manufacturers, the administration building, the Expo Theatre, and Habitat '67 which contains living quarters on the Mackay Pier. I am informed that the transportation system known as Expo Express is already known to be a saleable asset. There has been a bridge built called the Concordia Bridge of which no disposition has yet been made since it has not been decided who will ultimately assume responsibility for it. Such matters will be handled by the Corporation in the normal course of business.

Honourable senators who have visited the site will recall an area called La Ronde, which contains an amusement park and is said to have cost about $26 million. I am also informed that this will probably be an asset of immense value which the Corporation can dispose of with little if any loss, and that it can continue to be used.

St. Helen's Island, which is part of the site, has been a park used extensively by the City of Montreal, and it will continue to be used for that purpose.

The buildings on Ile Verte are likely to be of interest to the City of Montreal only. The buildings on Ile Notre Dame, which contain most of the pavilions will have some marketable value. I understand that it is the intention of France to turn over its equity in its building to the corporation or other appropriate body. It is the intention of the Province of Quebec to dispose of its pavilion in the same way.

Honourable senators, what we are asked to consider here this afternoon is essentially a further advance to the Corporation of the sum of $21 million in addition to the $154 million already advanced by way of loans. These loans are guaranteed by the federal and provincial governments. It has been arranged that officials of Expo will come to the Senate Committee on Finance tomorrow morning to explain and discuss this project and to answer questions on any matters into which honourable senators desire to inquire. Honourable senators will probably not be primarily interested in the fact that an additional $21 million is being sought, although explanations will be given in respect of that item, which is a very considerable sum.

I am informed that there is considerable urgency about the passing of this bill. The minister tells me that Expo requires this money urgently before the end of this week. Therefore, I am going to ask the Senate to depart somewhat from its customary practice and give second and third reading to this bill today in order that it may receive Royal Assent later this afternoon. If honourable senators accede to this request and so permit advances under this $21 million allocation to begin as quickly as possible, this will in no way inhibit their asking any questions they wish to ask with reference to Expo when the officials from the Corporation are here tomorrow.

Hon. A. J. Brooks: Honourable senators, I had hoped that there might have been a member on this side more qualified than I to discuss the financial matters which form the subject of this bill. However, that has not proved to be the case this afternoon.

At the outset let me say that I see no reason why we should not grant the leader's request that this bill should be given second and third reading this afternoon, if it is in fact necessary. I accept his word that the minister has stated it is necessary that this bill should be passed so that the money needed may be available before the end of the week.

As the bill stands it simply contains a request for $21 million needed for the continuance of Expo. The Corporation is in need of

the money. As far as the explanations to the committee are concerned, I feel that the time will not be taken too much in explaining why the $21 million is needed as in ascertaining why we have had such huge deficits in our estimates, and also in obtaining an explanation as to what has been done at Expo.

Expo is of course a tremendous undertaking for the City of Montreal. I think very few of us really know just what is being undertaken and how much has been accomplished. So, honourable senators, I know I speak for my colleagues on this side of the house as well as for myself when I say that we will make no objection to having third reading of the bill this afternoon.

However, I welcome this opportunity to say a few words about Expo. I, along with every other senator, and I hope the great majority of Canadians, have been watching with amazement and hope the construction of Expo. There were times when it looked as if it might not prove to be a success—it seemed almost a race against time. But now we have the impression that those who are responsible for Expo have rolled up their sleeves, as it were, and that we are well on the road to success in this tremendous undertaking.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Brooks: As the honourable Leader of the Government has said, those who have undertaken the work and the organization, the officials in the Province of Quebec and the City of Montreal, and Canada's representatives overseas deserve the highest praise.

At the outset I want to say a word of praise for His Worship Mayor Jean Drapeau of Montreal, who has been an untiring and indefatigable worker for the Exposition, not only all across Canada but in many foreign countries. I have listened to him on the radio and have heard and seen him of television. I have been pleased and amazed at the effort he has made, and is continuing to make, and at the success he is achieving in "selling" Expo to Canada and the rest of the world.

For a while we thought the Province of Quebec was dragging its feet. That was a mistaken idea. The present Premier of the Province of Quebec, Daniel Johnson, and the former Premier, Jean Lesage, are both particularly anxious that Expo should be a major success. There is every reason why they should be, because no part of Canada, indeed no place in the world, is going to benefit more than the Province of Quebec and the City of Montreal. If it is not a success, they will lose the most.

The honourable Leader of the Government spoke of the organization behind Expo. These are the men who have been responsible for the staggering amount of work that has been done: the building of bridges, the digging of tunnels, the development of St. Helen's Island. We all realize and appreciate that this has been a tremendous task. In this connection I also wish to mention the Honourable Pierre Dupuy, the head of the organization. He and his staff have been doing a fine job.

Honourable senators, the latest reports seem to confirm that Expo is going to be the greatest of all world's fairs; and if it is, that is saying a lot. We have had world's fairs in the cities of New York, Chicago, San Francisco, Brussels and Tokyo, to name but a few. If the City of Montreal has the greatest World's Fair, it will be a credit to and a signal honour for not only Montreal but Canada as a whole. We all wish it much success.

The honourable Leader of the Government also spoke on the financial aspect. I must confess that I did not follow him closely, and that I do not altogether understand the financial situation.

This bill provides funds to cover a deficit of $21 million at this time. However, I recall that in the original plan approved by the federal and Quebec governments in 1964 the cost was estimated at $167,100,000 and the revenues at $119,600,000, leaving an estimated deficit of approximately $47,500,000. That was the opinion in 1964. These figures were revised in 1966, when the plans were approved by the governments concerned. I am not sure that these figures agree with those just given by the honourable leader, but they are the ones I have obtained. In 1966 the estimated cost was $282,800,000 and the revenue $221,300,000, creating a deficit of approximately $61,500,000.

Hon. Mr. Macdonald (Brantford): To be paid by whom?

Hon. Mr. Brooks: According to my understanding, to be paid by the federal Government, the Province of Quebec and the City of Montreal in the proportions set out by the Government Leader a few moments ago: 50 per cent by Canada, 37½ per cent by the Province of Qubeec, and 12½ per cent by the City of Montreal. Be that as it may, the estimated deficit in 1966 was approximately $61,500,000.

Now we understand that the current estimated cost is $332,846,000, with an income of $250,190,000, and an estimated deficit of $82,656,000. We know that is merely an estimate. We can all ponder what the actual figures will prove to be. Frankly, I have heard that the deficit will be between $100 million and $150 million.

Hon. Mr. Connolly (Ottawa West): Does the honourable senator know whether that estimate includes any salvage?

Hon. Mr. Brooks: I imagine that when they estimate the deficits they take into consideration salvage of whatever assets may remain.

Regarding salvage, that will depend partly on the sale of buildings, and whether the bridges, roads and so on that will be taken over by the Province of Quebec will provide some salvage revenue. Perhaps that is something that will be explained to us in committee. Of course we all hope there will be no deficit, but I think that is too much to expect—it looks very unlikely.

The honourable Leader of the Government used the word "investment." I believe that is the word the organization is using, and correctly so. It is a tremendous investment, and even if there is a deficit, I think it cannot properly be called a deficit, because if Expo is a success, as far as Canada is concerned the investment will reap a great benefit for many years to come.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: One of the members speaking in the House of Commons the other day used the expression "a colossal achievement." I believe it is going to be a great success. As a friend of mine who visited St. Helen's Island not so long ago remarked, "If this had been developed years ago when we spoke about 'the wonders of the world,' it would have been one of the great wonders of the world."

Yesterday, on reading *Hansard* of the other place in which this matter was being discussed, I gained the impression that there was no further need of calculating the proportionate shares on the basis of 50, 37½ and 12½ per cent. That is another matter which can be explained to us very well at the meeting of the committee tomorrow.

Hon. Mr. Macdonald (Brantford): That was the purpose of my question a moment ago.

Hon. Mr. Brooks: Yes. I am a little bewildered myself in that connection, and it is something that should be cleared up for us when we meet in committee tomorrow.

There is another matter which I rather hesitate to mention, but I do not think I will be out of place in doing so. In the Montreal *Gazette* of yesterday there was a headline "Big Traffic Problem Afoot with Expo 67," and under it was a report of an interview with Mr. K. H. MacDonald, the general chairman of the Canadian Highway Safety Council. Mr. MacDonald expressed great concern that on the roads leading into the fair from different parts of Canada, but mostly from the United States, there are no signs in both languages. He said that this will cause serious difficulty.

I should like to read portions of this report because in speaking of the traffic problem that will be caused by Expo, Mr. MacDonald mentioned matters which I am sure must cause concern to the highway authorities of the Province of Quebec who are responsible for the road signs and road markings on the highways leading to the City of Montreal, particularly those used by visitors to Expo from the United States. Mr. MacDonald felt that these signs were inadequate, that they should be in both languages. He said that he felt very much concerned, and hoped that this matter is receiving whatever attention is necessary.

The report reads in part:

> Mr. MacDonald said that the inter-government committee which studied traffic conditions must have overlooked this safety aspect when it stated that the English language will not be used on any highway signs.

He said:

> Along the way the purpose of highway signs—that is a warning or source of information to drivers—seems to have become secondary.

He went on to state that we expect not thousands but tens of thousands of people to come from the American side of the border; that is where we are going to get the majority of our visitors.

Hon. Mr. Connolly (Ottawa West): Millions of them!

Hon. Mr. Brooks: Yes, millions of them. Mr. MacDonald said also that these are the people who are going to spend millions of dollars at Expo, and the success of Expo will depend

upon the numbers of people who come from the United States. Mr. MacDonald added:

> It's not a matter of politics or culture. It's simply a matter of safety—the safety of the visitors we invited.

Honourable senators, I have travelled through the northern parts of the states of New York, Vermont, New Hampshire and Maine on my way to the Maritime provinces, and I have been very pleased to note that on the roads in and out of the towns and cities near the border of Quebec there are signs in both the English and French languages. Our American friends are setting a very good example to us in that regard.

I shall say nothing more on this subject. I am sure that there must be some misunderstanding, and that those who are responsible for the safety of our guests who will arrive from other countries will look after such an important matter as this and see to it that provision for their safety is made.

Honourable senators, we want to make this fair a success. We believe it will be a great success and will reflect much glory on our famous City of Montreal. May I say that Montreal is not considered by us Maritimers as a city of the Province of Quebec, but a city of Canada. When we think of big cities we do not think of Toronto—and I hope my Toronto friends will forgive me for this—we think of Montreal. In years past we used to think of Boston and New York as the big cities near us that we should visit, but today we think of Montreal. We wish success not only to the City of Montreal, but to the Province of Quebec and to Canada. This world's fair, I think, will be the greatest there has ever been since world's fairs first started.

Hon. L. P. Beaubien: Honourable senators, I congratulate both leaders on their full explanations of this bill. I am in favour of the bill, but I should like to make just one point.

For a great many years I have been interested in the Royal Automobile Club of Montreal. The Royal Automobile Club has made many representations to the appropriate authorities in connection with road signs, especially those on the roads leading to Expo, and urging that they be in both languages. It is extremely important that these signs be in both English and French. I do not think anybody should worry too much about the English speaking Quebeckers. They have lived in Quebec all of their lives, and if they are not bright enough to read the road signs in French then I do not think they should have a driver's licence. But, the great majority of visitors to Expo will not know the way. They are the people who will need to read the road signs.

We have many limited-access highways on which the minimum speed is 50 miles an hour. When one thinks of what can happen when a motorist misses a road sign and then starts to back up, it makes one shudder. Therefore I do not think it makes any sense to put up road signs that the great majority of people who will be using the roads cannot understand.

There is another point I should like to make. Montreal and Quebec, after all, are going to be hosts to the world. Ninety per cent of the people who visit Montreal and Quebec this year will not understand the French language. Is it not sensible to put up road signs that these visitors can read?

Hon. Mr. Connolly (Ottawa West): Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable sponsor of this bill speaks now it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I shall be only a moment. I appreciate very much the attitude of all honourable senators with reference to the urgency in connection with this bill. I thank all of them for their obvious unanimous agreement to allow this bill to be read the third time today. I know that what I have asked is unusual, but I was requested by the Minister to do everything I could to further the progress of this bill, and I am sure that its speedy passage will assist him and all those who are working on Expo.

I thank the honourable Leader of the Opposition (Hon. Mr. Brooks) for what he has said. I think more than anything else, there comes out of his remarks a refutation of a rumour that got about that this was a Montreal exhibition. It is not a Montreal exhibition, and Senator Brooks, the Canadian of vision that he is, has clearly pointed out that this is a national project of which all Canadians can be justly proud. I know we all think of it in this way, and I am sure we are grateful to Senator Brooks for having spoken as he has in this regard.

I was also particularly pleased to hear him single out some of the people who have been responsible. I do not think there is really a more civilized man in Canada, with the exception perhaps of a few of my friends

around me, than the Honourable Pierre Dupuy. It is a wonderful thing for Canada to have the World's Exhibition Corporation headed by a man who is in many ways a citizen of the world. Mr. Robert Shaw and Mr. Kniewasser also have done tremendous jobs since they took over their heavy responsibilities. But I want to say particularly that the contribution made by Jean Drapeau, the Mayor of Montreal, really beggars measurement. He has been a dynamo about this undertaking. We had a particularly interesting insight into this aspect of the project when the Commonwealth Parliamentary Association met there last year, and he spoke about the prospects for this venture in the council chamber which he had put at the disposal of the general council for a meeting. Indeed, when one looks at Montreal today and considers what it was like even thirty years ago when I lived there, it is, so to speak, a new city. Furthermore, when one thinks of Montreal as it was in 1867, we realize now that we have in this country one of the great metropolitan centres of the world. What the Leader of the Opposition (Hon. Mr. Brooks) and Senator Beaubien (Bedford) have both said so well today, I need not repeat.

This is a most important matter, and I think that the financial aspects and other issues which occur to honourable senators can be much more thoroughly discussed when the subject matter of this bill is before the committee for consideration tomorrow.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): I move, with leave, that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES BILL

SECOND READING—DEBATE ADJOURNED

Hon. Paul Desruisseaux moved the second reading of Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

[*Translation*]

He said: Mr. Speaker, before bringing before the Senate Bill C-252 entitled the Industrial Research and Development Incentives Act, I should like, with your permission and your indulgence, to extend to you and to all honourable senators my most sincere thanks. I was deeply touched by your warm welcome on my arrival in the Senate and I am still under the spell of the true cordiality which you have constantly been showing me since August 29 last.

To the honourable Leader of the Government in the Senate, Senator John J. Connolly, and to the Hon. Cyrille Vaillancourt, who willingly introduced me to their colleagues, initiated me in the Senate procedure and prepared me for my swearing in, I wish to express my sincere gratefulness. I deeply felt the words of welcome that were addressed to me from both sides of the Senate Chamber.

May I also, Mr. Speaker, say how much I appreciate the privilege and honour to serve, humbly, of course, but to the best of my ability, a growing Canada of unlimited possibilities.

My most sincere and ardent hope is to contribute with all my strength to the progress and development of our dear country. Such progress and development, to my mind, require as essential factors the brotherly joining of good will and the loyal practice of mutual understanding, the firm and clear support of all elements of peace, harmony, justice and unity.

For myself, I greatly hope that our young country will grow steadily stronger as it progresses toward full maturity.

I want to do what I can that it may be worthy and capable of occupying an increasingly higher rank amongst the great nations and of playing its full part for peace and prosperity.

Looking towards the future does not make me forget the present. The latter fills me with optimism, as well as with patriotism, indeed, for the whole Canadian nation. It seems timely to hope and wish that, despite inevitable conflicting interests, true love of our great country, free from narrow and petty exclusivism, animates each and everyone of our fellow citizens.

Honourable senators, is there need for me to add that I am proud of being a Canadian, of professing it, of being a French-speaking Canadian? I share the legitimate conviction of

those who feel that Canada does not comprise only two, but several ethnic groups.

Under these circumstances, I humbly suggest that we cannot contemplate unilingualism or even perhaps bilingualism within our borders. Moreover, considering that no country can live in isolation and that thanks to our modern means of communication and new travelling facilities, the world is, so to speak, at our door, I find myself hoping that we, or at least those among us who are so gifted, shall learn the languages commonly used in our country and in those countries with which we maintain close relationship.

My ambitions, as a private Canadian citizen, urge me to go even further and higher. I should like, as far as my limited means allow me, to share in the cultural, social and economic development of all Canadians, regardless of race, language, belief or philosophy. I am expecting from them in return the same interest, the same concern, the same ambition for the common good and progress of our country.

Frankly, I am strongly determined, honourable senators, to practise the policy which I have followed in the past and to fight, from whatever quarter, any attempt to balkanize Canada no matter how diversified and how scattered our people may be on our immense territory. I feel furthermore that I am in excellent company here.

I anticipate the future of our country as an era of progress in a climate of freedom, straightforwardness and justice for all, among all forever protected against the eventual appearance of squalid ghettos confining bodies and souls. I have confidence in the future of Canada and its rich potentialities calling for the efforts, the initiative, as well as all the physical and spiritual resources of each of its citizens.

This being the centennial year of confederation, it is all very well to be proud of present achievements, but we should also look into the future and think what Canada will be when the 21st century comes around. Come what may, I am convinced that Canada will be what we ourselves and future generations make it. Canada is repeating the history of all countries since the beginning of time; we have a tremendous task ahead of us. But it is not beyond our ambitions and our strength.

Mr. Speaker, I shall conclude my preliminary remarks with respect to my recently being admitted to the Senate by expressing once again my deep gratitude to the honourable senators for their kindness to me. I must confess that I admire the wisdom and sober second thought prevailing in discussions with respect to problems submitted to this house. This atmosphere is inspiring and provides a source of encouragement and confidence which will undoubtedly be very useful to me throughout my stay here.

I am therefore pleased to move adoption of Bill C-252 providing general incentives to industry for the expansion of research and development.

[*Text*]

Honourable senators, it is my privilege to sponsor in the Senate Bill C-252, an act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

Sir Harold Hartley once said:

> The best insurance policy for the future of industry is research, which will help it to foresee future lines of development, to solve its immediate problems, and to improve and cheapen its products.

In research there is no account taken of likes or dislikes of parties, of nationalities. Research seeks for truths, seeks to discover accurately what things are and how they work; and, challenging self-evident truths, methodically it seeks true knowledge. It results in victories and solutions, nearly always reached after long, costly, and concentrated efforts.

Honourable senators, it is an accepted view, I believe, that an important challenge facing modern and progressive nations today is to know how best to realize the benefits deriving from scientific and technological progress. There is much to be done in the organization of a systematic exploitation of science for industrial purposes.

Perhaps we have disregarded too often the vast potential economic and social gains that could have been derived from earlier generous support to research. In justice, though, it must be said that in comparing Canada with many of the modern countries, we have been pioneering in devising new and different techniques for the rapid and effective development of science by co-operation compatible with the institutions of our free enterprise economy. More and more we have come to realize that each finding of importance, each development of knowledge, each discovery through research, triggers off new ideas, new products, and creates new economic expansion, new contributions, new opportunities for general development and general welfare.

It is like saving. If postponed until needed, it comes too late. It is appropriate to recall Kinter's words:

> Research is the reconnaissance party of industry, roving the unknown territories ahead independently, yet not without purpose, seeing for the first time what all the following worlds will see a few years hence.

For some time the Government has been introducing a certain number of measures intended to give encouragement and support to scientific research and development in Canadian industry. In its consideration the Government had to pay special attention to the formation of a typically Canadian organization of research, because of the characteristic problems of our country, particularly its large area, its relatively small population and its unique industrial structure.

Perhaps, honourable senators, it would be well to review briefly with you the Canadian history of research through the co-operation of our Government.

The efforts towards research have been quite constant. Initially, research was related to the primary industries. Only geological mapping and agricultural research were areas of activities until the beginning of the century. In 1898 research of fisheries was added. In 1916 the Government founded the National Research Council to stimulate research in the universities through grants and scholarships. In the late 1920s and early 1930s, Canada's Government extended active research, with the establishment of its own laboratory system. War brought about wide expansion in scientific research when the Research Council assumed that responsibility for the three armed forces, including atomic energy.

In 1949 the Privy Council Committee on Research broadened the structure of its advisory body of senior officials to which it might turn for joint advice on the formulation and conduct of government scientific policies; and thus since then has two advisory bodies, the National Research Council and the advisory panel. The council, being composed of non-government scientists representing the universities, industry and labour, is well suited to keep the committee informed on the effects of government policy on the scientific activities of the country at large, and to advise on the actions necessary to maintain the universities and independent research institutes in a healthy condition. The panel, on the other hand, being composed of senior government officials, is the appropriate body to consider government policy affecting departmental activities and to advise the committee on government action.

In 1952 special crown corporations became responsible for atomic energy, atomic research and development. In the last few years the Government introduced a number of measures intended to encourage and support scientific research and development in our Canadian industry. Such assistance was extended to any eligible companies in any field in Canada whatever their size or importance.

In 1961, the Income Tax Act was revised to permit 100 per cent depreciation of capital costs for research purposes. As time went on, it was realized that concepts on industrial research were changing rapidly. The transformation of the nation into a highly industrialized society and the multiplication and extension of national activities in production, the fast expansion of numerous industries of national character, the requirements of the domestic market and the obligation of facing foreign competition brought the Canadian manufacturing enterprises to recognize the primary importance of research through the establishment of efficient research departments.

In 1962 the Income Tax Act was again revised to permit the granting of a special fiscal stimulant over a period of five years for scientific research.

The revised act of 1962 enabled corporations to deduct from their taxable income an additional allowance of 50 per cent of the amount by which the expenditures on scientific research exceeded their total expenditures for this purpose on the 1961 base year. This law lapsed on December 31, 1966.

It has been recognized that the incentives gave favourable results. For that reason the Government is proposing today a general incentive program. Hence, Bill C-252 is now before us.

The underlying purpose of the bill is to raise the technological capacity of Canadian industry by enabling corporations to expand their scientific research and development activities. The achievement of this will result in increased ability to meet foreign competition in both domestic and export markets, and to somewhat lessen dependence on foreign technology. It will induce Canadian corporations to undertake new scientific research and development programs and to expand existing ones. It will also be less discriminatory, since

eligibility will not depend on a firm's tax position. Many small and growing firms will be able to participate.

The administration of this policy will be under the Minister of Industry, and will include many aspects to make it more accessible and efficient than the fiscal stimulant granted in 1962. In order to foster the provision of new laboratories and better equipment for industrial research, all capital expenditures will qualify for a 25 per cent bonus. A 25 per cent bonus will also apply to operating expenditures.

The new incentives will be given as outright grants or credits against tax liability and will represent 25 per cent of the defined expenses for research and development. The grants will not themselves be subject to income tax and will be in addition to the usual deduction of 100 per cent of all expenses for scientific research. Companies which are taxed at the lower rate and those with no known revenue will benefit equally with better established and more profitable companies.

Moreover, in providing a premium of 25 per cent on all capital expenditures for industrial research and development, companies will be able to benefit from new incentives for the establishment of new installations and the acquisition of better equipment for research and development.

These incentives will create a favourable climate for research and development expansion in many sectors of industry. A valid note is that particular attention is shown to developments of natural resources.

The bill before us was passed by the other place with only a few amendments. It was studied by the Standing Committee on Industry, Research and Energy Development.

One of the amendments proposed and approved was the deletion of the words "in Canada" from two or three clauses, which were required to ensure that if an expenditure does not qualify as being in respect of scientific research and development likely to benefit Canada, neither the expenditure nor any payment received in respect of such scientific research and development could enter into any calculation for the purpose of determining eligible expenditures under the act, nor could any of the provisions of the act apply to property acquired by virtue of the expenditure.

Certain expenditures for research and development, if not to the benefit of Canada, would not qualify for subsidy under this act. In making the total calculation of eligible expenditures, those particular expenditures would be deleted and there would be no subsidy paid in respect thereof.

Only one other amendment was considered, and it had to do with the value and source of information. Originally paragraph (h) of clause 14 limited the source of information in determining eligibility to that in the hands of the Minister of National Revenue, and information of other sources could not be taken into account.

The Minister suggested an amendment to provide that it should be determined by regulation how and in what manner information obtained by the Minister of National Revenue should be used.

There were no other suggested changes included in Bill C-252.

For Canada, the attainment of the desired rate of growth will depend to a larger extent than ever before on the expansion of an efficient manufacturing industry; this turn will necessitate more effective exploitation of new technology. We must look to research and development to spark the process of industrial expansion and economic growth for the future.

The Honourable Mr. Drury stated:

> The basic principle underlying the legislation is that economic progress stems from increased productivity which derives in large measure from new and improved technology. Systematic and sustained investment in research and development by industry is no less important to competitive survival than capital investment in new plant. New technology efforts provide wider opportunities for investments and generates greater productivity and thus provides the seed for the long term expansion of firms, industries and nations.

Looking at the structure of our general scientific activity, we note that industry incurred in Canada 36 per cent of the national total of research expenditure, as contrasted with 63 per cent for Britain and 74 per cent in the United States. By comparison, British industries spend on research three times as much per dollar revenue as Canada, Sweden four times as much, the United States six times as much. This discrepancy indicates the insufficiency of emphasis now placed on the practical exploitation of science and technology.

It is the view of the Minister of Industry, based on detailed analysis, that a target research intensity for manufacturing industry of almost three times the current figure is required to bring Canada into line with comparable industrialized countries. It is also true that the attainment of this target within a reasonable period of time would require a virtual doubling of the previous long-term growth rate for industrial research and development. The proposed incentive would be one of the key measures for implementing the necessary government policy in this regard.

The proposed act is not a stranger to the thinking resulting from inquiries as to what is being done by other countries, as expressed last year in Paris at the ministerial meeting on science, sponsored by the Organization for Economic Co-operation and Development.

Many countries spend large sums for defence or space research, which is undertaken by industry. The act proposes to support research and development in Canadian industries directly for economic purposes. It would be less costly and more effective in meeting the particular needs of Canada.

Of course, honourable senators, research means high cost and risk of failure. Possibly because of this, Canada has been relatively weak, but it appears important that Canada should now move to an economy of innovation and leave behind the economy of imitation.

If we followed the example of England we would devote 2.5 per cent of the gross national product to research. France spends 1.7 per cent of its gross national product on research. Canada spends only 0.9 per cent of its gross national product for research.

Money invested in research, although it is required in large amounts, has proven to return the investment by a hundredfold. It is comparable to a seed. With the proper conditioning and environment such as we have here, it will produce generous economic rewards and will continue to do so if we only continue the seeding.

General Sarnoff, a renowned scientist and a pioneer in the field of research, once made this statement.

> Whatever the size of business seven years hence may be, I am sure that more than 50 per cent of the volume will be in products and services that do not exist to-day.

Honourable senators, this is an excellent indication of the importance that must be attached to research now.

In reviewing history and what is presently happening in this world of ours, we note that countries that have not been blessed by imaginative and creative minds have apparently failed in the maintenance of the essential standards for living and in providing some degree of happiness as we know it here.

Research appears to be the ever-continuing pursuit of knowledge in all things, and each enlightened step towards total knowledge has paid off handsomely by engendering new economic revenues that in turn have created additional jobs, higher standards, assurance of continuity in stronger marketing, increased productivity and better compensation for all.

Unfortunately, research is an area where Canada has fallen dangerously far behind in the last few decades compared with the United States and even with many countries of Europe. The initiative, then, to give research priority should be welcomed by all of us.

Honourable senators, by the passing of Bill C-252 much can be accomplished towards providing a constructive and positive approach to our Canadian future. It will mean the continuation and improvement of Government policy.

On motion of Hon. Mr. Yuzyk, debate adjourned.

SMALL BUSINESSES LOANS ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. T. D'Arcy Leonard moved the second reading of Bill C-270, to amend the Small Businesses Loans Act.

He said: Honourable senators, this bill amends the Small Businesses Loans Act which constitutes chapter 5 of the Statutes of 1960-61, and which was passed by a government that had in its cabinet several ministers who are now in this chamber and who sit across from me. I say that as a compliment to them because in my view the legislation has proved to be good legislation.

In the years since it was originally enacted in 1960 it has been continued and extended by succeeding governments, both Liberal and Conservative. And I think it is fair to say that during the six-year period it has been in operation it has had the support of all parties, in principle, and also of the majority, if not all, of the Members of Parliament.

Before dealing with the bill itself, perhaps I might recall to honourable senators the main provisions of the original act of 1960-61,

which was modelled on the Farm Improvement Loans Act. Its plan of operation was to have the chartered banks of Canada make loans to small businesses, and those loans would, in addition to their normal security, have a limited guarantee by the federal Government. The purpose was to bridge a gap that it was felt existed between the normal banking loans made by the chartered banks of a short-term character, secured generally by receivables or inventories, on the one hand, and at the other extreme, the long-term loans made by the Industrial Development Bank. It was felt that a gap existed between these two forms of credit, and that this provision for loans to small buisnesses would be by way of intermediate term credit and would bridge that gap.

The characteristics of the loans were, first of all, that the small businesses were classified in four categories: retail, wholesale, manufacturing and service businesses. Then, to qualify by size as a small business, the gross revenue of the business had to be no greater than $250,000 a year. Generally speaking, the purpose of the loans was of a capital character; that is, to acquire assets of a permanent character such as buildings or equipment. The loans were limited in size to a maximum of $25,000 to any business. The total amount of loans to be made by the chartered banks was limited to $300 million, and the term or the period of time during which the legislation would be in effect was limited to three years from the time it was originally put into operation, which brought it then to December 31, 1963.

The rate of interest was left to be fixed by regulation. The federal Government's guarantee was limited to a maximum of 10 per cent of the total amount of loans made by any one bank. That is to say, there was no guarantee as to any amount of any individual loan, but if a bank lent in all $10 million, it had a guarantee against loss of up to 10 per cent of that $10 million—that is, $1 million.

In the intervening years the act has twice been amended. Once, of course, it was amended to extend the time of its operation from December 31, 1963, to December 31, 1966. The other amendments were of a minor and a clarifying character, and extended moderately the purposes for which a loan could be made.

In those intervening six years the experience has shown, I would think, that it has fulfilled its purpose to a considerable extent. The total amount of the loans has been in the neighbourhood of $150 million. Somewhere between 14,000 and 15,000 loans have been made, the average loan therefore running at about $9,000. The total amount of losses over the six-year period which the Government has paid to the banks has been some $139,000.

To date the maximum rate of interest on the loans has been 5½ per cent.

Now we come to this particular bill and its four main purposes. The first purpose is to extend the classification of businesses that qualify for these loans. As I mentioned earlier, there were four kinds: retail, wholesale, manufacturing and service industries. Now three more classes of business are in: construction, transportation and communications.

The second purpose of the bill I would say, is to extend the purposes for which a loan may be used but, in effect, it is really to clarify the intention of the previous legislation. The previous legislation allowed a loan to be made for the construction or purchase of alternative premises to those in which the business was being carried on. That is to say, not only could the small businessman have a loan with respect to the premises if he owned them, but if he wanted to move and change to another location he could get a loan for that purpose. However, what was overlooked was the case of the business being carried on in leased or rented premises, and there was no provision for a loan to acquire those premises. So, the second purpose of the bill is simply to strike out "alternative premises" and to make it perfectly clear the loan can be made for the renovation, improvement or modernization, or the purchase, construction, alteration or extension of any premises.

The third purpose of the bill is to extend the maximum size of small businesses from an annual gross volume of $250,000 to one of $500,000, so a business that formerly did not qualify because its gross annual volume was somewhere between $250,000 and $500,000 now does qualify.

The fourth purpose is, in a way shall we say, the main purpose of the bill. It is to extend the operations for a further period of three years, because the previous legislation expired on December 31, 1966. Since that time the banks have been carrying on making loans with the expectation that the Government would introduce this bill which would be retroactive to January 1 this year, so that all loans made since that time would come within the terms of this bill, and the legislation will extend the period of loaning to December 31, 1969.

Perhaps I should add one word with respect to the interest rate. As I said before, up until now the maximum rate has been 5½ per cent. This has been in effect even during the recent period of tight money. From my own experience, I would think the prime rate of chartered bank lending has been 6 per cent, so that the loans under this legislation have been at one-half of 1 per cent less than the prime rate, and of course that is because of the federal Government guarantee.

The figures show that in the months of October, November and December, 1966, for example, something over $6 million was loaned under this act by the chartered banks at this 5½ per cent rate, which I think is a good indication of the co-operation of the banks and of the accomplishment of the purposes intended by the act.

If the Bank Act amendment goes through and the rate of interest allowed to chartered banks is increased beyond 6 per cent, that interest rate of 5½ per cent may or may not have to be changed. This could be done by regulation in the same way as it has been done in the past.

Honourable senators, I think that explains the bill. As I have said before, it has had the support of all parties and, generally speaking, of all Members of Parliament, and I have no hesitation in commending it to you for your support.

Hon. Mr. Thorvaldson: Perhaps I might ask just one question. Do I understand that only 10 per cent of the loan is guaranteed? I understand you to say that.

Hon. Mr. Leonard: I should correct that impression. I tried to make it clear that it is not 10 per cent of the loan that is guaranteed; 100 per cent of the loan may be guaranteed. In other words, there could be a full loss to the bank of the total amount of the loan—100 per cent—but the guarantee is against the pool of loans, so that all the loans that are paid in full and on which there is no loss are brought into the calculation to estimate what the total amount of the guarantee will be. On loans totalling $1 million held by one bank there could be losses of up to $100,000, and the Government will repay those losses, even though some losses are for small amounts and some for large amounts. A bank pays its own losses beyond $100,000 on a portfolio of $1 million.

Hon. Mr. Brooks: Could the honourable senator give us an idea of what the percentage of loss has been over the last six years?

Hon. Mr. Leonard: We would have to calculate what percentage $139,000 is of $150 million. I think it amounts to less than 1/10 of one per cent over this six-year period.

Hon. Mr. Thorvaldson: Yes, that is infinitesimal.

Hon. Mr. Leonard: It is less than 1/10 of one per cent over the six-year period.

Hon. Mr. Burchill: What is the maximum term of the loan?

Hon. Mr. Leonard: I thank the honourable senator for asking that question. I may have overlooked that. The maximum term of the loan is ten years, an intermediate term between the short term bank loan and the long term Industrial Bank loan.

Hon. Malcolm Hollett: Honourable senators, it is not my intention to take up any more time in connection with this bill, but I should like to congratulate Senator Leonard on his explaining this bill in so few words and yet in such a masterly fashion. Having read the bill carefully, and also the debate on it in the other place, I think I can say that I have never heard a bill explained so clearly.

I should like to say that from reading *Hansard* of the other place, and speaking to many people, I was unable to discover anyone who thought that this act was anything but a wonderful piece of legislation. I rather gathered that the people I spoke to were somewhat surprised, but I was not. After all, this act was passed on December 20, 1960, and all honourable senators know—and Senator Leonard has been good enough to acknowledge the fact—who was responsible for it.

I should like to say a word here on behalf of the body of men who at that time formed the Government, and who had the vision to provide this incentive. Incentives have been mentioned this afternoon, and it is my opinion that this act is one of the finest incentives that has ever been laid before people in the business world. I am not a business man. I never was. I spend a lot of money, but I do not make very much. But, this act, as everybody agrees, undoubtedly has been a great incentive to small business.

I should say at this point that it has not been such a great incentive to the province from which I come. I do not know why that is so, but I am sure that the people of that province ought to take more advantage of it. The loans they have obtained under this act

are extremely small in number when compared with those in other provinces.

Hon. Mr. Aseltine: Perhaps they will take advantage of it after they read your speech.

Hon. Mr. Hollett: That is the reason I am on my feet now. It might leak through to them that there is such an act upon the statute books of Canada.

It is a good statute. There is no question about that. I have only to look at the annual report of 1965 which covers the period from 1961 to 1965 to see that 14,050 loans have been made for a total amount under the guarantee of more than $127 million. The average size of the loans, as I think has been mentioned by Senator Leonard, was $9,048. On all these 14,050 loans, only 25 claims had to be made and paid by the Government for a total of $139,000.

Hon. Mr. Roebuck: That is, as yet. There is a great deal of money still out.

Hon. Mr. Hollett: Those were the figures up to the end of 1965. I have in my hand a news release dated February 21, 1967, by the Honourable Mitchell Sharp, Minister of Finance, in which he announces that loans totalling $4.8 million were made under the Small Businesses Loans Act during the months of October to December, 1966. He states that under this legislation the Government guarantees loans—and this is what Senator Leonard has already told us—made by the chartered banks for a wide range of business improvement purposes to small business enterprises engaged in manufacturing, the wholesale and retail trade, and the service industry. A maximum of $25,000 may be lent to a borrower at any one time, and the loans must be secured and repaid over a period of ten years. The maximum rate of interest is 5½ per cent. He said also that the legislation came into effect in January, 1961, and from that date to the end of December, 1966, 16,235 loans for a total of more than $147,000,000 have been made.

From this honourable senators can understand what a wonderful piece of legislation this has been so far as the small business man is concerned, although I must say that I do not regard a business turning over $500,000 a year as necessarily a small business.

I regret that many of our small businesses do not take advantage of this legislation. Not long ago I learned that one firm in Canada controlled 70 per cent of the business of supplying food in one form or another to Canadians. To my mind that is not in the best interests of us all. This industry should be split up among a number of businesses. I hate to see any part of Canadian business life controlled by one, two or half a dozen firms.

I was disappointed to read that from October to December 1966 only two loans were made under this legislation in my own Province of Newfoundland—retail trade $25,000 and service business $15,000, for a total of $40,000. I hope all provinces will take advantage of this act. It is good legislation. Everybody says it is good legislation and, therefore, it must be good. Of course, the act was brought in by the Diefenbaker Government, and because of that fact alone it must be good.

On motion of Hon. Mr. Haig, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of Reports of the Standing Committee on Divorce Nos. 1147 to 1211, inclusive, which were presented yesterday.

Hon. Arthur W. Roebuck, chairman of the Standing Committee on Divorce moved the adoption of reports Nos. 1147 to 1211, inclusive, from the Standing Committee on Divorce, with the exception of report No. 1179.

He said: Honourable senators, since these reports were tabled yesterday afternoon the Standing Committee on Divorce has received a letter from the solicitor for a petitioner for divorce saying that the wife, against whom he petitioned for divorce, was killed in an automobile accident on the evening of Friday last, February 24, on Highway 401. Having regard to that, it is necessary for me to ask leave to withdraw that particular report, which is No. 1179, relating to the petition of Lutz Mueller. The respondent, who has been killed, is Anneliese Kraus Mueller.

Of course, we would not act on a letter from a solicitor without further proof. In due season we will demand a death certificate. In the meantime however, we cannot proceed in this matter, and therefore I ask leave of the House to withdraw report No. 1179.

Hon. Senators: Agreed.

Motion agreed to, and reports adopted, on division.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable J. R. Cartwright, M. C., Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bills:

An act to implement agreements for the avoidance of double taxation with respect to income tax between Canada and Trinidad and Tobago, Canada and Ireland, Canada and Norway and Canada and the United Kingdom, and to implement a supplementary income tax convention between Canada and the United States of America.

An act to amend the Financial Administration Act.

An act to amend the Judges Act.

An act to provide relief in certain cases against loss or hardship suffered as a result of interruptions of normal postal services.

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Governor General was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Thursday, March 2, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

NATIONAL AND ROYAL ANTHEMS

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the names of Messrs. Berger and Chatwood have been substituted for those of Messrs. Tremblay and Orange on the list of members appointed to serve on the Special Joint Committee on the National and Royal Anthems.

IMMIGRATION APPEAL BOARD BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration.

Bill read first time.

SECOND READING NEXT SITTING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that this bill be read the second time at the next sitting.

Before this motion is agreed to, as I hope it will be, may I say that our intention is to proceed with this measure tomorrow. As far as I can say at the moment, we shall sit tomorrow. At that time I think it will be possible—although I should not like to commit myself definitely at this stage—to adjourn until Tuesday evening. That is the plan I have in mind at the moment.

Hon. Jacques Flynn: What do we gain by sitting tomorrow afternoon rather than next Tuesday?

Hon. Mr. Connolly (Ottawa West): There is a good deal of legislation before us, and many speeches will be made on various bills.

Hon. Mr. Flynn: I doubt that.

Motion agreed to.

DIVORCE

RESOLUTIONS PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1123, for the relief of Lisa Lorraine Pedvis Lightstone.

Resolution 1124, for the relief of Geraldine (Gissa) Israel Cohen.

Resolution 1125, for the relief of Edith Lois Myers (Meyers) Goldin.

Resolution 1126, for the relief of Monique Lise Roy Derrick.

Resolution 1127, for the relief of Nancy Dubrofsky Richer.

Resolution 1128, for the relief of Isabel Jean Bulloch Soper.

Resolution 1129, for the relief of Pearl Brown Aaron Noik.

Resolution 1130, for the relief of Amita Brainin Schuller Schecter.

Resolution 1131, for the relief of Madeleine Arcand Fumi.

Resolution 1132, for the relief of Raynald (Renald) Rivet.

Resolution 1133, for the relief of Eva Lebovits Klein.

Resolution 1134, for the relief of Gisele Martel Ducharme.

Resolution 1135, for the relief of Jean Marie Langelier.

Resolution 1136, for the relief of Pierre Leo Richer Lafleche.

Resolution 1137, for the relief of Mary Anne Bosak Bingham.

Resolution 1138, for the relief of Sandra Kathleen Bowie MacLaren.

Resolution 1139, for the relief of Edwin Donald Ian Gaskell.

Resolution 1140, for the relief of Pierre Robidoux.

Resolution 1141, for the relief of Maria Patricia Shimkus Babin.

Resolution 1142, for the relief of Lianne Karin Margaret Neitzel Schuldt.

Resolution 1143, for the relief of Jean Eleanor White Fisch.

Resolution 1144, for the relief of Phillip Reginald Beck.

Resolution 1145, for the relief of Sophie Milberg Dlin.

Resolution 1146, for the relief of Gertrude Margerita Kaiser Hofmann Engel.

Resolution 1147, for the relief of Gladys Maxine Azulay Dooh.

Resolution 1148, for the relief of Joseph Michel Alphonse Gagnon.

Resolution 1149, for the relief of Donna Jean Yates Beeby.

Resolution 1150, for the relief of Ellen Gillon Adare Hughes Forster.

Resolution 1151, for the relief of Paula Rachel Couture Cyr Redele.

Resolution 1152, for the relief of Marie Françoise Thérèse Jacqueline Petrilli Abbott.

Resolution 1153, for the relief of Serge Desrochers.

Resolution 1154, for the relief of Justine Adelaide Stern Jedeikin.

Resolution 1155, for the relief of Monique Deneault Deneau.

Resolution 1156, for the relief of Jacques Coté.

Resolution 1157, for the relief of Raymond Norbert Chausse.

Resolution 1158, for the relief of Robert Jacques Armand Collard.

Resolution 1159, for the relief of Helen Juanita Greer Smith.

Resolution 1160, for the relief of Hazel Marie Dominey Walker.

Resolution 1161, for the relief of Joseph Markusic.

Resolution 1162, for the relief of Mary Hepburn Weigen, otherwise known as Mary Hepburn Weigensberg.

Resolution 1163 for the relief of John Julian Ignatius Viskelis.

Resolution 1164 for the relief of Suzanne Gibeau Paquette.

Resolution 1165, for the relief of Sharron Ann Beatteay McKee.

Resolution 1166, for the relief of Doris May McLaughlin Longmore Snyder.

Resolution 1167, for the relief of Jean Yves Michel de Brabant.

Resolution 1168, for the relief of Jules Joly.

Resolution 1169, for the relief of Abraham Rosenfield.

Resolution 1170, for the relief of Julianna Szkokan (Skokan) Vasi.

Resolution 1171, for the relief of Zvi Fallenbaum.

Resolution 1172, for the relief of Flora Jean Stewart Dalphy.

Resolution 1173, for the relief of Rinalda Maria Montauti Cicciu.

Resolution 1174, for the relief of Jaroslaw (Gerry) Poszywajlo, otherwise known as Jaroslaw (Gerry) Poszwaylo.

Resolution 1175, for the relief of Dorice (Doris) Alice Thibault Michel.

Resolution 1176, for the relief of Lucy Gloria Verrecchia Stanley.

Resolution 1177, for the relief of Claudette Cyr Johnson.

Resolution 1178, for the relief of Marie Lilian (Lilliane) Perusse Burnett.

Resolution 1179, for the relief of Richard Parker.

Resolution 1180, for the relief of Andre Barrette.

Resolution 1181, for the relief of Willem Franken.

Resolution 1182, for the relief of Jean (James) Wilfred Kelly.

Resolution 1183, for the relief of Rosemary Graae (Gray) Schmidt O'Brady.

Resolution 1184, for the relief of George William Brown.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck moved that the resolutions be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

CANADIAN FILM DEVELOPMENT CORPORATION BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-204, to provide for the establishment of a Canadian Film Development Corporation:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-204, to provide for the establishment of a Canadian Film Development Corporation, and had directed that the bill be reported without amendment.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Deschatelets moved the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, before the first order is called, may I ask permission to have Order No. 4, Bill C-266, dealing with certain salaries fixed by statute, called first.

Senator Cook, who will explain this measure, is required to sit on a committee this afternoon. If he may make his explanation in the early part of the afternoon, it would help.

I would also ask that Item No. 6, with reference to the annuity to the Governor General of Canada, be the second item of business, if that is agreeable.

Hon. Senators: Agreed.

STATUTORY SALARIES REVISION BILL, 1967

SECOND READING—DEBATE ADJOURNED

Hon. Eric Cook moved the second reading of Bill C-266, to provide for the revision of certain salaries fixed by statute.

He said: Honourable senators, the main or principal purpose of Bill C-266, which was given third reading in the other place on February 23, is to revise certain salaries fixed by statute.

The bill will amend ten statutes and will adjust the salaries of the commissioners holding office under the Canada Grain Act, the members of the Income Tax Appeal Board, the Canadian Commissioners under the International Boundary Waters Treaty Act, the members of the National Energy Board, the Transport Commissioners, the members of the Tariff Board, the Chief Electoral Officer, the Auditor General, the Representation Commissioner and the Commissioner General of Expo.

I am informed that the last occasion on which these salaries were changed was in December 1963 by a special enactment, namely, chapter 41 of the 1963 Statutes.

Generally speaking, the amount by which these salaries are increased is 8 per cent. This is in line with the increases awarded deputy ministers by order in council, taking effect on December 1, 1965, and so the increases granted by the bill will also take effect as at December 1, 1965. This percentage has been adapted for most of these adjustments. The exceptions to the general rule are the Auditor General, the Vice-Chairman of the National Energy Board, and the first Vice-Chairman of the Tariff Board. Exceptions to the general rule have been made in these cases in recognition of the fact that their existing rates of pay do not reflect adequately the measure of their duties and the special responsibilities which they are carrying.

Honourable Senators, there is one special feature in this bill to which I would draw your attention. By looking at the schedule you will note that, in the case of the commissioners under the Grain Act, the members of the Income Tax Board, the Canadian Commissioners of the International boundary Commission, the members of the National Energy Board, the Transport Commissioners, and the members of the Tariff Board, the bill provides that those public officials shall be paid such salaries as are fixed by the Governor in Council, but not less than the stated figure.

The reason for the amendment is to seek the authority of Parliament to enable the Governor in Council to make future salary adjustments of these officers without the requirement of returning to Parliament to seek further legislative amendment. It does seem that there is justification for asking for a release from the requirement that the Executive must come back to Parliament, and request legislative amendments, either through an omnibus bill or through a whole series of separate amendments every time a salary increase appears to be justified.

Honourable senators will agree, I am sure, with these proposals for expediting the salary treatment of the officials covered by this bill. The fact that their rates of remuneration have remained unchanged since December 1, 1963 and that they can be altered only as a result of legislative action by Parliament—now long overdue—indicates the nature of the problem. With the legislative workload that has faced Parliament in recent years, and is likely to continue into the fu-

ture, there would appear to be little justification for adding to Parliament's agenda unnecessarily through bills such as these whose sole purpose is to authorize a periodic increase in the salaries of certain officers of boards, commissions, etcetera.

Indeed, it does not seem fair to the officers concerned, to ask them to accept the long delays in salary adjustments that arise from the existing legislative requirement, especially in times like the present when outside salaries are moving upward so quickly, and all other public servants, including all deputy ministers and many other members of commissions, boards, etcetera, can have their salaries kept current and reasonably up to date by Executive action alone.

It is of course important to note that the Governor in Council has not authority to reduce any salary specified in this bill. In other words, while the Governor in Council may increase any salary, if for any reason the Governor in Council desires to reduce the salary, the authority of Parliament must be sought and obtained before this can be done. This is, of course, to safeguard the independence of these officials against interference by the Executive.

The power to make any such change by order in council does not extend to the Auditor General, the Chief Electoral Officer, and the Representation Commissioner. It is, I understand, the view of the Government that in these three cases the special relationship existing between these three officers and Parliament is such that any change in their rate of remuneration should continue to be made only with the express legislative authority of Parliament. Finally, there is of course no need for this provision in the case of the Commissioner General of Expo as that post will disappear at the end of the World's Fair or shortly after.

Honourable senators, if the bill receives second reading, I shall move that it be referred to the Standing Committee on Banking and Commerce.

Hon. Walter M. Aseltine: Honourable senators, on the face of it this bill appears to be quite a simple one, but it is not as simple as it would first appear. Actually, it affects the lives of only a few top officials of boards and commissions. It is not like the Carter Report on Taxation, which, if implemented, would affect the way of life of the whole of the population of the Dominion of Canada.

This bill amends ten Acts of Parliament. The amendments are shown in detail in the schedule of the bill, Part 1 and Part 2, where it says what the salaries of these officials are to be as of the first day of December, 1965.

In my opinion this bill introduces and incorporates a new principle in the fixing of salaries of certain officers whose remuneration in the past has been fixed by statute and could not be increased except by an Act of Parliament. The bill gives authority to the Governor in Council to do so without reference to Parliament at all, with the exception of the three officials mentioned a moment ago by the sponsor of the bill, namely, the Auditor General, the Chief Electoral Officer and the Representation Commissioner, who are responsible more or less directly, I would say, to Parliament and therefore are in a different category from the other officials whose salaries in the future, if this bill is passed, will be fixed by the Governor in Council.

This represents, in my opinion, a major change in principle, because the law as it now stands gives the Governor in Council no such authority in so far as these officers are concerned.

The reason given for the change is that it is not fair to the officers concerned to ask them to accept the long delays in the adjustment of their salaries under the law as it now exists, whereas other public servants, including deputy ministers and many members of commissions and boards, can have their salaries adjusted and brought up to date by Executive action. But it seems to me that any undue delays could be taken care of if the legislation fixing the salaries is made retroactive, as appears to be the case in the bill we are now considering. I refer to clause 5 which states that this act shall be deemed to have come into force on the 1st day of December, 1965. I presume that means that the increases in the salaries of officials concerned will be treated as having been made on the first day of December, 1965. That of course would make them retroactive.

Why is the date December 1 chosen? That is about a year and a half ago. What major salary changes have been made since that date that call for the making of this bill retroactive? Henceforth any further increases will be made by the Governor in Council.

It is most important that these boards and commissions must under no circumstances be under pressure on the part of the Governor in Council, which is of course the cabinet. I have always felt that the reason why salaries were

fixed by statute was to ensure the independence and impartiality of the officials concerned and to free them from all forms of pressure from politicians. On that account I was hopeful that the sponsor of the bill would have given us more cogent reasons for the change in principle than he has so far given. We must be absolutely certain that by vesting these powers in the Governor in Council we are not doing anything that will interfere with the impartial work of the said boards and commissions.

However, there is some protection given by clause 4 of the bill in that the Governor in Council has no authority to reduce the salaries set out in Part I of the schedule to the bill. I suppose that will in a measure help to maintain the independence of these boards, and if there should happen to be any discrimination in making increases at any future time no doubt members of Parliament will come to the rescue in no uncertain manner.

I have some doubts as to the efficacy of this measure. I doubt if the fixing of the Auditor General's salary in the manner provided by the bill will make for his independence. It may or it may not. Why not adopt a recommendation in the report of the Public Accounts Committee a short time ago and tie the salary of the Auditor General to those of senior deputy ministers? All we are doing for the other officials is simply approving their minimum salaries as of December 1, 1965, and giving the Governor in Council full authority to increase salaries without reference to Parliament.

I would like to know what is the intention of the Government with respect to making increases in salaries. I hope that by passing this bill we are not taking a retrograde step.

I am glad the sponsor of the bill has suggested that it be sent to committee for study. I hope that when that committee meets we will find out what increases have been made in the salaries of top officials generally since December 1, 1965, or since December 1, 1963. We might also find out just what the Government has in mind with regard to increasing salaries at this time.

Before concluding I would like to refer to the Canada Grain Act, which is referred to in Part I of the schedule. The explanatory note states:

> Section 4 of the Canada Grain Act at present reads as follows:
>
> 4. The commissioner shall be paid an annual salary of nineteen thousand dollars and each of the commissioners an annual salary of seventeen thousand dollars.

The amendment reads:

> 4. The commissioners shall be paid such salaries as are fixed by the Governor in Council but the salary of the chief commissioner shall be not less than twenty thousand, five hundred and twenty dollars per annum—

I do not know how that figure was arrived at.

> —and the salary of each of the other commissioners shall be not less than eighteen thousand, three hundred and sixty dollars per annum.

My reason for mentioning this, honourable senators, is that I have been informed that certain research officials who work under the Canada Grain Act for the grain commissioners are receiving considerably more in salary than the commissioners themselves. I think that is one of the things that should be investigated when the committee holds its meeting.

Hon. John J. Connolly: Honourable senators, it is not my intention to delay the consideration of this bill, but in fairness to Senator Cook, as a member of the Government I should say something at this stage. I agree with both the sponsor and Senator Aseltine that this is an appropriate bill for committee consideration.

Dealing first with the last point made by Senator Aseltine, when this bill is considered by the committee I think you will find that in the case of the Canada Grain Act the proposal now is to increase the salary of the Chief Commissioner from $19,000 to $20,520. Why that particular figure is specifically mentioned, I regret I cannot say at the moment.

Hon. Mr. Cook: It is 8 per cent.

Hon. Mr. Connolly (Ottawa West): Yes, it is the 8 per cent rule, I gather, and it applies generally to them all. The same percentage rule does apply to everything contained in Schedule 1.

Why December 1, 1965? I would say that by December 1, 1965, these officials whose salaries are dealt with in this bill were receiving less than they should have been. I think that is the opinion not only of the ministers concerned but in the opinion of everyone in Parliament who took a particular interest in the position.

I quite agree with Senator Aseltine that there should be an independence vested in these officials so that they will be free to

exercise their functions without favour because of political pressures. This is a theme that runs through all legislation that touches upon the public service, and it is emphasized more and more. Indeed, it was emphasized the other night by Senator McCutcheon when he spoke on Bill C-182. I hasten to point out that that protection is embodied in the provisions of the schedule here when these figures are set out as a floor. As Senator Aseltine has pointed out, that is a measure of protection which provides the independence that he desires these officials to have.

Like Senator Aseltine and Senator Cook, I am a lawyer. We take a very strong stand on the importance of making members of the judiciary independent and on paying them adequately so that they can perform their functions and live in accordance with the dignity of the office they hold, and also so that the judiciary will attract persons who are worthy of that high office and who otherwise, because of their earnings in their own profession, would be loathe to accept appointments.

The principle we apply to the judiciary applies also in respect of the higher officials in the public service. That is one of the reasons why we should do all in our power, without being improvident or extravagant, to see to it that those required for these important posts in the public service of the nation should be not only adequately paid but that the pay should be attractive enough to induce good people to accept these responsible positions. We do this in the case of crown corporations, and the Executive has this authority on the recommendation of the boards of those corporations. It has worked well and, I think, without any political pressures being applied.

In view of the speech made by Senator McCutcheon the other evening commending the provisions of Bill C-182 and the reference to the Glassco Commission which emphasized much of the philosophy behind that bill, I would point out that the Treasury Board has sufficient authority to make sure that the salaries of these high officials do not run to too high a level. This is certainly a factor that the Treasury Board has constantly under consideration because, as honourable senators who have served on the Treasury Board know, a most difficult problem is created when you allow a salary or a series of salaries to get out of line. I think there is a natural brake upon any tendency to increase salaries in the public service to unduly high levels. A great sense of responsibility has been shown in this respect, and I am sure it will continue.

The Auditor General and the other two officials mentioned enjoy a special status in relation to Parliament, and the Government would be reluctant—here I am speaking for the Government—to interfere with parliamentary control over those officials. This is particularly true of Members of the House of Commons, but I think it should be equally true here. The Auditor General is an official of and works for Parliament, and is appointed for the purposes of Parliament. Therefore, only Parliament should make changes. The security of his position is, therefore, guaranteed by excluding him from the proposal.

Hon. Mr. Choquette: Is he taken seriously by the present Government when he says every year, and shows beyond any doubt, that we are throwing millions of dollars away and nothing is being done to remedy it? Some suggest that he should be fired, if we are not going to pay any attention to what he says.

Hon. Mr. Connolly (Ottawa West): I think he is taken seriously by this Government, as he has been by every Government; certainly, the recommendations he makes are the subject of serious consideration. I do not think this Government can be singled out any more than any other Government in that respect—and I speak with full knowledge when I say so.

I would also point out that deputy ministers' salaries are not subject to the kind of parliamentary control that those of these officials are. Their salaries are fixed by order in council, and in view of the fact this is a matter of Government policy, which I think is wise, it is provident and expedient that this kind of step should be taken in the interests of assuring that proper service is given to the people of Canada by competent officials in the positions affected.

Hon. Mr. Hollett: Did I understand Senator Cook to say that the general increase was 8 per cent of the salaries paid in 1963?

Hon. Mr. Cook: The increase is 8 per cent, except in the case of the Auditor General, the Representation Commissioner, and the Chief Electoral Officer. The increase was 8 per cent, to take effect as from December 1, 1965, which was the date on which the salaries of deputy ministers were increased by 8 per cent. This measure is to bring these salaries in line with those of the deputy ministers.

Hon. Mr. Hollett: According to the schedule of the bill the Auditor General is paid $25,000 per annum, and this amendment provides that he shall be paid $30,000 per annum, which is slightly more than 8 per cent.

Hon. Mr. Cook: In all of these cases, except those of the Auditor General, the Chief Electoral Officer and the Representation Commissioner, the increase is 8 per cent.

Hon. Mr. Hollett: I beg your pardon.

On motion of Hon. Mr. Choquette, debate adjourned.

GOVERNOR GENERAL'S RETIRING ANNUITY BILL

SECOND READING

The Senate resumed from Thursday, February 23, the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West), for the second reading of Bill C-265, to provide for the payment of a retiring annuity to the Governor General of Canada.

Hon. A. J. Brooks: Honourable senators, the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) moved the second reading of this bill a week ago, and at that time gave us a full explanation. There is nothing contentious in the bill.

I must say that it is not very often that we discuss in Parliament matters that pertain to our Governors General. It is not necessary, and it is not expected. We have never had reason to discuss the representatives of the Crown, inside or outside the Senate, except in the kindest of terms. Indeed, since Confederation, and even before, Canada and the Canadian provinces have been well served by Governors who have taken a very great interest in the country.

I was pleased to read not long ago that there is a possibility that an outstanding Canadian author will publish a book on the Governors General of Canada since Confederation. I am sure that that book will be an interesting and entertaining history of Canada since 1867. Our Governors General have been men who were dedicated to their work and to the country. They have travelled from one end of Canada to the other, and far into the north lands, so that they could acquaint themselves not only with the people but with the physical characteristics of the country.

Of course it was not necessary to give this bill any detailed study because at the adjournment of the debate last week it had been explained to us very well by the honourable Leader of the Government. He also pointed out to us at that time that there had been only a brief discussion on the measure in the other House, but that there had been a considerable amount of private discussion outside. I am sure honourable senators now understand the bill thoroughly and all are satisfied with its provisions.

This bill provides for annuities to be paid not only to the present incumbent but also to former Governors General who are still living. I must say that the annuity is a modest one. I was not at all sure what the salary of the Governor General was, but I was given to understand by the honourable Leader of the Government—and I have also looked up the Governor General's Act—that it is £10,000. However, Parliament in its wisdom at the time the act was passed set the pound at $4.86\frac{2}{3}$. I remember as a boy at school the pound was reckoned to be equal to $4.86\frac{2}{3}$, and during the First World War that is the rate which applied when our soldiers were paid their money in pounds in England. It is very fortunate that the pound was set at that figure because, as we all know, it has been devalued and at one time was down to $2.70. If that value were placed upon the pound it would not be fair to anyone holding the position of Governor General.

One especially good feature of this plan, to my mind, is that it leaves the door open for the appointment of any distinguished Canadian to the office of Governor General of Canada, no matter what his financial position may be. This is a wise and democratic provision.

This measure provides not only for an annuity for the present Governor General upon his retirement—which we all hope will not be for some time yet—but also for the two former Governors General, the Right Honourable Vincent Massey and Earl Alexander. Senator Connolly said last week that he was not going to attempt to gild the lily by pointing out the high regard all Canadians have for the persons who will benefit under this bill. I feel that to try to do justice to any one of these outstanding men would be to attempt an exercise in futility.

Honourable senators, I am very proud of having been a member of the Government which recommended to her Majesty the appointment of General Vanier as Governor General some few years ago.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Brooks: Having been proud at that time, I have every reason, and indeed all of us have, for being even prouder today.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: He and his distinguished wife, Madame Vanier, have dedicated their lives to Canada and to Canadians.

The name Massey, for generations, has been a household word in this country. As a boy on the farm I remember very well the Massey-Harris machines that we used to work with. The Massey family, and the former Governor General, have taken a great interest in business in Canada all through the years. They have been interested in the arts, in literature, in politics.

Hon. Mr. Connolly (Ottawa West): And in the universities.

Hon. Mr. Brooks: Yes. With all those spheres the Masseys have been prominently connected.

As to Earl Alexander, he was a soldier in the Second World War. We used to hear him spoken of as the greatest general in the allied armies, and I do not think there is any doubt but that he was. I am sure that history will show that he was not only one of the greatest generals in the Second World War, but one of the greatest generals of all time.

Honourable senators, I am very pleased to speak for all senators on this side of the house in saying that we support this bill, and join with the honourable Leader of the Government and those on his side in having this bill read the second time.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable sponsor of this bill speaks now it will have effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I should like first to thank the honourable Leader of the Opposition (Hon. Mr. Brooks) for his remarks in respect of this bill this afternoon. I know that he expressed feelings that are shared by every member of this house.

I was particularly impressed by what he said about Earl Alexander and his capacity as a soldier, because there are very few people in Parliament with the distinguished record of the honourable Leader of the Opposition in the military field. He knows whereof he speaks.

I have only two points to make. When I was explaining the bill I was asked by the honourable Senator Beaubien (Bedford) whether or not the salary of the Governor General was fixed by order in council or by statute. At the time I was not sure, and I said I thought it was fixed by order in council. I was wrong. It is fixed by statute, as appears in chapter 139 of the Revised Statutes of Canada.

Hon. Mr. Aseltine: You are not often wrong.

Hon. Mr. Connolly (Ottawa West): I was quite wrong on that occasion. A little humility does not hurt one once in a while.

I was also asked by the honourable Senator Paterson what the annual allowances are for the Governor General. In the Estimates for 1966-67 the annual allowance was $72,000.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Desruisseaux, for the second reading of Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

Hon. Paul Yuzyk: Honourable senators, in the first place my congratulations go to Senator Desruisseaux for his excellent maiden effort and his fine introduction of Bill C-252. I am glad he made reference to the fact that Canada does not comprise only two but many ethnic groups, being in reality bilingual and multicultural. All these ethnic groups are working in harmony and unity to make Canada a better place to live in. We are happy to have Senator Desruisseaux as one of our fellow members, and I am sure he will witness that there is no better spirit of Canadian brotherhood, harmony and unity than in the Senate.

Honourable senators, the introducer of Bill C-252 stated that the Minister of Industry reported on December 20 in the other chamber that Canadian industry performed only 36 per cent of the national total of our over all scientific activity in 1963. In the same year British industry achieved 63 per cent and industry in the United States 75 per cent of the over-all national effort. The United States government was spending 3 per cent of its gross national product on research and development while Canada was spending less than 1 per cent.

This anomaly in the allocation of effort shows that insufficient emphasis is being given to the practical exploitation of science and technology. An analysis of the distribution of our national research and development activity indicates that 60 per cent of our total effort goes into research and 40 per cent into development, whereas the reverse relationship should be the case if we desire to improve our economic progress and to keep up with the leading industrial nations.

The Engineering Institute of Canada, which had set up a 10-man committee drawn from industry and universities and completed a one-year study, in a recent brief to the federal Government called for a restructuring of the total Canadian research and development effort to emphasize industrial development and pure research and to "attain the same proportionate research and development spending as in leading countries, but with emphasis on industrial research and development."

Increased expenditure on industrial research and development, it is recommended, should be guided into a distribution of 10 per cent for basic research, 30 per cent applied and 60 per cent developmental, which is approximately the pattern in Sweden and the United States.

The situation in Canada would therefore have to be changed considerably. The distribution of Government expenditures is 20 per cent to basic research, 54 per cent to applied science and only about 25 per cent to development. Compared with industrial competitor nations, Canada is at a competitive industrial disadvantage.

The Engineering Institute of Canada states that Canadian industry now suffers a "crippling disadvantage" because almost 80 per cent of the Government research dollar is spent intramurally and less than 14 per cent is contracted out to industry. In the United States the situation is almost reversed. In 1963-64 only 19 per cent of research and development funds was spent within government, while 67 per cent was returned to industry for contract work. The brief concludes:

> Under such circumstances it is very difficult indeed for Canadian industry, particularly the science-based industries, to match the innovation power of such liberally-supported competitors.

The challenge to Canada is obvious. The Canadian Government realized that the tax incentive of the 50 per cent "additional allowance" provided by section 72A of the Income Tax Act in 1962 did not have the desired effect, and was even discriminatory, since eligibility depended on the firm's tax position; many small firms who had the greater need for assistance were not in a profit-making position and therefore could not qualify. In 1963 only 265 of some 600 firms could claim the additional allowance.

Bill C-252, which is before us today and was so ably explained by Senator Desruisseaux, proposes to remove the tax incentive and in its place to provide a system of statutory grants, not subject to income tax, payable out of the Consolidated Revenue Fund, or tax credits, for which all firms performing research and development could qualify, the program to be known as General Incentives for Research and Development. The initials spell GIRD—not to be confused with the incentives associated with Gerda. In the attempt to stimulate continuing research and development, the bill provides for grants of 25 per cent of capital expenditures made in Canada in the year in these fields and 25 per cent of the current expenditures which exceed the average of eligible current expenditures made in Canada in the preceding five years; only the increment is bonused. This is a slightly complicated formula, and I think it advisable that the bill go to committee for a fuller explanation.

This is an important piece of legislation, and I agree wholeheartedly with the basic principle of the bill, as I believe most members of this chamber do. I understand there has been considerable consultation with industry and that there is general approval of this new system of incentives.

As I read the bill a few questions came to my mind, which could probably be clarified by the sponsor or in committee. My questions are:

1. Does this bill cover all the areas under the previous income tax provision, which

now is being removed, and will any firms be worse off under the new system?

2. Will grants be withheld from firms who may be duplicating research already being made by another firm?

3. Will the minister be in a position to limit certain kinds of research?

4. Under his act, could foreign-owned companies incorporated in Canada receive grants for research and development that could be exclusively exploited by the parent company in a foreign country?

5. Would not a higher incentive than 25 per cent to small firms give them greater inducement to institute research and development as well as to arrange for joint research in universities or approved institutions?

6. Would it not be better for the minister to be in an impartial position by having approvals of grants made by a board consisting of representatives of industry, universities and research institutions?

In order to ensure more rapid research, development, technological innovation and expansion of markets, all of which will help to improve the economic situation of Canada, in addition to this legislation there should be a more effective government policy of general stimulation, which would include education, patents, tariff protection, employment practice and taxation, usually performed by different agencies of government but not coordinated in an overall policy of scientific and technological innovation and progress. Action should be taken on reports and recommendations of the Economic Council of Canada, the Science Council of Canada and other appropriate authoritative bodies.

On motion of Hon. Mr. Choquette, for Hon. Mr. Phillips, debate adjourned.

SMALL BUSINESSES LOANS ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Leonard, for the second reading of Bill C-270, to amend the Small Businesses Loans Act.

Hon. J. Campbell Haig: Honourable senators, this bill was extremely well explained yesterday by Senator Leonard, followed by Senator Hollett, and I cannot add much to what has been said. I wish to mention to this honourable house that the resolution was introduced in the other place on February 16. It was explained by Mr. Chrétien, and second reading was given on February 24 when it was explained by the Minister of Finance.

As was said by Senator Leonard yesterday, when the act was passed in 1961 it became a success. The Government has come to us and has asked us to increase the amount that would be available for guarantee to the banks, and also to increase the size of business which can be assisted under the act.

The act is of great assistance in certain areas of secondary industry whereby a small business, as defined in the act, which is not quite capable of getting moneys from the development funds that are available, has to deal with the local bank.

As was also explained yesterday, this bill extends the classification of businesses which can obtain these loans. In other words, it expands and widens the help which can be given to different classes of industries in this country.

As the bill was so well explained in the other place and here, I see no reason why it should go to a committee and I suggest that we give it second reading now.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time.

Hon. Mr. Deschatelets moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

RURAL ECONOMIC DEVELOPMENT FUND ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. A. Hamilton McDonald moved the second reading of Bill C-274, to amend the Fund for Rural Economic Development Act.

He said: Honourable senators, you will recall that, earlier during this session, we had before us Bill C-151, which dealt with this same matter and was given Royal Assent on July 11, 1966.

When I moved second reading of that bill, on May 24, 1966, as reported in *Hansard* at page 549, one of the main criticisms of the legislation at that time was that the $50 million being voted would not be sufficient, in the minds of many senators and many members of the other place, to carry out the work necessary in Canada to raise the standard of

living and to develop the resources in many of the uneconomic or undeveloped areas of Canada.

I would remind honourable senators that this bill was before this house in its original form some eight months ago when it called for an expenditure on behalf of the national Government of some $50 million. Eight months ago this program was in the formative stage as far as the national government and the provincial governments were concerned.

It was necessary to define the areas of Canada in which it was necessary to apply this legislation and, having defined those areas, to suggest programs which would meet with the approval of both the federal and the provincial governments, and programs that would raise the standard of living through the development of the natural resources within those areas of the country.

At that time studies were under way in New Brunswick, Nova Scotia, Prince Edward Island, Manitoba and Quebec. Of course many of those studies have come to a conclusion and agreements have been reached between the national Government and the provincial governments as to what expenditures are necessary to do the job that I outlined a moment ago.

To give you some indication of the progress made over this eight- or nine-month period, I need only indicate to you now what happened in two specific areas. I refer to New Brunswick and Manitoba. On September 20 last an agreement was signed between the Government of Canada and the Government of New Brunswick concerning two areas in that province. The first program concerns an area of the province which is sparsely populated, only 106,000 people living there. But they do have some natural resources which, if developed, both the province and the Government of Canada believe will increase the standard of living of the 106,000 people in the area.

These people have an average income of some $500 a year, which is less than half the average income of Canadians as a whole.

Hon. Mr. Aseltine: Is that family income?

Hon. Mr. McDonald: This is family income.

Thirty-six per cent of the labour force in this area of New Brunswick has an equivalent of Grade 4 education or less, but only 13 per cent of the total population of Canada has an average education of Grade 4 or less. In other words, the Canadian average is 13 per cent of our population, whereas in this area of New Brunswick some 36 per cent of the people have Grade 4 or less.

In this area of New Brunswick about 17 per cent of the people have Grade 9 or its equivalent, whereas the average in Canada is 33 per cent.

It is obvious from the figures I have given that a massive program is necessary in this area of New Brunswick as well as in virtually every province, to increase the standard of living through education and other programs. We realized last July, when the complement of this bill, C-151, was given Royal Assent —the debate on it having taken place in May of last year—that the $50 million was inadequate.

As a matter of fact, I said so at that time, and I quote from Senate *Hansard* of May 24, at page 551:

> Some people are concerned that $50 million is not enough to do the job set out in this bill. I could not agree more, but no one has said that there is to be only $50 million for this program. This is just the beginning. Before the battle can be won, it will take many times the $50 million. I am confident that this nation can afford it...

I also said that I believed the nation could not afford not to implement the program outlined in the legislation and to spend many millions as well.

Some of my colleagues in this chamber expressed some fear at that time. Some members in the other place suggested that, rather than an expenditure of $50 million, it would be necessary to spend in the neighbourhood of $2 billion to complete this program throughout Canada.

I am not in a position to say whether we will need $2 billion, or what amount we will need. At the close of my remarks I shall give some of my own feelings with regard to the total amount that it will be necessary to spend on this and related programs to accomplish what this Government, and its predecessor, desires to accomplish throughout Canada.

Investigations are now under way in Nova Scotia, Prince Edward Island, Newfoundland, Ontario, and all of the western provinces with the exception of Manitoba, for additional programs that will be implemented in the future. But I referred a moment ago to the one area of New Brunswick and to the one program to which the Government of Canada and the Government of New Brunswick have committed themselves. They have committed themselves to an expenditure of some $90 million.

Of that $90 million in the one area of New Brunswick, $62 million of it will be federal money—not all under this piece of legislation, but under this legislation and under Bill C-152, which is the ARDA measure also passed last July.

But the total federal contribution to this one area in New Brunswick will amount to $31 million out of a total of $50 million that we voted some nine months ago. New Brunswick will take $9 million of a federal contribution to a second program in New Brunswick.

So one province alone has now committed itself to an expenditure of federal Government money of $41 million. I have no complaint. I think that New Brunswick is to be complimented for having entered into this agreement with the federal Government to endeavour to increase the standard of living and to develop natural resources in that area.

I said at the outset of my remarks that I would refer to two areas of Canada. I have referred to one in eastern Canada. I now refer to one in western Canada, namely, the Interlake Region in Manitoba. Nine months ago when Bill C-151 was before this house, the Government of Manitoba and the federal Government were in the research stage with regard to a program that was necessary in the Interlake Region of Manitoba.

During the interval of eight or nine months the governments of Manitoba and Canada signed an agreement calling for a total expenditure in this area of Manitoba of something like $65 to $75 million. Part of that expenditure will be under this program; part of it will be under the ARDA program. But the federal contribution to the Interlake Region of Manitoba under this fund alone will amount to $25 million, which is half the sum we voted eight months ago.

Taking the total amount of money that has been committed in New Brunswick and Manitoba, which are only two of our provinces, you have a sum of approximately $66 million. It is estimated now that the commitments that have been made so far will call for a federal contribution under this fund in the next two years of some $250 million. That is the reason this bill is asking that the amount of money voted by the Parliament of Canada should be increased from $50 million to $300 million.

I said a moment ago that I would, at the conclusion of my remarks, acquaint honourable senators of my feeling regarding the amount of money I think it will be necessary to spend to do what this Government and the previous Government wished to do for those underdeveloped and underprivileged areas of Canada. It seems to me that it is not the amount of money that is important. As long as we have huge areas of Canada that are have-not areas, areas that are bleeding the Treasury of Canada to perpetuate their present circumstances, that is not good enough. It matters not to me what amount of money we must spend, but if through the expenditure of that amount of money we can move those areas from the have-not class, and areas that have been receiving money from the provincial and federal treasuries to perpetuate themselves in poverty, then that will be a good thing.

If through these expenditures we can move these areas and the people who live within them to make a contribution to Canada and to our national and provincial wealth, then this is the question that we must ask ourselves. Undoubtedly we will be reviewing from time to time the success of the expenditures of $50 million, $300 million, one billion or two billion, but it seems to me that we can make progress by the expenditure of public funds, and move people from the position of being recipients of public expenditures to where they can contribute to the welfare not only of their own areas but of Canada as a whole.

I hope that some honourable senator will have the opportunity in the very near future of coming back to this chamber and being able to substantiate the expenditures that you are being asked to vote today, and of asking this House for further expenditures for this very worthwhile program.

From the comments that have been made here and in the other place in the past, I think that this program has the support of every political party in Canada. I can only conclude by saying again that it is my hope that this expenditure can be substantiated in the future, that it will have done the job it was intended to do and that members of this house and of the other place will see fit to vote substantial sums to bring about better conditions in Canada so that those people who live in depressed areas can make a contribution to our nation rather than be recipients of public funds.

I commend to you my motion for second reading of Bill C-274.

On motion of Hon. Mr. Brooks, for Hon. Mr. Pearson, debate adjourned.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Friday, March 3, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

EXCISE TAX ACT AND OLD AGE SECURITY ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-268, to amend the Excise Tax Act and the Old Age Security Act.

Bill read first time.

Hon. John J. Connolly moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report of Operations under the Export and Import Permits Act for the year ended December 31, 1966, pursuant to section 26 of the said Act, chapter 27, Statutes of Canada, 1953-54. (English and French texts).

EXPO

EVENTS COMMEMORATING CANADA'S CENTENNIAL YEAR

Hon. John J. Connolly: Honourable senators, I should like to make a few remarks at this time. First, let me say how grateful I am sure all the members of the Finance Committee were to hear Mr. Robert Shaw, Deputy Commissioner of Expo. I understand that the impression he created and the information he gave were of immense satisfaction to all the members of the committee who attended and on your behalf I thank him.

Expo is of course the showplace of the centennial year. I think it is generally understood that the purpose of the centennial celebrations is to provide opportunities to confirm, and indeed to extend, the new nationality on the northern half of the new continent about which McGee spoke so eloquently one hundred years ago. This is not all done by speeches, or financial and economic achievement, nor is it always accomplished by intellectual advance and knowledge of history. It is certainly not a product of instant physical or intellectual injection.

The fires of patriotism and the love of one's country derive from a way of life, from small experiences in home, in school, in communities both large and small. It can be inspired too by great monuments, things that Andre Malreaux calls the "Voices of Silence". The contemplation of these monuments can often fan the flame in the minds of the young so as to change their whole outlook on life.

I think of monuments outside our own country, like the Lincoln Memorial in Washington at night, the Cathedral of Chartres; the Forum Romanum. And in our own country nature herself can create monuments: The overpowering majesty of the Rockies when seen for the first time, the swell of the sea on our coasts, the glory of the Laurentians in October, and indeed the far-reaching dry, snowy landscapes in February.

Recently I have been reading the book *Ancient America*, which is in the Time-Life series "The Great Ages of Man." It is an account of society in the earliest of the Americas, North America and South America. Incidentally, a very great deal of credit is given to Mr. Richard MacNeish, of the National Museum of Canada for the archaeological studies he made in caves in Mexico which carried the story of the early Americans back to some seven thousand years before the birth of Christ. To say that this book is fascinating pays it only lip service.

It is important for any country and for any people to know their roots, to cultivate them, to keep them strong. It is an essential part of the progress of a people.

The other evening, I witnessed the successful production of "Les Feux Follets" in the Capitol theatre here in Ottawa. This was a performance by a small company of young Canadians in their twenties—dancers, singers, boys, girls—and was superb entertainment. Technically it was excellent. It had a youthful vivacity; it was lively, colourful and vibrant. It had its small beginnings in 1952 in outdoor parks around Montreal, with folk dancing and singing. By 1963, more ambitious theatrical performances were undertaken, as a result of which rather heavy losses were incurred. But it secured some sponsorship and it has had successful tours both in the

United States and in Europe. Now, as a Canadian company, it has an established reputation.

I think the material that was used the other evening was admirably interpreted with imagination and with taste. I pay a high tribute to the creative capacity not only of the director but of the performers as well, for the luminosity of the whole production.

The theme was the Canadian mosaic. It portrayed, for example, the Indian customs of the west coast. This was particularly colourful in its costuming and in its settings; colourful, too, in what was described—the secret rites of the tribes, their religious and warlike themes. There was another section of the performance which described first the buffalo hunt of the native Indians, then allegorically the coming of the settlers to the great breadbasket of the world, the fertile Canadian prairies.

Another phase dealt with the Eskimo and with the walrus hunt, the prowess of the hunter capturing not only the walrus but also the love of the young lady of his heart and, as well, the enthusiastic acclaim of the capacity audience in the theatre.

Also, there were folk dances of Canadians whose ethnic origin is in lands in eastern Europe. It was a rousing performance, full of verve and spectacle. I should add here that some 40 per cent of this performing group are of origins other than French.

For Quebec, the familar and lovable old songs were performed, but not to excess: "Au Pres de ma Blonde," and the song that Mr. St. Laurent said was Sir Georges Etienne Cartier's favourite, "Vive la Canadienne." And there were new ones, too, in the same tradition—fiddlers, spoon-clackers, quadrilles, reels and jigs—inherited from the French, yes, but from the English and the Scots and the Irish as well, because all of them had their influence in these early communities along the banks of the St. Lawrence, La Grande Rivière.

To misquote Wordsworth; "If the waves beside them danced, they outdid the sparkling waves in glee."

For the Maritimes, two particular strains were emphasized: first the Scottish, with the pipers and the sword dancers, as well as a scene with a plaintive, hauting Gaelic song sung at a milling frolic. These customs are still preserved in Nova Scotia, perhaps mainly in Cape Breton, doubtlessly too preserved in Scotland. This scene was done with impeccable taste. The Acadians, too, were portrayed, and there was a soft, sweet singing, beautifully costumed, choral group which sang songs of the Acadians, and did the dance "avec mes sabots," a delightful portrayal of a people whom we in this country have come to think of as heroic.

Frankly, honourable senators, I do no justice to this superb production in what I say, but I would pay tribute to what the director Michel Cartier has achieved. To use the language of Audrey Ashley of the Ottawa *Citizen*:

> He has most almost single-handedly found that tiresome national identity that we are all looking for.

Let me say that Mr. Cartier has not said everything about our national identity, nor did he try to do so. But with what must have been relentless research in archives, in igloos, on reservations and in communities all over the country, he has shown us some of our people's early ways and in particular their spirit. He has done it through the medium of the lively arts, and Canada is in his debt. He has shown us much of ancient Canadiana, subtly, and in an artistic way he has become an archaeologist, an anthropologist and a sociologist.

Festival Canada is a centennial project and a worthy enterprise of the Centennial Commission which has been urged to do this under the direction of my colleague the Secretary of State, and to them goes much credit for encouraging this particular effort.

Mr. Lawrence Freiman, the enthusiastic Chairman of the Canadian Festival of the Arts, was responsible to a great extent for arranging this Ottawa performance. Mr. Pierre de la Grave, the President of Les Feux Follets, has stimulated and encouraged the group. Already it has played to some 90,000 Canadians in towns big and small as it works its way from Vancouver to the Maritimes. I understand it will play daily at Expo, with admission being free to the visiting public.

It is my fervent wish that every Canadian may see it. I hope that as many as possible of our young people can not only see it but see behind it and into it. If it were possible to do so financially, I would like to see it filmed in colour for showing in Canada and in every Canadian embassy abroad so that it could be incorporated in the film libraries. In my view it contains the basic and genuine Canadianism which we all reach out to grasp.

Hon. Allister Grosart: Honourable senators, may I be permitted to make a comment on

what the Honourable Leader of the Government has said?

I am not quite sure on which item of the proceedings the honourable leader was speaking, but he raised the matter of the Finance Committee meeting, the *ex post facto* meeting after we had given third reading to Bill C-271. We did this under very extraordinary circumstances due to the fact that the Government requested it on the grounds that it was a very urgent matter. The leader told us that the Expo officials required the money before the end of the week.

Yesterday Mr. Shaw answered the questions asked of him, in the main, very satisfactorily. However, in response to my question, what was the urgency for this money, his reply was that he did not know. I would now ask the Honourable Leader of the Government—in view of the fact that he asked us to waive our rules as we have never done since I have been here—what was the urgency? Did Expo have to have the money by the end of the week? As I say, Mr. Shaw told us he did not know the reason.

Hon. Mr. Connolly (Ottawa West): All I can tell the honourable senator is that I asked for unanimous consent for the third reading of the bill the other evening because the minister himself told me—and perhaps he has better information than the Expo officials—that before the end of the week Expo would run out of money.

Hon. Mr. Deschatelets: It was said in committee yesterday.

Hon. Mr. Connolly (Ottawa West): I am told it was said in committee yesterday, but that is not what Senator Grosart says.

That is the answer I give, and I give it to honourable senators in all frankness. The minister called me particularly and said, "By the end of the week Expo will run out of money. They need it." I thought in the first place there was no problem in the Senate giving the bill third reading on that occasion; and, in the second place, there was no objection to hearing the explanation given by the Deputy Commissioner of Expo. I understand, not only on my own side of the house but from all quarters, that the information given by Mr. Shaw was extremely acceptable and most interesting.

Hon. Mr. Paterson: May I ask the Government Leader how long that money will last Expo?

Hon. Mr. Connolly (Ottawa West): I am afraid I cannot answer that question; I do not know.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, March 7, at 8 o'clock in the evening.

Motion agreed to.

CANADIAN FILM DEVELOPMENT CORPORATION BILL

THIRD READING

Hon. Jean-Paul Deschatelets moved the third reading of Bill C-204, to provide for the establishment of a Canadian Film Development Corporation.

Hon. Gunnar S. Thorvaldson: Honourable senators, before this bill receives third reading I wish to make just a few remarks.

The bill was well explained a few days ago by the honourable senator who has just moved third reading. I would have preferred, however, to hear more of the general objectives of the legislation.

One reads in the title to this bill that it is:

> An Act to provide for the establishment of a Canadian Film Development Corporation.

However, if one reads the "fine print" one gets a somewhat different idea of its intent —at least, I did. I wish to present some of the thoughts that occurred to me from a careful reading of the bill and after listening to the explanation by the minister and others who appeared before the committee. I can agree with the Government of Canada in its desire that we should have a film industry in this country, and I can agree with the passage of a bill to guarantee loans to corporations that are in the business of making feature films and are trying to build up this industry. Everyone is aware that we have any number of similar enactments for the encouragement of various industries.

For instance, we have legislation providing for bank loans to assist farmers and for the guaranteeing of such loans, and the provision of and guarantee of loans to small businesses, and so on. I would be quite agreeable to similar legislation in respect to the film industry, but I am sure that honourable senators who were present in committee the other day will acknowledge that this is not that kind of bill at all.

This is a bill to establish a corporation, and then to put into the hands of that corporation $10 million of public funds. Someone said not

long ago that $10 million is a very small amount. I suppose, having regard to the size of expenditures made these days by government, it is a comparatively small amount. Nevertheless, it is a sizable sum of money.

What is to be done with this money? It is to be handed out—just handed out! Is it to be handed out only to established companies which are attempting to build a film industry? Not at all. One would think from reading the title of the bill and the sections of it rather hurriedly and without considering the impact of the words contained in them, as we sometimes do, that this money is for the provision of assistance to film companies only. But, after listening to the Minister yesterday I came to the conclusion that the assistance to be given to the film industry as such might be very little and that this bill is for the purpose of making handouts to all kinds of artists, would-be artists, would-be actors, scriptwriters, dime novel writers, and persons of that kind. I am very much afraid that when we start handing out money under the terms of this bill that fund of $10 million will become just as deep a sinkhole for public funds as is the C.B.C. today. I am very much afraid also that the majority of the people who will get the money will be the same type as those who have been prostituting the C.B.C. for the last year or two.

Hon. Mr. Choquette: Hear, hear.

Hon. Mr. Thorvaldson: I am also very much afraid that we are simply building another corporation which will be similar in type to what the C.B.C. is rapidly becoming at the present time.

Honourable senators who were in the committee yesterday will recall that the Minister said something along the line that during the last several months the carpet to her door had been worn thin by such persons as I have just referred to coming to her office and asking when they were going to get their money out of this fund.

So, I want just to issue a warning that this is the kind of bill that in my opinion should have been studied more thoroughly by the Senate than was actually the case.

Of course I am aware of the fact that there is a political philosophy in this country now to the effect that no private industry can succeed unless it is subsidized by government; unless hand-outs are made to it by government. That is what this bill does. But what worries me most is the view—and this I believe to be shared by others—that it is not so much the established film companies, companies which are dedicated to the proposition that we should have a film industry in Canada, which will benefit from this legislation. The result of this measure will be not so much the helping of that type of company, as the building up of a corps of so-called artists, actors and writers who will drain the fund from the beginning.

I would refer this house, for instance, to section 14 of the bill, which permits the establishment of an Advisory Group. It reads as follows:

> The Minister may, on the recommendation of the Corporation, appoint an Advisory Group broadly representative of the professional associations, exhibitors, distributors and unions in the Canadian film industry and including other qualified persons, to advise the Corporation on matters which the Minister or the Corporation may refer to it.

Honourable senators, there was before the committee a gentleman—I think he is the secretary-manager of an organization of actors, unions, script writers, novel writers, and so on, but I am not sure—who seemingly had the idea that it is his group, and his group only, who are going to be members of the Advisory Group.

In any event, we are dealing with a fund of $10 million and, as I said before, I would be perfectly happy if it were a fund to make loans to or provide guarantees for the film industry, but I do not think it is anything of the kind. I predict that we are building the same kind of tiger as the C.B.C. has become, and that we will have a most difficult time in holding this additional tiger by the tail. It may well become another C.B.C. octopus. I predict also that some of the handouts that will be made under this legislation will make for amusing copy in future annual reports of the Auditor General.

[*Translation*]

Hon. Jean-Paul Deschatelets: Honourable senators, I would first like to thank Senator Thorvaldson for his contribution at this stage. I feel that the apprehensions he has voiced are shared by several other senators. However, I believe it is an excellent thing, after the committee meeting held yesterday, that this kind of comment be made so that the government may understand clearly that the moneys voted for this legislation must be protected—

[*Text*]

Hon. Mr. Haig: Honourable senators, the translation system is not working. I would ask His Honour the Speaker that it be corrected so that we may follow the honourable senator.

Hon. Mr. Deschatelets: Honourable senators, perhaps I may say just a few words in English until the translation system begins to work.

I followed as closely as I could the remarks of Senator Thorvaldson. He asked many questions of the Minister at the meeting of the committee yesterday, and all the senators who attended that meeting, I think, were generally satisfied with the answers that were given, although I admit readily that some of the apprehensions expressed by Senator Thorvaldson are shared to a certain extent by other honourable senators. I pointed out when I introduced this bill—and this was also mentioned by Senator O'Leary (Carleton) —that if we do not get appropriately qualified people to administer this fund we might well run into disaster. There is no doubt about that.

From the remarks that were made yesterday I think that the Minister and the Government are well aware of this, and I for one am convinced that we shall have the best qualified and educated businessman that can be found to look after the administration of this fund.

The honourable senator will recall that I pointed out during the committee meeting yesterday that I would be in favour of paying the chairman of this body not an honorarium but an appropriate salary. It is my view that if we are to get the best qualified man who will be able to achieve and implement what the Government has in mind, and to help in launching a feature film industry in this country, we should pay such a man his worth.

I think I should recall at this moment that Canada is the only country in the western world which does not have a feature film industry. I know that many honourable senators who are movie fans have resented in a certain way the fact that when the world awards are being distributed Canada is not part of the picture. Heaven knows, in other cultural fields we are doing very well. I think we have reached a stage now where we have the artists and facilities we need to produce in this country good commercial films. We have the Canadian way of life as something to offer the world; we have things to show and things to say. I think the feature film is one way of reaching the cultured world.

Personally I share to a certain extent some of the apprehensions that have been expressed. However, I am convinced that this is a field which Canada should now enter. Honourable senators will admit that $10 million is not sufficient to launch a feature film industry in Canada, but that is not the purpose of this bill. However, I think that by investing his amount of money it would serve as an incentive for many businessmen in the field of feature films, and we think that the money we ask for this new corporation is not too high a price for the results we hope to achieve.

There are not, of course, many safeguards in the bill. However, the Minister said yesterday—and I must agree with the view she expressed—that it has to be as flexible as possible.

Honourable senators, in concluding my remarks I again put some emphasis on the fact that if we do not get the right type of persons to operate this new corporation, dedicated and well qualified people, we may not have the result we are looking for. I am sure that the views which have been expressed, especially on third reading, will help in reaching this goal.

Honourable senators, I do not think there is anything more I can say. I believe that most honourable senators were satisfied in committee, and I know that the honourable Senator Thorvaldson was also satisfied that the Minister gave proper answers to any questions that were put to her.

Hon. Mr. Aseltine: We did not think there were enough safeguards.

Hon. Mr. Deschatelets: That might be so.

Hon. Mr. Denis: Can the honourable senator give assurance that the stars of the films will not be the separatists or the socialists, as is the case in C.B.C. radio and television programs?

[*Translation*]

Hon. Mr. Deschatelets: May I say to the honourable senator that yesterday the minister said the Government was anxious that the new administration be as flexible as possible, and therefore it was extremely important, even essential, that the persons appointed to manage the $10 million fund be not only competent businessmen but men who realize they are responsible for launching and ma-

naging, as efficiently as possible, jointly with private enterprise, a feature film industry, because this amount of $10 million is in fact paid by the Canadian taxpayers. I feel that is an excellent suggestion. The minister, and the Government as well, want to make sure that the appointees will prove equal to the task.

Hon. Mr. Denis: Can the honourable senator assure us that the people appointed at the head of this political body will have more authority than the directors of the C.B.C.? The latter have no authority over programming; the employees do more or less what they feel like doing—they rule the roost. The honourable senator is also aware of the fact that there is a unanimous feeling among the population that programs such as *Sunday, This Hour Has Seven Days, Aujourd'hui,* and *Tirez au Clair* are merely politically inclined programs far from reflecting the ideologies of existing parties; they serve as a means of spreading propaganda on behalf of emerging political parties supported by those responsible for programming.

I would therefore ask the honourable senator if he can assure us that, in this field, the situation will be different from the present situation within the C.B.C., with particular reference to television, where honourable members and ministers have no direct control, except to vote certain estimates.

Here is an example. The C.B.C. has in Paris a representative whose job it is to get interviews. He gets a salary as well as a living allowance no doubt. Why send René Lévesque, for whom I have great admiration, from Montreal to Paris when there is already one C.B.C. representative there? We cannot do anything about it, nor can the minister, except when credits are voted in the house.

If the new corporation is as free from control as the C.B.C., I feel, as stated earlier by the honourable senator, that in spite of good presidents and directors, if they have no power, it will be a disaster. I would ask the honourable senator to take my remarks into consideration.

Some Hon. Senators: Hear, hear.

Hon. Mr. Deschatelets: In reply to the honourable senator's question, I can assure him that his remarks will be taken into consideration by the government because they make a lot of sense.

Now I would like to say a word about what Senator Denis said. There was reference to this yesterday, and the Secretary of State, who will be responsible to Parliament for this new corporation said very rightly—I think it cannot be otherwise—that the minister responsible cannot have an active role in the administration of such a fund nor can he say to what types of film contributions may be made. Therefore, I believe that relations will be the same as those now existing with the C.B.C. and all those directors will be aware of the problems that may come up exactly because they are the sole administrators of the corporation. I am sure that the remarks made by Honourable Senator Denis will be taken into consideration by the government. I thank him for his contribution.

[*Text*]

Motion agreed to and bill read the third time and passed.

GOVERNOR GENERAL'S RETIRING ANNUITY BILL

THIRD READING

Hon. John J. Connolly moved the third reading of Bill C-265, to provide for the payment of a retiring annuity to the Governor General of Canada.

Motion agreed to and bill read third time and passed.

SMALL BUSINESSES LOANS ACT

BILL TO AMEND—THIRD READING

Hon. Jean-Paul Deschatelets moved the third reading of Bill C-270, to amend the Small Businesses Loans Act.

Motion agreed to and bill read third time and passed.

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES BILL

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Desruisseaux, for the second reading of Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

Hon. Orville H. Phillips: Honourable senators, before begining any specific remarks on the bill, I would like to congratulate its sponsor both on his maiden speech and on his explanation of the bill. At a very pleasant

luncheon in your chambers the other day, Mr. Speaker, the sponsor of the bill reminded me that the English translation of his name was "Brooks." May I say that both his delivery and the reading of his remarks in *Hansard* call to mind all the music and charm of a brook; I am sure he was aptly named in that respect.

Hon. Mr. Connolly (Ottawa West): As are all the Brooks.

Hon. Mr. Phillips: This century was supposed to belong to Canada. Early in the century it was pictured that Canada would gradually fill her vast territory and develop into a great industrial nation. Perhaps we have not moved as rapidly in that regard as some people would like us to move, but we are making progress and we are gradually changing our economy from a primary one to one which is more and more industrial.

Previous governments, both federal and provincial, have instituted various measures to aid our industrial development. It has reached the stage now where we must give more attention and consideration to the fact that we will require industrial research if we are to continue our expansion and keep up not only our home markets but the increased pace in exports which we attained in the last few years.

It is totally unfair to expect industry to bear this whole burden. This applies particularly to small industries.

A recent issue of *Life* magazine carried an article on the development of Symmetrel, a vaccine for the Asiatic 'flu virus. Many honourable senators may have read this article. The project was carried on by Du Pont, which is an international company both in Canada and in the United States and one of very widely based operations. To develop this one vaccine cost Du Pont $8 million. This does not include anything in the setting up of production lines or distribution of the drug. The research work alone cost $8 million.

This gives us a pretty good indication of the expense which huge corporations must face in carrying out research.

Previous speakers have mentioned the disparity between the amounts spent in Canada by private industry and various Government agencies. This may be true. Perhaps we are depending too much on the excellent work carried out by the National Research Council, by the Fisheries Research Council, and by the Research Department of the Department of Agriculture. It may be that this accounts for the imbalance of the expenditures on research.

I would not want to take any praise away from the scientists working in these branches, who have an excellent record of achievement over a great many years.

The previous incentive program achieved a certain degree of success. I am curious as to the cost to the Government since the inception of the program, the one which is being amended now; and also I would like to get an estimate—I realize it can only be an estimate —of the expenditures over the next two or three years under the bill now before us.

Honourable senators, Canada spends less on research than does Sweden. We compare on a level about with India—and we do not consider India to be much of an industrial nation. It comes as a shock to us to realize that our industrial research expenditure about equals that of India. This is not good enough for us if we are to make progress in a hemisphere in which we must associate and compete with great industrial nations of the south. We must increase our industrial research.

As to the bill itself, section 2(3)(c) refers

> to expenditures on or for scientific research and development, includes only expenditures incurred for and wholly attributable to the prosecution of or the provision of facilities for the prosecution of scientific research and development in Canada...

I do not pretend to be a research scientist, but I think the description and use of the word "prosecution" there is rather harsh. To me prosecution conveys the picture of a lawyer attempting to obtain the conviction of someone before the courts. Certainly, I cannot see lawyers moving into the research field.

Hon. Mr. Connolly (Ottawa West): Why not?

Hon. Mr. Phillips: There is just not enough money in the field for them to move into it.

I think it is harsh and that we could find another word more appropriate and descriptive of scientists than the word "prosecution".

Honourable senators, the bill provides for a basic five-year period for capital expenditures and, if I may, I would like to spend a moment on two aspects of that provision. I refer here to an article from the *Globe and Mail* of Wednesday, February 22, 1967. It refers to an interview with Dr. J. J. Green,

who is the Director of Litton Systems. First of all, I must say the headline is a bit unfair to the bill. It describes it as "a wrench in the research machinery." I am not entirely convinced that the headline is fair. I do not think that is the intention of the Government. At any rate, the article points out that certain firms, which were probably the most interested in research, built up their capital expenditures under the previous program to a certain level at which they could carry on for a number of years, and that they will not benefit under the description providing for benefits and capital expenditure above the five-year average.

I think when the bill goes to committee, as I hope it will, we should inquire if perhaps the five-year period is not a bit too long.

Then, at the other extreme, when the bill was before the committee in the other place, some reference was made to the automobile industries carrying on research in Canada and then attempting to utilize it in the United States. I will mention this later on, but I want to point out that the automobile industry in central Canada can readily attain the five-year base period, whereas, if we consider the two firms in the Atlantic Provinces, we will see that Volvo, operating in Nova Scotia, has been in existence for approximately four years and, if I interpret the bill correctly, it would have to wait for a number of years before establishing a five-year base period. Perhaps I am wrong in this interpretation, and if so I will be very happy to be corrected later on. The same thing would apply to a Japanese automobile firm locating in Nova Scotia. It would have difficulty in establishing the five-year base period.

The bill states that approved associations may carry on research and be included under the program. I would like very much, honourable senators, to see a consulting firm included under the description of approved associations. My reason for this is that very often, particularly in areas in which new industries are opening, it is impossible for the university to come to the plant and study all the problems that the new plant is experiencing, whereas a consulting firm could come into the plant, study the problems in the daily operation of the plant and be in a position to assist and advise the plant.

Section 10 of the Act provides measures for recovery of grants in case the firm receiving the grant does not carry on research for the required length of time. I interpreted that as tying up the property and equipment for periods up to five years. Here again I question the wisdom of tying up the investment for a period of five years. Certain firms will want to carry on research to solve one particular problem and to place them in a more favourable position to compete.

I think it is rather absurd to require that they maintain this property for a certain length of time after they have completed their research and have solved their problems.

Section 14 gives the Governor in Council the authority to make certain regulations. Honourable senators, I am basically opposed to giving the Governor in Council authority to make regulations. We have had too much of this recently. The regulations pass what is really enabling legislation and then we never see the regulations as authorized by the Governor in Council. If we are going to continue this pattern, I feel that at least the regulations should be tabled in the Senate where we can then debate and discuss them.

Hon. Mr. Connolly (Ottawa West): The honourable senator realizes that all these regulations must be published in the *Canada Gazette* and tabled in Parliament.

Hon. Mr. Phillips: This is true. I have not been in the Senate or on Parliament Hill as long as the Leader of the Government in the Senate, but I would like to ask him if he can recall one occasion in which these regulations, after being drawn up and after the enabling legislation has been passed, have been debated either in the House of Commons or in the Senate. This is the point I am trying to make.

Hon. Mr. Connolly (Ottawa West): Perhaps the honourable senator would not mind my interjecting again. I was afraid he was going to ask whether or not I knew any honourable senators or members who read the regulations. Perhaps I would have been embarrassed had he asked that question.

Hon. Mr. Phillips: The thought had occurred to me, but I was afraid you would return the question, so I avoided it.

Then we come to section 14(f) where it is stated that the Minister may prescribe circumstances in which no amount need be subtracted pursuant to paragraph (d), subsection (1) section 5, upon the sale or disposition of goods for services described in that paragraph. I might say that section 14(g) is essentially the same.

Honourable senators, this makes me wonder why we put these sections in the bill in

the first place, if we are in another section of the same bill going to give the Minister power, in effect, to veto the legislation that has been passed by Parliament or to amend it to suit his own purposes.

Here again I would like a thorough explanation of that from the Minister when he appears before the committee.

I mentioned earlier that certain aspects of the description of research cause me some concern. The Minister before the committee in the other place stated the description of research would be basically that of O.E.C.D. He went on to say what would be included under the bill and what would be excluded. He mentioned market research, sales promotion, quality control and routine testing of products and materials as being excluded. I regret very much that the minister took this attitude because small industries—and here again I am speaking of small industries —have great difficulty in financing and finding people to do this work. In the food industry, for example, certain aspects have really been captured by the larger firms simply because they are in a position to carry on the market and packaging research that is required. Perhaps when the Minister appears before the committee of this house he will be in a much more genial mood than he was before the committee of the other place and will make some exceptions in this regard.

There was also considerable discussion in the other place about subsidiary firms, that is, firms under foreign control carrying out research in Canada with the parent company benefiting from the research. This does not concern me to the same extent that it apparently concerned the members in the other place. I am sure I am going to shock many people by saying that I was very much impressed by the remarks made by the Hon. Mr. Sauvé in Montreal the day before yesterday, when he put the matter of foreign ownership of Canadian industries in an entirely different light. I am sure certain members of the cabinet did not censor his remarks before he made them; perhaps we would be better off if Mr. Sauvé censored the remarks of some of his colleagues before they make them.

Obviously much thought went into this subject and I find myself in agreement to a great extent with it. If we are going to complain about the so-called brain drain from Canada we should not worry whether it is a subsidiary firm or a wholly-owned Canadian firm that is carrying out research. If we can keep our own scientists in Canada, in the long run we will benefit far more than we would by any tax grant we will be providing under this bill. I think this is a most important aspect to consider in this regard.

Honourable senators, as I say, I have raised certain questions concerning the bill itself. I support the principle of the bill but I also realize it is much easier to draw up and support a principle than it is to draw up the regulations that will cover the many situations which can arise all across Canada. I hope the committee will make a very careful study of the various points that I have raised, as well as of the points that will come to the minds of other senators.

Hon. Mr. Connolly (Ottawa West): Since I interrupted the honourable gentleman once or twice already, let me now give an assurance on this point. I will certainly send his remarks to the Minister so that he will be prepared to discuss the points the honourable senator has raised, which I think are very valid points.

Hon. Paul Desruisseaux: Honourable senators—

The Hon. the Speaker: I must warn honourable senators that if the honourable Senator Desruisseaux speaks now it will have the effect of closing the debate.

Hon. Mr. Desruisseaux: Honourable senators, I think there is no disagreement whatever in this house concerning the importance of this bill, and we all realize that it has some very important consequences for the future of Canada. There is no doubt that it contains points that can be argued, but there are one or two points I would like to attempt to clarify without going into the details of the questions that have been raised by Senator Yuzyk and Senator Phillips.

When we speak about what has been done in Canada compared with what has been done in Sweden or in the United States of America, we must keep in mind that in the United States, for example, they have a very important and expensive space program, where research accounts for a huge part of the expenditures involved. It is also true that in the United States much of the research in this field is farmed out to private industries.

In one of the reports of the Engineering Institute of Canada I saw certain comparisons as between Canada and Sweden and Canada and the United States of which I feel the house should be made aware. So far as the question of national research is concerned, if we go into the figures for 1955-56 we find

that in Canada $216 million was spent, and this grew to $449 million in 1963-64. In Sweden—and here we must remember that the population is not the same and industrialization is not carried out to the same extent as it is here—the figures for 1955-56 show $91 million spent for national research, and by 1963-64 this had grown to $281 million. From looking at these figures it is plain to see that the rate of increase per year has been faster in Sweden than in Canada.

But I would point out that this bill is only a facet of what can be done towards building the future of Canada by way of research. The bill itself replaces an act which expired on December 31 last. There is, therefore, a certain amount of urgency in this matter since two months of the year have already passed, and this legislation has not yet been enacted. I hope that by referring it to a committee we can expedite matters and so bring it before the house for third reading soon.

I would also point out to honourable senators that the share of the Canadian Government in research projects has not been small. What we have been doing may not be considered large compared with what has been done, for example, for the film industry. Nevertheless, in the year 1955-56 the Government contribution to research was $67 million, and in 1963-64 it was $62 million. In Sweden the sharing was a little more comparable, and I think we can visualize that they were a little bit behind. In Sweden it was $48 million in 1965-66 and $46 million in 1963-64. The Canadian Government's intramural consideration for research was a little higher than that. In 1963-64 it was $78 million, but in Sweden it was only $43 million.

I do not want to belittle our Canadian share in this research work, but we are all concerned and I appreciate the senator's representations as to the importance of this bill and of considering it in committee. Without taking more of your time, I conclude by saying that I think it is vital that the bill be referred to committee. While I could answer some of the other questions, it is not necessary at this time. They can be answered in committee, and we can report to you.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Desruisseaux, bill referred to the Standing Committee on Banking and Commerce.

STATUTORY SALARIES REVISION BILL, 1967

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Cook for the second reading of Bill C-266, to provide for the revision of certain salaries fixed by statute.

Hon. Lionel Choquette: Honourable senators, after having heard the clear explanation of this bill given by my good friend Senator Cook, who sponsored it, and after listening attentively yesterday to my other good friend to my right, Senator Aseltine, I realize now that there is very little for me to add. However, I do wish to make a few remarks which I think have not been made in the course of the debate up to this time.

As I understand the present bill, it has two main purposes. One is to bring up to date the salaries of certain public officers whose remuneration has hitherto been fixed by act of Parliament and has thus been incapable of any change without an amending bill. The second purpose, which introduces an important change in principle, seeks the authority of Parliament to enable the Governor in Council to make salary adjustments in respect of most of the designated officers without the necessity of bringing in an amending act.

The three exceptions to this new principle appear to be three officers having a special relationship to Parliament: namely, the Auditor General, the Chief Electoral Officer and the Representation Commissioner. Their salaries will continue to be set by Parliament itself, as was explained to us by the sponsor, and I see no objection to that. The ostensible reason for the suggested change is to prevent unnecessary delays in salary adjustments, delays often made necessary by the pressure of other parliamentary business. I understand that the rates of pay for all these officers have been in fact frozen since December 1, 1963, whereas, other senior officials—such as deputy ministers, members of commissions and boards—have had their salaries kept current and reasonably up-to-date by Executive action.

I can only say that it appears to me that a good case has been made for this change, and that I will not oppose the second reading of the bill. I say this in part because of the safeguards contained in clause 4 of the bill. It is not necessary for me to read it again for it has already been read by the sponsor and Senator Aseltine, but it is clause 4 which

precludes the Executive from reducing any such salary as is fixed from time to time or from discriminating in the payment of salaries as among the members of any one board or commission. This clause circumscribes the discretion of the Government to some degree, in that it cannot reduce salaries or discriminate in the particular way indicated. I must nevertheless warn that the discretion conferred upon the Government in respect of the salaries of such boards, commissions and officers will be wide indeed. Since it will have control over all increases, it can at least for the future discriminate in many ways as between one board or commission and another, and between one officer and another. Such a discretion can only be regarded as a qualification on the independence of these boards, commissions and officers whose salaries have hitherto been regulated by Parliament itself. Will such a discretion be abused? I hope not, but I do not really know.

We have heard much in recent days of "red circles." What a happy situation it must have been to have occupied a position surrounded by a red circle! My understanding is that this meant, in effect, that while the incumbent of the office would not be discharged, no significant salary increases were to be expected, and the office itself was marked not necessarily for abolition, but at least for a lower salary when the present incumbent left the service. How many of us would wish to be lullabied to sleep to the tune of "red circles in the sunset"?

The Minister of Finance recently remarked that discrimination is inherent in human nature, and in the nature of things, but there is such a thing as fair and just discrimination, and in conferring powers such as these upon the Executive, Parliament is not guarding against abuses.

The modern generation would, if I mistake not, regard red circling as "Endsville."

It is always difficult to prove that such things are unfairly discriminatory, but it cannot be denied that inherent in any such power to "red circle" a position is the power to frustrate and destroy.

As I remarked in respect of another bill a few days ago, this legislation too is as much an "act of faith" as it is an act of Parliament.

Hon. Eric Cook: Honourable senators—

The Hon. the Speaker: Honourable senators, if the sponsor of the bill speaks now it will have the effect of closing the debate.

Hon. Mr. Cook: Honourable senators, I do not believe I can now add anything useful to this debate. It has been pointed out by several speakers that the power given to the Executive to increase the salaries of these statutory officials is always, of course, subject to the control and supervision of the legislature.

It has already been pointed out that any questions as to the amount of the increases granted by this bill can be answered in committee.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Cook, bill referred to the Standing Committee on Banking and Commerce.

RURAL ECONOMIC DEVELOPMENT FUND ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. McDonald, for the second reading of Bill C-274, to amend the Fund for Rural Economic Development Act.

Hon. Arthur M. Pearson: Honourable senators, in rising to say a few words in regard to Bill C-274, to amend the Fund for Rural Economic Development Act, I should like first to congratulate the honourable sponsor (Hon. Mr. McDonald). He explained this quite simple bill very well, except for the figures contained in his remarks to be found at the bottom of page 1552 and at the top of page 1553 of *Hansard* of yesterday. I am afraid I cannot quite understand those figures, and perhaps he will explain them after I have completed the few remarks I have to make.

I can add little to this debate, but I am very surprised that the Government should come forward at this time and ask for an additional $250 million which will increase this fund to a total of $300 million. I am amazed also at the obvious lack of planning or proper research in the first instance when the $50 million was granted in June of last year. This early request for more money makes me quite uncertain as to the ultimate cost of these rural development programs.

As was outlined to us in June of last year, there are only three area programs to be serviced from this fund, and they are in the Interlake area of Manitoba, eastern Quebec

and northern New Brunswick. Does this mean that all our special projects that are outside the ARDA program—and I am sure there will be a great many other special programs—are going to be under-estimated to the tune of 500 per cent? Can our provinces, let alone the federal Government, stand this kind of careless or, should I say, indifferent estimation of cost of these projects? Are those districts that I have mentioned worth this kind of expenditure for development, or would it not be better to train all the trainable men, women, boys and girls for jobs outside those areas, and to put the helpless and older folk on welfare?

In his submission to the Special Committee of the Senate on Land Use, Dr. Kristjanson, a senior rural development specialist of the Manitoba Department of Agriculture and Conservation, said that the first approach to rural development involved big expenditures to provide what amounted to a completely new resource. The alternative was what he called the "boot strap" approach, in which people were given assistance, mostly technical, to "help them help themselves" develop their resources. He went on to explain:

> Self-help programs are excellent, provided the boot straps are long enough to hold and strong enough to pull. Years of hardships have worn the boot straps of the people in the marginal areas pretty thin and I'm afraid they will not stand much pulling.

He went on to say:

> I would suggest that we need to provide new boot straps on which to pull. This means the provision of development capital of one sort or another. Provision of this capital should not be Government handouts in the form of a series of stop-gap programs but rather funds for planned, long-range development of resources.

In his brief on rural development in Manitoba he stressed the need for detailed information and study in long-range planning. He said a list of programs submitted by the province in connection with ARDA contained a number of proposed research projects. These included soil, sociological, hydrologic and farm ownership surveys. Among other proposals drafted by Manitoba was a land purchase program for certain marginal areas, and an educational project to train people for non-agricultural work.

In northeast New Brunswick part of this money now being voted is to be used for education, land purchase, vocational training, fishery assistance, road building and recreation. The only limit to spending seems to be what the province can afford, or how much money it can put up. Of course I know that the provinces are the ones who designate the areas and map out the projects they feel should be undertaken but, as all honourable senators know, when there is a gift in the offing as large as is being promised by the federal Government those who are to receive the gift will strain themselves to the limit to take it up.

As to education, for instance, there could be a most elaborate building program and, as so often happens nowadays, our schools for primary and secondary education are going all out on innovations far beyond the needs of education as such.

As Senator McDonald said in his remarks, at the bottom of the first column of page 1552 of yesterday's *Hansard*, 36 per cent of the labour force in this area of New Brunswick has an equivalent of Grade 4 education or less. It is almost impossible to raise these people to a proper standing from the slum situation in which they are at the present time. I have it on fairly good authority that these people have been uneducated and in this position of poverty for so long that it is almost impossible to train the older people for anything. The only thing I can suggest is possibly some sort of vocational training to help them out.

A program in respect to roads can be a very expensive one, and recreation I would leave to you, honourable senators. We might have elaborate golf courses, bowling greens, or any number of other expensive ideas put forward in the name of developing certain areas for recreation and as tourist attractions.

To my mind, the Government should have given us some details of how it has spent the $50 million, if, indeed, any of that sum has been spent to this time. It does not seem to me to be good business for the Government to come forward and ask for additional funds without giving any account of how the previous allotment has been spent.

Having said that, honourable senators, I will say that I am all in favour of helping to develop our slum areas, and of bringing these people up to a better standard of living. Certainly we in this country should not allow our rural areas to continue, as some have for many years, in a state of poverty. For this

reason I am pleased to support this bill, and I trust we shall get full value for this amount of $300 million.

Hon. A. Hamilton McDonald: Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable sponsor of this bill speaks now it will have the effect of closing the debate.

Hon. Mr. McDonald: Honourable senators, my remarks will be very brief. All I wish to do is attempt to answer some of the questions that have been posed by the honourable Senator Pearson. At the beginning of his remarks he referred to some figures I had used yesterday, which appear in the Senate *Hansard* at the foot of page 1552 and continue on page 1553. I hope I am right in the figures I have selected. I had been talking about the commitments which had been made in New Brunswick in two areas, and two other areas, one in Quebec and one in Manitoba.

Without dealing with these figures specifically, I want to turn to the closing remarks of Senator Pearson in which he said he would like some details as to how the $50 million that was voted last July 11 had been spent.

Honourable senators, the $50 million has not been spent, but when this house passed Bill C-151 last July 11 negotiations were taking place between the federal Government and the provincial governments to formulate plans and programs, not only in the three provinces I have mentioned but in other provinces as well, and in the intervening period from July until February 3 certain plans have been completed and agreements have been signed with the provinces.

The agreements that have been signed to date are with Quebec, Manitoba and New Brunswick, but there are negotiations going on today in virtually every other province in Canada, and new agreements will be signed I expect from week to week and from month to month into the future. The $50 million that was voted last July would not begin to pay for the federal contribution for the agreements that have already been signed with the three provinces.

In order to make provision for finances to carry out agreements that will be signed from week to week and from month to month into the future, it is estimated that it will now take some $300 million instead of $50 million to carry out the program that will be agreed upon by the provinces and the national government. So we are not in a position to give any details on money that has been spent at the moment. However, this house and the other place will have the opportunity to scrutinize these expenditures once they have been made.

As I said in closing my remarks yesterday, I expect that we are going to be asked for money in the future, but I sincerely hope that before we are asked to vote any more money in addition to the $300 million, we will have some accounting at least for perhaps $250 million to $300 million and be able to assess the progress made.

I have no doubt in my own mind that if this program is going to do what I believe all honourable senators would wish it to do, then we will have to vote much more money. I believe that $300 million will not begin to do the job that we—the members of both houses—visualize must be done.

Hon. Mr. Choquette: May I ask a question?

Hon. Mr. McDonald: Yes.

Hon. Mr. Choquette: Has not all this form of welfare been done up to now? Have not all these donations been made?

Hon. Mr. McDonald: Yes; that is the point. I have always objected personally to spending money on welfare when through those expenditures you accomplish nothing. The whole idea of this program is to raise the standard of living in certain areas of Canada so that people, instead of being recipients of public aid can make a contribution to society. This applies not only to New Brunswick and Manitoba but to areas in practically every province in Canada.

Hon. Mr. Brooks: You will find worse conditions in other provinces.

Hon. Mr. McDonald: Yes. You do not have to go very far from this building to find them right in the capital city.

Hon. Mr. Brooks: I have seen them.

Hon. Mr. McDonald: It is hoped that under this program we will not have to continue to give social aid, but that these people will be able to pay their own way and make a contribution to the rest of Canada as well.

Hon. Mr. Aseltine: May I ask the honourable senator a question?

Hon. Mr. McDonald: Yes.

Hon. Mr. Aseltine: In the agreements made with the three provinces he has mentioned, what proportion did the provinces agree to pay? Have you any information along that line?

Hon. Mr. McDonald: Yes.

Under the ARDA program, the expenditures are as a rule divided 50/50: 50 per cent is paid by the provinces and 50 per cent by the national government. Under this piece of legislation, in many cases the federal Government pays the total cost. May I give as an example one area in the Interlake region in Manitoba. It is expected that the total expenditure by the federal and provincial governments under the ARDA program and this legislation will be somewhere between $65 million and $70 million. Of that total, $25 million will be paid by the federal Government under this program. The difference between the $25 million and the $65 million or $70 million will be paid under the ARDA program, under shared cost. However, there is no definite division; it depends upon the program as to what division is made between the provincial and federal governments.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. McDonald moved that the bill be placed on the Orders of the Day for third reading on Tuesday next.

Motion agreed to.

IMMIGRATION APPEAL BOARD BILL

SECOND READING—DEBATE ADJOURNED

Hon. Earl A. Hastings moved the second reading of Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration.

He said: Honourable senators, Bill C-220, an act to establish an Immigration Appeal Board, requires that we address ourselves to the matter of immigration, and what I believe to be one of the most important aspects of future government policy and administration.

It is of paramount importance, because it brings into focus the difficult and complex merging of economic, social, humanitarian, legal and international aspects, all of which have a resultant impact on the delicate balance of our Canadian society today.

In this "jet age" it is necessary that Canada meet future immigration requirements with flexible policies, procedures and legislation designed to meet the everchanging circumstances of manpower needs—manpower needs which may change within a month due to technology, automation and other factors affecting the work force of our economy.

I need not remind you of the great contribution made to the prosperity and economic growth of Canada in the post-war era by those people who have come to our shores in search of a better way of life. I do not think there is an area of endeavour which has not felt the impact of the new Canadians. Agriculture, commerce, finance, industry, even politics, have been enriched by the contribution of these new Canadians who have chosen to make Canada their home.

Immigration has become a permanent institution with respect to our national life, as I said, giving a stimulus to probably every facet of our national economy.

By the end of 1967, over two and a half million post-war immigrants will have arrived in Canada. The 1961 census revealed that post-war immigrants accounted for one out of every three architects, draughtsmen, mechanical engineers, physical and occupational therapists; one out of every four civil and electrical engineers and physical scientists; and one out of every five chemical engineers, medical doctors and economists.

It has been estimated that for Canada to have trained the immigrant professionals who arrived in the period 1953-1963—this was shown in a study by the Economic Council of Canada—would have cost more than half a billion dollars.

It is not possible to make similar estimates for the more numerous non-professional but skilled immigrant tradesmen who made an equal, if not a greater contribution to our economy.

In addition to their skills, these immigrants have brought new ideas, new capital, new technology to Canada. Their demands for goods and services have contributed in no small way to the growing prosperity of the nation.

The Government of Canada, having in mind the great contribution immigration has made to our economic growth in the post-war era, and at the same time cognizant of the fact that it will play a key role in meeting future objectives, is anxious to develop a dynamic, positive, expansionist immigration policy for the future. This has resulted, as

honourable senators know, in the tabling of the White Paper on Immigration in the other place by the Minister of Manpower and Immigration. This document is receiving study by a joint committee of the House of Commons and the Senate. It is a document which has stimulated a great deal of discussion. In the light of that committee's report, I would anticipate and be hopeful for a full-scale revision of the Immigration Act in the not too distant future. That matter will be discussed by honourable senators at a later date. Personally, I hope it will result in a policy which will maintain the highest possible level of immigration, a policy which will bring to Canada annually a good number of qualified people, ready, willing and able to adapt to our society and contribute to the economy of our nation.

In developing such a policy, the Government and the department are meeting the problem on four fronts. The departmental administrative techniques and procedures have been updated, and further revisions will be made in the light of the public discussion now taking place on the White Paper. Regulations also will be amended to remove any vestige of discrimination and to provide a balance as to national interest, manpower needs and the claims of sponsorship.

Of all the steps contemplated, the bill before us, C-220, is the most urgent revision asked for by the department. It is necessary to assure that, in the administration of immigration procedures, individuals are treated with equality and consistency.

I believe that the enactment of this bill, which provides for the introduction of an appeal board, will meet that objective by providing a court of record or an impartial tribunal where departmental decisions may be appealed by those who may feel aggrieved.

At the present time it is the responsibility of the Minister and his departmental officials to administer the act. The act and regulations state who may come to Canada, and under what conditions generally they may stay; but they cannot accommodate the variety of cases that arise. Therefore, the act and regulations must be tempered; and each succeeding Minister of Immigration has tried and succeeded in bringing fair and impartial administration, coupled with a warm, sympathetic and humanitarian approach to the problems that each has had to face.

In no other department of Government is a minister subjected to such onerous responsibility as is the Minister of Immigration, now the Minister of Manpower and Immigration. The paper work of the department, the time spent in examining each individual file in order to exercise the discretion vested in him, decisions which are more important because they have a very basic effect on the individual and his destiny, are formidable. No minister, regardless of his capacity for work or indeed if he were endowed with the wisdom of Solomon, can expect to be perfect. It is inevitable that there will be those who feel aggrieved at his decisions. Therefore, it is evident that the operation calls for an equitable system of appeal from departmental decisions.

At the present time there is an Immigration Appeal Board. It provides for appeals against some orders of deportation, but not all. The present board has authority only to allow or dismiss an appeal. It cannot bring into play those other very important circumstances which affect deportation and immigration matters. Again, its decisions are referred to the minister who can accept, reject, or make his own decisions. Its decision must be based strictly on legal aspects.

With such a case, the effectiveness of the board is extremely limited. It has become regarded merely as an arm of the department. When it is known that its decisions are subject to review by the minister, it is to the minister and not to the appeal board that the appeals are made in an attempt to seek redress.

Therefore, this Bill C-220 is an attempt by the Government to establish confidence in the appeal process and remove serious causes of dissatisfaction and criticism. Certainly, it will greatly reduce those very important discretionary powers which are vested in the Minister of Manpower and Immigration.

In effect, the Immigration Appeal Board which will be constituted will replace the minister and will be able to consider those humanitarian and other non-legal aspects which play an even more important part with respect to deportation and immigration cases.

The main provision of the bill before you, honourable senators, empowers the Governor in Council to appoint an immigration board of seven to nine members, to be a court of record and to function accordingly. Its proceedings will be public, except at the discretion of the board and when requested by an appellant they can be held *in camera*.

Officers of the board shall include a chairman and two vice-chairmen who will hold office during good behaviour until they reach

the age of 70 years. The chairman and at least two other members will be barristers or advocates.

The chairman and not less than two members or a vice-chairman and two other members, if one of the members be a barrister or advocate, shall constitute a quorum of the board.

The chairman may direct a single member to hear evidence relating to an appeal, but that member must report back to a quorum of the board before the appeal is disposed of.

The act provides for the first time that a person ordered deported who has been returned to the place whence he came, on advising the board of his desire to appear in person at his hearing against the deportation order, may be permitted by the board to return to Canada for his hearing under prescribed terms and conditions.

Bill C-220 provides access to the board for every person ordered deported wherever the individual claims that the weight of evidence does not justify his deportation. It will abolish existing provisions of the Immigration Act excluding certain persons from the right of appeal. The individual and the Minister are on equal footing to appeal to the board a decision of a Special Inquiry Officer.

In addition, it is proposed in this bill that people who are detained pending disposition of their appeals may apply to the board against a decision of a Special Inquiry Officer refusing to grant conditional release.

Honourable senators, the board may on its hearing allow an appeal, dismiss an appeal or make an order in respect to a minister's appeal from a decision of a Special Inquiry Officer. If the appeal is dismissed or an order granted pursuant to the request of the Minister, that order must be executed as soon as practicable.

However, honourable senators, it is here that the discretionary powers are now vested in the Board, and they affect two classes: the permanent residents and all others.

With respect to a permanent resident, who for all practical purposes is a landed immigrant or, as the act states, one who has been granted lawful admission to Canada for permanent residence under the Immigration Act, the board having regard for all circumstances, may stay the order or quash it. If it stays the order, the person may remain in Canada under the terms and conditions prescribed by the board, the case being reviewed from time to time as is considered necessary.

The board may at any time amend the terms and conditions or impose new conditions and terms, or indeed it can cancel the stay and order deportation. But throughout the board may at any time quash the order for deportation.

With respect to all others, if the order has been legally made the board may then exercise discretionary powers, in that there is reason to believe that execution of the order will result in punishment for political activity or that the deported person will suffer unusual hardship, or that there exist compassionate or humanitarian grounds; then, the board may exercise its discretion and quash the order, stay the order or grant entry.

For the first time, under provisions of this bill sponsorship is recognized as a legal right of the Canadian resident. The board will have authority to make a final decision on appeals from all resident citizens who think that the department has erred in refusing admission of relatives whom they wish to sponsor. This is a bold, new, welcome concept. As the Minister stated last night, to our knowledge we are the first country in the world to give this right to its citizens.

The exact classes of unsponsorable relatives subject to appeals will be the prerogative of the Governor in Council. Initially, it is anticipated that it will cover: husband or wife; unmarried son or daughter under 21; fiancés with unmarried sons or daughters under 21; parent or grandparent; unmarried orphaned grandson or granddaughter. These are listed in the White Paper which defines them as those people who are the dependent members of the very basic family unit.

The fact is that those who may appeal with respect to sponsorship cases and the classes that may be appealed has been criticized, but honourable senators must appreciate that we are breaking new ground. The institution of an appeal system in sponsored cases is an innovation in an area where there are no precedents.

In the light of board experience and an assessment of the effectiveness of the system, it is anticipated the Governor in Council will extend the classes of sponsorable immigrants having access to the board. The Governor in Council in due course will certainly extend the right to appeal to all Canadian citizens and will cover all classes of proposed immigrants. It is felt that it would be administratively impossible to load a newly constituted board with the large number of applications for appeals that would no doubt fall on its

shoulders, should it be opened to every class of proposed immigrant.

With respect to security, honourable senators, however repugnant it may seem to many of us and I am sure many of you share this with me—the act provides that the discretionary powers granted to the board with respect to staying or quashing a deportation order, or changing the decision of the department with respect to sponsored immigrants, cannot be exercised if a certificate signed by the Solicitor General and the Minister is filed stating that in their opinion, based on security or criminal intelligence reports, it would not be in the national interest for the board to exercise its discretion.

This precaution is necessary because the department receives security and criminal intelligence information from very reliable sources that provide it only on the express condition that it will not be made public and that certainly the source will not be revealed. If this undertaking were not honoured, then the sources would certainly cease to provide information essential to the national interest. It is not only the national interest that must be guarded; it is the safety of the individual. If you force the Minister to divulge his sources of information, the safety of certain individuals could be prejudiced.

This precaution is necessary, therefore. It is for the protection, as I have said, of confidential security and criminal intelligence, and it is to protect not only the security of the nation but also to assure protection of the individual.

The order of deportation, may I clearly state again, may be appealed as to law. But when that certificate is filed with the board, the board cannot exercise its discretionary powers, and the deportation order if lawful must take effect.

The board may render written decisions in allowing or dismissing appeals. Its decisions in so far as they concern law become precedents and the appellant and the department will both be allowed to appeal the board's decision on questions of law to the Supreme Court, with leave of that court. Every appellant shall be advised to the grounds on which the deportation order was made, or the refusal to approve the sponsored application for admission to Canada was based.

In conclusion, honourable senators, by the creation of this board we are breaking new ground in the administration of procedures relating to immigration. We are granting to the individual Canadian citizen, the landed immigrant, and indeed to the illegal immigrant equal status to that of the Minister. This bill is most urgent in the creation of an up-to-date immigration policy; it is urgent because it assures the proper concepts of the rights of the individual and represents a change in the essential spirit of our approach to the problem of deportation orders. I hope that it may receive the approval of honourable senators.

On motion of Hon. Mr. Macdonald (Cape Breton), for Hon. Mr. Fournier (Madawaska-Restigouche), debate ajourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1123 to 1184, inclusive, which were presented yesterday.

Hon. F. W. Gershaw: Honourable senators, on behalf of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, I move the adoption of these resolutions. In each case the decision was made by the Commissioner, and the evidence was read by the divorce Committee, which in turn agreed with the decision.

Resolution 1123, for the relief of Lisa Lorraine Pedvis Lightstone.

Resolution 1124 for the relief of Geraldine (Gissa) Israel Cohen.

Resolution 1125, for the relief of Edith Lois Myers (Meyers) Goldin.

Resolution 1126, for the relief of Monique Lise Roy Derrick.

Resolution 1127, for the relief of Nancy Dubrofsky Richer.

Resolution 1128, for the relief of Isabel Jean Bulloch Soper.

Resolution 1129, for the relief of Pearl Brown Aaron Noik.

Resolution 1130, for the relief of Amita Brainin Schuller Schecter.

Resolution 1131, for the relief of Madeleine Arcand Fumi.

Resolution 1132 for the relief of Raynald (Renald) Rivet.

Resolution 1133, for the relief of Eva Lebovits Klein.

Resolution 1134, for the relief of Gisele Martel Ducharme.

Resolution 1135, for the relief of Jean Marie Langelier.

Resolution 1136, for the relief of Pierre Leo Richer Lafleche.

Resolution 1137, for the relief of Mary Anne Bosak Bingham.

Resolution 1138, for the relief of Sandra Kathleen Bowie MacLaren.

Resolution 1139, for the relief of Edwin Donald Ian Gaskell.

Resolution 1140, for the relief of Pierre Robidoux.

Resolution 1141, for the relief of Maria Patricia Shimkus Babin.

Resolution 1142, for the relief of Lianne Karin Margaret Neitzel Schuldt.

Resolution 1143, for the relief of Jean Eleanor White Fisch.

Resolution 1144, for the relief of Phillip Reginald Beck.

Resolution 1145, for the relief of Sophie Milberg Dlin.

Resolution 1146, for the relief of Gertrude Margerita Kaiser Hofmann Engel.

Resolution 1147, for the relief of Gladys Maxine Azulay Dooh.

Resolution 1148, for the relief of Joseph Michel Alphonse Gagnon.

Resolution 1149, for the relief of Donna Jean Yates Beeby.

Resolution 1150, for the relief of Ellen Gillon Adare Hughes Forster.

Resolution 1151, for the relief of Paula Rachel Couture Cyr Redele.

Resolution 1152, for the relief of Marie Françoise Thérèse Jacqueline Petrilli Abbott.

Resolution 1153, for the relief of Serge Desrochers.

Resolution 1154, for the relief of Justine Adelaide Stern Jedeikin.

Resolution 1155, for the relief of Monique Deneault Deneau.

Resolution 1156, for the relief of Jacques Coté.

Resolution 1157, for the relief of Raymond Norbert Chausse.

Resolution 1158, for the relief of Robert Jacques Armand Collard.

Resolution 1159, for the relief of Helen Juanita Greer Smith.

Resolution 1160, for the relief of Hazel Marie Dominey Walker.

Resolution 1161, for the relief of Joseph Markusic.

Resolution 1162, for the relief of Mary Hepburn Weigen, otherwise known as Mary Hepburn Weigensberg.

Resolution 1163 for the relief of John Julian Ignatius Viskelis.

Resolution 1164 for the relief of Suzanne Gibeau Paquette.

Resolution 1165, for the relief of Sharron Ann Beatteay McKee.

Resolution 1166, for the relief of Doris May McLaughlin Longmore Snyder.

Resolution 1167, for the relief of Jean Yves Michel de Brabant.

Resolution 1168, for the relief of Jules Joly.

Resolution 1169, for the relief of Abraham Rosenfield.

Resolution 1170, for the relief of Julianna Szkokan (Skokan) Vasi.

Resolution 1171, for the relief of Zvi Fallenbaum.

Resolution 1172, for the relief of Flora Jean Stewart Dalphy.

Resolution 1173, for the relief of Rinalda Maria Montauti Cicciu.

Resolution 1174, for the relief of Jaroslaw (Gerry) Poszywajlo, otherwise known as Jaroslaw (Gerry) Poszwaylo.

Resolution 1175, for the relief of Dorice (Doris) Alice Thibault Michel.

Resolution 1176, for the relief of Lucy Gloria Verrecchia Stanley.

Resolution 1177, for the relief of Claudette Cyr Johnson.

Resolution 1178, for the relief of Maria Lilian (Lilliane) Perusse Burnett.

Resolution 1179, for the relief of Richard Parker.

Resolution 1180, for the relief of Andre Barette.

Resolution 1181, for the relief of Willem Franken.

Resolution 1182, for the relief of Jean (James) Wilfred Kelly.

Resolution 1183, for the relief of Rosemary Graae (Gray) Schmidt O'Brady.

Resolution 1184, for the relief of George William Brown.

Resolution adopted, on division.

The Senate adjourned until Tuesday, March 7, at 8 p.m.

THE SENATE

Monday, March 6, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

THE LATE GEORGES PHILIAS VANIER

GOVERNOR GENERAL OF CANADA
TRIBUTES

Hon. John J. Connolly: Honourable senators, today so early in her centennial year, Canada pauses. She pauses in reverence, in respect, and in awe. For the mystery of death overshadows her, overshadows her people, overshadows all they do.

Death, no respector of persons, came Sunday, quietly, peacefully, with inexorable finality to her head of state, General, the Right Honourable Georges Philias Vanier, D.S.O., M.C. and Bar, C.D., her Governor General.

Divine Providence in His infinite wisdom called General Vanier to Himself. This man had faced death before many times on the battlefield; it held no terrors for him. His response yesterday, full of years, full of honours, full of integrity, full too of confidence in the mercy of the God he served, was the response of Christian resignation. He died at his post, the highest in the land, and his death, like his fruitful life, will be an inspiration to the highest and humblest of Canadians.

Who shall measure the virtue or the achievements of this man—lawyer, soldier, diplomat, Vice-Regent?

Military honours he had, from his Sovereign, from the France he loved, from the United States. They were the bare acknowledgment of an immense personal valour and of the grievous wounds he suffered as he fought with his beloved regiment, the Van Doos, in the First War. Wherever he went thereafter, he carried the scars and infirmities which those wounds inflicted, without flinching.

Academic awards in profusion emphasized the high cultivation of his mind, the nobility of his spirit, the great patriotism of his purpose.

In his diplomatic career, promotion meant only opportunity for broader, higher service to his country and to his people.

No one who was in this chamber that September day in 1959 will forget the delicate dignity with which he entered upon his career as the representative of Her Majesty. He spoke of Canada's attachment to the Crown which, he said, holds for the world a promise of peace—and he could speak with authority of peace, because he had known the savagery of war. He assessed the free association of the nations of the Commonwealth as a power for good in the world—and he could speak with authority about freedom, for he had seen power for evil which force and the oppression of nations had wrought.

On that day too, he proclaimed the mightiness of Canada's destiny. He saw it clearly. He lived it with his every breath.

Wherever he went in Canada—and there were few hamlets that he missed in these eight years—he spoke of this land and its peoples with whom he lived and served, to the children in the schools, to the youth in colleges and universities, and of the great prospects for them in their youthful enthusiasm.

He spoke too of the family, of its basic importance to the stability of the Canadian society, and he founded an Institute to promote this high purpose. Indeed, for the family, his personal life, and that of his gracious Consort who shared all his burdens through these years, was an inspiration in itself. His only daughter, a doctor of medicine, has been serving in one of the underdeveloped countries of the Commonwealth. One of his sons is a Trappist Monk. Another works with the underprivileged among the poor of Paris. Another is an artist, and the fourth serves in the Public Service of Canada.

[*Translation*]

Honourable senators, General Vanier was the first Canadian of French origin to be appointed Chief of State for Canada.

He discharged his duties with grace, dignity and competence. He was a lawyer, a soldier and a diplomat of great distinction. As the representative of Her Majesty, his devotion to the Crown was a source of inspiration and an example for all Canada and, indeed, for the Commonwealth itself. His efforts to develop and foster national unity will forever remain a legacy of patriotism.

In his New Year's Day address, he said: "Open the doors and windows of the provinces. Consider and try to understand the views of other Canadians who are on the other side of the wall in all parts of the country."

He also knew the power of silence. His personal and family life told his attachment to religion—to the life of the spirit.

Proud of his country, he was always extremely attached to the language, the customs, the laws and the religion of his ancestors. He was a magnificent example of a great Canadian.

[*Text*]

Historians will document General Vanier's life and works. The great and the humble, by the thousands, will recall the warming experiences of even brief associations with him. As the Senate now does, so too do all the people convey to Madame Vanier and the members of her family a deeply felt sympathy.

It seems appropriate, honourable senators, that having died at his post he should conclude his remarkable career by Lying in State here in the Senate where it began, before the Throne which he honoured, while the nation pays its formal and heartfelt tribute of respect and affection to one of her noblest sons. Let the noble language he used in this chamber when he assumed the office of Governor General of Canada, let it be spoken again as he leaves us:

> Each one of us, in his own way and place, however humble, must play his part towards the fulfilment of our national destiny. To realize how mighty this destiny will be, let us lift our eyes beyond the horizon of our time. In our march forward in material happiness, let us not neglect the spiritual threads in the weaving of our lives. If Canada is to attain the greatness worthy of it, each one of us must say "I ask only to serve."

Hon. A. J. Brooks: Honourable senators, we have listened to a most eloquent and appropriate tribute to a very great man. My words are feeble, but I assure you they are deeply sincere.

The occasion of our meeting today is a sad one. It is sad not only for us in this Chamber but for every man, woman and child across the country. Canada and the Canadian people have lost, and are mourning the passing of a very great friend and certainly a most distinguished Canadian. Even though we knew that our beloved Governor General had been in poor health for some months and that his death might be expected at any time, his passing has been indeed a severe shock. As the Leader of the Government has said, it is a shock also to people throughout the breadth of the Commonwealth, of which General Vanier was a great admirer, and to people throughout the world to whom his name was well known.

In the past twenty-four hours we have read in the press and listened on television and radio to many eulogies declaring General Vanier a great and a good man. There is little more that can be said about one than that. He could be the ideal of any man who gives service to his people and to his country. He was distinguished in all walks of life. He was an outstanding lawyer, a brilliant soldier—with one of the best records of any Canadian soldier—he was a statesman, a diplomat, and above all he was the Governor General of Canada, the highest office in the gift of this country and in the gift of Her Majesty the Queen.

The men who knew General Vanier the best were the veterans of the First World War. He served with them. He endured their hardships. He loved them, and I am sure they all loved and admired him.

As Minister of Veterans Affairs, I had the opportunity of visiting the veterans' hospitals across Canada. I recall that General Vanier never entered a town or a city in which there was a veterans' hospital without visiting that hospital and if possible seeing every man there. I remember well how these men regarded him with affection, and how their faces would light up when they spoke of him.

If I may be pardoned a personal reference, honourable senators, I should like to say that I knew the late Governor General in the First World War because the 22nd Battalion from Quebec and the 26th Battalion from New Brunswick were two battalions that were very closely associated in the First World War. We were both in the 5th Brigade. The 22nd Battalion relieved the 26th Battalion in the front line trenches, and when their tour of duty was completed the 26th Battalion relieved them. Colonel Vanier, as he was then, was as well known by our men as he was by his own. As a matter of fact, he became very well known to every man in every unit in the Canadian Army. His was a great military record.

I remember also visiting him in Paris when he was our Minister there; I shall never forget the kindness and courtesy which he and Madame Vanier extended to me. I was with Mr. Bracken at the time, and during the two

days we spent in Paris the General and Madame Vanier gave us every attention they could possibly give.

I remember reading in the *Telegraph*, one of the leading London newspapers, a story about General Vanier in which he was described as the gentleman of unruffled calm and imperturbable courtesy. That description fitted General Vanier very well.

As the honourable Leader of the Government has told us, his name is assured a place in history. He made an immense contribution to Canadian life, and I am sure he will receive the highest praise for his desire for unity in this country. He took every opportunity of knowing Canada. He knew that it was a country very rich in its natural resources and great in its people. But while he knew that Canada is a great country, he told us that it could only remain so as a great united country.

I recall the late Governor General's New Year's speech, when he warned us against friction. He called on Canadians to:

> Open the windows and the doors of the provinces.

He urged them to:

> Look over the walls and see what is on the other side. Let us know one another and that will lead to understanding.

He said that we owe it not only to ourselves but to the world to remain strong and united, that Canada can be an example of how diversity need not lead to conflict but, on the contrary, to richer and nobler living. He warned Canadians:

> We cannot run the risk of this great country falling into pieces.

The challenge is there for Canadians to accept or reject.

Governor General Vanier said nothing that all of us did not know before, but it was appropriate that as Canada's first citizen he put the challenge into words for all of us; and no one would doubt his sincerity.

The honourable Leader of the Government spoke about General Vanier's love for family and the continuing of family life throughout this country in the future under the Vanier Institute. I will say nothing in that regard.

Honourable senators, I have often thought that we are extremely selfish and inconsiderate in our demands on the time and energy of our high officials in public life. The late Governor General was an outstanding example of overwork. He was devoted to his duty; we all know that he gave the last ounce of his energy to what he thought should be done. In these times that is particularly difficult, with television and radio appearances, and countless public functions to attend, especially in the office of Governor General. This he did at great sacrifice to himself.

Honourable senators, I wish to join with Senator Connolly in expressing my admiration for Madame Vanier for the tremendous help she had been to her late husband. He was fortunate indeed that God had blessed him with a helpmate who was of such great assistance and who joined with him in her unselfish service to the people of Canada. She has suffered a grievous loss, and she is now enduring the deepest sorrow.

To Madame Vanier and to all the family, I join with the Leader of the Government in extending our most sincere sympathy.

Hon. C. G. Power: Honourable senators, because of my very long acquaintance and friendship with the deceased Georges Vanier, I venture to say a word or two.

We were classmates in the same preparatory class at Loyola College, Montreal. The college Annual Review for the year 1901 shows that in listing the examination results of that year in the preparatory classes there were fourteen subjects to be competed for, and of these the prizewinners in thirteen were: first, Georges P. Vanier, and second, Charles G. Power. In the fourteenth subject, history, the prizewinner was Charles G. Power, the second being Georges P. Vanier.

Throughout the years we continued our acquaintance and our friendship. Probably because he was more insistent on his studies than I was he finished college with his B.A. degree in 1906. I carried on until 1907.

Throughout the years our paths have crossed frequently and always in sympathy and understanding and friendship, whether as a recipient of his magnificent hospitality in Europe and elsewhere, or working together, as happened fairly frequently in Canada in administrative or military duties. Ofttimes our views were far apart, but never do I remember even a semblance of a quarrel with this great man.

Many tributes will be paid to him. His great qualities and high character will be lauded, and rightly so. But what remains mostly in my memory is the recollection of a

priceless gift, his of understanding and comprehending the views, the sentiments, the desires, and even the prejudices of other people, even of the most diverse and contrary natures. He was by nature studied, calm, and given to serious consideration, yet he managed apparently without effort to control elements in the army and in civilian life who were by nature gay, careless and debonair, all the while maintaining his dignity and equanimity. I think this gift of understanding was what really went the farthest in making him what he was, a great Canadian. His racial heritage, his bicultural education, his European experiences, made of him a truly great Canadian—one whose name will pass into history, for he was a good man in every sense of the word. He was a great man.

To members of his family, and to his widow Pauline, go the sympathy of an entire nation. Pauline Archer Vanier should get a share of the credit for her late husband's highly successful career. Like him, she is of Irish-French Canadian extraction; with him, she understood and appreciated the problems of his country. To her particularly I offer my deepest personal sympathy.

[*Translation*]

Hon. Lionel Choquette: Honourable senators, due to the absence of most of the honourable senators from Quebec on this side of the house, I feel that on a solemn occasion such as this it behooves me to express condolences to the members of the family of the great deceased in his mother tongue which he spoke impeccably while having full command of English. He was an example of perfect bilingualism.

The great Canadian, the great career soldier and the distingued diplomat who has just passed away at Rideau Hall was called upon to serve the State as Governor General. He was chosen to serve his country under the authority of the elected representatives of the people and since his appointment to the post of Governor General of Canada in 1959, he was a model of competence and loyalty. He loved his country passionately and never missed the opportunity of expressing his wish to see our country progress in order and harmony.

After five years at Rideau Hall, General Vanier was certainly entitled to and fully deserved the peace and quiet of retirement. However, as the Leader of the Government was saying last night in his address on television, General Vanier agreed to stay on, in spite of his age and ill state of health, at the request of the Prime Minister himself. We can say without any hesitation whatsoever that as Governor General of Canada, he was as in all previous offices, a perfect public servant, devoted to his country.

The knowledge I have gained of Canada has convinced me that to know each other is to love each other. General Vanier had made the preceding statement last year. As the Leader of the Government pointed out a while ago, His Excellency, in one of the many speeches he delivered to a great nation he loved dearly, said: Open your hearts. And referring to the provinces, he added: Open the doors wide and, if need be, tear down the walls which may have been erected in the past, and open your arms wide to receive Canadians from all provinces; learn to known them and you will learn to love them. This will enable us to attain national unity.

He never failed to place particular emphasis on national unity whenever he had the opportunity to do so.

He did not want a citizen of Canada to say that he was a citizen of one province in particular, but a citizen of Canada as a whole.

We all mourn sincerely the passing of our distinguished Governor General. To his wife, who always supported him admirably in all his endeavours and his public duties, and to all the members of his wonderful family, we wish to convey our heartfelt sympathy in their bereavement.

Hon. Cyrille Vaillancourt: Honourable senators, I learned yesterday at dusk that our country was in deep mourning. I tried to collect my thoughts and jot down a few notes but I was unable to do it. I will therefore give free rein to my heart.

Throughout his life the Governor General had as his motto: To serve. To serve his country, his family, the whole country through the families. He served first of all on the battlefield, during the first world war, and left part of himself there. He came back severely wounded physically but he had not lost his intelligence, much less his heart, his soul and his love for his country.

I saw him more than once carrying out his military duties as commander of the Quebec region, during the Second World War. At the time, I was honorary lieutenant colonel of the Lévis regiment. Now, what can an honorary colonel do for a regiment? In normal times, aside from providing some money, he does not do much. But in wartime the honorary

colonel was the one who provided the liaison between Brigadier Vanier and the Lévis regiment, which had just been mobilized to fight in European battlefields. Every time I went to see the brigadier, he welcomed me and listened to my grievances with really extraordinary urbanity and warmth, answering: I can do this, or I can do that. He acted with great sympathy and magnanimity, always in a spirit of service to his country.

As ambassador, he also served his country. I met him in Paris on several visits. A while ago the Leader of the Opposition spoke about a trip he had made to Paris, and he recounted how he had been received by our then ambassador. I can tell you that I, a small town boy from Lévis, was also welcomed most graciously and with great hospitality. In addition, Mrs. Vanier helped her husband with such devotion and ability that we were deeply touched as we saw one of our ambassadors in such a remote country greet so cordially his fellow citizens, however humble.

Finally, he served his country as Governor General of Canada. During his term of office, he strove to convince the two great races in our country that it was much better to understand each other than to fight among ourselves.

Last year, he said in one of his speeches: "The experience I acquired in Canada has convinced me that to understand is to love each other." My colleague, the honourable Senator Choquette said practically the same thing.

Our Governor General who has departed this vale of tears—although his spirit lives in our hearts and souls—ardently supported mutual understanding particularly toward the end of his life. To that end, he thought, I shall do something to reach into the families because men are formed in the home; it is in the home that straightforward and clean minds are developed.

For this purpose, a few years ago, he organized the National Conference of the Family—that is when our lamented Governor General and his wife, that marvelous couple, founded the Institute that bears his name today, the Vanier Institute, the president of which is one of our greatest physicians, the internationally renowned Dr. Wilder Penfield.

In addition to the moral and intellectual qualities already mentioned, he had another —a great religious faith. Whenever I spoke to him, I had the impression of addressing someone who was always in contact with the Beyond. General Vanier lived his faith at every moment of his life.

Quebeckers remember the years he spent among them, either as colonel of the Van Doos or as brigadier during the Second World War. They wanted his name to remain alive among them always. The city of Quebec West, in the suburbs of Quebec, has been renamed Ville Vanier. Thus his name will always remain alive in the hearts of Quebeckers.

When during the funeral of a great former prime minister, Sir Wilfrid Laurier, the coffin was lowered into the grave, Father John Burke said to the bearers: "Lower the coffin very slowly, for this earth has never received a greater man." And next Thursday at the Citadel in Quebec City, when the casket of that great departed will be lowered, I shall be able to repeat these same words to those who will lower him down in the grave: Go down slowly, because the Citadel of Quebec City has never received into its bosom such a deserving man.

To Madame Vanier, that great and dignified lady, his admirable consort, who has always supported him in every moment of his life, and to his children, I express my admiration and my deep and heartfelt sympathy.

When a king dies, it is customary to say: the King is dead, long live the King. The Crown representative passes away, and I say: our Viceroy is dead, long live the Viceroy.

[*Text*]

Hon. Mr. Connolly (Ottawa West): Honourable senators, I would request His Honour the Speaker, with the unanimous consent of the Senate, to send to Madame Vanier a copy of the proceedings of the Senate of this day as an expression of deep sympathy of the Senate for herself and for her family in their great loss.

Hon. Senators: Agreed.

The Senate adjourned until Thursday, March 9, at 3 p.m.

THE SENATE

Thursday, March 9, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Capital Budget of Air Canada for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with copy of Order in Council P.C. 1967-330, dated February 23, 1967, approving same. (English Text).

Report of the Board of Transport Commissioners for Canada for the year ended December 31, 1966, pursuant to section 31 of the Railway Act, chapter 234, R.S.C., 1952. (English and French texts).

Copy of A Survey of the Contemporary Indians of Canada—A Report on Economic, Political, Educational Needs and Policies—Volume I, issued by the Department of Indian Affairs and Northern Development. (English text).

NATIONAL MUSEUMS BILL

FIRST READING

Hon. John J. Connolly presented Bill S-57, to establish a corporation for the administration of the National Museums of Canada.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

THE ESTIMATES

REPORT OF FINANCE COMMITTEE PRESENTED

Hon. T. D'Arcy Leonard, Chairman of the Standing Committee on Finance, to whom was referred the Main Estimates and Supplementary Estimates "A" and "C" laid before Parliament for the fiscal year ending March 31, 1967, presented the following report:

The Standing Committee on Finance, to whom was referred the Main Estimates and Supplementary Estimates "A" and "C" laid before Parliament for the fiscal year ending March 31, 1967—

Some Hon. Senators: Dispense.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Leonard moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Hon. Mr. Brooks: May I ask the honourable senator if the report will be published in *Hansard*?

Hon. Mr. Leonard: There will be a motion to that effect.

REPORT OF FINANCE COMMITTEE PRINTED AS APPENDIX TO DEBATES OF THE SENATE AND MINUTES OF PROCEEDINGS

Hon. Mr. Connolly (Ottawa West): In view of Senator Brooks' question, honourable senators, and with leave of the Senate, I move that the Report of the Standing Committee on Finance presented today, to which were referred the Main Estimates and Supplementary Estimates "A" and "C" for the fiscal year ending March 31, 1967, be printed as an Appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

Motion agreed to.

(For text of report see Appendix, pp. 1588-90.)

DIVORCE

REPORT No. 1179 WITHDRAWN

Leave having been given to proceed with Order No. 4:

Hon. Arthur W. Roebuck: Honourable senators, thank you for the privilege you have accorded me in having item No. 4 called first. As honourable senators are aware, the Special Joint Committee on Divorce meets this afternoon at 3.30, and I wish to speak to this matter before leaving for that committee.

Honourable senators will remember that last week when certain reports of the Standing Committee on Divorce were approved I withdrew one of the cases on the ground that we had been notified that the respondent in the case had died. I said that we would ask for a death certificate of the person before disposing of the matter finally.

I now have the certificate, and it seems to be in order. Therefore, with leave, I now move that Order No. 4, for consideration of the one thousand one hundred and seventy-ninth Report of the Standing Committee on Divorce be discharged, and that the report be withdrawn.

Motion agreed to.

RURAL ECONOMIC DEVELOPMENT FUND ACT

BILL TO AMEND—THIRD READING—DEBATE ADJOURNED

Hon. A. Hamilton McDonald moved the third reading of Bill C-274, to amend the Fund for Rural Economic Development Act.

Hon. Hazen Argue: Honourable senators, this is a comprehensive piece of legislation in the sense that it provides a much larger sum of money for the purpose of the Fund for Rural Economic Development. I congratulate Senator McDonald on his statement in introducing this measure, and on some of the remarks he made with regard to the need to expand general economic development, especially in the rural areas of the country where incomes are exceedingly low.

My main purpose in rising at this stage is to ask a question about a matter which troubles me. Perhaps the Leader of the Government in the Senate (Hon. Mr. Connolly, Ottawa West), being a member of the Government, will be in a position to throw some light on the problem I wish to raise.

I think it is generally agreed that the Government is wise in all the various moves it has been making in the area of rural development and in improving agricultural welfare and production in this country. But there is an organization in Canada that has been operating for a long time in this field and I think it has done an outstanding job. I refer to the P.F.R.A.—the Prairie Farm Rehabilitation Act—an organization which has functioned now over some 30 years. While it is true that in the main this organization has been confined to the Prairies, nevertheless, over the years there has been a feeling that its activities should be broadened to include other parts of Canada. Perhaps as an alternative to that proposition, we have the present measure, the Rural Economic Development Fund, and we have ARDA. But I want to ask, what is the position of the P.F.R.A. today? Is it really a viable, functioning entity dealing with the field in which it has had wide experience over so many years?

I think it is common knowledge that there is a real contest going on among the Department of Agriculture, the Department of Forestry and Rural Development handling the functions of this measure, and the Department of Energy, Mines and Resources, as to where these particular functions, in the main, will lie. I am not in any way wishing to deprecate the good work that is being done by ARDA or that proposed under this present measure, but I do want to put in a word for P.F.R.A., on my own, as a member of the Senate, because I feel that it has done an outstanding job over the years, that it deserves the utmost amount of consideration at the present time, and given a chance it will perform an even more successful and useful role in the future than it has in the past.

Over a thirty-year period the P.F.R.A. administration has spent just over $300 million, approximately $100 million of which has been used for the South Saskatchewan River development. So that under this measure there is almost as much money appropriated in one stroke as the P.F.R.A. organization has spent over 30 years.

I am not putting that forward as criticism of what is being done here, but I think it raises the whole question as to what role P.F.R.A. is going to be allowed to play in the years ahead. I am sure that the Department of Forestry and Rural Development would just like to grab P.F.R.A. and take it under its wing. As a matter of fact, I think they once had it for seventeen days when Senator Hays was Minister of Agriculture and was away from Ottawa. It got away from him for seventeen days, but he returned and got it back, and I congratulate him on that. I hope the present Minister of Agriculture hangs onto it, as I am sure he wants to, and is able to have it perform in the future the function it has been performing so well in the past.

P.F.R.A. is just as well liked and respected in western Canada as any activity of the federal Government one might wish to mention. It is in as good standing in the public mind as is Air Canada, the Polymer Corporation, the National Research Council—you name it! It is an organization that has the support and respect of the people of western Canada for the kind of job it has done; and I hope it will be given the opportunity of expansion in the future, because I think it can still do a useful job.

I do not want to pretend to have any inside information on what is going on in the Government, because I do not and have never

tried to make it my business to find out, even if that were possible. But it has seemed to me that the whole question of water development on the prairies is at a standstill, and it is impossible, at least at the present time, to obtain approval for particular water projects that are of utmost importance. I think that this whole question should be sorted out.

I know that the Government needs to have a general overall economic program, and has to have some co-ordination—and I am sure it is working to this end—but I do not want to see the P.F.R.A. downgraded in the general picture any more than it has been already.

I have in my hands some of the annual reports of P.F.R.A. Up until two or three years ago P.F.R.A. put out a very attractive and comprehensive annual report. The one for 1962-63 comprises some 70 pages, and it includes graphs, drawings, tables, and so on. The report of last year is down to some 19 pages; it is not much more than a series of mimeographed pages. If this sort of reduction goes on in respect of these reports, they will no longer be worthy of the name.

The ARDA catalogue of rural development is a very comprehensive and important document. There can be no doubt but that P.F.R.A., certainly so far as growth is concerned, is not being given the role it should expect.

P.F.R.A. for many years was the baby and the pride of the late Right Honourable J. G. Gardiner. He did a tremendous amount of work in connection with its development. It is a matter of exceedingly great importance on the Prairies. Because of the good work it has done and because of the fact that the late Right Honourable J. G. Gardiner and others pioneered this field and did so much in the development of it, I hope that this essentially Prairie institution will now be given a chance to grow and expand. I hope also that the wraps will be taken off the projects that are being considered, that they may be approved by the Government, and that P.F.R.A. will play a large part in future development.

As I read the programs of ARDA and the Rural Economic Development Fund—and Senator McDonald has already said this—I see that these programs are designed to improve the economic standard of those people who live in the relatively depressed rural areas of Canada. That, of course, is a very laudable object, and something that should be given, as I know it is, general support.

It seems to me that P.F.R.A. may have a somewhat different function to fulfil. In the past it has instituted programs of small water developments for the conservation of grass and so on. Its program has been one of general conservation. It could play an important role in helping to bring about a general increase in agricultural production on the Prairies, and I would like to see it given this kind of function.

Nothing is being done in the country today by any single industry that helps us more with our balance of payments than does the production of grain on the Prairies. This is a most valuable industry. It has been valuable to the country because it has been efficient and productive, and during the last few years its production has been beyond all expectations. I think that if an organization such as the P.F.R.A. were given the job of doing everything that can be done in the way of bringing more water to the land and making necessary information on production available to the farmers themselves—I could speak at length on this—there is every possibility that the production of wheat on the Prairies over the next ten or fifteen years could be increased by as much as 25 to 50 per cent. This would help towards a solution of the economic problems that exist there today. It would help in solving the problems of our balance of payments, and it would increase the wealth production of our country.

Honourable senators, I repeat, my concern is that P.F.R.A. shall have an adequate role to play. I am not in any way deprecating the good work being done by other organizations.

I might have waited until some future date to make this statement, but if in the meantime something happens to P.F.R.A. it may be too late. I think this is the time to speak as to the kind of role P.F.R.A. is to play. If the honourable leader (Hon. Mr. Connolly, Ottawa West) could inform honourable senators that the P.F.R.A. is not only here to stay, but to stay in the Department of Agriculture and to play an expanding and important role in the future, I for one, as well as a great many people on the Prairies, would be very happy with that kind of assurance.

Hon. Mr. Connolly (Ottawa West): Honourable senators, the questions raised by Senator Argue are very important and should be dealt with before this bill is passed. However, I understand that the honourable Senator Fournier (Madawaska-Restigouche) has the adjournment on the next item and is anxious to proceed as soon as possible. I would therefore adjourn this debate, and tomorrow either Senator McDonald or I will deal with the points raised by Senator Argue.

On motion of Hon. Mr. Connolly (Ottawa West), debate adjourned.

IMMIGRATION APPEAL BOARD BILL

SECOND READING

The Senate resumed from Friday, March 3, the adjourned debate on the motion of Hon. Mr. Hastings, for the second reading of Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration.

Hon. Edgar Fournier: Honourable senators, first I wish to thank you for giving me the opportunity to speak now.

Before I make any reference to the bill, I have an unpleasant task to perform. I want to talk about the let-down we have been experiencing in transportation by the two railway companies and the inadequate taxi service to and from the station in Ottawa. I am sure all honourable senators will remember very well that when we approached this matter last year there was full understanding that we would have adequate transportation by the two railway companies. That was one thing we emphasized. Yet after a period of six months of waiting we now find ourselves in an extremely difficult situation. I think the kind of transportation service we are now receiving is a disgrace to the City of Ottawa. We are now the victims of a needless fight between taxi companies. Indeed, it has reached the point where the customer's money is not even accepted—they will not take your money unless you use a certain taxi line. I do not see why we should be punished in this way.

According to the inquiries I have made, this situation is going to last for a long time. Everybody is provoked about it; and there is a dispute with the police force, and a fight among taxi companies.

The railways bring from Montreal on the daily runs an average of a hundred passengers on every train—perhaps my figure is low. On many occasions I have seen from four to eight taxis leaving behind as many as 80 people of all ages, including women, children, salesmen, businessmen, and persons from all classes of society. There they are, with no transportation. You cannot even choose a taxi; it has to belong to a firm with a franchise. We are being victimized.

I do not know how long this will continue, but it has lasted far too long already. I believe some solution could be reached if there were a will and a desire to co-operate.

We talk a good deal about communications, about telephones and radios. I see no reason at all why when a train is 20 miles or so from the station the railway cannot notify its agent by wire that the train will be arriving at a certain hour so that the agent at Ottawa could notify the taxi stand in the building. It only means a telephone call. Then the taxi-stand could call his radio despatcher, and within a few minutes after the train arrived the public could be served by taxis, or if necessary more taxis could be provided, to serve the people better.

I think that this franchise business should be stopped until we have more adequate transportation facilities. There is not only the problem of getting a taxi from the station into the city, but it sometimes takes 20 minutes to get a taxi from this building to go to the station. Furthermore, it costs about as much to go from here to the station and back by taxi as to go by train from Ottawa to Montreal.

[*Translation*]

Honourable senators, our colleague Senator Hastings gave us last Friday a detailed review of the merits of Bill C-220 concerning the establishment of an Immigration Appeal Board.

The honourable senator deserves congratulations for a well-prepared presentation. I almost entirely agree with him. I may say that when Bill C-220 was introduced in the other place, it did not receive unanimous approval, but the proposed amendments have made it acceptable to the majority.

I think it unnecessary to reconsider those details. Nevertheless, I am somewhat surprised to note the eagerness with which we are asked to pass the bill. It seems to me that it would have been more proper to wait until the joint committee on immigration had completed its work.

[*Text*]

It is well known to us that sometimes measures passed in a hurry, without knowledge of all the facts, were not exactly what was intended and result in an unhappy situation. This could very well be the situation we are in now.

My short experience with immigration, and being a member of the joint committee set up to study the problems of immigration, has clearly shown me the necessity of such an appeal board at the proper time. I am of the opinion that, before too long further amendments will be needed to this legislation, but that can only be determined by its effectiveness in the future.

The White Paper which was presented by the minister on the proposed immigration reform is a step in the right direction. As any other human achievement, it is not all perfect, but the many briefs presented to the committee and recommendations made by immigrants have been an eye-opener, to me at least, and have pinpointed some of the difficulties.

We realize now more than ever that our country, this vast Canada, needs assistance; we need more people and more foreign capital, if we want to progress. In order to achieve this progress we must reform our immigration laws. We need more realistic measures and more flexible rules.

Education, we all agree, is necessary for an immigrant, but education should not always be the deciding factor. I am of the opinion that we have put too much emphasis on education. We have focussed our attention on the trade to fit the education, rather than education to fit the trade.

With all the school facilities which we have here in Canada, it is possible and easy for anyone to raise his education to fit his employment. The aptitude that immigrants have of learning one or two new languages after a few months here in Canada is concrete proof that they have much ability in learning and are prepared to make any sacrifice to improve their knowledge.

[*Translation*]

I have the impression that there is a lack of communication between the potential immigrant and the admission office. Several immigrants revealed to us the little knowledge they had of Canada before embarking upon the the long journey. They knew very little about our climate, methods of work, our Canadian way of life, the functions of our government and so on. All they knew of Canada was what they had read in tourist publications describing our recreational centres, parks and hotels rather than employment opportunities.

I think there is a great difference between the tourist who comes to visit Canada, unconcerned about expenses, and the immigrant who comes to Canada with a few savings to settle down and become a citizen.

We should inform more carefully the immigrant prior to his coming to Canada. Briefs submitted have shown some of the weaknesses in this respect. We must welcome the newcomer in a human and adequate manner, help him to settle in our country, assist him in the solution of the problems which he will have to face and guide him into the right path.

We must encourage benevolent organizations, who accomplish an important work by way of preparing, encouraging and guiding the immigrant towards a pleasant way of life, providing him with the necessary means to become a good citizen, in whom Canada will take pride.

In my region, the Atlantic Provinces, there are very few problems concerning immigration. Our chief difficulty is to prevent our citizens from leaving.

Some groups who submitted briefs told us that, in the province of Quebec and in areas populated by French-speaking Canadians, immigrants were sometimes treated with some coolness. I have often heard the following expression: Here comes another damned immigrant after my job. This, of course, is not very charitable, but I think the people who said it overlooked the benefits which may be derived from immigration.

On page 17, section 34 of the White Paper, we find the following statement:

> It is still true to say that immigration effectively begins at the Island of Montreal and goes West.

This is an unhappy situation, if we are going to build a strong Canada. I am confident that when the new, reformed Immigration Act is presented in the near future, a better distribution and placement of immigrants can be expected.

In closing, I wish to mention that the Joint Committee on Immigration is doing valuable work for the nation. There is no one more qualified to speak about immigration than the people who actually had to go through the machinery of immigration bureaucracy. Some of the experiences which some immigrants endured make rather sad stories and have led to many failures.

I compliment all members of the committee, especially Senator Langlois, the co-chairman, and I can assure honourable senators that, with the exception of myself, the Senate is well represented. The attendance of Senators is good and the interest is keen. I am confident that the results of these meetings will be beneficial to the nation as a whole. The work of the committee is very commendable.

[*Text*]

Hon. Arthur M. Pearson: Honourable senators, I would like to congratulate the sponsor of this bill (Hon. Mr. Hastings). This legislation gives us addition to our immigration policy and something which has been needed for many years, namely, a proper and sound appeal board.

I had expected that the joint committee of the Senate and House of Commons would have finished its study of the immigration problem and would have brought in its report by this time, and that I would be making an extensive report on immigration problems.

The present Bill C-220, is a small, though very essential part of the whole problem of immigration. It covers the security of the state. The problems affecting immigration are as diverse as humanity itself and as one member from the other place said there is created a mountain of correspondence in trying to handle all the various problems which arise.

There are three main factors which one might say come to the fore in our immigration policy. First we have a very large and mostly under-populated country. Canada is dotted with some very large modern urban centres, running from coast to coast but mainly centred along the southern fringe of our land. This imbalance of settlement of our country gives rise to two problems. Manufacturing industries are located mostly in the urban centres and require many skilled workers. On the other hand, the great forest areas, the mining industry, and rural occupations would be satisfied with semi-skilled or unskilled workers. We need many thousands more people from all nations of the world if we are to become a great nation like our neighbour to the south or Russia.

Second, we have rules to guide our Department of Immigration and they must be just rules for admission to this vast country.

Third, those rules must be flexible. They too often tend to become rigid or restrictive and in many cases are harmful to the prospective immigrant to this country. I refer to clause 8 of the bill, on which I will speak later.

The concern of many of the briefs presented to the joint committee of the Senate and House of Commons was the restrictive tone of the White Paper in that the emphasis was too heavily placed on need for skills and education among the immigrant group, which means that there is not enough thought given to the needs of the mining, forestry and rural occupations.

During the rush of immigration in the early years of the twentieth century we in this country saw how eager the newcomer was to make a place for himself and how he outstripped many of our young people whose families had been here a number of years. The immigrant seemed to have a new perspective and applied some of the ideas brought from his home country to what he saw as needs in this country; he thereby created new positions and new work, all of which went to help build our nation.

The purpose of this bill is to set up an appeal board of seven members, three of whom must be from the legal fraternity. It is hoped that these men will be imbued with the dignity of their office and, trained in humanitarianism, will show compassion for their fellowman. This board will have the same powers, rights and privileges that are vested in a Superior Court of Record. It shall give to either of the parties to the appeal the reasons for its disposition.

Honourable senators, I personally think we lay too much stress on deportation, whereas we should be stressing the need for these people and thinking of the assistance we could give them. In many cases they could become good citizens if we leaned a little the other way, rather than thinking only of the security of the nation.

As has been said by the sponsor of the bill, the appeal board under the present act is subject to the ruling of the minister. In other words, the minister has had the final say as to the findings of the board and consequently the board finds that it is merely a body for gathering evidence. The minister, on the other hand, is burdened with the necessity of passing judgment on almost all cases, especially if the immigrant under review can get in touch with politicians or organizations which can bring pressure on the minister. This has become an almost impossible situation for the minister, and he cannot give the matter his proper attention because of all other duties of the Department of Citizenship and Immigration.

This new appeal board, it is hoped, will take most of the burden of immigration appeals and decisions off the shoulders of the minister. Its decision will be final, except in matters of law when the minister may make an appeal from the board's decision to the Supreme Court.

In many of the briefs which were heard by the joint committee there was general approval for the setting up of this appeal board. The Anglican Church, the Ontario Welfare Council, the Negro Citizenship Association Incorporated, Jamaica Association of Montreal, the Trinidad and Tobago Association of Montreal, and the United Council of Human Rights were among some of those who strongly supported the new appeal board.

One of the proposals in the White Paper is to open the doors of entry into this country to a great many more people. In particular this open-door policy is being made available to certain nations whose citizens have been to a large extent restricted and, one might say, almost barred from this country.

As a result of this open-door policy, one can readily see there will be a great need to take the responsibility off the shoulders of the minister. On the other hand, the new appeal board will be kept very busy, if we are to bring in as many people as anticipated and which this country needs to fill its empty spaces.

Honourable senators, I am happy to say that I support Bill C-220. I am sure it will show good results as the years go by. There are one or two small items in the bill itself to which I said I would refer. For example, clause 8(1) of the bill, reads as follows:

> The board may, subject to the approval of the Governor in Council, make rules not inconsistent with this act governing the activities of the board and the practice and procedure in relation to appeals to the board under this act.

It seems to me that this clause gives rather wide powers to the board that we are setting up—possibly a little too wide.

Subsection (2) says that "no rule made pursuant to subsection (1) has effect until it has been published in the *Canada Gazette*." Does this mean that these rules may be reviewed by the minister, or by whoever is to review them, before they are promulgated in the *Canada Gazette*?

I suppose these questions will be answered when the bill goes to committee. There is one other small point, however. The word "on" at the end of line 21 on page 2 of the bill does not seem to make much sense. It reads:

> ...but where the chairman is absent or unable to act or his office is vacant and on person—

An Hon. Senator: It should be "no" instead of "on".

Hon. Mr. Connolly (Ottawa West): The committee will see that that is corrected.

Hon. Mr. Pearson: Thank you.

Hon. Earl A. Hastings: Honourable senators—

The Hon. the Speaker: If the honourable senator speaks now it will have the effect of closing the debate.

Hon. Mr. Hastings: Honourable senators, may I first of all express my appreciation for the kind words of honourable senators with respect to my efforts in sponsoring this bill in the Senate. Most of the comments made this afternoon are general, of course, with respect to immigration policy and those aspects that are under discussion by the Immigration Committee on the White Paper. As I said when I introduced this particular bill, these particular aspects we will have an opportunity to discuss in the light of the whole gambit of immigration. We will have, I hope, a complete revision of the Immigration Act as a result of the discussions and report of the Immigration Committee on the White Paper.

I just wish to deal with what the honourable Senator Fournier (Madawaska-Restigouche) referred to as "undue haste". The bill was presented in the other house for first reading in July. It had very extensive discussion on second reading and in Committee of the Whole, and amendments introduced by the Opposition and the Government were debated and accepted. The result of that, I believe, is that we have a good bill, and after it has received discussion by a committee of this honourable chamber, I do not think it can be said that it is being pushed with any undue haste.

It is simply one of the four avenues or fronts on which the department is operating in order to continually improve and update immigration procedures. It is the one which in their opinion and in mine is needed as quickly as possible to amend our thinking with respect to deportation. Its effect will be that immigration appeals can be heard by an independent tribunal, and all those time-consuming decisions will be taken from the minister so that he will have much more time to devote to enunciating and developing an expansionist immigration policy for our country in the future.

Some of the procedures that are already under way within the department are advances which we are making behind the Iron Curtain. For the first time we are making attempts to open immigration offices in Belgrade and Warsaw. It is an important advance in that we are now going to be able to have offices behind the Iron Curtain to process immigration applications to Canada from that part of the world.

They have also adopted the method of the non-immigrant arrival and departure cards, a method which was recommended and discussed by the committee on the White Paper. They are continually updating the quality and

quantity of our overseas staff, which answers Senator Fournier's criticism with respect to the immigrant being unaware of what he should anticipate on arrival in Canada. The information that is being given at those sources is continually being reviewed and updated in that regard.

With regard to the suggestion that the legislation is placing too much emphasis on deportation, I would like to refer just quickly to section 15 where we grant to this Immigration Appeal Board wide discretionary powers in the review of a deportation order. They shall review the deportation order as to its legal aspects, and, if they find it legal, they shall thereafter bring into play these discretionary powers—and for the benefit of a permanent resident in Canada, having regard to all the circumstances, there is no limit to determination of appeal.

I repeat, having regard to all the circumstances they may stay the order or quash the order. With regard to all others, if the execution order is legal they then bring into play the discretionary powers, and if in their view deportation would result in punishment for political activity or cause the person concerned to suffer unusual hardship, or simply on humanitarian grounds they may quash the order, stay the order or grant entry. I really do believe they are not emphasizing deportation but they are in fact emphasizing the humanitarian approach that must be exercised with respect to these important deportation problems which affect the very dignity of the individual and perhaps his destiny.

With regard to other matters raised by honourable senators, I believe that they would in due course receive much more valid and comprehensive answers from members of the department who will be quite prepared to appear before the committee and answer questions.

Hon. Mr. Brooks: I wonder if I may ask the honourable senator a question. Was the recommendation made from the joint committee that offices be opened in Warsaw, Poland, and in Belgrade, Yugoslavia? We know that these are communist countries and that their ideas of government are very much opposed to ours. In fact it is their stated determination to destroy our form of government. I was wondering whether a recommendation came from that special joint committee to open offices in those countries.

Hon. Mr. Hastings: I do not believe the recommendation came from any committee in particular. It is the continued policy of the department to expand within those countries and to establish a beachhead to encourage the immigration to Canada of relatives of Canadian citizens still living there.

Hon. Mr. Brooks: Would the fact of such a person being a communist be regarded as a ground for preventing his becoming a citizen of this country?

Hon. Mr. Connolly (Ottawa West): Speaking on behalf of the Government, I would think so. I would think that whatever investigation would be undertaken in respect of a citizen of a country behind the Iron Curtain would certainly include a very close scrutiny of that aspect of the problem.

Hon. Mr. Brooks: Is there an office in Russia?

Hon. Mr. Connolly (Ottawa West): I cannot say. I will find out and let the honourable senator know.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Hastings, bill referred to the Standing Committee on Immigration and Labour.

EXCISE TAX ACT AND OLD AGE SECURITY ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Salter A. Hayden moved the second reading of Bill C-268, to amend the Excise Tax Act and the Old Age Security Act.

He said: Honourable senators, this bill has a number of virtues; it is not long and it is not very complicated. On the other hand it does deal with large sums of money. The purpose of the bill is to provide the extra funds needed to take care of the extra expenditures undertaken by the Government by reason of the guaranteed income supplement which was passed by this Parliament at an earlier date.

Honourable senators will recall that we had before us for consideration, dealing with these guaranteed income supplements, Bill C-251 to amend the Old Age Security Act. I am sure the details of that amending bill are fresh in your minds, and all I will say on this point is that the guaranteed income supplement provided in that legislation adds to the basic old age security rate of $75 an additional sum varying up to a maximum of $30

per month, commencing at age 70. The age of eligibility is gradually being reduced until 1970 when it will be down to 65. At that time the guaranteed income supplement will be paid to those who are at or above that age and who meet the tests provided for in the bill which we considered earlier.

Let me tell you what the bill does. It adds one per cent to the basic rate of sales tax, and that is why you have these amendments to the Excise Tax Act contained in this bill, thus increasing the rate from 8 per cent to 9 per cent. Secondly, it amends the Old Age Security Act in which provision was made that individuals subject to payment of income tax would have to pay as old age security tax, included in their tax payment, 4 per cent of their taxable income with a ceiling heretofore of $120 which now, while the 4 per cent rate is not changed, will be increased from $120 to $240. It is expected that the increase in this ceiling—that is the maximum amount which 4 per cent of an individual's taxable income will produce in the way of old age security tax or the $240—will produce about $135 million per year. This $135 million will be added to the old age security fund which is maintained within the Consolidated Revenue Fund. The one per cent increase in sales tax in a year is expected to produce about $155 million. That sum, or whatever more or less is produced from this source, will go into the Consolidated Revenue Fund without being labelled as part of the Old Age Security Fund. The shortfall in revenue by reason of this increase in payments provided by the guaranteed income supplement is estimated, as between now and 1970, to be at least of the order of $280 million per year.

Perhaps I should now tell you just how the sales tax increase is applied. Section 1 increases the general rate of sales tax from 8 to 9 per cent, and the other 3 per cent is an old age security tax collected from the same applications as those to which the sales tax is applied, and until the mini-budget, the combined sales tax, both the true sales tax rate and the 3 per cent provision for old age security in the Old Age Security Act, achieved a total of 11 per cent. By increasing the general rate of sales tax to 9 per cent on and after December 31, 1966, the rate of sales tax applicable to goods which are generally taxable under section 30 of the Excise Tax Act will be 12 per cent.

Then we have a category of goods which, under the law presently in force, were becoming progressively exempt. They mainly consisted of machinery and apparatus for use in manufacture or production. The list of all those items of machinery and apparatus subject to this progressive exemption will be found in Schedule V of the Excise Tax Act.

The effect of that progressive exemption, having regard to the provisions of this bill, is as follows: Prior to April 1, 1967, the general rate of sales tax on this type of goods will be 12 per cent, and from April 1, 1967, to March 31, 1968, it will be 6 per cent. And on and after March 31, 1968, there will be no sales tax on goods contained in Schedule V and coming generally under the heading of machinery and apparatus for manufacture and production.

With respect to building materials, until the mini-budget came in in December they were subject to the general rate of sales tax, a total of 11 per cent, being the 8 per cent sales tax and the 3 per cent additional sales tax for the Old Age Security Fund. This bill proposes that there be no increase in that rate of 11 per cent by reason of anything that is contained in this bill. Therefore, the sales tax, the combination of the general rate of sales tax and the Old Age Security tax, will remain on building materials at 11 per cent. It became necessary in those circumstances to add a schedule to the Excise Tax Act. It is called Schedule VI and it starts on page 2. There you have the list of all these building materials in Part I of Schedule VI, and you will find in Part II of Schedule VI heating equipment. So these are the various ways in which the additional moneys to take care of this guaranteed income supplement will be provided—through the increase in the sales tax and its application in varying amounts to varying types of goods, and the raising of the ceiling so far as the individual is concerned in relation to 4 per cent of his taxable income for purposes of old age security payments.

Now, honourable senators, I cannot let this opportunity go without expressing one or two views of my own. I believe that where the Government is embarking upon programs involving a substantial expenditure like the provision of money, as in this case, to take care of the guaranteed income supplement, in all these cases the taxpayer should have a look at what the money bill is, and in the most specific and direct way he can. As a matter of fact, I think I would support a federal sales tax at the retail level rather than at the manufacturers' level. That is how strongly I feel about it. If you go into a store and order some goods and direct that they be sent to your home along with the bill, it may

have a salutary effect on you if the bill arrives with the goods and you see what you are paying for an exercise of personal generosity for yourself. And I think in the case of the Government, which has no magic source for income but only the people and their earnings—and I am not opposed to various programs where money is expended such as old age security and all these other features to ease the lot of the people—I think the people of Canada should be made aware in the most direct way possible of the cost. It may be that at some stage they will voice their own opinions, perhaps to the effect that we should not go too fast and in too large amounts all at once. At some stage the burden may reach an area where it is uneconomic for the moment. This is a personal view.

Hon. Mr. Flynn: Obviously!

Hon. Mr. Hayden: Yes, although I would say this, that it is a shared view at this time and not the situation of some years ago when I was the only one in the Senate who stated such a view. But now others are coming around to that point of view today—that the people who spend the money are the ones who should tax for the money. I still assert that, and I think the provinces are coming more into that area of thought, because you get more serious, deliberate and concerned approaches to the problems of expenditures if you keep in mind what the direct cost is going to be, and the extent of that cost, and the taxpayers of necessity get greater consideration.

That opinion was an "extra" and not by way of explanation of the bill. So, if you disagree with the opinion, do not disagree with the bill because I said that.

Hon. Mr. Brooks: It is the opinion of a great many people and organizations.

Hon. Mr. Thorvaldson: Just for the purpose of clarification, I wonder if the honourable senator would explain one matter again. With regard to the $135 million tax revenue which will be produced by increasing the ceiling to $240, did you say that goes into the Consolidated Revenue Fund or the Old Age Security Fund?

Hon. Mr. Hayden: I said it goes into the Old Age Security Fund, which is contained in the Consolidated Revenue Fund.

Hon. Mr. Thorvaldson: Is the increase in sales tax of $155 million dealt with differently in the accounting department?

Hon. Mr. Hayden: It goes into the Consolidated Revenue Fund.

Hon. Mr. Thorvaldson: Would you please explain again the reason for dealing with the matter in that method?

Hon. Mr. Hayden: As a matter of fact, I did not give the reason at the time because I thought I might be asked a question. As the minister explained it, very simply the reason was that the level of the Old Age Security Fund in the Consolidated Revenue Fund is such that when you add $135 million to it you may have enough money to meet the additional demands by reason of the guaranteed income supplement, but it would disturb his cash flow in and cash flow out. Therefore, he has decided to increase the sales tax in this fashion so as not to disturb the economic situation as far as cash inflow and cash outflow are concerned.

Hon. Mr. McCutcheon: But the supplementary payments are not going to come out of the Old Age Security Fund, are they?

Hon. Mr. Hayden: As a matter of fact, I do not know.

Hon. Mr. McCutcheon: Your answer implied they are. I do not think they are.

Hon. Mr. Hayden: Some part of them may, to the extent the fund is increased with that idea in mind—that is up to $135 million—and the balance is from the Consolidated Revenue Fund.

Hon. Mr. McCutcheon: I have the very clear impression the other way, but we can learn about that in committee.

Hon. Mr. Isnor: Would the honourable sponsor of the bill tell us whether he favours doing away with the manufacturers' sales tax and putting it on the retail price? Would he then transfer the revenue from the federal to the provincial governments?

Hon. Mr. Hayden: My friend is asking me to make pronouncements or give an opinion I have no authority to make or give, and therefore it would be purely hypothetical. I learned a long time ago not to get too far out on that kind of a limb.

On motion of Hon. Mr. Grosart, debate adjourned.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Since we propose to sit tomorrow, would it be more satisfactory to

the Senate to sit earlier than 3 o'clock? If so, I would have to move that by unanimous consent.

Some hon. Senators: Yes.

Hon. Mr. Connolly (Ottawa West): We have committees sitting tomorrow morning.

Hon. Mr. Brooks: Is it the intention to sit in the morning and the afternoon as well, or to have just one sitting?

Hon. Mr. Connolly (Ottawa West): It will depend a good deal on the work done in the committees.

Hon. Mr. Kinley: There is only one committee.

Hon. Mr. Connolly (Ottawa West): There may be two.

Honourable senators, I move, with leave of the Senate, that we adjourn until 11 o'clock tomorrow morning. After we see what progress we make in the morning we can decide whether there is need to sit in the afternoon and, if so, at what time.

Motion agreed to.

The Senate adjourned until tomorrow at 11 a.m.

APPENDIX

(*See p. 1577.*)

THE ESTIMATES

REPORT OF STANDING COMMITTEE ON FINANCE
PRESENTED BY HON. MR. LEONARD

Thursday, March 9th, 1967.

The Standing Committee on Finance to which was referred the Main Estimates and Supplementary Estimates "A" and "C" for the fiscal year ending March 31, 1967, has in obedience to the orders of reference of March 24, 1966, June 27, 1966, and November 17, 1966, respectively, examined the said Estimates and Supplementary Estimates and now reports as follows:

1. Your committee held seventeen meetings during this session of which ten were devoted to the consideration of these Estimates and, in all, some twenty-one witnesses appeared before the committee.

2. The committee followed the same procedure as in previous years of considering the Estimates in general, rather than embarking upon a detailed study of departments. The desirability of this form of procedure is strengthened by the new rules of the House of Commons. That chamber now refers the Estimates by department to its various Committees. It would be wasteful duplication for the Senate to follow the same procedure. However, the general study of the Estimates by your committee is supplemented by an examination of particular votes in those departments where committee members so desire, and during the current fiscal year, such investigations were made with respect to the National Research Council, the Atlantic Development Board and The Canadian Broadcasting Corporation.

3. The Main and Supplementary Estimates (A), (B), (C), (D) and (E) provided for total expenditures of $8,558,185,901 in the fiscal year 1966-67 of which $3,375,241,967 were statutory obligations and the balance of $5,182,943,934 required to be voted by Parliament. The Estimates also provided for loans and investments to be made amounting to $585,205,400. It is expected, however, that there will be further Supplementary Estimates and therefore, as has been customary in past reports of the committee, it is necessary to estimate the expenses for the current year in order to make a comparison with the total actual expenses of previous years. It has also been customary in such reports to exclude the payments out of the Old Age Security Fund because they have been considered to be a somewhat different character from the other expenditures.

For the purpose of this report, however, a table has been prepared (attached as Appendix "A") setting out government expenditures for the past 13 years, including all categories, namely those that are statutory, those that require parliamentary approval, and those under the Old Age Security legislation, but not including loans and investments. This table then shows the dollar amount of increase from year to year, and also the percentage increase over the preceding year.

4. The increase in the current year of 1966-67 over last year is estimated to be $949,000,000 or 10.9%. This is both the greatest dollar increase and also the highest percentage increase in more than 15 years. To the extent that the increase in government expenditures does not outrun the rate of growth of the economy as a whole, such increases can be absorbed without too great difficulty. Therefore, in its previous Reports your committee has examined federal Government expenditures as a percentage of the Gross National Production. For the calendar year ending December 31st, 1966, it is estimated that Canada's Gross National Production increased between 10% and 11% over 1965. The increase in the federal Government expenditures for the fiscal year ending March 31st, 1967, is at a slightly higher percentage level than is the Gross National Product. To avoid higher taxes or more inflation it is desirable that the rate of increase of federal expenditures should moderate.

5. Your committee has maintained a continuing interest in the implementation of the Glassco Commission recommendations as to the form and text of the Estimates and on this matter we heard evidence from Dr. George Davidson, the Secretary of the Treasury Board, and Mr. Maxwell Henderson the Auditor General of Canada. The number of votes in the Estimates is now 243 as compared with 495 in the Estimates of 1962-63, a

50% reduction. As a consequence, the average amount per vote is very much larger than previously and there is less information of the details of expenditures in the Estimates. The Auditor General expressed his concern that in this process some of the parliamentary control over spending was being eroded. Undoubtedly the theme of the Glassco Report is to throw a much greater degree of managerial responsibility upon departmental executives than in the past, and this in turn calls for increased supervision by the Treasury Board. The Auditor General's warning should be heeded and it is to be hoped that the new procedures of the House of Commons will prevent or minimize the danger of such erosion by the greater attention that now is being given by their committees to the individual departments and in turn the Senate's responsibility would seem to require that each year it should continue the practice of having the Secretary of the Treasury Board and the Auditor General appear before the Finance Committee.

6. In past years it has been a matter of great concern to all members of the Senate that Interim Supply bills were sent to the Senate so close to the deadline when the money was required to meet salaries and other essential expenditures that this chamber had insufficient time for adequate consideration of them. The practice of referring the Estimates to the Finance Committee overcomes this objection as there is now a continuing forum for consideration of all estimates throughout the year.

7. However, an unusual occurrence took place during the current fiscal year when Appropriation Act No. 7, 1966, was before Parliament. The previous appropriation acts had furnished the government with sufficient funds for its expenses up to November 1st, 1966 and the new act was to provide further Interim Supply. There was a prolonged debate in the House of Commons and when the deadline date came for the payment of the civil servants' salaries due in mid-November, the Treasury Board on November 9th transferred $2,160,000 from vote 15 of the Finance Department, which is a contingency item vote, to those departments which did not have sufficient funds to meet their salary requirements. Your committee heard evidence on this matter from the Minister of National Revenue, the Secretary of the Treasury Board and the Auditor General and without entering into any dispute as to whether the Government or the Opposition were to blame, your committee believes that such use of Vote 15 should be avoided.

8. The affairs of the Canadian Broadcasting Corporation came under the scrutiny of the committee with particular reference to a program called "Sunday", about which members of the Senate had received many complaints. The committee had before it Mr. J. Alphonse Ouimet, President of the Canadian Broadcasting Corporation and he commented that the particular program which provoked the inquiry was a mistake. Your committee believes that to avoid in the future such a mistake, which must have outraged a large percentage of viewers throughout Canada, there should be a stronger chain of supervising authority in the C.B.C., to insure that the programs do not offend against the standards of decency of the great majority of Canadians.

9. Your committee considered also the work of the Atlantic Development Board and had as its chief witness, Dr. E. P. Weeks, the Executive Director of the Board. His report was favourably received and the committee considers that the board is developing sound long-term plans to increase employment and production in the Atlantic region.

10. In its Third Annual Review at page 178, the Economic Council of Canada recommended that Parliament might consider the setting up of a "Standing Committee on Economic Affairs" of the House of Commons and the Senate, one of whose major purposes would be the examination of certain important documents which the Economic Council intends to produce annually, and the issues arising out of them. This is a recommendation which appears to your committee to have a great deal of merit and while it would not dispense with the study by the Finance Committee of the Government's Estimates, it would be a valuable adjunct for the consideration of the economic effect of such expenditures. The Economic Council points out that such a committee should have a small permanent staff of high quality. This indeed would be required and in addition such a staff could be of assistance to the Finance Committee because of the close relationship that should exist between government expenditures and government economic policies.

11. The Main Estimates contain an item, page 547, Vote L 30 to provide $110,000,000 for the purchase of securities issued by the Canadian Corporation for the 1967 World Exhibition, (commonly called EXPO 67) and Supplementary Estimates (E) provided an ad-

ditional $21,000,000 for the same purpose. Your committee examined Mr. Robert F. Shaw, Deputy Commissioner General of the Corporation, and G. D. Rediker, its Director of Finance and Administration. These officials expect that its affairs will end up with a deficit as has been the history of all world fairs, but it is as yet too early to estimate the amount of such deficit. The salvage values of a number of costly assets are as yet unknown. However, advance sale of tickets has outstripped expectations, indicating that the Exposition will have a greater attendance than anticipated. Your committee was favourably impressed by the Deputy Commissioner General's evidence and expressed to him their hope that the Exposition would be a great success and that its results would be of substantial benefit to Canada.

12. Your committee considered other matters which need not be particularly mentioned in this report. It is desirable however to acknowledge the valued assistance and cooperation of the Secretary of the Treasury Board and of the Auditor General, two outstanding officials in the Public Service. Each in his own sphere carries a major responsibility for the due expenditure of public funds and in the opinion of the Committee they have been efficient and zealous in their duties.

All which is respectfully submitted.

T. D'Arcy Leonard
Chairman

Appendix "A"

Table of Federal Government Expenditures showing Increases over preceding years and percentage increase

Fiscal Year ending March 31st	Expenditures including Old Age Security Fund (in millions)	Increase Over Preceding Year (in millions)	Percentage Increase of Expenditures over preceding year
1955	$4628		
1956	4799	$171	3.7
1957	5228	429	8.9
1958	5561	333	6.3
1959	5923	362	6.5
1960	6278	355	5.9
1961	6550	272	4.3
1962	7146	596	8.3
1963	7305	159	2.2
1964	7700	395	5.4
1965	8001	301	3.9
1966	8662	661	8.2
1967	9611	949	10.9

THE SENATE

Friday, March 10, 1967

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, March 8, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

INDUSTRIAL RESEARCH AND DEVELOPMENT INCENTIVES BILL

REPORT OF COMMITTEE

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-252, to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden: Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

STATUTORY SALARIES REVISION BILL, 1967

REPORT OF COMMITTEE

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-266, to provide for the revision of certain salaries fixed by statute, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden: Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday next, March 14, at 8 p.m.

Hon. Mr. Brooks: May I ask the Government Leader if he could indicate the business we might have to deal with when we return next Tuesday?

Hon. Mr. Connolly (Ottawa West): Honourable senators, for consideration on Tuesday evening we shall have Bill S-57, dealing with national museums which was introduced in this chamber yesterday. Debate on the bill with respect to federal-provincial fiscal arrangements has not yet been completed in the other place, but conceivably could be today. It will likely be available to us either on Tuesday or Wednesday, at the latest.

Consideration of the Bank of Canada Act was commenced yesterday in the other place, but due to a technicality—the delay in the translation of some of the evidence—it could not be proceeded with. It may very well be available to us.

My general understanding is that from now on there is going to be a reasonably steady flow of legislation. There will be appropriation bills for the new fiscal year. Interim supply will be required before the end of the month. This means that the Main Estimates for the new fiscal year will have to be tabled and referred to the Finance Committee, even before the end of this session. At the moment I am not in a position to say when the Bank Act will come to us, but I predict with some assurance that it will not reach us by Tuesday next.

Motion agreed to.

RURAL ECONOMIC DEVELOPMENT FUND ACT

BILL TO AMEND—THIRD READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. McDonald for the third reading of Bill C-274, to amend the Fund for Rural Economic Development Act.

Hon. John J. Connolly: Honourable senators, I do not intend to speak at any length on the point raised yesterday by Senator Argue in connection with the Prairie Farm Rehabilitation Act. Senator Argue may very well be right in feeling that lately in the legislative machine the P.F.R.A. has not been particularly prominent, but I think that can be explained by the fact that P.F.R.A. has been a going concern for a long time. We all realize the great contribution it has made to the agricultural community in western Canada. In recent times more emphasis has been placed on legislation designed to affect the agricultural community in other parts of the country.

On behalf of the Government, I say to Senator Argue and to all honourable senators that P.F.R.A. is in no danger whatever of being abolished or downgraded. As a matter of fact, it would not be inappropriate for me to say that a major study is now under way in connection with the conservation and development of water resources in all parts of the country, particularly in western Canada, and the P.F.R.A. organization has an extremely vital role to play in the development of policy and in its implementation.

I hope that this assurance will allay any fears that Senator Argue or other senators have in respect to the future of P.F.R.A.

Hon. Gunnar S. Thorvaldson: Honourable senators, I shall not delay the passage of this bill, but I do have a few remarks to make regarding it.

I refer first of all to the cavalier attitude that parliamentarians now seem to have with respect to the voting of hundreds of millions of dollars for projects about which they know very little. I supported the original bill passed last July to establish a fund of $50 million for the economic and social development of certain rural undeveloped areas. Standing by itself I consider $50 million to be quite a large sum of money. There is also the fact that the intention then was and, agreements have now been made, to implement it, that the provinces would pay part of the costs incurred under this act. Consequently, it appears from figures I have seen in *Hansard* that the original $50 million has been almost doubled in terms of the final expenditure on the rural developments that are now taking place.

Honourable senators are aware that there are three main projects to be carried out under the terms of this bill. Three areas have been selected for development—one in northern New Brunswick, one in northeastern Quebec, and another in Manitoba. The areas selected in Manitoba for development within the provisions of this bill is what is known as the Interlake region.

Perhaps my chief reason for speaking on this bill is that I was born and brought up in the northeasterly part of the Interlake area, which might be thought to be one of the more inhospitable parts of the country. I know almost every square mile of it. I have travelled it frequently, sometimes in political endeavours, sometimes attending courts, and more often on hunting and fishing expeditions, and so on. I have visited hundreds of farm homes in the area. Consequently, it came as somewhat of a surprise to me when the sponsor of the bill, the honourable Senator McDonald, referred to it as an underprivileged area, I presume having too many underprivileged people in it. He also called it an undeveloped area.

As I understand it, millions of dollars have been or will be spent in this area under the provisions of this bill, and also large additional expenditures are being added by the Government of Manitoba.

Honourable senators, I would like to present a picture of this Interlake area in my province that is quite different from that presented by the sponsor.

It contains at least ten of the finest little towns and villages in Manitoba. I do not think there is a home in that region that has not had a telephone for the past 20 to 40 years. I exclude from my remarks the Metis or the Indian population, there being some Indian reservations in this area. I do not believe there is a home in this area that has been without hydro power for from 15 to 40 years. There has certainly been complete electric power service for the past 10 years.

The Honourable Mr. Garson, a former Minister of Justice, lived and worked for part of his lifetime in the town of Ashern, which is about 160 miles northwest of Winnipeg. This is one of the best small towns in Manitoba, with splendid homes, fine schools, and excellent roads throughout the whole community. That is only one of them. One of the other good towns in the area is Gimli, which was first settled in 1875 by people from Iceland. Having resided there for 92 years, they have built up what I consider to be one of the finest and most prosperous rural communities in Western Canada. Indeed, it was announced only a week or so ago that the House of

Seagram has begun the establishment of a distillery north of Gimli, at a cost of many millions of dollars. I am told that the main reason for establishing a distillery in that area is the purity and abundance of the water at small cost. The distillery will need about five million gallons of water a day, which will be obtained from artesian wells drilled to a depth of approximately 50 to 100 feet.

There is perhaps a better and more available water supply in the whole of the Interlake area than in any part of Canada. I recall that when I was a small boy my father had the first artesian well drilled in the community of Riverton, where I come from and which I want to say is one of the fine towns in Manitoba. This well was drilled in 1909 or 1910 and he got water at a depth of 46 feet, with a flow of approximately five or ten barrels a minute. That well is still flowing. In that little community there are hundreds of similar wells, with the purest water in the world. I refer to this new development north of Gimli because it is a very important development in the area. But there are others. These people have been referred to as underprivileged people living in an underdeveloped area. I know better. I do not agree with that description of the area at all. It has produced as many doctors, lawyers, scientists, educationists—

Hon. Mr. Roebuck: And senators.

Hon. Mr. Thorvaldson: —as any similar area of rural Canada.

Hon. Mr. Brooks: Not very many Liberals.

Hon. Mr. Thorvaldson: There was a time when the people there elected too many Liberal members of Parliament, but they seemed to change that course some years ago.

Hon. Mr. Connolly (Ottawa West): You seem to be describing Nova Scotia too.

Hon. Mr. Thorvaldson: I say very sincerely that the Interlake area is being casually referred to around the parliamentary halls as an underprivileged area, and this has shocked me.

Recently I read a report by some social service workers in regard to cases in that area, making a splendid case, of course, for the spending of money. I read all the cases referred to in the report. They were supposed to be underprivileged people and they were, but why were they underprivileged? A large proportion of their problems resulted from accident, illness, or from that proverbial condition, laziness. But there are people like that in all parts of the world, people who could not make a living no matter what kind of farm they were on.

The real problem of the Interlake area, just like that of any other, is that too many people are settled on stony land, alkaline soil, swampy land, and scrub bush land that never should have been settled. I maintain that instead of trying to develop those areas into farm lands—which simply cannot be done on a quarter section or a section covered with stones—we should help those people to relocate. We should take them off the swampy lands, the scrub brushland, the stony land and other unfit areas.

Hon. Mr. Connolly (Ottawa West): What percentage of that land falls into that category?

Hon. Mr. Thorvaldson: I would say 30 to 40 per cent of the land, perhaps more. There are other areas in Canada which are very similar.

Honourable senators, before concluding these remarks, I might mention to my friend Senator Everett, who is in the automobile business, that if one goes to a picnic or a public function in any of the large towns, such as Lundar, Gimli or Riverton, one will find hundreds of automobiles, including a fair share of Lincolns and Cadillacs.

Hon. Mr. Hayden: Are they from Winnipeg?

An Hon. Senator: You can always buy an old one.

Hon. Mr. Argue: You can buy an old Cadillac for $100.

Hon. Mr. Thorvaldson: I was referring to new Cadillacs. I would like to say to my honourable friend Senator McDonald, who sponsored this measure, that I have frequently travelled by train on the C.N.R. route from Saskatoon to Edmonton and back. As you leave Saskatoon—and Senator Aseltine knows this is true—for the first 30 or 40 miles you will see wonderful farms and fine homes. If you are there in the spring you will see the crop that is just coming up, and in August you will see the heavy crops that that land produces.

Then, all of a sudden, the train comes into an entirely different area and you say to yourself, "What has happened?" Why? Because there are just very small houses; there are hardly any outbuildings, and those that are there are mostly torn down. There are only stray cattle here and there. Then you

look at the land itself and you wonder what has happened to it. You now see that it is alkaline soil or stony land for probably 10 or 15 miles. It is land that should not have been settled for farming. But then again the scene soon returns to one of green fields, fine homes and evidence of prosperity.

The same thing will happen again many times on that one route between Saskatoon and Edmonton—and Senator Aseltine nods approval—because there are still people on those lands, lands that should never have been cultivated for farming purposes. They should have been used for grazing. Even at that they are not much good because they do not grow anything. You cannot grow anything on alkalized soil. That is why I agreed with Senator Argue's remarks yesterday. Bringing water to those lands is one great problem, but even water cannot do much for that kind of land.

The fact is that tens of thousands of people once settled on lands which should never have been settled on in Saskatchewan, Manitoba, and elsewhere. Consequently, to my mind the problem is not one of trying to develop alkali, stony or swampy areas, but it is one of relocating these people in other areas.

Hon. Mr. McDonald: That is exactly what this bill will do.

Hon. Mr. Thorvaldson: It does not take $300 million to relocate the people who live on the bad lands in those areas. I notice in Senator McDonald's speech in *Hansard* for March 2, at the bottom of page 1552, that he speaks of the New Brunswick scheme. He says they have committed themselves to an expenditure of some $90 million. How many people are there in that area? One hundred and six thousand people. I will admit from evidence that I have heard that the New Brunswick area is a very, very unfortunate one. It probably needs a complete relocation of people—into other parts of New Brunswick, of course. For instance, into Senator Brooks' area.

Hon. Mr. Brooks: I would like to say that New Brunswick is not nearly as bad as that part of Manitoba which the honourable senator has just described.

Hon. Mr. Thorvaldson: Those people should be moved where Senator Brooks lives, and I must say that that is one of the "Gardens of Eden" of Canada. At any rate, I just wanted to make these remarks because I do think we are talking about sums of money that are far beyond the requirements of the situation, at least as I know it in my own province of Manitoba. I want to repeat again that I think the time has come when we in this house should take a much closer look at these spending bills which provide for such fantastic expenditures without our really knowing what the money is to be spent for and whether or not it is being applied to economic use.

Hon. A. Hamilton McDonald: Honourable senators, my remarks will be very brief, but in view of the remarks of Senator Thorvaldson I think the record should be set straight.

In the first place, the money we are talking about in this legislation today is entirely a federal expenditure. The provinces make no contribution under this legislation. In dealing with the Interlake region in the Province of Manitoba I see from the record that I did use the word "underprivileged," which perhaps was a very poor selection in referring to people. But in the Interlake region of Manitoba it was the Premier of Manitoba and his government who decided that this was an area of Canada which should receive expenditures under this act and under the ARDA program—expenditures totalling between $65 million and $70 million.

This was the decision of the Government of Manitoba, not the decision of the Government of Canada. But then, through negotiations with the Government of Canada, arrangements were made for some $25 million to be spent under this program, and the difference between the $25 million and the $65 million or $70 million would be under shared-cost programs under ARDA or Bill C-152 that we passed last July.

Now, I am well aware that there are identical areas, or almost identical, in every province of Canada, not just in New Brunswick, Quebec and Manitoba. But negotiations are going on now between the federal Government and every other province in Canada to conduct similar programs in each and every province. The $300 million will not be spent solely on the two areas in New Brunswick, the one area in Quebec and the one area in Manitoba. The $300 million will be spent on programs in every province. It just so happens that the only agreements that have been signed to date are those with the three provinces I have mentioned. However, I expect that there will be agreements signed in the immediate future with every other province.

I agree wholeheartedly with the senator when he says there are parts of the Interlake region which perhaps should never have been settled at all. This is true in my province, and I think it is true of given areas in most provinces of Canada. This program makes provision to relocate people; this can be done under the legislation before us. Those people who have been established on non-productive land—land which the expenditure of public funds will make little if any more productive—can under this program be relocated in other parts of their province or elsewhere in Canada.

Part of the area in the Interlake region that could be classified as stony or alkali or as having too much bush will be turned into community pastures. I think honourable senators, especially those from the west, are well aware of the contribution that community pastures have made to the cattle industry in western Canada. I suggest that the carrying capacity of this land in the Interlake region when put into community pastures will be doubled or even tripled and will give the Province of Manitoba the opportunity to increase its cattle population accordingly.

The senator then referred to the facilities available in this Interlake region. I think he forgot one of the best ones, and that is that it is the best goose hunting country in Canada. Any honourable senator who wants a good goose hunt ought to go into this Interlake region.

I do not think it is necessary for me to say any more, other than I think we will be back here asking for several millions of dollars in the future, if we are going to carry out the programs people had in mind when this legislation was first thought of. Surely in a nation like Canada, with the tremendous wealth at our disposal, we are not content to see people go on forever living in depressed areas when we can either move them out of those areas, increase their level of education, or develop the undeveloped resources in those areas to provide a better standard of living. Taking the area of New Brunswick as mentioned, I am not convinced that we must relocate the 106,000 people now living there. I am confident that if the resources of that area were developed it would support not only that number of people, but many, many more.

Hon. Mr. Brooks: They have there some of the finest mineral prospects to be found anywhere in Canada.

Hon. Mr. McDonald: I agree. It is my hope that some of these natural resources can be developed under this act. By doing this we will make it not only possible for the present inhabitants to remain there, but we will encourage other people to settle in the area. This is true of the Interlake area also. The programs established under this act will help to provide a better standard of living not only for the people who are already settled there but for people who go there in the future. If we set up our programs in such a fashion, they will not fail. If, however, we cannot do that we will have failed in what we are setting out to do. The purpose of this bill is to improve those areas so that they will provide a reasonable standard of living for the people living there. It is far better to do this than to perpetuate various forms of public assistance. If this program is brought to its ultimate conclusion, I am confident that the people there will play an important part in developing other underdeveloped areas as well.

Hon. Mr. Brooks: Will the honourable senator permit me a question? He mentioned that the provinces would take the responsibility of selecting the areas. I would, however, point out that the federal Government is paying out hundreds of millions of dollars under this program. Will it have officials go into those areas to satisfy themselves that the money should be spent there? I could make a speech along the lines of that just made by my good friend Senator Thorvaldson. I am aware that money is being wasted as far as this program is concerned, and I would hope that the federal Government will make a very close inspection before spending hundreds of millions of dollars.

Hon. Mr. McDonald: Once an area is selected, representatives of the federal Government go in and inspect it. Then it becomes a joint effort to decide what the program should be in the area and what money should be spent.

Hon. Mr. Paterson: May I ask a question of honourable Senator Thorvaldson? Does he know a place called Arborg?

Hon. Mr. Thorvaldson: Yes.

Hon. Mr. Paterson: Would that be in the area called Interlake?

Hon. Mr. Thorvaldson: Yes.

Hon. Mr. Paterson: We are considering building an elevator there because statistics show us that there is more grain grown in that area than in any other place where we are located.

Hon. Mr. Thorvaldson: There are two or three elevators there now, and I have no doubt you are completely justified in building another there because it is one of the finest agricultural areas in the Province of Manitoba. The town of Arborg is in the geographical heart of the Interlake area.

Motion agreed to and bill read a third time and passed.

EXCISE TAX ACT AND OLD AGE SECURITY ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Hayden for the second reading of Bill C-268, to amend the Excise Tax Act and the Old Age Security Act.

Hon. Allister Grosart: Honourable senators, we have had an expert and lucid explanation of Bill C-268, and I would add, in my opinion, a rather more frank explanation than was given by the minister in the other place. Senator Hayden said all that could be said about the bill from the official point of view. However, I think he has omitted some things which should be brought to the attention of honourable senators from another point of view.

He said that the bill has many virtues. I agree with him, particularly in its stated purpose which is to provide the necessary revenues to implement the recommendations of this chamber when we endorsed the report of the Senate Special Committee on Aging that there should be a guaranteed income at the rate of $105 a month for all our senior citizens over the age of 65. That was our recommendation, but in the resulting act it was first applied to senior citizens at the age of 70, which age is being reduced until now it applies to those who have reached age 68. As Senator Hayden told us, the bill provides for an additional $30 a month for those eligible under the Old Age Security Act.

As I have said, Senator Hayden told us that the bill had virtues, but I think I should add that in my view it also has some vices. The main one is that the recommendation of the Senate and the demand of the old age pensioners appears to have been used in this particular case to tax Canadians far more than necessary to meet the requirements of the Old Age Security Fund from which these payments are to be made.

We were told that the bill before us amends two different Acts of Parliament which are quite distinct, and to me there appears to be no reason for linking these amendments in one bill except to disguise the fact that the old age pensioners and this chamber are being used for raising income tax revenues not only beyond the amount that will be paid out by the fund, but to a sum that is twice that required to meet the total cost to the Treasury if we take the estimate of our own committee as to the cost of this income supplement rather than the estimates put before us by the Government.

Senator Hayden pointed out that these revenues are to be raised by amendments to these two acts. If we take the first year, for example, we find an increase in one year of $135 million as a result of the amendment raising the ceiling of the old age security tax. Then we find there will be another $155 million from the one per cent addition to the sales tax. My basic objection to the bill is that only the $135 million raised from the old age security tax is going into the old age security fund, that being the total amount required to implement the old age guaranteed supplement from the Old Age Security Fund. The $155 million, I submit, is no more than a general increase in taxation disguised, as I have said, as though it were a necessary consequence of the income tax supplement recommended by the Senate.

I fully agree with Senator Hayden that it is a sound principle that any legislation demanded by or on behalf of any section of the public has to be paid for by added taxes, and that it is in the public interest that the public be made fully aware of the cost before the demand is met. But that is certainly not the case, if I read the figures correctly, in this proposed legislation.

What evidence is there to support this statement? First of all, of course, is the fact acknowledged by Senator Hayden that only the $135 million is going to be used directly for the purposes of the bill. Second, the evidence is clear that there was no immediate need for this legislation—and in a moment I shall indicate what I think the reason for it was—but the Government rushed into this legislation saying, "We have to have this right away," even though the Old Age Security Fund is in balance, and would remain in balance for at least two years, until the middle of 1969, if no additional revenues were put into it.

Perhaps at this point I should refer to the source of some figures I shall be quoting.

Honourable senators might wish to follow them because they are rather complicated. They appear in what is headed, "Table 2. Estimated Position of Old Age Security Fund, 1965-66 to 1971-72 ($ millions)." This table was presented on December 19 last by the Minister of Finance when he was presenting his mini-budget, and it appears at page 11335 of the House of Commons *Hansard* of that date, if I may make that reference.

I would suggest that it might be useful were this table, with leave, made part of the record of today's proceedings.

Hon. Senators: Agreed.

(*The table follows.*)

TABLE 2

ESTIMATED POSITION OF O.A.S. FUND, 1965-66 TO 1971-72
($ millions)

Minimum Eligible Age	Fiscal Year	O.A.S. Pension Payments	Revenue from Present Taxes	Difference Col. (2)− Col. (1)	G.I.S.[1] Payments	Difference Col. (3)− Col. (4)	Revenue[1] from 1966 Change	Combined Revenues Col. (2)+ Col. (6)	Combined Payments Col. (1)+ Col. (4)	Annual Surplus or Deficit Col. (7)− Col. (8)	Balance in account at end of year[2]
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jan. 1, 1966 Age 69	1965-66	927	1,169	+242	—	+242	—	1,169	927	+242	+217
Jan. 1, 1967 Age 68	1966-67	1,031	1,266	+235	70	+165	9	1,275	1,101	+174	+391
Jan. 1, 1968 Age 67	1967-68	1,146	1,381	+235	286	− 51	137	1,518	1,432	+ 86	+477
Jan. 1, 1969 Age 66	1968-69	1,296	1,427	+131	318	−187	147	1,574	1,614	− 40	+437
Jan. 1, 1970 Age 65	1969-70	1,464	1,505	+ 41	346	−305	157	1,662	1,810	−148	+289
Age 65	1970-71	1,619	1,590	− 29	367	−396	168	1,758	1,986	−228	+ 61
Age 65	1971-72	1,689	1,687	− 2	363	−365	180	1,867	2,052	−185	−124

[1] Represents estimated payments in respect of each fiscal year.
[2] Assumes new tax deduction tables can be put into effect on Feb. 1, 1967.
[2] Deficit of $25 million at March 31, 1965.

Hon. Mr. Grosart: There are ten columns of figures in this table, and I would like to run down them briefly to support the statements I have made. The first three columns show the present situation. Column 1 gives the old age security pension payments at the present rates from 1965-66 to 1971-72, showing them rising from a level of $927 million to some $1,689 million in 1971-72. As column 2 shows, the revenue from present taxes will roughly match the requirements over that period of time, so the fund, in effect, will be in balance. Column 3 shows the difference between the first two columns.

The next three columns show the effect on the payments that will have to be made under the guaranteed income supplement legislation, and the effect on the fund. In a moment I will suggest that the estimates by the Government of the amounts required to meet these G.I.S. payments are somewhat inflated. However, the general effect is that the payments required, according to the Government estimate, will in the first full year be $286 million, the figure Senator Hayden mentioned, rising to $363 million in 1971. And the revenue derived from the amendment contained in this bill to the old age security tax will also rise in the same period from $137 million, in the first calendar year, to $180 million in 1971. As we go along into the other columns we are shown that the fund would be in balance until 1971—which I think is far enough ahead for us to plan—by reason of the amounts proposed to be put into that fund by this bill.

I come back to the point that it is less than half the amount we are asked to vote, in spite of the fact we have been told over and over again that the reason we are asked to vote this money is that this chamber made a recommendation which was adopted elsewhere and, therefore, we are to take the blame for the imposition of taxes which will rise in the next year by $286 million or $287 million. At the same time, the evidence is as clear as day in this table that not more than half will go into the fund at any time, and the rest will go into the general revenues.

It has been suggested that the total cost, as estimated by the Government, is twice the amount being put into the fund. That is so, if the Government estimate is correct, but the fact still remains that the extra money, the money from the sales tax increase, will not in any way be used for the purpose to which it is related in this bill. That is my major objection, and I will go so far as to say I think it indicates a bit of political legerdemain in this whole operation of the mini-budget.

I said that I think the figures given to us are inflated. I hope we will be able to go into them in committee and find out exactly where this estimate came from. Certainly it is at variance with the estimate of cost given by our own committee.

Perhaps I should read what our committee said—

Hon. Mr. Connolly (Ottawa West): That is the Committee on Aging?

Hon. Mr. Grosart: Yes. I said, "our committee." As I go along, when I use the phrase "our committee," I do so with some pride, it being the committee which provided almost the best initiative of the Senate in the last year or so.

The committee has brought the requirements of the aged in this respect to the attention of the public, and I think it is quite entitled, as is the Senate itself, to take full credit for this measure which has been widely hailed as an important contribution to the totality of measures we have developed over the years to provide for our senior citizens.

Naturally, the Senate committee in making this recommendation—and it recommended it start at age 65—looked at the cost. This is found at page 83 of the report of the committee, under the heading, "The Committee's Findings," and reads as follows:

> It is not possible with the information available to calculate with any accuracy what such a guarantee would cost. Assuming that it would be given to all persons aged 65 and over, and that 40 per cent of this group, some 560,000 people, would need supplementation for an average amount of $400 per year, we come out with a figure of roughly $225,000,000, which represents between 25 and 30 per cent of what the Government paid out in old age security pensions during the fiscal year 1963-1964. However, this amount is not altogether an additional outlay. There were also federal-provincial expenditures on Old Age Assistance in 1963-1964, totalling close to $80,000,000 and under the new Canada Assistance Plan, if it fulfils its promise, expenditures might well be expected to rise sharply above this figure. What we appear to be talking about, therefore, is a new expenditure of something in the order of $100,000,000, and even this amount would likely decline within a few years as benefits from the

> Canada Pension Plan become available, and also as the recent action by Parliament in lowering to 65 the age for old age security pensions makes itself felt.

So, honourable senators, we have this very wide discrepancy between the estimate of $100 million by our committee and the $286 million by the Government.

It is only fair to say that the bases of the two estimates are not exactly the same, although they are comparable. I have mentioned that the estimate in the report of the special committee of the Senate assumed payment of the income supplement at age 65, and at the moment it is being paid at age 68 and will move down to age 65 year by year.

On the other hand, the act to provide the income supplement did add a considerable number of pensioners because of its eligibility aspects. The latest estimates that I have seen indicate that instead of the 560,000 senior citizens eligible under the Senate committee's recommendation there will now be probably 900,000. This is because under the bill as we passed it the income supplement is partially available to single persons who have additional income up to $720 per year, and married couples who have additional income up to $1,400 per year. I know that they are not entitled to the whole supplement; they are entitled at most, in any one case, to one half. By applying these two sets of figures, and if my arithmetic is correct, this would add at the most about $30 million to the cost of the plan over and above the estimate of the Senate Committee.

It is rather interesting to note that if we add $30 million to the $100 million, which is our estimate, we come up with a figure of $130 million which is very close to the amount the Government says it is going to put into the Old Age Security Fund. This indicates to me again that the $135 million is the total amount now required to implement the provisions of the income supplement bill.

I am not saying that the Government will not need other money—perhaps it does. I am not in a position to say how much money the Government needs next year or the year after, or in each year up until 1972, but I do strenuously object to the Government's raising, as I think it does in this bill, another $155 million and much more every year by increasing the sales tax under the guise of helping the old people.

How did this happen? Let us look back at the mini-budget. As honourable senators will recall, the Government became very concerned about inflation. The Government said: "We are really going to do something about inflation. We are going to have a mini-budget. We have to have it. We are going to impose new taxes in order to control inflation." Well, between the announcement and the mini-budget, the Government's advisers or somebody else apparently persuaded the Government that they had exaggerated the situation. I do not know whether they did or not, but obviously this is the conclusion they came to because there was not one single anti-inflationary measure contained in the mini-budget.

In the mini-budget there were two measures—the two that are now before us. The minister went out of his way not once but on a number of occasions to say "I want to make it clear that these measures are not anti-inflationary." I am paraphrasing what the minister said, but I think I am fair in doing so because judging from the editorials across the country this was the impression that was left. He said "I am going to get tough with this business of people demanding more welfare services."

If he had stopped with the principle that Senator Hayden gave us, then I would have no objection at all. Senator Hayden stated yesterday that it was a good thing to relate new Government expenditures directly to the revenues required to meet them, and the taxes that would have to be imposed to provide those revenues. I agree with that entirely. But the minister here said: "No, this is another principle. We are not going to raise merely the money that we need in the fund for this income supplement. We are going to raise more."

If anyone doubts that that is what he said I will quote his exact words because I think I have them here. He said he was not proposing any changes in general taxation for the purpose either of stimulating or of applying further restraints to the economy; that the measures proposed—that is, this bill—are intended only to counterbalance, financially and economically, the expenditures on the guaranteed income supplement. He said again:

> We are asking the Canadian public to accept increased taxes in order that we may distribute more to our old age pensioners with low incomes.

I think I am permitted to quote that because it is contained in the budget material placed before Parliament in connection with the bill we are now considering.

It is also interesting to note—and I think this is support for my general statement—that the increase in the sales tax has not been made to that portion which is earmarked for the old age pension. Senator Hayden told us that, and he was very frank in doing so. One would assume, if the minister and the Government were really sincere in saying to us, "We have to have this money for the income supplement," it would then say, "We will have to increase the sales tax, and naturally we will increase that portion of the old age security tax which is earmarked for old age security." They did nothing of the kind.

Senator Hayden said that of the present sales tax of 11 per cent, eight per cent is for general revenues, and three per cent is for old age security. In increasing the sales tax by one per cent they added that to the eight per cent, making it nine per cent, and again making it abundantly clear that they had no intention that this money should go to our senior citizens' fund. It was a device for getting more revenue.

Surely, if they were trying to carry out what Senator Hayden said, and with which I agree, they would have said, "If we must have this money for the guaranteed income supplement then we are going to raise it by increasing the old age security portion of the tax."

I was pleased to hear Senator Hayden make some remarks about the sales tax. I am sure he has read the report of the Carter Commission, and I am also sure, from the views he expressed, that he had held them long before Mr. Carter expressed them. I am not saying here that I agree with everything in Mr. Carter's report, but it is interesting to note that he did suggest that the time had come to stop increasing the present federal sales tax. He said, "Let us get it down right away. Let us get it down to seven per cent." This makes sense. Why? Well, I am sure all honourable senators know the effect of the sales tax.

Hon. Mr. Thorvaldson: It is pyramiding.

Hon. Mr. Grosart: Senator Thorvaldson says that the sales tax has a pyramiding effect. I would say that in most cases it adds to the burden of the tax by perhaps 100 per cent. The manufacturer starts it off by marking up his product 10 per cent. There then follows a distribution markup of 15 per cent or 20 per cent, and then a retail markup of 30 per cent or 40 per cent. It is hard to think of a case where this increase of one per cent in the federal sales tax would not increase the burden on the public by two per cent.

The Carter Commission Report said: "This is not the way to proceed. We would like to see some equity in this principle of taxation. Let us get it down to seven per cent. Let us start making a move in the right direction." Instead of that we are faced with a proposal to go the other way and once again raise the federal sales tax.

The inequity of the situation before us, as I see it and as I have indicated—and I hope proved to the satisfaction of the majority of honourable senators—is that the sales tax increase is absolutely unnecessary.

I refer again to the table, and it is the full Government estimate of the amount required to be paid out in relation to the guaranteed income supplement. The full amount is here. Balanced against the projected $286 million plus income supplement payment out of the fund each year until 1971, do we find that we have all the money we are asked to vote today? No. We find that we only have that part that is to be raised by one of the amendments before us. I say that if it is not a clear case of political legerdemain, for what purpose I know not, then I would not recognize one if I saw it.

I had intended to trace the history of the old age security tax, because it does have a bearing on what I have said. However, I appreciate the fact that we are governed by a timetable today, and I will omit that portion of the remarks I had intended to make, except to remind the house that the old age security tax itself has risen over the years from the well remembered 2-2-2 formula, being 2 per cent sales tax, 2 per cent corporate tax, and 2 per cent individual income tax. The ceiling has also risen over the years. Today it is 3-3-4 with a ceiling of $120. The purpose of this amendment is merely to raise the ceiling, as Senator Hayden pointed out, to $240. This, as I have said, will raise all the money that is required. Again I say the sales tax increase is shown to be absolutely and completely unnecessary.

Honourable senators, these being my views, I cannot in conscience as a member of the Senate Committee on Aging, accept this unfactual claim that the taxes contained in this bill are now a necessary consequence to the guaranteed income supplement that we recommended. I cannot in common sense support the imposition of certain taxes in the name of the old age pensioners, taxes which are not going to be used for their benefit, and I cannot in any circumstances vote for an increase in the federal sales tax as presently

administered. For those reasons I do not support the bill.

Hon. Salter A. Hayden: Honourable senators—

The Hon. the Speaker: If the honourable senator speaks now it will have the effect of closing the debate.

Hon. Mr. Hayden: Honourable senators, may I first deal with something that my friend Senator McCutcheon posed yesterday. He asked where these increased payments would come from. When I suggested that to the extent of $135 million they would undoubtedly come from the Old Age Security Fund, my friend questioned what I had said and stated that he thought it had been indicated that it would all come out of the Consolidated Revenue Fund.

Hon. Mr. McCutcheon: I was wrong.

Hon. Mr. Hayden: Yes, you were wrong. In fact, all old age security payments including the guaranteed income supplement will be charged to the old age security account in the Consolidated Revenue Fund.

To deal with what my friend Senator Grosart has discussed, I will make the general observation, and I hope I can demonstrate it, that first I do not profess to be an expert in accountancy. Also, on the basis of what Senator Grosart has said today, I would be prepared to reach the conclusion that he does not profess to be an expert accountant either. Within that limit, as one non-expert to another, may I make certain answers to what he has said. First of all, he refers to the report of the aging committee of the Senate.

Hon. Mr. Grosart: Committee on Aging.

Hon. Mr. Hayden: Committee on Aging. Well, the other part of it is currently going on and will ever continue to go on; there is no way in which we can stop that process, not only in the Senate but anywhere.

First, the basis of that report was to determine a minimum income for people in Canada, our senior citizens, on the basis that they had no other source of income. Finally, in the reference which my friend made to the report, the committee took a figure of 560,000 persons in Canada who might be in that position. It then roughly multiplied it by $400 a year as being the kind of supplement needed to reinforce or supplement the $75 a month, and arrived at an estimate of $225 million. My friend was trying to use this $225 million as a springboard to suggest that when a figure is now presented of an estimated cost or additional pay-out of $280 million, that we are at variance with the report of the Senate committee and we are asking for too much money.

It is true that later he went on to suggest, in what I would say was a sort of apologetic way or an afterthought, that there were some differences between the plan before us and what the Senate committee had looked at. Well, there were substantial differences. The substantial difference was that the Senate proceeded on the basis in its calculation that the persons who were going to receive this money had no other income.

Now, in the plan before us the basis is not only that category of persons which will not be reduced at all from the estimate which this Senate committee made, but also an additional category of persons who have some outside income; and while the Senate committee in its report suggested that for every dollar of outside income a dollar should be taken from the $30 supplement, the guaranteed income supplement as enacted by this Parliament, and for which provision of money is being made here, provides substantially in a different way. It says that for every $2 of outside income that such an eligible person has, the $30 shall shrink by $1. Therefore you have two categories of people covered by the plan, which is the law, and you can readily conclude that the amount of an estimate which is based on no outside source of income must be increased.

The increase may be the amount between $225 million and $280 million; it may be of that character. So I say that the Senate report does not provide a springboard for criticism. It may provide a basis for attempting an estimate of the overall amount of $280 million. In the absence of any more particular calculations that we have at this moment, it would readily appear that an increase cost of perhaps roughly $50 million or $55 million is not too great to take care of the additional people with outside income who will qualify for some part of that $30 a month.

I come now to the more interesting point of my friend's remarks. He talked about political legerdemain. I would expect him to make use of expressions like that. Perhaps there was a time I might have done so myself. I am trying to be objective in dealing with this bill, and therefore I shudder a little when my friend speaks about political legerdemain in connection with figures, because he is not an accountant, nor am I, and we may both be

within 150 miles of what is the accurate situation.

Let us analyze the situation as to whether there was need for this full payment of $280 million, or whether there was need for some part of it, and how much of it, and whether people are being taxed—under the guise of needing this extra money in order to take care of this guaranteed income supplement—for some other purposes for which the Government may require money.

All money from taxes goes into the Consolidated Revenue Fund. This old age security account is an account within the fund. This does not mean that every dollar that comes from tax impositions to provide for old age security is put into an old-fashioned tin box or a modern safe and is locked away and that when they have to make a payment they go and take the money out. All the money goes into the Consolidated Revenue Fund, and the old age security account is entitled to a credit in that account for so much money.

To me it seems to be simple arithmetic, even if I am not an accountant, that if I have to draw on my Consolidated Revenue Fund for $280 million more than I expected to have to draw, then unless I supplement the income of the fund by an equivalent amount, if the Fund is in deficit I am increasing that deficit.

True, this paper book account, the old age security account, within the fund, has a credit balance. When we take the increase in the ceiling on personal income tax to provide an additional amount labelled for that fund, we add more, or more credit is put into that fund; but the money goes into the Consolidated Revenue Fund and when it is paid out it is paid out of that fund.

It is simple arithmetic to say that, if you pay out another $280 million, and you do not put in $280 million, you have lessened your fund by that amount, in the middle of a term, and in this manner, when your calculations have not allowed for such treatment.

Senator Grosart has suggested that this bill attempts to get additional money for the Consolidated Revenue Fund and for Government purposes under the guise of the need of this money to make these old age security payments. I think that is an unfair statement, but politics being what they are, I suppose that if the opportunity occurs and you have some peg to hang it on, it is quite an easy statement to make.

It is very clear from the bill, and it is very clear from everything that the minister said, that the $155 million being produced by the one per cent increase in sales tax is not going to the credit of the old age security account: it is going directly into the Consolidated Revenue Fund. It is also very clear from every statement that the minister made, that in order to maintain the equilibrium that heretofore existed in the Consolidated Revenue Fund, between cash inflow and cash outflow, he would disturb that if he did not find a way to get as much additional money in as the additional money he was paying out.

We may disagree on accounting language to describe this, but it is clear that the minister has not at any time said, nor has any such representation been made to the public, that the $280 million is necessary to be raised in order to pay $280 million under the old age security payment—another $280 million.

The minister has not said that. He has said, "If I put $135 million to the credit of that old age security account, there will be enough credit in that account. But if I do that, then there will be not only that $135 million but there will be another $155 million in all, paid out of the Consolidated Revenue Fund in order to take care of this increased supplement; and I want as much money coming back in. I do not want at this time to increase my cash deficit in the Consolidated Revenue account."

In those circumstances, I suggest there is no basis upon which it can be suggested that this is an attempt, under the guise of taking care of this increased supplement, to levy taxes for general purposes. The purpose is stated very clearly by the minister. Whether one agrees with that purpose or not, or agrees that the taxes should be increased at this time, is another matter. Whether one says that we should face an increased cash deficit, we should face borrowing of additional money in order to take care of this instead of making this increase in taxes, that may be a perfectly legitimate comment. Then it would be a matter of the judgment of the minister and of the Government charged with responsibility of deciding which course you are going to take, to supplement the Consolidated Revenue Fund by another $280 million. Are you going to increase the taxes; are you going to present a larger cash deficit, or are you going to borrow more money? The Government has chosen the method of an increased tax. While some may disagree with it, that is the method that those who are charged with this responsibility have decided to follow. It is legitimate to criticize it, but there it is.

Honourable senators, I think I have covered the points which were raised by Senator Grosart. In the circumstances, however, I should say at this time that I think the bill should go to committee where the points which have been raised can be developed in the course of discussion there.

The Hon. the Speaker: Honourable senators, it is moved by Hon. Mr. Hayden, seconded by Hon. Mr. Bourque, that this bill be now read the second time. Is it your pleasure, honourable senators, to adopt the motion?

Hon. Mr. Grosart: On division.

Motion agreed to and bill read second time, on division.

REFERRED TO COMMITTEE

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden: Honourable senators, I move that the bill be referred to the Standing Committee on Banking and Commerce.

Even though I may be slightly out of order, may I suggest that the committee, having agreed this morning to resume when the Senate rises, meet at 2 o'clock this afternoon.

Motion agreed to.

Hon. Mr. Connolly (Ottawa West): I would suggest that the Senate do now take recess, to reassemble at the call of the bell at approximately 4 o'clock this afternoon.

The Senate adjourned during pleasure.

At 4 p.m. the sitting was resumed.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS BILL, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

Bill read first time.

Hon. John J. Connolly moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE

Ottawa

10 March 1967

Sir,

I have the honour to inform you that the Hon. J. R. Cartwright, M.C., Puisne Judge of the Supreme Court of Canada, acting as Deputy to His Excellency the Administrator of the Government, will proceed to the Senate Chamber today, the 10th March, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,

Sir,

Your obedient servant,

A. G. Cherrier

Assistant Secretary

to the Governor General.

The Honourable

The Speaker of the Senate

EXCISE TAX ACT AND OLD AGE SECURITY ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Arthur L. Beaubien, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-268, to amend the Excise Tax Act and the Old Age Security Act:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Beaubien (Provencher): I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Beaubien (Provencher), for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-268, to amend the Excise Tax Act and the Old Age

Security Act, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Beaubien (Provencher): Honourable senators, with leave of the Senate, I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

INDIANS OF CANADA

STATUS IN CENTENNIAL YEAR

Hon. James Gladstone rose pursuant to notice:

> That he will call the attention of the Senate to the status, in this Centennial Year, of the Indians of Canada.

He said: Honourable senators, in this year of 1967, we are hearing much about the Centennial of Confederation. This is the year to celebrate, we are told, because Canada has experienced one hundred years of nationhood. Those in my constituency have joined in these celebrations, even though we did not become a part of Canada until 1870 and did not become a province until 1905. But we recognize the need for a Canadian identity and a need to have some basis for pride in our country. It is unlikely that the Centennial will bring about much unity in our divided nation, but perhaps the movement of so many travellers during Expo '67 will provide a better understanding of the problems on both sides.

The grants given to assist local Centennial projects have been wisely spent in my corner of Canada. In the Lethbridge area we have a large Japanese population, made up of those people who were shamefully uprooted from their west coast homes in 1941, during the panic following Pearl Harbour. These Canadians—and they are true Canadians —have been important to the economy of Southern Alberta and it is fitting that Lethbridge choose to honour them during Centennial year. The wonderful Japanese garden that has been created in Lethbridge would be an asset to any Japanese community. Besides having a practical value as a park area, this garden pays tribute to a once-abused segment of our Canadian population.

My own people, the Indians of Canada, have been invited to join the Centennial celebrations. There is an Indian pavilion at Expo 67 containing displays prepared by Indian artists, and during the year attractive Indian girls from all parts of Canada will be there to tell about their people.

In other parts of Canada, Indians are using their Centennial grants to build community halls, sports and recreation areas, while others still are planning Indian celebrations and pageants for the occasion.

There are other Indians, however, who refuse to join the Centennial celebration. They are disillusioned by the way they have been treated by the Government in Ottawa and they say, "What have we to celebrate?" A century ago many of my people were free, independent and lords of vast territories. Then came the white man with his hunger for our land and his disregard for our rights. He seemed to want everything we had.

I recall the remarks of an old Indian at Sault Ste. Marie, when prospectors were staking uranium claims a few years ago. "The white men came long ago", he said, "and took all our beaver and other furs. Then they came back, built a sawmill and took all the big trees. Later they built a sawmill and took all the little trees. Now they are coming back for our rocks."

This is the way many of my people feel. On the Cold Lake Reserve in Alberta, the Indians formed a centennial committee—not to put on a pageant or build a hall, but to voice their complete lack of trust in the Government. "Give us back everything you stole from us," is the tone of their meetings. "Let that be Ottawa's centennial project," they say. Rightly or wrongly, the people at Cold Lake feel they were not properly treated and not compensated for the valuable lands given up by the treaties in the 1870's. They feel that in matters of mineral rights, timber lands, fishing and hunting rights they have been robbed by the Government.

You can call these claims unreasonable. You may say that they have no legal basis—yet, the fact that the complaints exist is an indication that something is wrong. Over the years the Government has built up such a solid wall of misunderstanding that now there is only distrust and suspicion.

For generations the Government acted as though the Indians were dying out, and the less they did the better. They seemed to be acting as caretakers of a dying race. Then the Government began to realize that perhaps the

Indians were not going to die off, and they should start to do something worthwhile. Much needed health and educational services began to appear after the Second World War, and the Government started to take more interest in welfare, housing and employment.

Now we seem to be going from one extreme to the other. Now we have competition to see how fast the Indian can be integrated into the Canadian community and how fast his way of life can be changed. For generations nothing was done to help us to take our place in your society. Now many people seem to expect it to happen overnight.

A couple of years ago someone mentioned doing away with the reserves. More recently, the Ontario Government said that before long the Indians will not want their reserves! This is ridiculous!

People who talk about doing away with reserves are really talking about getting rid of the whole Indian culture. The Indian's way of life is based upon his reserve. It was not always by choice; it was the Government that put us there. We often had to make changes in our daily lives so that our old culture could fit in with the life on the reserves. But we have done it. It may look like an underdeveloped wasteland in some areas, but it is our home—the home the Government gave our ancestors.

If the young people want to leave and lead a different life in the city, that is their business. But there are many who could have successful careers right on their own reserves. I know one of the councillors on the Blackfoot Reserve who made over $20,000 last year at farming. Down home we have ranchers who are just as well off as anyone else. If the reserves disappear during this century, or even the next, it will be because my people were forced into making these changes. Most of you here would have to go back twenty generations or more to reach the stage my people were at one or two generations ago. And yet, we are expected to make this big jump in a short time.

Many young Indian people are doing well for themselves these days. There are teachers, lawyers, doctors, nurses and businessmen. But at the same time, there are others who cannot read, or know only the life of the bush. We, the Indians of Canada, are progressing according to our individual opportunities and desires. Some may be ready for integration today, and others may never be ready. However, do not be fooled by judging the Indians by the fastest or by the slowest.

People talk about the Indian drinking problem, and I have seen examples of this on the reserves I have visited. But is drinking really the problem itself, or is this just the result of the confused and terrible situation which faces my people? Do they drink just for the fun of getting drunk, or is this a way of escaping from the impossible problems of their lives?

When liquor was first given to the Blackfoot they wouldn't even take it! They called it *napi-oki*—white man's water. Drinking did not really become a problem until the 1870's when the buffalo started to disappear. The buffalo had provided food, clothing and religion. Take it away, and what was left? These people could see this situation, so they drank to forget.

That was the beginning of the confusion which the white man brought to us ever since. It was followed by starvation, by putting us on reserves, by taking away our pride and initiative, by taking away our children, by sending missionaries and doing away with our old religion. Each change added to the confusion. Some Indians accepted the new ways but many could not.

People complain about the Indians living too much in the past. Why shouldn't they? Very often the only sensible way of life was the one that is now gone, never to return. All that many of them have today are the promises of the treaties and black memories of Government inaction. The treaties are often the only bridge between the old and the new. The promises made, or the promises implied, by the Queen's representatives were the foundations of our present reserves.

The treaties go all the way back to Colonial times when the British recognized that the Indians had title to the land. Each time settlement moved into the frontier the rights of the Indians were taken into consideration and treaties were made. After Confederation the Canadian Government continued this practice with a series of treaties in western Canada. My own people signed Treaty No. 7, the Blackfoot Treaty, in 1877. Only on the west coast were no treaties made. There the old colony of British Columbia did not recognize Indian rights, and there has been trouble over this question ever since. In my opinion, the Indians of that province were cheated and it is the responsibility of the Government to settle this matter. I hope that this will be done through the Indian Claims Commission, whenever it is formed. For that matter I hope the commission will be able to look into many questions dealing with the treaties and

land agreements. In some cases an unfortunate chain of circumstances has left Indians in a poor situation. In many other instances a lack of good faith on the part of the Government has been responsible. These are matters which have been the basis for distrust and hard feelings for many generations, and should be settled once and for all.

There are some areas in which the Government has done much good for the Indians. I think that health services are one of the most important of these. In Treaty No. 6, in 1876, the Commissioner said:

> A medicine chest will be kept at the house of the Indian agent, in case of sickness amongst you.

This was the beginning of our health services. It was a reasonable provision, for it was similar to the medical aid available to white settlers at that time.

In the years that followed, however, the health services for Indians slipped far behind. Our people were steadily dying off from tuberculosis and many other diseases. On the Blood Reserve the population fell from 3,500 in 1881 to 1,100 in the 1920's. The infant mortality rate was far above the national average, and each year the deaths far outnumbered the births.

For us in the West, I think the big change came in health services with the construction of the Charles Camsell Hospital in Edmonton just after the Second World War. At first some of my people were afraid to go there, because in the past if a person had tuberculosis there was little hope for him. But when they saw how the Camsell Hospital was helping others, pretty soon the hospital was crowded. This is a good lesson which some of the present officials have forgotten. They are in such a rush to get us integrated that they do not give us a chance to study their new ideas and accept them ourselves. If the Government had tried to force the Camsell Hospital on all Indians who needed medical attention, I am sure they would have failed. Instead they said, "Here is the service—see how it works and decide for yourselves." Today the situation is so good among the Indians of Alberta that the Camsell Hospital is turning its attention to the people in the Northwest Territories.

Another area in which we have made great advances is education. Here, however, we have a more confused picture. Much of the early education was in the hands of the churches, and often their main interest was in educating children to be good followers of their particular faith. On the other hand, there were some dedicated teachers who, through their own efforts, gave wonderful opportunities to our young people. Around the turn of the century we had a teacher from Ontario named Miss Wells, who worked with the young girls. The effects of her teachings and her example are still evident on my reserve today.

Unfortunately, such persons then and today are rare exceptions. In places where we still have unintegrated Indian schools, we often must settle for second-rate teachers. There are good teachers too, but these are the precious few who accept the challenge of teaching in an Indian school. Most of them are there because they cannot get anything better.

Over the years the Government has tried all kinds of educational methods. First, they built industrial schools away from the reserves. Then they had small day schools right in the Indian camps. After that they had church residential schools on the reserves, and in recent years they introduced integrated education. This includes the sending of young students to daily classes in nearby towns and the boarding of older students with good white families in the cities.

It is interesting to note that our first schools were similar to the vocational schools of today. These schools taught us trades and gave us lessons on getting along with the white people. I attended the Calgary Indian Industrial School for three years and during that time I was taught the trade of a printer; I worked on a few nearby ranches and learned my regular lessons.

We also had a first-rate soccer team that could beat any white team in the district. Many graduates of these schools were able to live comfortably either on or off their reserves and were well versed in practical subjects.

I think the Government made a great mistake in the early 1920s when they closed all the industrial schools and decided to build residential schools on the reserves. This resulted in segregating us from the outside world. There were seldom any opportunities to mix with white people and our whole world was confined to the boundaries of our reserves. No wonder the graduates of such schools during the past forty years have turned their backs on the white man's way of life. I think that if the industrial schools had not been closed, we would not be confronted

today with the same kind of discrimination problem that faced us in the past years.

Nowadays the situation is different from the days of church-operated residential schools. The Government has placed great emphasis on integrated education and already we are seeing some good results. More students are going on to university while others are finding good opportunities away from their reserves.

Although progress has been made in education and health services, some of the other problems are far from being solved. Some of these problems are based on the differences in our outlook and our way of life. But others are the direct result of Government mishandling of our affairs.

For example, our old method of choosing chiefs had worked well for us. Perhaps it was a good idea to gradually change to a democratic elective system, but the way the Government handled it in some areas caused considerable suspicion and mistrust. For instance, if the Indians of the Six Nations Reserve near Brantford had been told of the change that was contemplated in their system, some harmonious arrangement could have been worked out. They could have gradually replaced the old tribal chiefs and councillors as they passed away. Instead, the Government abruptly ordered the change in the tribal council without consideration of the Longhouse customs. This resulted in two sets of chiefs—the old tribal leaders and those elected under Government supervision—and caused a great upheaval on the reserve.

On my own reserve our agent asked us what we wanted to do. We asked that no change be made among chiefs and councillors who were still alive, but that we would elect new ones on the new system as the positions became vacant. This was back in the 1930s. So we eventually elected six councillors under the new system, and the changeover took place quietly and peacefully. Now we have the elective system on almost all reserves in Alberta and the majority of Indians are pleased with it.

There is another kind of problem which is facing many Indians today but, happily, the Government seems to be handling it fairly well. A great number of Indians are moving to the cities and towns to get jobs, and they often need help in getting re-established. The Government has conducted upgrading classes, paid for vocational training courses, and hired placement officers to help Indians find work. Now, I understand further help may come to those who need to buy houses and receive other help in getting established. This is a much different program from the disastrous Relocation Program started in the United States, where the sole object seemed to be to force as many Indians off their reservations as possible. Here in Canada the Government has made a service available to those who want to leave their reserves but has not tried to push out any who are unwilling to leave.

I think much credit should also go to some provincial governments, cities, and organizations like the Indian-Eskimo Association of Canada, who have been a tremendous help to the Indians.

I hope, honourable senators, that some of my comments here today do not seem too contradictory. On one hand, I say there is a need for my people to progress and take responsible places in society. On the other hand, I say to the Government: Stop pushing us! What I say is true: My people must progress in order to survive, but we must do this gradually and at our own speed. You cannot force this upon us overnight. Give us the opportunities, and let us take advantage of them as we feel ready for them. Some will move ahead rapidly and some will not move at all; but do not force us along this rocky road of integration, for you have not taken away all of our pride and some of us can still balk. This we will do if we feel you are trying to stampede us. Help my people to become first-class Indians, not second-class white people!

I certainly hope that we can commence this second century of nationhood with a better understanding between Indian and non-Indian. By taking the responsibility for more and more of our own affairs, we are learning to work side by side with our white neighbours. I predict that before long some of our young men will also be elected to the other place and will be able to pitch in and help govern this nation of ours. This is my hope for the century ahead.

In conclusion, honourable senators, I wish to thank the Government for setting up a Department of Indian Affairs. We have always resented being part of Citizenship and Immigration, for we are neither new citizens nor immigrants. The formation of the new department is an indication that the Government recognizes that our problems are indeed important to the Government of Canada.

Hon. F. W. Gershaw: Honourable senators, we are indebted to Senator Gladstone for bringing up this important subject at this time.

The Right Honourable Arthur Meighen frequently said in this chamber that one of the great duties of this chamber was to look after the rights of minorities in this country. I think you will agree with me that the white people of Canada have a conscience, and I think that conscience is bothering them a little over the treatment of the Indian race in this country.

In 1492 Christopher Columbus, hoping to reach the riches of Cathay, with all its spices, silks, precious stones and gold, sailed westward. After two months and nine days he landed on some land that is now America, and saw people with straight black hair, high cheek bones and copper-coloured skin. He thought he had reached the shores of India and called them "Indians," and that name has stayed with them ever since. It is estimated there were about 13 million Indians in North and South America at that time, and about one million of them north of the Rio Grande, with probably 200,000 in Canada. These Indians were scattered over a great area and 250 different languages were spoken. Some of them settled near the water and became fishermen; some spread over the forests and planes and became children of the prairies. They would pitch their tents at a stream in the prairie or clearing in the forest and live there while there was food, living on the products of the chase, and then when food became scarce they would move on to some other place.

Champlain thought they were without religion and without law, but even at that time there was a form of religion. They believed in good and evil spirits. They worshipped the sun and the moon. They believed in demons and ghosts and in a Superior Being. Champlain felt his one important duty was to Christianize the Indians. He said that the saving of the soul is more important than the gaining of an empire.

In about 1615 he got some of the Recollect Fathers to come out. Ten years later he got some Jesuits to come out. The record of those heroic dedicated priests forms a bright page in the annals of the glorious sufferings and sacrifices that have been recorded.

They paddled all day—this was work to which they were not accustomed—and they walked through the mud, the underbrush and the sloughs in unsuitable clothing. They were blamed for everything wrong that happened. They slept in wretched tents and wigwams, and ate revolting food.

Despite all this, they pressed on with their mission of mercy and they accomplished a great deal. They christianized a large number of the Huron Indians, but unfortunately the bloodthirsty Iroquois came with their tomahawks and guns and destroyed most of the converts in the Huron race.

In those days the fur trade was the great occupation of the Indians. It was a good occupation. The Indians would kill the fur-bearing animals, and the Indian women in addition to cooking the food would prepare those skins for the market.

Two European explorers, Radisson and DesGroseillers discovered that the best furs were up in the north. They went up to the area of Hudson Bay and came back with a cargo of choice furs. The Governor of France decreed that they should not own those furs, and took most of them from them. Radisson and DesGroseillers then went over to the English, and the Company of "Gentlemen Adventurers of England trading into Hudson's Bay" was formed. That company was given control of that tremendous area of land that is drained by the streams flowing into Hudson Bay. They looked after that for about two hundred years, which were happy years for the Indians. There was contentment. Food was plentiful. The Indian peoples trapped the fur-bearing animals and they lived off the buffalo. The buffalo herds at that time were so numerous that during certain seasons of the year the ground was covered by them as far as the eye could see. The buffalo provided clothing, food and shelter for the Indians.

Things went along very well until, as the honourable senator has mentioned, 1870 when the blow fell. The Hudson's Bay Company, perhaps without any legal or moral right, sold its great territory for 300,000 pounds and one-twentieth of the land which was chiefly around their trading posts. That was a very sad day for the Indians. The fur-bearing animals were scarce; the buffalo were gone, because of repeating rifles and fast horses. The Indians could not make a living at farming, and neither could the white people at that time. The condition of the Indians was really precarious, and in some places it has remained bad ever since.

As Senator Gladstone has indicated, while some Indians have done well—and here I may say that he and his son Fred, whom I

happen to know, are highly regarded as ranchers in the district in which they live—a great many Indians live in deplorable conditions and are suffering a great deal.

Away back in 1534, Jacques Cartier sailed through the Strait of Belle Isle, across the St. Lawrence, and landed on the Gaspé Peninsula. He erected a large cross there bearing the emblem of France. The Indian chiefs there at that time were a little resentful and doubtful. They feared that the white people were going to take away their land and, truly, that is about what happened.

Who owned the land? It was recognized that the Indians owned the land. They have been here twenty or thirty thousand years. They probably came long years ago in different groups from the heart of Asia across the Bering Strait, over the ice in winter and in boats in the summer, and then worked their way down through the continent. Of course during the frigid ages, during the ice period, they could not come, but about 11,000 years ago conditions were favourable and it is believed that then, and even before and since, these people made their way from the heart of Asia and spread over this continent in large numbers. They probably owned the land. At least it is sort of recognized that they did, because, as has been said, a series of treaties were made.

I have read of the treaty that the honourable senator spoke of which was signed in 1877 at Crowfoot Crossing near the centre of Alberta, just seven years after the territory was given up by the Hudson Bay Company. The Indians were provided a reserve of their own, a section of land for each family of five and certain other rights, but the Indians claim that that treaty has not been lived up to. The ammunition money has never come through; roads have been built, and the railway went through that reserve but they got no compensation for it. Also certain sections of land have been taken out of the reserve without any pay for the Indians, so that they are very much dissatisfied and probably have reason to be.

Many commissions have visited the Indian reserves. The Government has made many efforts to see what could be done, but still much remains to be done and we are hopeful that something will be done in the near future.

The Minister has outlined a program which probably would have a good result. First of all he says that we should take an inventory of the assets of the Indians. Some reserves are good and the Indians there are wealthy; some are no good and the Indians there are poor. Some in the north, as has been said, have no land at all. These Indians did not live in buildings or on lots or even on quarter sections; they were nomadic and spread all over, but the assumption should be that all the territory belongs to the Indians and all should get some benefit from it.

However, it is proposed to take an inventory first and then to make plans as to what can be done. These will be plans to increase productivity, to perhaps bring in industries, bring in more cattle and produce more agricultural products. The Indians might be supervised, but they would do that work themselves.

There have been very outstanding Indians in times gone by. For instance, there have been such Indians as Pauline Johnson, Crowfoot, Red Crow and Big Bear, Tecumseh and others. There are very many of them, very able men, and in order to improve their conditions it is hoped that the Indians themselves will take charge and, with some guidance, be given the management of their own affairs.

Loans will be made available so that there will not be the unemployment, poverty and want which is so often seen in many reserves at the present time.

Because of the measures which have been very successful lately, tuberculosis has pretty well been stamped out. The Indians numbered about 100,000 at the beginning of the century. There are now over 200,000 Indians. They have increased more rapidly than many of the ethnic groups in Canada. They need still more health inspectors on the reserve, which is their home, and they need more education and of course guidance along management lines.

It is not likely that they would ever be assimilated. They can retain their own traditions, of which they are very proud, and they can cherish the highest ideals; they can help, with the Government's assistance, to make things happier for themselves and for future generations of Indians.

On motion of Hon. Mr. Macdonald (Cape Breton), debate adjourned.

PENSION BENEFITS STANDARDS BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-221 respecting pension plans organized and administered for

the benefit of persons employed in connection with certain federal works, undertakings and businesses.

Bill read first time.

Hon. John J. Connolly moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable John Robert Cartwright, Judge of the Supreme Court of Canada, Deputy of His Excellency the Administrator of the Government of Canada, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Speaker of the Senate said:

Honourable members of the Senate:
Members of the House of Commons:

I have the honour to inform you that His Excellency the Administrator of the Government of Canada has been pleased to cause Letters Patent to be issued under his Sign Manual and Signet constituting the Honourable John Robert Cartwright, Puisne Judge of the Supreme Court of Canada, his Deputy, to do in His Excellency's name all acts on his part necessary to be done during His Excellency's pleasure.

The Commission was read by the Clerk.

The Honourable the Deputy of His Excellency the Administrator was pleased to give the Royal Assent to the following bills:

An Act to amend the Small Businesses Loans Act.

An Act to incorporate The North West Life Assurance Company of Canada.

An Act to provide for the payment of a retiring annuity to the Governor General of Canada.

An Act to provide for the establishment of a Canadian Film Development Corporation.

An Act to provide for the revision of certain salaries fixed by statute.

An Act to provide general incentives to industry for the expansion of scientific research and development in Canada and to effect certain related amendments to the Income Tax Act.

An Act to amend the Fund for Rural Economic Development Act.

An Act to amend the Excise Tax Act and the Old Age Security Act.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Administrator was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, March 14, at 8 p.m.

THE SENATE

Tuesday, March 14, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

THE LATE SENATORS W. RUPERT DAVIES AND A. NEIL McLEAN

TRIBUTES

Hon. John J. Connolly: Honourable senators, since we met on Friday last still another of our esteemed colleagues has been called to his fathers. The last time I saw Senator William Rupert Davies was Wednesday as he stood in zero temperatures on Parliament Hill to pay his last respects to our late beloved Governor General, General Vanier. He had come here from Toronto especially for that solemn event. Now he has joined him in death.

Rupert Davies was born in Wales. He died soon after the feast of St. David and just before the feast of St. Patrick. This season of feasts of the Gaelic peoples was his season, for the Welsh, the Scottish and the Irish Gaels all have a deep-seated affinity, and to be of that company was to him a source of pride and inspiration.

In this house he belonged to a group apart, a group of distinguished writers, editors and publishers—the men of the press. They were and are a good company. In other days they included the first Speaker, the Honourable Joseph E. Cauchon of *Le Journal de Québec,* George Brown, the founder and editor of the *Globe*, and later John Lewis, another editor. William Templeman of the Victoria *Daily Times*, Edward M. Farrell of the Liverpool *Advance* in Nova Scotia, George P. Graham of the Brockville *Recorder*, R. S. White of the *Gazette,* Pamphile Du Tremblay of *La Presse,* W. H. Dennis and later a cousin, William Dennis of the Halifax *Chronicle-Herald,* Jacob Nicol of *Le Soleil* and other papers, W. A. Buchanan of the Lethbridge *Herald*, Norman Lambert of the Toronto *Daily Star* and Charles Bishop of the Ottawa *Citizen* and the Southam chain. And today we have with us of that same distinguished group, such men as Senator Grattan O'Leary of the Ottawa *Journal,* Senator Desruisseaux of the Sherbrooke *Tribune*, and Senator Harold Connolly of the Halifax *Chronicle-Herald.*

Honourable senators, perhaps they all had printers' ink in their veins, but they had more. They brought to our legislative chamber a way with words, a love of language, a savour of the good phrase which could be a rapier or a sword at one time or part of a sublime sonnet at another. They had what Wordsworth called "a choice of word and measured phrase above the reach of ordinary men." Senator Davies' speeches had these qualities and we remember them for the pleasure they afforded us and the interest they stimulated in this chamber.

As a very young man, still in his teens, Senator Davies came to Canada to work as a printer. Here he found scope for his native talent. He made for himself a distinguished career in the field of publishing, radio and television in such places as Renfrew, Peterborough and Kingston. He was a senator for twenty-five of his years. He was an honorary member of the Commonwealth Press Union and of the Canadian Press. Indeed, he was at one time President of the Canadian Press. But he never forgot Wales, the land of his birth. He had a home there latterly, and was appointed High Sheriff of County Montgomery. He treasured that honour, but all the while remained a devoted and distinguished Canadian.

Senator Davies lived to see his family achieve distinction in business, journalism, communications and the field of education. He had a full life, and everyone will agree that he lived it to the end with zest. In reflecting upon that fact I hope his devoted wife and other members of his family will find deep consolation in these days of their sorrow.

On Sunday night I was telephoned and informed that Senator Neil McLean had died. Senator McLean was of New Brunswick. By ancestry he was Scottish and Dutch. Some of his forebears settled in the Saint John River area with other United Empire Loyalists who came north at the time of the American revolution.

In a sense, Neil McLean reversed this process, and for many reasons. One of these was business. His business was the marketing of the bountiful harvest of the sea from the Bay of Fundy and the North Atlantic.

At Black's Harbour the company had its headquarters. It found its markets in widely scattered parts of Canada, on the Atlantic seaboard of the United States, and indeed in many other parts of the United States, as well

as in many foreign countries. In this work with his brother, a member in the other place, Senator McLean was highly successful.

Another reason for his friendship, particularly with the Americans, rose from somewhat of an accident. Campobello was no accident. It has always been there, but the lore of that place which Franklin Delano Roosevelt treasured was in fact an accident of birth, though it grew into an avocation, an avocation which comprised a love of the sea, of sailing, and of the people who lived in the Campobello area. One of these people was Neil McLean. They knew each other well, and visited often, even when F.D.R. was in the White House.

I have said that Neil McLean was of New Brunswick—he was of southern New Brunswick, and that was his designation in this chamber. In one of our last conversations some months ago he told me of a project upon which he was working to preserve some of the old names and build ngs in Hartland, the small town in which he was born.

Neil McLean was a canny trader. This is a common quality in the Saint John valley, as indeed it is in the Maritimes. At trading he excelled, and the list of his business affiliations testifies to his success in business.

Anyone who knew our late colleague would agree that to h m in a special way the adjective "folksy" applied with perfect propriety. He had a capacity for friendship, and in his younger days for fun. Even before he came to the Senate twenty-two years ago he was known well by many parliamentarians. He belonged to a group which included the late Senator Gerry McGeer and the late Arthur Slaght, when they were in the other place. Even on Parliament Hill they were unusual men, they were innovators, they were small "l" liberals as well as large "L" Liberals, but above all else they were individualists.

Perhaps because of this association, as well as because of his business background in his early days in the Senate, Senator McLean spoke about trade and about monetary policy many times. In due time he became Chairman of the Standing Committee of the Senate on Canadian Trade Relations, and he brought to that committee world experts in both fields. This was to the advantage of the Senate and of the Canadian public.

Senator McLean is credited too with exerting no small influence upon events which led to the joining of Newfoundland with Canada. One can understand how this could be. Part of it no doubt arose from a common interest in the fishing industry, but part of it too, perhaps the larger part, derived from the fact that Senator McLean had the human touch of a personality which the warmhearted Newfoundlander could appreciate.

To his wife and the members of his family our hearts go out in the suddenness of their sorrow.

Hon. A. J. Brooks: Honourable senators, I have just listened to a very fine tribute to the memory of two most distinguished gentlemen. It happens all too often that when we are away from the chamber, even for a few days, we return on an occasion of sadness such as at present arises.

We were all very sorry to learn of the passing of two of our distinguished colleagues. As neither one had been ill for any length of time, their deaths came as a surprise to most of us.

Having listened to the Leader of the Government, in his very informative reference to these two gentlemen, there seems to be very little to be added.

I did not know Senator Davies as well as I should have liked to have known him. I saw very little of him in the Senate since I came, but I was aware of the splendid role he played in his chosen career, as a newspaperman and in other communications media.

As the leader has told us, Senator Davies started at the bottom. He came to Canada from Wales as a boy of fifteen and by his ability and perseverance he rose to the top of his profession. He became president and publisher of some outstanding newspapers. He was also president of two companies which own and operate radio and television stations in Kingston and Peterborough. I understand that he was at one time President of the Canadian Press and an honorary life member of that news agency, which I understand he helped to build.

He was a member of the Senate for twenty-five years, as the honourable leader has told us. His interest in its activities was varied and most profitable to us. One has but to look at his contributions in this chamber, when he spoke on a variety of subjects of great importance to Canada and to our people. I might mention a few of his speeches which I have read in *Hansard* of past years—on employment, pipe lines, health, taxation, companies, technical and vocational training, and many other subjects. His remarks were well worth studying and I would recommend them to those new members who had not the opportunity of listening to Senator Davies. Al-

though he left his country, Wales, his birthplace, as a boy of fifteen, he never forgot it. He loved Canada and Canada loved him, but he loved Wales also. He was honoured by the place of his birth. He was vice-president of the Royal Welsh Agricultural Show; he was chairman of the Council of the Order of St. John of Jerusalem for the County of Montgomery, Wales. Last, but not least—a great honour, I understand, in the Old Country—he was High Sheriff of County Montgomery, in Wales, from 1951 to 1952.

Honourable senators, I was better acquainted with Senator McLean. He and I came from the same province; I had known him for over fifty years and we were close friends.

For years he has been one of our outstanding citizens and he was highly respected, not only at his home in Saint John but all over the Province of New Brunswick. He was brought up on a farm in northern New Brunswick. He was a self-made man. As the honourable leader has told us, he was always interested in monetary questions and in finance. I first met him when I as a young man who had graduated from college went to Hampton, New Brunswick, to teach school. In those days there was a small bank there, the Bank of New Brunswick, taken over later by the Bank of Nova Scotia. Neil McLean was the manager of the bank. We roomed in the same house. So I got to know him quite well when I was a young man. Naturally, young McLean left the bank. The small bank was not big enough for him, and he went into business.

As the leader has told us, he was very successful in business. Besides his commercial activities, he took an active part in public life and, as a member of the Senate for many years, made many worth-while contributions to our debates. He talked particularly about finance and fiscal matters, of which he was an authority, although I must say that his monetary ideas were not always agreed with by his colleagues. But they were mostly sound and certainly worth hearing.

His greatest success was in the financial world. He was director of many companies. He was head of Connors Bros., one of the largest fish-packing concerns not only in Canada but in the Commonwealth. He was a director of the Maritime Trust Company, the Crown Life Insurance Co., and the Fundy Marine Insurance Co. He followed many other activities as well. As a matter of fact, he was one of our most outstanding businessmen in the Atlantic provinces.

To the families of the two departed senators I join with the honourable Leader of the Government in extending our most sincere sympathy.

Hon. W. Ross Macdonald: Honourable senators, I would like to add a few words to what has been said so eloquently by our leaders. I am speaking not only because of my close friendship with Senator Davies, but also because he had very close ties with my home City of Brantford.

It was to Brantford that he came when he arrived in Canada in 1894, an immigrant boy. Apart from a few personal belongings, his worldly wealth was 20 cents. It was not long before he got a job with the Brantford *Expositor* at $1.50 a week. It was at the *Expositor* that he learned the printing trade. From then on his life history reads like an Horatio Alger success story.

Senator Davies had an exciting, successful and inspiring life. Within ten years he was Editor and Publisher of the Thamesville *Weekly Herald* in Western Ontario. From there he went to Renfrew where he purchased the *Mercury*, a larger Ontario weekly. From there he went to Kingston and purchased the *British Whig*, which subsequently he merged with the *Daily Standard*. He entered that merger as vice-president and editor of the *Whig Standard* and in a few years became its president. Within another five years the *Whig Standard* purchased the Peterborough *Examiner*.

As our leaders have said, our late colleague then took an interest in radio. You will recall that at that time radio became a great news medium. He established a company which broadcast from Kingston and Peterborough, and then he formed and developed a television company.

Throughout his life, however, he never lost interest in the first city in which he made his home. How he loved to recall the days when he arrived there with little money in his pockets, and he boasted about and took pride in the fact that he started off with $1.50 a week.

I think probably I was the last senator who saw Senator Davies in Ottawa last Wednesday afternoon. He and Mrs. Davies were coming down the Senate stairs to get in their car to go on their way. I said I would see him next week. He said yes, and as he left me he said, "Be sure to look after Brantford." Little did he or I think that he would not be back with us today.

It was my privilege to attend the funeral service at Rosedale Presbyterian Church. There was a very good representation of senators at that service. If I remember correctly, there were Senator Hayden, Senator Sullivan, Senator Willis, Senator Leonard, Senator Aird and myself. I am sure we were surprised at the large family representation present. I believe the family occupied about one-quarter of one side of the church.

It was a very impressive service. The main service was taken by the minister, the Reverend Ian Mackay, and the sermon was preached by the former Bishop of Toronto, the Right Reverend F. H. Wilkinson. I wish I could have made a note of the remarks which were made. The Bishop, I remember, referred to Senator Davies as being forthright and venturesome; he described Senator Davies as one who thought about things, made his decisions about them and then did them. He was, in other words, a doer.

Honourable senators, I have before me some of the remarks made by the Reverend Ian Mackay. He said we should give thanks for what Senator Davies was able to be and do, "across the many years of his life, within the intimacy of his own home and family circle, as a citizen and churchman, as a leader in business and professional life and in the public service of this nation." The minister went on to say we should be thankful "for the strength and simplicity of his faith, and the warmth and constancy of his love, thoughtfulness, and generosity; for his zest for life," —our leader also used the word zest—"and his keen and perceptive interest in all the affairs of life; for the wisdom and grace with which he adorned the doctrine of God as a faithful and devoted member of his church which he loved and served so long and so well; and as a faithful and dedicated member of the Senate which he graced and enriched by his understanding and devotion to the public good."

Honourable senators, it was indeed a most inspiring service.

I would also like to say a few words about my friend the late Neil McLean. I made the acquaintance of Neil back about 1941 when the Bank Act was being revised. At that time I was a member of the Banking and Commerce Committee and, as the leader has said here tonight, Neil McLean took a great interest in that committee. When financial questions were being discussed in the House of Commons, he followed the debates there with close attention.

I found him a very friendly person. Years later it was my good fortune to share a desk with him for a number of years in this house. Then I learned that he was indeed a true friend, and like many of you I was the recipient from time to time of a very large salmon. He always remembered his friends in the fishing season. Neil McLean must have had some deep feelings of affection and regard. He must have been a warm-hearted man because it is known that he became a friend of the late Franklin D. Roosevelt, President of the United States. I am informed that he was one of the few people who could reach the late President by telephone from time to time.

We will miss him in this house; we will miss both our deceased members. I join with the leaders in extending to their wives and families my very deep sympathy.

Hon. Walter M. Aseltine: Honourable senators, it has been said by our two leaders and by Senator Macdonald (Brantford) that one of our duties here tonight is to pay tribute to two honourable senators who have been our colleagues in this chamber for a long time and who have now passed to the Great Beyond. They were outstanding men; they made a great success of life and were very valuable members of this chamber. I knew both of them well, but I was more intimately acquainted and associated with Senator Davies than I was with Senator McLean. As three honourable senators have already spoken with regard to Senator McLean, I intend to confine my remarks mainly to Senator Davies.

As has been stated, Senator Davies' sudden death was a great shock to all of us, particularly so when hardly a week ago he motored from Toronto to Ottawa to attend the funeral of our late Governor General, and he sat with us some two hours in the Basilica during the ceremony. He appeared to be in perfect health, and I was very much pleased to have a short visit with him and his wife after the funeral and before they left to return to Toronto. He was planning to be in Ottawa today; his death was, therefore, wholly unexpected by himself.

Although Senator Davies came to Canada in 1894 and made his home here and had his business interests here, he also kept a foothold in Wales by purchasing in later years a fine estate on the outskirts of Welshpool in North-Wales where he was born, and he made it a point to spend part of each summer there. After the Coronation in 1953 my wife and I visited him and his devoted wife, Margaret,

in that lovely Welshpool home. It is one weekend we will always remember.

Senator Davies was a journalist and newspaperman of the old school, and the training he had received in the newspaper business made him a very valuable senator. Right up to the time of his death he took a most active part in the work of this house, and he will be greatly missed by all of us.

Throughout his life he stood foursquare for:

Whatsoever things were true,
Whatsoever things were honest,
Whatsoever things were just,
Whatsoever things were pure,
Whatsoever things were lovely,
Whatsoever things were gracious and of good report.

What more can be said of anyone?

His life was an inspiration to all young people who wish to succeed and make something of themselves. He frequently stated that success is not achieved by leaning on social aid, but by working hard and saving money.

Honourable senators, to his dear wife, his sons, his grandchildren and other relatives we extend our deepest sympathy in their great loss.

Hon. G. Percival Burchill: Honourable senators, with the news of Senator McLean's death on Sunday night I was brought to the realization that of the four senators called to the Senate from New Brunswick in 1945 I am the only one left. Senator Pirie died in 1957, Senator Veniot retired last year and now, with Senator McLean's death, I alone remain of that group.

This sad event brings with it feelings of sorrow and sadness. Perhaps more than any other body I know of, the Senate makes us conscious of the quick passage of time with the removal from our midst of many wise and constant friends.

I knew Senator McLean for a great many years. The Leader of the Government (Hon. Mr. Connolly, Ottawa West) and the Leader of the Opposition (Hon. Mr. Brooks) have described with eloquence his achievements and attributes. It is therefore not necessary for me to add much to what they have said.

New Brunswick has lost one of its outstanding businessmen. As Senator Brooks said, Senator McLean started in the Bank of New Brunswick and became a manager of the Bank of Nova Scotia. Then, grasping an opportunity to purchase an old established fish business in New Brunswick, Messrs. Connors of Black Harbour, he and his brother created a modern community in that area and built the business up to such immense proportions that its products are now sold in every nation of the world.

Senator Connolly (Ottawa West) described Senator McLean as a man of New Brunswick. I would say he was a man of Canada, and even beyond its borders. He was a man of the United States, and his many business friends and other acquaintances were to be found in all parts of both countries. On occasion he would speak of his conversations and associations with various individuals in New York and Washington. I believe he was well known all over this continent. In his death New Brunswick has lost one of its foremost businessmen.

I want to join with others in extending to Mrs. McLean and the family my deepest sympathy. In doing so I would like to add that with all his business dealings Senator McLean was interested in many charities in New Brunswick, many more than people realized. I know of many charitable acts of the late Senator McLean. I am sure his right hand did these things without the knowledge of his left.

Senator Davies had also been a member of the Senate for all the years I have been here. He was a wonderful character. I knew him before I was appointed to the Senate, because he used to come to New Brunswick to visit a mutual friend, Mr. Howard P. Robinson, who was at that time owner of the *Telegraph Journal*. Senator Davies was a great friend of Mr. Robinson, and I met him at his home on more than one occasion. Our friendship grew over the years he was a member of the Senate, and it was always a delight to meet him, to listen to him and to converse with him.

I recall that on occasion Rupert Davies used to make vigorous and able speeches in this chamber, as Senator Brooks recalled. This reminiscence might please Senator Grattan O'Leary. When talking about the press on one occasion, Senator Davies described the Ottawa *Journal* as one of the best newspapers in Canada.

In his chosen career his rise was meteoric, as was outlined by Senator Ross Macdonald. His life story should be published all over this nation so that our Canadian youth may see what a young immigrant boy can accomplish in this great land of ours.

I join with other honourable senators in deploring his death; we shall miss him greatly

in the Senate. I extend to his wife and family my deepest sympathy.

NATIONAL AND ROYAL ANTHEMS

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Tremblay has been substituted for that of Mr. Berger on the list of members appointed to serve on the Special Joint Committee on the National and Royal Anthems.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of the Custodian of Enemy Property for the year ended December 31, 1966, pursuant to section 3 of the Trading with the Enemy (Transitional Powers) Act, chapter 24, Statutes of Canada, 1947. (English and French texts).

Report of the Governor of the Bank of Canada, and Statement of Accounts certified by the Auditors, for the year ended December 31, 1966, pursuant to section 27(3) of the Bank of Canada Act, chapter 13, R.S.C., 1952, as amended 1953-54. (English and French texts.)

Copy of Extradition Agreement between the Government of Canada and the Government of the State of Israel, done at Ottawa, March 10, 1967. (English and French texts).

Supplementary Estimates (F) and (G) for the fiscal year ending March 31, 1967. (English and French texts).

Report by the Tariff Board, dated November 15, 1966, relative to the Investigation ordered by the Minister of Finance respecting Machinery and Equipment for Fresh Fruit or Fresh Vegetables, Reference No. 137 (English and French texts), together with a copy of the transcript of the evidence presented at public hearings (English text), pursuant to section 6 of the Tariff Board Act, chapter 261, R.S.C., 1952.

Estimates for the fiscal year ending March 31, 1968. (English and French texts).

Report of the Department of Secretary of State of Canada for the fiscal year ended March 31, 1966, pursuant to section 8 of the Department of State Act, chapter 77, R.S.C., 1952. (English and French texts).

STANDING COMMITTEE ON EXTERNAL RELATIONS

NOTICE OF MEETING

On the Order for Reports of Committees:

Hon. Gunnar S. Thorvaldson: Honourable senators, particularly for the benefit of those who are not members of the Standing Committee on External Relations, and consequently have not received a notice of the meeting, might I remark that the Honourable Paul Martin, Secretary of State for External Affairs, will appear before the committee at 9.30 tomorrow morning. First he will make a statement on NATO. He will then be prepared to answer questions on various aspects of our external relations. I extend a special invitation to all members of the Senate to be present at this meeting.

STANDING COMMITTEE ON IMMIGRATION AND LABOUR

ADDITION TO MEMBERSHIP

Hon. Arthur L. Beaubien, with leave of the Senate, moved:

That the name of the Honourable Senator Hastings be added to the list of senators serving on the Standing Committee on Immigration and Labour.

Motion agreed to.

NATIONAL MUSEUMS BILL

SECOND READING—DEBATE ADJOURNED

Leave having been given to proceed with Order No. 4.

Hon. Douglas D. Everett moved the second reading of Bill S-57, to establish a corporation for the administration of the National Museums of Canada.

He said: Honourable senators, the short title of Bill S-57 is the National Museums Act. Having regard to the cartoon that appeared in one of the Ottawa papers a few days ago in reference to Senator McCutcheon's retirement from this house, which portrayed the Senate as a geriatrics club, I should like to suggest that the newspapers will probably have a field day with the fact that we are introducing here a museums bill. For the benefit of that cartoonist I should like to make one or two observations.

First, there is a considerable breadth of age among the members of the Senate. I am still in my thirties, and although I have been a member of this house for only some four months I should like to give that cartoonist some of my impressions of my older colleagues. I have listened to the forensic art of senators like Senator Grattan O'Leary. I have read of the political acumen of senators like Senator Power. I am aware of the intense concern for humanity by senators like Senator Croll. And, my feelings towards the older members were summed up the other day when I listened to the magnificent speech given by Senator Norman Paterson. Here was a speech that displayed wisdom and experience, and also a youthful faith in Canada that would be the envy of any member of my generation.

Honourable senators, this bill establishes a corporation to be known as the National Museums of Canada. It will comprise a national gallery, a human history museum which includes the war museum, a natural history museum, a science and technology museum which includes the air museum, and other museums which may be added from time to time to the corporation.

The present situation is that the national gallery derives its power from the National Gallery Act of 1913. The museums, as we know them, have three branches—natural history, human history and science and technology—and they derive their powers from the Northern Affairs and Natural Resources Act, but under the 1964 Transfer of Duties Act the control of museums passed from the Department of Northern Affairs and Natural Resources to the Secretary of State.

What are the shortcomings of the present situation? First of all, the National Gallery Act needs overhauling because in it we are dealing with administrative provisions that are 50 years old and which were developed for another era. In that act we find there is considerable overlapping by the national gallery in the areas that are the rightful property of other institutions, and the worst overlapping takes place in the area that is covered by the Canada Council. Since the control of museums was transferred to the Secretary of State there has been no centralized control for administration.

Honourable senators, an examination was made of the Smithsonian Institution in Washington, and this disclosed that what was required was a centralized control of all museums, including even the National Gallery, for it was found that a national gallery is in fact a museum of fine arts. Therefore, this bill repeals the National Gallery Act, and the corporation it sets up will take over the assets of the present national gallery.

This examination of the Smithsonian Institution indicated that a single citizens' board was required, and the board would be able to call upon professional advice. It indicated that proper administrative and financial controls were required.

One of the most important things that the examination indicated was that there should be autonomy in the directors of the various museums and galleries comprising the corporation.

The proposed solution, honourable senators, is found in this bill. It calls for a single board of trustees composed not of experts but of citizens representing the various aspects of Canadian life. This board of trustees can appoint consultative committees of professional people to advise it in the areas in which it is not completely informed. There are four directors: a director of the national gallery, a director of the natural history museum, a director of the human history museum, and a director of the science and technology museum. There is also a secretary-general who will look after financial and administrative affairs.

I should like for a moment to concern myself with some of the detail regarding the board of trustees, the directors, and the secretary-general.

The board is appointed by order in council. It will have a chairman and a vice-chairman, who may be appointed for a maximum term of five years. Two members of the board must be the director of the Canada Council and the president of the National Research Council.

The board itself has ten members appointed for a period of four years, but in order to create a rotation the initial appointments shall be three members for two years, three members for three years, and four members for four years. One provision states that after two consecutive terms, twelve months must elapse before either the chairman or the vice-chairman, or any member of the board, other than the director of the Canada Council and the president of the National Research Council, can be appointed to the same position.

The powers of the board are as follows: They may recommend to the Governor in Council the appointment and salaries of the directors of the various museums. They may also recommend the establishment of other museums. And it is contemplated in this act

that as time goes on other museums, other organizations, will be brought under the aegis of this corporation. This same board of directors may authorize the purchases of objects for the various collections in the museums; they may authorize sales, exchanges and disposals of objects in the collections; and so far as sales, exchanges and disposals are concerned, the recommendation of the particular director of the museum involved is required. The board may dispose of articles in the collection so long as they are not articles that were given to the corporation or under the terms of a trust. In order to facilitate disposals, the Surplus Crown Assets Act does not apply to this particular corporation.

The board may authorize the compliance with trusts. It can accept gifts or bequests. and by virtue of this act is a charitable organization under the terms of the Income Tax Act and the Estate Tax Act. In fact, what we are setting up here is a national trust where people can make gifts and bequests and have an exemption under the Income Tax Act and the Estate Tax Act.

Further, the corporation may make by-laws, with ministerial approval, for the regulation of its proceedings and for the establishment of its consultative committees. It can lay down by by-law the duties of the directors of the various museums and of the secretary-general and for the remuneration of the board and consulters.

So far as the directors of the museums are concerned, there are four: a director of the national gallery, a director of the natural history museum, a director of the human history museum, and a director of the museum of science and technology. The only thing that appears to be important in this act so far as the directors are concerned is that they are given complete charge of the professional matters pertaining to their particular museum.

The secretary-general, who is appointed by order in council, is not permitted to interfere in any way with the carrying out of the powers of the directors. The secretary-general is responsible to the board primarily for the financial administration.

Finally, the staff: There is no specific reference in the act to the staff, and for that reason they come under the Public Service Employment Act.

Honourable senators, this is not a financial bill. Administrative expenses are handled by parliamentary appropriation. Three accounts are to be set up in the Consolidated Revenue Fund. There is to be a purchases account, to which is credited parliamentary appropriations, sales of objects of the collection, interest on funds and to which is charged purchases of objects for the collection. There is to be a trust account to which is credited gifts and incomes from those gifts, and sales in accordance with the trusts, and to which is to be charged purchases in accordance with the terms of the trusts. The third account is to be a special account which will take appropriations from Parliament for the dissemination of materials, reproductions, catalogues, and so forth.

The corporation is not permitted by this act to spend beyond the balance of any one of these accounts. It is in fact a departmental corporation. It comes under the control of the Treasury Board. It is an agent of the Crown, except in the case of legal proceedings, when it becomes like any other corporation. It is audited annually by the Auditor General, and the chairman is required to report annually to the Minister who in turn reports to Parliament within 15 days after receipt of that report.

Finally, honourable senators, we come to what I think is the most important section of this bill, section 5. It outlines the purposes and powers of the corporation, and reads as follows:

> The purposes of the corporation are to demonstrate the products of nature and the works of man, with special but not exclusive reference to Canada, so as to promote interest therein throughout Canada and to disseminate knowledge thereof.

Honourable senators, while we may set up a corporation, and while it may have all the powers to do the things that it should do, it seems to me that we should be concerned really with what it will accomplish. This corporation should strive to accomplish four objectives.

The first, to educate. The operative word in section 5 is to "demonstrate". People are flocking to galleries and museums in unprecedented numbers. This is the age of education. Our citizens want a superior education and they mean to get it. They are educated by books, by lectures, by conversation. However, there is no substitute for education by actual demonstration.

The second objective, it seems to me, is to stimulate similar activities in other parts of the nation. By the end of this centennial year we shall have an unprecedented number of museums and galleries throughout the Do-

minion of Canada. It is one thing to build them, and many communities are doing this, but it is another thing to make them worth while and to make them successful. Many of them are going to need considerable help; they are going to need research, travelling exhibitions, training, and professional and technical help. This corporation is equipped to provide just that.

The third objective which this corporation should have in mind is to enhance our National Capital. It seems to me that the seat of government of a nation should be a place of beauty, a place of considerable interest, and, more than anything, it should reflect the culture of the nation.

Finally, the most important area that I can see for accomplishment for this corporation, is to develop a pride in our country. If we can demonstrate to Canadians the struggle which was involved in creating this country, if we can show the contribution of the many races that make up Canada, if we can cause the people to realize what sort of a future this country really has, if we can compare our cultural achievements with the cultural achievements of the rest of the world, we can help to develop the confidence that makes a country really great.

Honourable senators, this museum bill is a small matter, and yet to educate is to create an understanding. Through understanding we might just move towards truth. To move a nation one inch towards truth is to justify the work of a lifetime.

Hon. A. J. Brooks: Honourable senators, I wish only to congratulate the sponsor of this bill and then to move the adjournment of the debate.

This bill comes as quite a surprise to most members in this house. As there are many of us who would like to study it before commenting on it; I move the adjournment of the debate.

On motion of Hon. Mr. Brooks, debate adjourned.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS BILL, 1967

SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly moved the second reading of Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

He said: Honourable senators, Bill C-277 is certainly a complicated measure from the point of view of draftsmanship.

Before I attempt an explanation, I would suggest that we have in mind that it be referred to the Standing Committee on Banking and Commerce for detailed study.

This bill deals with the fiscal relationships between the federal authorities and the provincial authorities. In a sense it does not affect the taxpayer directly, though it does affect him indirectly. It is not like the Income Tax Act, where the taxpayer is directly concerned with provisions which affect him personally. It is based upon policies which have been discussed in the Tax Structure Committee and discussed also at the federal-provincial conference in October of 1966.

There were six principles propounded at those meetings, which I think can be summarized in this way:

1. That arrangements between the federal-provincial levels should give each level of government adequate access to tax sources to discharge their respective responsibilities.

2. That each level of government should, as far as possible, levy its own taxes by taking into account that the establishment of the nation under a federal constitution creates a very special situation.

3. The principle of equalization grants by the federal Government should be recognized to enable all provinces to provide an adequate level of public service consistent with existing social requirements.

4. The federal authority should at all times have both theoretical and practical authority to discharge its full responsibilities.

5. The federal-provincial arrangements should enshrine the principle of the uniform application of federal laws in every province of Canada.

6. There should be co-operation in the establishment of policies and of priorities in federal-provincial arrangements.

Some provincial programs are of exceptional priority. Education is one of those. To enable the provinces to cope with the national emergency that exists in the field of education, and in which they have jurisdiction, amendments to the Income Tax Act now pending provide for federal abatements in the personal income tax of from 24 percentage points to 28 percentage points and in the corporate income tax from 9 percentage points to 10 percentage points.

This bill does more than that. It includes equalization payments, but somewhat different from those which were originally established in 1956. It includes also special adjustment payments.

Heretofore, equalization payments were designed to assist the poorer provinces. The method used to provide these payments was, first of all, to select certain percentages of the personal income tax, of the corporate income tax, and of the succession duty levels, and to equalize the yield from these three fields to the two top provinces. The method proposed in this bill is to consider all provincial revenues at average provincial rates, to bring the yield in all the provinces up to the national average yield, and then to reduce it to a per capita basis.

Honourable senators, I have caused to be distributed a table which illustrates a comparison of fiscal allocations under the present and proposed new arrangements for fiscal transfers in respect of post-secondary education costs. This table shows in the first part the present arrangements as estimated for the year 1966-67, and in the second part the new arrangements as estimated for the year 1967-68.

If I may have permission of the Senate at this point, Mr. Speaker, I should like to place this table on *Hansard*.

The Hon. the Speaker: Is permission granted?

Hon. Senators: Agreed.

(*The table follows*)

ILLUSTRATIVE COMPARISON OF FISCAL ALLOCATIONS UNDER PRESENT AND PROPOSED NEW ARRANGEMENTS FOR FISCAL TRANSFER IN RESPECT OF POST SECONDARY EDUCATION COSTS

TABLE I

PRESENT ARRANGEMENTS 1966–67 (ESTIMATED)
(millions)

Provinces	Population June 1, 1966	University grants[1] $5.00 per capita (Interim arrangements)	TVT[2] operating and capital	Total allocations
		$	$	$
Newfoundland	0.5	2.2	1.1	3.3
Prince Edward Island	0.1	0.6	0.2	0.8
Nova Scotia	0.8	5.1	4.1	9.2
New Brunswick	0.6	4.0	3.4	7.4
Quebec	5.7	28.9	68.3	97.2
Ontario	6.9	33.4	63.7	97.1
Manitoba	0.9	5.1	4.8	9.9
Saskatchewan	0.9	4.5	4.5	9.0
Alberta	1.5	7.0	7.3	14.3
British Columbia	1.9	8.9	12.9	21.8
TOTAL	19.8	99.7	170.3	270.0

TABLE II

NEW ARRANGEMENTS 1967–68 (ESTIMATED)
(millions)

Provinces	Fiscal transfer[3] re post secondary education operating expenditures	TVT capital "Phase Out"	Total
	$	$	$
Newfoundland	7.7	0.8	8.5
Prince Edward Island	1.7	0.8	2.5
Nova Scotia	13.7	6.0	19.7
New Brunswick	9.5	2.0	11.5
Quebec	106.0	45.0	151.0
Ontario	112.7	40.0	152.7
Manitoba	17.8	5.0	22.8
Saskatchewan	15.6	7.0	22.6
Alberta	30.3	7.0	37.3
British Columbia	30.6	8.0	38.6
TOTAL	345.6	121.6	467.2

[1] Per capita grants in 1966–67 involve use of out of province student factor in calculating provincial allocations. The province of Quebec, under the interim arrangements, receives a tax abatement together with an adjustment grant, the total value of which is equivalent to $5 per capita.

[2] Does not include adult operating or capital expenditures under TVT programs.

[3] The value of the fiscal transfer in respect of post secondary education operating costs was calculated according to which was of greater value to a province: $15 per capita or 50 per cent of operating costs of post secondary education, as illustrated in Table III.

Hon. Mr. Connolly (Ottawa West): Perhaps I should point out that the result of the proposed measure is that heretofore the total allocations in respect of university grants and technical and vocational training programs have amounted to some $270 million, or will, it is estimated, total that in 1966-67. The comparable estimate for the fiscal year 67-68 is $467.2 million, an increase of almost $200 million.

Hon. Mr. McCutcheon: But that is a temporary increase.

Hon. Mr. Connolly (Ottawa West): Yes. Perhaps I could come to that point, because there will be a phasing out of the technical and vocational training program for another reason. May I deal first with post-secondary educational adjustments? Until now federal assistance has been given in the field of education, beginning in 1951 at the rate of 50 cents per head of population in the province. It is now at the level of $5 per head of student population. Heretofore it has been paid to provincially certified institutions at the post-secondary level—that is, above matriculation—through the Association of Universities and Colleges of Canada, formerly known as the Canadian University Foundation.

Under this legislation the payments which are to be made by the federal Government shall be made directly to the provinces, to enable them to expand in the field under the authority they have under Section 93 of the British North America Act. These payments will assist the provinces in dealing with the problems attendant upon their rising costs in higher education.

When I speak of higher education in the context of this bill, I mean education given above the junior matriculation level in courses that are of at least 24 weeks duration and that are designated by the provinces.

It is proposed that the plan come into operation on April 1 of this year and that the amounts to be transferred will be either 50 per cent of the operating expenses of these institutions of higher education or $15 per head of the provincial population, whichever is the greater.

There are, of course, provisions for abatement, and I have already made a short reference to that. The operating expenses, 50 per cent of which will be paid under these federal allocations, will exclude student financial aid costs; capital costs for planning, land, equipment and the like; interest and principal on capital debt; depreciation; any ancillary enterprises like residences, cafeterias, book stores, stadia which may be rented; sports costs and the like; and any rental costs incurred by the universities for buildings.

There will also be deducted from the amounts paid by the federal authority to the provincial authorities any amounts paid for assisted, sponsored or contracted research, or grants from the Canada Council and other similar federal sources.

There is provision in the bill also for a method of determining the operating costs of these institutions. This would include the taking of certificates from the provincial authorities with respect to the amounts of these costs.

There is provision for reports of auditors with respect to the costs incurred for the operation of these institutions.

There is a provision, too, in the event of a failure of an institution to file a return, to enable the federal authority to use such data as seems appropriate for the purpose of making the allocation or grant.

The Comptroller of the Treasury is authorized to require additional reports and information in respect of the program as he may require them, and the payments are to be made out of the Consolidated Revenue Fund.

I have also caused to be distributed to all honourable senators a table showing the basis of calculation of the proposed 1967-68 federal fiscal transfers to provinces in respect to post-secondary education. I would ask permission at this stage of my remarks to be allowed to place this table on the *Hansard*.

Hon. Mr. Aseltine: Is that Table 3?

Hon. Mr. Connolly (Ottawa West): It bears the numeral III. Perhaps I could place the table on *Hansard* now and point out some of the headings that are there.

Hon. Senators: Agreed.

(*The table follows*)

TABLE III

BASIS OF CALCULATION OF PROPOSED 1967-68 FEDERAL FISCAL TRANSFERS TO PROVINCES IN RESPECT OF POST SECONDARY EDUCATION COSTS

($,000's)

Provinces	Estimated population 1	Estimated operating costs of universities 2	Other post-secondary estimated operating costs 3	Total 4	50 per cent of estimated operating costs 5	Value of $15 per capita 6	Amount of proposed fiscal transfer 7	Addition of technical and vocational training capital "Phase-Out" 8	Grand total 9
Newfoundland	515	4,935	1,807	6,742	3,371	7,700	7,700	800	8,500
Prince Edward Island	111	1,489	630	2,119	1,059	1,700	1,700	800	2,500
Nova Scotia	768	22,360	4,976	27,336	13,668	11,500	13,668	6,000	19,688
New Brunswick	634	13,295	2,939	16,234	8,117	9,500	9,500	2,000	11,500
Quebec	5,861	151,615	60,454	213,069	106,034	87,900	106,034	45,000	151,034
Ontario	7,045	179,586	45,909	225,495	112,747	105,700	112,747	40,000	152,747
Manitoba	971	29,035	6,631	35,666	17,833	14,600	17,833	5,000	22,833
Saskatchewan	965	23,471	7,766	31,237	15,618	14,500	15,618	7,000	22,618
Alberta	1,497	43,289	17,397	60,686	30,343	22,400	30,343	7,000	37,323
British Columbia	1,906	53,125	8,126	61,251	30,626	28,600	30,626	8,000	38,626
TOTAL	20,273	522,200	156,635	678,835	339,417	304,100	345,769	121,600	467,389

NOTES:

(1) Includes costs of post secondary courses of study in technical institutes, teachers' colleges etc, and of "senior matriculation" courses.

(2) The arrangement is that the provinces will receive the greater of columns 5 or 6.

(3) Column 7 indicates the amounts to be transferred to the provinces on the basis of estimated total operating expenditures. When actual expenditures are subsequently known, a final settlement will be made with those provinces to which the per cent formula applies.

Hon. Mr. Brooks: These are the same tables as are on the Commons *Hansard*, I take it?

Hon. Mr. Connolly (Ottawa West): These tables are on the Commons *Hansard*, yes. I hope I am not out of order saying that, because we are not supposed to quote them. However, I have put them on the Senate *Hansard* for our own information and guidance.

Honourable senators will see in this Table III figures which are important in respect of the calculation of the amounts to be supplied by the federal authority, because they include the estimated population by provinces, and for each province the estimated operating costs of the universities. Also there is estimated the cost of operating other post-secondary educational institutions.

The total is computed; 50 per cent of the estimated operating costs is computed; another computation is made of the amount that could be transferred, if the province chose to take its allocation on the basis of $15 per capita. Column 7 indicates what the likely choice would be, because the province has an option here. It can take the larger of the latter two amounts.

Then there is also given a column which shows the addition of technical and vocational training costs expected to be incurred in 1967-68, and which indicates that in time these programs will be phased out.

If the provinces should select 50 per cent of the estimated operating costs, it will be seen that the total of the federal transfer would be some $339 million. If the $15 per capita choice is made the total would be $304 million. In fact, the total is more likely to be, because of the options that I have referred to, some $345 million, and that together with the allowance in the technical and vocational training program to be phased out in 1967-68 will be some $467 million.

May I say, honourable senators, that this bill repeats some of the provisions included in the 1961 legislation on the same subject, providing for federal provincial agreements to permit the federal authority to collect the taxes on behalf of the provinces, to enforce deductions and withholding provisions in respect of such taxes as required by provincial law, and to make advance payments to provinces on account of the payments that are expected to be made in the course of the fiscal year.

I am only going to point out that clause 23 of the bill provides for the making of regulations, and for the provision thereby of definitions for such terms as revenue base, revenue source, junior matriculation, post-secondary education, assisted, sponsored or contract research, and operating expenditures. These I will deal with in detail later.

Regulations will also be made with respect to the payments of advances to provinces under the tax collection agreements, and the adjustments, as well as the equalization and stabilization payments to which I shall refer. Regulations will also govern the keeping of accounts and generally they may provide for the due carrying out of the provisions of the bill.

Clause 24 deals with the proposals with respect to contracting out. At the present time the Province of Quebec is the only province which has contracted out of any of these joint programs. Clause 24 provides that any province which before September 30, 1967 should contract out in respect of the health grants program and enjoys a tax abatement therefor shall continue to have that right until the 31st March 1970. In other words there is an extension of this right for a further period of five years.

May I draw your attention, honourable senators, to the provincial revenue stabilization payments. These are dealt with generally in clauses 4 and 10 of the bill. The purpose of these payments is to place a floor to provincial revenues. Generally speaking, the floor—if I may use a layman's expression to describe it—will be 95 per cent of the general net revenue of a province in the fiscal year immediately preceding the year in which the floor has to be applied. The floor means that the federal authorities will guarantee that no provincial revenues will drop below 95 per cent of the previous year's revenue. Certainly, such a guarantee will help provincial offerings in the market when they must resort to the market for funds. The figures for the purpose of computing the stabilization payments are to be the figures as reported to the Dominion Bureau of Statistics, but if a province in any given year should change its rate of taxation in a given area or change the structure of its tax—for example if it dropped the sales tax or some other tax—adjustments in the stabilization payment formula will be required. Sometimes those adjustments must be made over a period of years. For example, in the case of some provinces, if there is a windfall in a given year in respect of the sale of gas or oil rights, then there is provision in clause 10 (2) for making an adjustment that would not affect the provinces too drastically.

Honourable senators, may I deal with succession duty payments briefly. They are referred to in clause 5 of the bill. In a word, the present arrangement continues in force. That arrangement is that a province which levies no succession duties—and there are seven of them since only British Columbia, Quebec and Ontario do levy succession duties—will get the basic estate tax under the provisions of clause 5 (3) of this bill; that is, 75 per cent of the estate tax collected federally in connection with the estates opening in a province. This was the percentage which was agreed on in the federal-provincial agreement of 1964. In 1961 the allocation was 50 per cent.

Provinces which levy succession duties, however—and they are British Columbia, Quebec and Ontario—and do not increase the succession duty rates beyond those in effect on March 31, 1964, get 25 per cent of the estate tax levied federally.

As honourable senators who are lawyers know, in the case of Ontario, estates subject to estate tax get a 50 per cent abatement on their Ontario tax and Ontario gets an additional 25 per cent direct payment. In the case of British Columbia the abatement is 75 per cent.

Now, honourable senators, if I seem to have been confusing and mystifying up to this point in my explanation of this bill, you ain't heard nothing yet!

I would like to place on record at this point another table which I have caused to be distributed to honourable senators. Unfortunately, it is also designated Table II. It is headed "Estimated General Equalization 1966-67 Illustrating for Selected Revenue Sources the Manner of Determining the Entitlement of the Provinces to General Equalization."

May I put this table on the record at this point in my remarks?

Hon. Senators: Agreed.

(The table follows)

TABLE II

ESTIMATED GENERAL EQUALIZATION 1966-67 ILLUSTRATING FOR SELECTED REVENUE SOURCES THE MANNER OF DETERMINING THE ENTITLEMENT OF THE PROVINCES TO GENERAL EQUALIZATION

		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
1. Population	(000)	503	108	759	626	5,733	6,868	959	953	1,459	1,850	19,818
2. Personal Income Tax												
(a) Provincial Revenue	($'000)											846,154
(b) Revenue Base	($'000)	19,238	3,808	43,426	29,954	515,140	930,876	83,494	73,462	133,558	226,510	2,059,466
(c) National Average Provincial Revenue Rate	$											.410861
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	7,904	1,565	17,842	12,307	211,651	382,460	34,304	30,183	54,874	93,064	846,154
3. Corporation Income Tax												
(a) Provincial Revenue [1]												545,936
(b) Revenue Base	($'000)	82,668	7,935	74,900	66,942	1,114,861	1,843,213	186,856	126,967	281,423	467,069	4,252,834
(c) National Average Provincial Revenue Rate	$											.128370
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	10,612	1,019	9,615	8,593	143,115	236,612	23,987	16,299	36,126	59,958	545,936
4. Alcoholic Beverage Revenues												
(a) Provincial Revenue [1]	($'000)											362,989
(b) Revenue Base	('000 gals.)	10,493	4,621	32,100	25,571	218,167	387,721	46,267	42,517	70,004	114,131	951,592
(c) National Average Provincial Revenue Rate	($ per gal.)											.38145
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	5,003	1,763	12,245	9,754	83,221	147,897	17,649	16,218	26,703	43,536	362,989
5. Oil Royalties												
(a) Provincial Revenue [1]	($'000)											76,319
(b) Revenue Base	($'000)	—	—	—	7	—	4,014	10,297	186,172	450,187	23,262	673,939
(c) National Average Provincial Revenue Rate	$											.113243
(d) Yield at Nat. Avg. Prov. Revenue Rate	($'000)	—	—	—	1	—	455	1,166	21,083	50,980	2,634	76,319

TABLE II—(Concluded)

ESTIMATED GENERAL EQUALIZATION 1966-67 ILLUSTRATING FOR SELECTED REVENUE SOURCES THE MANNER OF DETERMINING THE ENTITLEMENT OF THE PROVINCES TO GENERAL EQUALIZATION

		Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Total
6. Yield at National Average Province Revenue Rate for the other 12 revenue sources												
(a) Succession Duties and Shares of Estate Tax	($'000)	1,108	225	2,602	3,152	44,120	66,210	4,163	2,652	6,479	14,851	145,562
(b) General Sales Tax	($'000)	15,546	4,658	33,252	25,551	275,311	409,130	50,994	55,031	93,083	118,523	1,081,079
(c) Motor Fuel Tax	($'000)	9,017	3,963	21,921	16,068	183,512	283,755	36,391	42,571	62,643	69,755	729,596
(d) Motor Vehicle Revenues	($'000)	2,879	1,265	6,998	5,129	58,581	90,580	11,617	13,590	19,997	22,267	232,903
(e) Forestry Revenues	($'000)	2,406	163	2,275	5,358	24,689	14,461	996	1,036	3,607	43,826	98,817
(f) Natural Gas Royalties	($'000)	—	—	—	13	—	681	—	492	17,686	1,576	20,448
(g) Sales of Crown Leases and Reservations on oil and natural gas lands	($'000)	—	—	—	—	—	—	—	7,372	83,552	9,547	100,471
(h) Other Oil & Gas Revenues	($'000)	—	—	—	—	—	—	139	7,724	52,886	11,618	72,367
(i) Metallic and Non-Metallic Minerals	($'000)	3,923	—	672	161	18,664	22,731	1,410	3,307	84	6,171	57,123
(j) Water power rentals	($'000)	765	—	241	341	18,785	10,060	1,600	456	299	5,159	37,706
(k) Other Provincial Taxes	($'000)	7,122	1,446	11,631	8,968	111,923	177,941	20,923	18,055	31,278	46,134	435,421
(l) Miscellaneous Provincial Revenues	($'000)	3,999	812	6,531	5,036	62,848	99,920	11,749	10,139	17,563	25,906	244,503
7. Total Yield at National Average Provincial Revenue Rates:												
(a) for all revenue sources	($'000)	69,284	16,879	125,825	100,432	1,236,420	1,942,893	217,088	246,208	557,840	574,525	5,087,394
(b) per capita	$	137.74	156.29	165.78	160.43	215.67	282.89	226.37	258.35	382.34	310.55	256.71
8. General Equalization												
(a) Deficiency per capita from per capita average for all provinces ($256.71)	$	118.97	100.42	90.93	96.28	41.04	—	30.34	—	—	—	
(b) General Equalization Applicable	($'000)	59,842	10,845	69,016	60,271	235,282	—	29,096	—	—	—	464,352
9. Guaranteed Equalization Atlantic Provinces and Saskatchewan	($'000)	48,159	14,071	60,672	55,228	—	—	—	26,438	—	—	204,568
10. Equalization Payment (higher of 8 (b) or 9)	($'000)	59,842	14,071	69,016	60,271	235,282	—	29,096	26,438	—	—	494,016
11. Equalization and Atlantic Provinces Adjustment Grants payable in 1966-67 under present legislation	($'000)	37,659	10,571	50,172	44,728	150,378	—	27,657	33,047	—	—	354,212

(a) Sources: Provincial Budget Estimates and Department of Finance.

Hon. Mr. McDonald: What does that mean?

Hon. Mr. Connolly (Ottawa West): I hope when I have finished my remarks that Senator McDonald may have some idea of what it means, but I am not saying that categorically because I am not entirely sure that I can make it clear. Let me just say that in one day I spent eight full hours on this one point in an attempt to reduce it to understandable language—I mean language understandable to me.

General equalization payments are covered by clauses 3, 7, 8 and 9 of the bill. They are designed to help what has been termed the "have-not" provinces, which are all the provinces with the exception of British Columbia, Alberta, Saskatchewan and Ontario. The first point I wish to deal with is—and you will see a reference to it in item 2 (b) of the table which I have just referred to—the "revenue base." The revenue base is the taxable potential rates for each province at the provincial rates for 16 various categories of tax sources.

Honourable senators will see from that table what I mean by "16 potential tax sources." Item No. 2 refers to personal income tax; No. 3, corporation income tax; No. 4, alcoholic beverage revenues; No. 5, oil royalties. Item No. 6 lists other sources of revenue from (a) to (l), including succession duties and shares of estate tax, general sales tax, through to miscellaneous provincial revenues.

Those are the 16 categories of tax sources to which this revenue base has been applied. The revenue base is considered to be the revenue capacity or tax capacity of the province for any one of those categories using the same standards for all the provinces of Canada. It was discussed at the Tax Structure Committee and the provinces agreed that the revenue base, which is computed in these tables for four of those categories, was the most suitable for each of the revenue sources considered. The revenue base is not the actual revenue received, but it is a computed figure for the purpose of working out a formula to determine the amount of the equalization payments.

Now may I attempt to describe this formula? The first action taken is to determine the actual national average provincial rate for each category. In the category of personal income tax, under item 2(c), in the last column, the figure is 0.410861. That is the national average provincial revenue rate for personal income tax.

The next step is to multiply the base for each province by the actual national average provincial rate. In the case of the Province of Ontario the base, in the field of personal income tax in line 2(b), is $930,876,000. That figure, multiplied by the national average provincial rate of 0.410861, produces the yield at the national average provincial rate for Ontario, in the field of personal income tax, in the amount of $382,460,000, and that figure appears in the Ontario column under item 2(d).

The same calculation is made in respect of each of the 16 tax categories to which I have already referred. If honourable senators will examine the table they will see that each average yield is far below the base itself. For example, in the field of personal income tax, in 1966-67 the Ontario base is $930,876,000, but the average, as computed in accordance with the description I have already given, is $382,460,000. For Prince Edward Island, honourable senators will see that the base is $3,808,000—in column 2(c) under P.E.I.—and that the average yield is $1,565,000.

Hon. Mr. Hayden: This is a fictional figure to get a factor to apply.

Hon. Mr. Connolly (Ottawa West): Yes, this is a fictional figure for the purpose of getting a factor to apply, and it was worked out by tax experts who must be geniuses in the field of mathematics, comparable to Einstein himself.

Hon. Mr. Hollett: Where is the fictional figure here? Is it on this form? I would like to see it.

Hon. Mr. Connolly (Ottawa West): Yes. As a matter of fact, I think it may be fair to say the figures I have been talking about so far are not fictional figures but computed figures.

Hon. Mr. Hollett: All right. Where are the computed figures?

Hon. Mr. Connolly (Ottawa West): These are the figures to which I have been referring. All these figures to which I have referred so far have come from the computation I am attempting to describe.

The next step that is taken is to compute the total yield from the 16 categories of potential income sources in each of the provinces at the national average provincial rates. This figure is then reduced to a per capita figure for each province. For example, in the case of Ontario—and this will appear in item 7(b), under the figures for Ontario—it is $282.89. Prince Edward Island is another example. The figure in that case is $156.29. That too is in line 7(b), under the heading "P.E.I."

Hon. Mr. Hayden: Is not that figure in 7(b) for Ontario an actual calculation?

Hon. Mr. Connolly (Ottawa West): It is an actual calculation based upon the computed figures that I described earlier, but you must start with the computed figures to reach this point in the calculation.

Hon. Mr. Isnor: You are taking the highest and the lowest provinces, are you?

Hon. Mr. Connolly (Ottawa West): I am, for the purpose of trying to point up some of the features of this table. But I would point up the figure at the end of line 7(b), which is the national average per capita figure as computed, and that is $256.71.

Hon. Mr. Bourget: That is the national average provincial rate?

Hon. Mr. Connolly (Ottawa West): That is the national figure.

Hon. Mr. Bourget: In column 7?

Hon. Mr. Connolly (Ottawa West): It is the national average at provincial rates.

Hon. Mr. Bourget: At provincial rates?

Hon. Mr. Connolly (Ottawa West): Yes, that is right.

The next step in the computation is to take the per capita figure for each province and compare it to the national average per capita figure.

The national average per capita figure is $256.71. The per capita figure for Prince Edward Island is $156.29. So, the deficiency per capita in Prince Edward Island, compared to the per capita average for all of the provinces, is the difference between those two figures, or $100.42. This deficiency of $100.42 —I am taking Prince Edward Island only as an illustration—is then multiplied by the actual population of the Province of Prince Edward Island which is given as 108,000. That deficiency of $100.42 is multiplied by 108,000 to arrive at the general equalization payment applicable to Prince Edward Island of $10,845,000.

Honourable senators, this is the way the general equalization payment is computed for all of the provinces which fit into the formula, but there are exceptions. The national average per capita yield is, as I have said, $256.71, but the yield on the national average per capita rates for Ontario, Saskatchewan and British Columbia is higher than this average figure, and so for those provinces there are no general equalization payments to be made in the fiscal year under review in these tables.

There is another exception. Under the Federal-Provincial Fiscal Arrangements Act of 1960-61 as amended, certain transfers were made to certain provinces. Under the new agreements these provinces are given the guaranteed option of remaining under the former act or of taking the general equalization payments provided by this act. In the case of the Atlantic provinces the gains under this act will be: for Newfoundland $11.6 million; Nova Scotia, $8.3 million; and New Brunswick, $5.04 million.

There is a further exception in section 7 (c), which refers to Saskatchewan. For the first time in many years—perhaps since the beginning of its history—Saskatchewan, due to the buoyancy of her revenues, is not entitled to equalization payments. Under the old act of 1960-61 she was entitled to some $33,047,000. For the purpose of phasing out this entitlement and softening the blow—because this is a substantial amount for a province like Saskatchewan—it is proposed to reduce this entitlement by 20 per cent per annum over a period of five years, at the end of which time Saskatchewan, being a "have" province, will get no further equalization payments. In 1967-68, for example, the amount will be 80 per cent of the $33 million-odd, or $26.4 million. In 1970-71 it will be 20 per cent of that amount, or $6.6 million.

Honourable senators, the hour is late and I feel I should apologize for the time I have taken in my attempt to put on the record an explanation of this very complicated piece of legislation. This is a bill that certainly should receive study in committee. The draftsmanship of the sections is admirable, but admirable to the point where they are almost unintelligible.

Hon. Mr. Choquette: It might be a good thing to have a blackboard set up in the committee on which the departmental officials can write.

Hon. Mr. Hayden: They might bring in a computing machine.

Hon. Mr. Connolly (Ottawa West): I do not know of any other way by which this can be done. It is a matter of reducing a mathematical formula to legal language, and in such a way that the legal language will be

made to stick. In my opinion, this has been accomplished.

I have tried to avoid references to the specific sections of the bill, and it is my hope that the tables I have used and the explanation I have given are of some help.

Hon. Mr. McCutcheon: Honourable senators, I propose to move the adjournment of the debate, but before doing so I should like to have a point clarified. Perhaps I misunderstood the honourable Leader of the Government. He referred to the guaranteed qualization as it applies to the Atlantic provinces, and I understood him to indicate that several of the Atlantic provinces benefited under it. From reading these figures I would say that the only province to benefit during this coming year is Prince Edward Island.

Hon. Mr. Bourget: It is a guarantee. It is a floor. It cannot go lower than that, except for Saskatchewan.

Hon. Mr. McCutcheon: Yes. As I read the figures every province except Prince Edward Island is above the floor.

Hon. Mr. Smith (Queens-Shelburne): Honourable senators, while the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) is preparing to answer that question perhaps I could ask a question that is supplementary to it.

Am I right in assuming that the special guarantee for the Atlantic provinces bears a relationship to the amount paid last year under the old agreement to which is added an amount equal to the 1966-67 share of the Atlantic provinces adjustment grant? The guarantee is in the fact that the adjustment grant shall be continued, as well as there being a floor under the amount that any of the Atlantic provinces will get in the future regardless of business conditions and the ups and downs of the economic world. May I ask the honourable Leader of the Government if that is his understanding of it too?

Hon. Mr. Connolly (Ottawa West): Are you talking of the stabilization payment?

Hon. Mr. Smith (Queens-Shelburne): I am talking of the special guarantee which applies to the Atlantic provinces, and which includes the benefits of the Atlantic provinces adjustment grant.

Hon. Mr. Connolly (Ottawa West): I think the answer to that is: Yes. I must confess that Senator McCutcheon may be right. Perhaps I may have an opportunity of looking at these papers and dealing with his question tomorrow. In any event, there will probably be many questions that occur to other honourable senators which, if I am unable to answer them in the chamber, can be answered in committee.

On motion of Hon. Mr. McCutcheon, debate adjourned.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Wednesday, March 15, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

CRIMINAL CODE (HATE PROPAGANDA)

JOINT COMMITTEE—COMMONS MEMBERS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the following members of the House of Commons will serve on the part of that House on the Joint Committee on the Criminal Code (Hate Propaganda): Messrs. Baldwin, Forest, Gauthier, Klein, Leboe, Lewis, Mandziuk, Mongrain, Nasserden, Reid, Tolmie and Walker.

NATIONAL AND ROYAL ANTHEMS

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Orange has been substituted for that of Mr. Chatwood on the list of members appointed to serve on the Special Joint Committee on the National and Royal Anthems.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report, dated February 17, 1967, of the Restrictive Trade Practices Commission under the Combines Investigation Act, relating to the Supply and Sale of Eggs in Kingston and Collins Bay, Ontario. (English and French texts).

NATIONAL AND ROYAL ANTHEMS

SECOND REPORT OF JOINT COMMITTEE

Hon. Maurice Bourget, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on the National Anthem and the Royal Anthem, presented the second report of the committee:

Your committee unanimously recommends that the Government be authorized to adopt forthwith the music for "O Canada" composed by Calixa Lavallee as the music for the National Anthem of Canada with the following notation added to the sheet music: With dignity, not too slowly.

Your committee unanimously recommends that the Government be authorized to adopt forthwith the traditional music of "God Save the Queen (King)" found in the public domain as the music for the Royal Anthem in Canada.

To remove all traces of commercialism which may attach to the playing of the National or Royal Anthems, your committee deems it essential that the Government take such steps as are necessary to appropriate the copyright to the music by providing that it shall belong to Her Majesty in right of Canada for all time and that no other person shall be entitled to copyright of the music or any arrangements or adaptations thereof.

With respect to the lyrics for the National and Royal Anthems, your committee is of the opinion that its Order of Reference is far too restrictive to permit the detailed study which this question deserves.

To do justice to all Canadians, many of whom have taken a personal interest in providing suggestions to your committee, it is recommended that the committee be empowered to call for persons, papers and records and examine witnesses; to print such papers and evidence from day to day as may be deemed advisable and to retain such experts as may be required from time to time.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration.

Hon. Mr. Bourget moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 1212 to 1251, inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS BILL, 1967

SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

Hon. John J. Connolly: Honourable senators, before Senator McCutcheon commences his speech this afternoon, in fairness to him I should first apologize for fumbling with my papers last evening in connection with a question he asked me, having to do with the table entitled "Estimated General Equalization 1966-67," in respect of Prince Edward Island.

I had outlined during the course of my speech on the bill the advantage that accrued to the other three Maritime provinces. Senator McCutcheon asked me whether or not the guaranteed equalization would apply only to Prince Edward Island. The answer, of course, is "yes." I could not find it in the table at the time, and I apologize for having fumbled so much.

A number of honourable senators have expressed some interest in the names of denominational institutions of higher education which have qualified for university grants that have been heretofore administered. As honourable senators know—and I mentioned it in my speech last evening—the grants have been dispensed on the basis of provincial recommendations by the Canadian Universities Foundation, originally, and the successor body now.

I have before me a list of the institutions for the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island, which I would ask leave to have printed at this point in my remarks in today's *Hansard*.

Heretofore, the grants have been on the basis of $5 per head to these institutions. The money will not be funnelled in future through the Canadian Universities Foundation: it will go direct to the provinces. The amount will be, not $5 a head, but either $15 a head or 50 per cent of the operating cost of the universities. This will be done through the provincial authorities and not through the Canadian Universities Foundation, and the provinces will have the right to say what the per capita distribution will be.

The Hon. the Speaker: Honourable senators, is it agreed that this list be printed in *Hansard*?

Hon. Senators: Agreed.

(The list follows)

LIST BY PROVINCES OF DENOMINATIONAL COLLEGES ELIGIBLE TO RECEIVE FEDERAL PER CAPITA GRANTS—1966-1967

BRITISH COLUMBIA
- Anglican Theological College of British Columbia
- Notre Dame University of Nelson
- Union College of British Columbia

ALBERTA
- Camrose Lutheran Junior College
- Collège St-Jean
- St. Stephen's College
- St. Joseph's College

SASKATCHEWAN
- Campion College
- Collège Mathieu (Gravelbourg)
- College of Emmanuel and St. Chad
- Luther College
- Lutheran Theological Seminary
- Notre Dame College (Wilcox)
- St. Andrew's College
- St. Peter's College
- St. Thomas College
- St. Thomas More College

MANITOBA
- Collège de Saint-Boniface
- Grand Séminaire de Saint-Boniface
- St. John's College
- St. Paul's College
- United College

ONTARIO
- Assumption University (eligible but not in receipt of grants 1967-68)
- Brescia College
- Collège Bruyère
- King's College
- Collège de Cornwall
- Huron College
- Ignatius College
- Knox College
- Petit Séminaire d'Ottawa
- Queen's Theological College
- Regis College
- St. Augustine's College
- University of St. Jerome's College
- University of St. Michael's College

Université Saint Paul
St. Patrick's College
University of Trinity College
Victoria University
Waterloo Lutheran University
Wycliffe College

NEW BRUNSWICK

Mount Allison University
Université de Moncton
St. Thomas University

NOVA SCOTIA

Acadian University
Collège Sainte-Anne
Convent of the Sacred Heart
Holy Heart Seminary
Mount St. Vincent University
Pine Hill Divinity Hall
St. Francis Xavier University
Saint Mary's University
University of King's College

PRINCE EDWARD ISLAND

St. Dunstan's University

Hon. M. Wallace McCutcheon: Honourable senators, it is of course a work of supererogation to pay any compliments to the leader of this house on the manner in which he presents a more than complicated bill. Yet I do want to say that I for one appreciate very much the manner in which he presented this bill and the supplementary material, which could have been found elsewhere but which he assembled, placed before us and put on the record.

Subject to the fact that I am doubtful whether, even in committee, we will discover just how the revenue base is determined, I think anyone who reads Senator Connolly's remarks and who studies the material which he tabled will know what will be the result of the agreements that will be entered into pursuant to the authority contained in this bill between the provinces and the federal Government, and will know what the differences will be in the financial contribution to the provinces—with some exceptions, that I shall discuss later—between the last fiscal year and the coming fiscal year, and can project what may happen in the future.

Having said all that, all that the Leader of the Government did was describe the mechanics of the bill. He said—and technically it may be all he needed to say—that this is a bill to authorize the Government to enter into certain agreements with the provinces, these are the terms of the agreements, this is substantially what they will mean in dollars and cents.

But that is not the real significance of this bill. Its real significance lies in the extent to which it accomplishes its stated purposes.

The bill can be broken down into two principal parts: the equalization and stabilization payments, and the tax abatement provisions which are tied into post-secondary education. For myself, I approve of the principle of equalization payments; I believe that the principles upon which the bill is founded in this respect are sound and that by and large the formula is sound.

There are some persons who object to the formula, however, saying that equalization should not be based upon national averages but upon the former principle, which after all was to limit equalization to three sources of taxation—the estate tax, the personal income tax and the corporation tax—and equalize these up to the standard of the average of the highest two provinces or, preferably, from their point of view, up to the standard of the highest province.

People who say that—and this is one criticism that I have of this whole matter—overlook the fact that there is a very substantial measure of equalization automatically built into certain of the shared-cost programs.

Considering the Hospital Insurance and Diagnostic Services Act, for instance, the popular belief is that the federal Government pays each province one half of its cost. Of course that is not correct. The federal Government pays one-half of the national average, which means it pays something in the order of 70 per cent in certain provinces and something considerably less than 50 per cent in others. In other words, there is a large measure of equalization there. If one reads the proposed Medicare Bill, one will find a similar built-in measure of equalization.

The Premier of Ontario has already stated publicly that, if for no other reason than that, the Province of Ontario must look at the proposed measure very carefully before it agrees with it. It may be that we should drop some of the façades that have become very common in legislation in the last four years, and when we say we are going to pay 50 per cent of the costs we should pay them. Then, if we need it, let us have the equalization out on the table where we can see it—because this

bill provides for only a portion of the equalization payments that are received by a number of the provinces.

Having said that, I want it understood that I am limiting my approval to the principle of equalization and am suggesting that equalization should be expressed once for all in one place, and not in a number of places as is the situation today.

The bill is very disappointing in other respects. The other portions of it are designed to discharge that overriding national interest which the Prime Minister has indicated the federal Government must have, as being charged with the responsibility for the economic growth of the country, in the field of education. Realizing that education and economic growth are very closely tied together, I say that this does not discharge that overriding responsibility to which he refers.

Before I go into detail with that, let me repeat what the bill purports to do. It purports to provide authority to pay each province 50 per cent of the per capita cost of post-secondary education. Then it is made very plain, and I shall refer to this in the bill, that that refers only to current costs, or $15 per capita in the event that 50 per cent of the authorized cost, shall we say, is less than $15 per capita.

Now the mere fact that we have that alternative in the bill is indicative of the position that the Government is taking in respect to a number of matters. The Government, having intruded into the provincial field in a number of situations and having suddenly realized that these intrusions were somewhat less than welcome, to put it on a very conservative basis, is now hastening to move out. And of course Mr. Sharp offered to move out with some fiscal equivalents of all the shared programs in health and welfare—not the temporary programs designed for economic purposes which by their nature are only temporary—and he mentioned three of these which were going to be discontinued. Not only did he offer to move out of the so-called health and welfare programs, which one would expect to continue for a considerable period of time, but he suggested that when the programs expired in 1970 by the terms of the acts under which they are established, the fiscal equivalents which he was prepared to pay would continue to be paid and no restrictions would be placed on the provinces as regards the content and the nature of the programs.

Mr. Sharp said—and I read from his own words distributed on the morning of Tuesday, September 13, 1966, and which he subsequently stated to the Federal-Provincial meeting—and I suggest he said this somewhat cynically, from the point of view of the federal Government:

> Once major programs like these have been established, no government would discontinue them, because of the needs they fill and the public support they command.

Mr. Sharp is there admitting what a number of us have suspected for some time, that the real vice of these shared programs and the real vice of this intrusion into the provincial field is that it enables the federal Government, by a species of political blackmail, to impose programs in a form and of a character which a particular province might not wish to have imposed; and the suggestion is that that blackmail will now continue after 1970 because of political pressures within the particular province.

That, I may say, honourable senators, is why I think a number of provinces are looking very carefully at the Medicare proposals. I am not going into that today, except to say there are a number of provinces which have their own Medicare plans which do not qualify within the standards laid down in the bill that went through this house some time ago. Now, those provinces, believing what they have done is what is required for their province and is adequate and necessary, are asking themselves, should we be trapped once more by the dollars hung in front of us to go into a program out of which undoubtedly the federal Government will move in due course?

Just before I came into the Chamber this afternoon another example of this undue haste to move out came before me. This is an interesting document. It is Newsletter No. 2 of February, 1967, from the office of the Minister of Manpower and Immigration. I do not recall having seen Newsletter No. 1, but that is my fault. At least, it is not wrapped in the magnificent wrappers that contain the speeches and pronouncements of the Minister of Health and Welfare and some of his other colleagues. Mr. Marchand emphasizes this point that I was coming to, and I quote:

> This increase in the contribution on account of post-secondary education is many times larger than the former grants to provincial trade and vocational high schools.

Obviously, it should be if it is going to apply to all of the post-secondary education people.

> Although the contribution will be calculated as 50 per cent of provincial post-secondary operating expenditures or the equivalent national per capita figure, it will be given as an unconditional transfer of a portion of federal income and corporation taxes. The provinces may spend the money in any way they choose, but it will escalate with the expected rapid rise in post-secondary educational spending.

This is dated February last, and I assure honourable senators it came into my mail box only this morning. So, we have it from the mouth of the Minister of Manpower and Immigration that the federal Government has now made its vow and has moved out of the field of university and post-secondary education.

On October 23, 1966, the Prime Minister circulated to members a 30-page statement which he was to deliver the following day at the federal-provincial meeting dealing with the programs of education, which was the basis for the abatement provisions contained in this bill. He said:

> The provision of a basic "economic equality" for the provinces, together with equality of educational and employment opportunity for all Canadians is, in my judgment, one of the most important and beneficial goals of our confederation. To help achieve it is one of the most vital services the federal Government can provide to the people of our country.

I guess I am quoting him in reverse. Earlier he spelled out the federal proposals as they are included in this bill; and I referred to the fact the bill covered merely operating costs.

Let us see what is excluded. The ones that I think are properly excluded I will not refer to. Section 14(1) does not include:

> (b) any amount expended as or on account of the capital cost of land, buildings, physical plant, facilities or equipment...

Honourable senators, I thought the day was long past when one could say you could establish a university by sitting a learned professor at one end of a plank and a student at the other, under a shade tree in a park. Apparently that is not the philosophy of this Government.

It does not include:

> (c) any amount expended as or on account of interest;
>
> (d) any amount expended in payment of a capital debt.

I can see where you might distinguish between certain types of debt there, but if you are not going to pay anything for capital, at least you might pay something for depreciation, but in order to make assurance doubly sure there is no contribution to capital cost or to depreciation. Obviously, there should not be both.

> (g) such portion of any amount expended as or on account of rent on land, buildings, physical plant, facilities or equipment...

In other words, if you choose to rent facilities rather than build them, they are still excluded.

So we have a very narrow definition of "operating costs." The Prime Minister attempts to justify that by referring to the report of the Bladen Commission. He said:

> Finally, I should like to note that these proposals more than meet the Bladen Commission recommendations as to the amount which the federal Government should contribute in respect of university education. The request of the universities of Canada, arising from the Bladen Report, was that federal fiscal contributions should amount to 30 per cent of university operating expenditures plus an annual contribution of $5 per capita in respect of university capital expenditures.

He continued:

> From the data currently available it seems that $5 per capita is the equivalent of about 20 per cent of university operating expenditures. What the Bladen Commission was recommending, then, was that federal contributions in respect of university education should be the equivalent of about 30 per cent of the operating expenditures of universities—

Remember, this bill is dealing with all post-secondary education.

> —for operating purposes, and 20 per cent of operating expenditures for capital purposes, except that the 20 per cent in respect of capital expenditures would not rise as the operating expenditures of universities rose.

Then he proceeded to say:

> The federal Government's proposals are based upon 50 per cent of post-secondary operating expenditures, with the provision that the whole amount will increase as the operating expenditures of universities and other post-secondary institutions rise.

In other words, he is saying that based on the 50 per cent the amount will increase as these elastic fields of taxation accelerate—therefore, we think we are performing our duty.

To indicate the magnitude of the figures we are talking about, the capital expenditures that will be incurred by the Province of Ontario for universities in the coming fiscal year will be between $185 million and $200 million. Under the bill the total provision available to the Province of Ontario, including the phasing-out of the vocational training and capital costs, will be $152 million—60 or 70 per cent of the capital costs alone.

Hon. Mr. Leonard: May I ask the honourable senator a question?

Hon. Mr. McCutcheon: Yes.

Hon. Mr. Leonard: Where does the figure of $185 million to $200 million on capital account come from?

Hon. Mr. McCutcheon: It comes from the Minister of Education of the Province of Ontario.

Hon. Mr. Leonard: Is it in a document?

Hon. Mr. McCutcheon: I think it can be found in a document. I cannot put my hand on it at the moment. However, I will stand by the figure.

Hon. Mr. Connolly (Ottawa West): But it is just capital?

Hon. Mr. McCutcheon: Yes, just capital.

Hon. Mr. Thorvaldson: Is that for one year?

Hon. Mr. McCutcheon: Yes, for one year, 1967-68.

I do not have the documents here but I am quite certain I can put my hands on them. They contain a number of speeches Mr. Robarts made either at or subsequent to the conferences held last fall. I checked the figure with a provincial economist yesterday.

If you omit the phasing-out payment of $40 million, the amount of the proposed transfer to Ontario is $112,747,000. I have no doubt that those who are knowledgeable as to the situations in other provinces can make a similar criticism.

The Bladen Commission, of which I had the honour of being a member, made specific recommendations. I want to answer the suggestion that it seems to me the Prime Minister made that he was really carrying out the recommendations of the Bladen Commission. The commission recommended that the per capita grants be raised to $5 for the year 1965-66—which they were—and increased by $1 each year thereafter until such time as the discussions with the provinces referred to in the general recommendations lead to an appropriate revision of the amount of these grants.

Let me say here that there were no discussions with the provinces, and I will document that a little later. There were no discussions with the provinces prior to these proposals by Mr. Sharp and the Prime Minister. They made their proposals, and those are the proposals that are in the bill. So, we have not yet had those discussions leading to an appropriate revision of the amount of the grants—and those are the current grants.

Hon. Mr. Connolly (Ottawa West): I take it that the honourable senator is referring to the federal-provincial meeting?

Hon. Mr. McCutcheon: I am sorry, but I did not hear the honourable senator.

Hon. Mr. Connolly (Ottawa West): I am assuming that the honourable senator is referring to the federal-provincial meeting when he speaks about statements by Mr. Sharp and the Prime Minister?

Hon. Mr. McCutcheon: That is right.

Hon. Mr. Connolly (Ottawa West): He will agree with me, I am sure, that prior to that time in the Tax Structure Committee the provinces and the federal authorities at the official level were discussing these problems.

Hon. Mr. McCutcheon: I quite agree, and I am glad that the honourable Leader of the Government has brought that up because these recommendations completely ignore the findings of the Tax Structure Committee. I intend to deal with that in a moment or two.

The Bladen Commission went on to recommend that a Capital Grants Fund be established into which would be paid each year $5

per head of the Canadian population. That is an amount which would escalate. It would be some $95 million for last year, and something over $100 million in the coming fiscal year, and so on.

What the Prime Minister ignored were the further and very important recommendations, such as the recommendation that the amounts available from the National Research Council for the support of research in universities be increased to $40 million in the fiscal year 1966-67—and, of course, they were not—and be escalated by 20 per cent each year thereafter. The Bladen Commission went on to say that with respect to any grant there should be an unconditional grant of 30 per cent of the grant to the universities, which would bring that base of $40 million up to $52 million.

Let me go to the next recommendation, which is:

> That the amounts available from the Medical Research Council for the support of research in the universities, including the supplement referred to below, be increased to $20 million for the year 1966-67 and be escalated by 20 per cent each year thereafter.

Of course, when we add that 30 per cent unconditional grant we get $26 million as the base, with the 20 per cent escalation.

So, in all, the recommendation was for $78 million for 1966-67 which was to be increased thereafter. The total vote for scholarships and grants in aid of research, which are not all in post-secondary education in the year 1967-68, is $66 million. This is in the Estimates for 1967-68.

The commission went on to say:

> The amount of the annual contribution that we suggest for the first few years is $5 per head or some $100 million in total. This is based on the view that the Federal Government should contribute roughly 50 per cent of the cost of academic facilites of the universities.

Elsewhere the statement is made that the recommendation with respect to operating grants is regarded only as adequate in the view of the commission if the recommendations as to research grants are met, and, as we all know, they are not being met. They are falling short of the commission's recommendations.

Hon. Mr. Connolly (Ottawa West): In this case, by $10 million this year?

Hon. Mr. McCutcheon: I think it is more than that, but by at least $10 million. Let us say they are falling short by $10 million or more. I think it is somewhat more, because I do not think all of those provisions go through to the universities.

Hon. Mr. Connolly (Ottawa West): In another context it may be a saving of $10 million—that is, if we revert to another discussion we had here this afternoon.

Hon. Mr. McCutcheon: Well, I would be glad some day to participate in just such a discussion. I do not want to be provoked this afternoon into reading some very significant pages contained in these Estimates which were published for the first time on Monday last. However, I would refer honourable senators to the appendix which starts at page 595 referring to employment in the public service. I think I can suggest where savings can be made, and how we can implement the recommendations of the Bladen Commission.

I said that I would document those discussions to which I referred. Well, I can do that only by inference. Mr. Sharp presented the premiers, or the Ministers of Finance, as the case may be, on September 13 last with a table, and he said: "This is our equalization formula, and this is how it will work." If honourable senators want to refer to it, it immediately follows page 5 of Mr. Sharp's release on September 13, 1966, and is his statement to the Tax Structure Committee of September 14, 1966.

In order to show how much discussion there has been and how much consultation there must have been, the total equalization payments shown in Table II, circulated by the Leader of the Government (Hon. Mr. Connolly, Ottawa West) yesterday, was shown as $490 million-odd. Mr. Sharp's total is shown as $491 million. Then referring to the amounts paid under present legislation, the minister's table showed $354 million-odd, and the table presented shows $352 million. There were minor mathematical corrections made.

Of course the same is true of the Prime Minister's proposals on education, to which we have been referring. They were not presented on the basis of something that was open for discussion, but on the basis that there was something to be accepted, or else this was it.

This of course represents a complete departure from the report of the Tax Structure Committee, because it represents a unilateral decision. The Tax Structure Committee reported on October 28, 1966, and it says it

projected that the level by 1971-72 of provincial and municipal expenditures may be expected to climb to between $16 billion and $16¼ billion, an annual increase of about 8½ per cent; federal Government expenditures will rise to about $12¾ billion to $13 billion, an annual increase of about 6½ per cent. There is no doubt that the Minister of Finance and the President of the Treasury Board have made certain that the Tax Structure Committee was wrong in those estimates, because, of course, federal Government expenditures increased 11 per cent in 1965, 15 per cent in the year just ending, and the estimates are up another 13 per cent for next year. Nevertheless, this was the document that was before the Minister of Finance and the provincial treasurers in September and October. Without reading at length, the committee stated:

> The federal Government's position would move—

That is over the period.

> —from an approximate balance in the current year, on this DBS basis, to a surplus of about $325 million or $725 million, depending upon the rate of growth of the GNP.

The committee went on to say that the provincial and municipal deficits would increase from the current level of about $900 million to about $2.4 billion or $2.1 billion by the end of the year.

The committee then warns us that these projections are based upon many assumptions, which they enumerate, and that a small change in the assumptions can make a considerable change in the figures. However, having given that warning, the committee does not retreat from what is the essential, that their projections are indicative of the trend to a surplus in federal accounts and a substantial deficit in provincial and municipal accounts. As we look ahead over the years, the provinces are going to have larger and larger deficits, and the federal Government should have more and more surpluses; but the committee says it is the broad trend in these projections that are the most helpful.

One of the things, of course, which has been ignored in these discussions has been the real responsibilities of the provinces in their own fields, and the responsibilities of the federal Government within its field, and an attempt to provide both governments with access to tax fields so that they can impose their own taxes, if you will, and carry out their own responsibilities. The increased demands on the provinces, if for nothing else than by reason of the rapidly escalating problems in the urban and metropolitan districts, has been completely ignored. It is the needs of the great metropolitan areas of this country which to a large extent account for the increased pressure on provincial revenues. All that can be said of a scheme like this, which keeps the highly elastic sources of revenues substantially in the hands of the federal Government and leaves the provinces with the less elastic sources, is that the important social and physical problems of the metropolitan centres can only deteriorate and be ignored.

That is something we could discuss at some length. However, I just want to indicate that it is a matter that should be discussed, and is a matter that obviously has not been discussed.

I am optimistic enough—perhaps it would be better to say that I am pessimistic enough—to believe that the President of the Treasury Board and the Minister of Finance and the other ministers of government will make sure that the Tax Structure Committee continues to be wrong in its estimates as to what is going to happen on the federal scene, and that we will not have the balance of $325 million or more in 1972 as they projected, because there is a law laid down by Professor Parkinson, which is very true, and never more true than in affairs of government, "that expenditure rises to meet income." I suspect that it probably rises to meet anticipated income and to be a little more than current income.

Hon. Mr. Roebuck: And will exceed both.

Hon. Mr. McCutcheon: And will exceed both. Thank you, senator.

Honourable senators, I could say a great deal more. I do not accept the views of the Carter Commission respecting the necessity for these elastic sources of taxation to be retained in the hands of the federal Government and for abatement to cease. I do not accept the views that the Minister of Finance has expressed, I think explicitly, at least by implication, that he has gone as far as he can, including the offer he has made about the present health and welfare cost-sharing programs, in abatement in the field of income tax, personal or corporation, that he cannot exercise proper fiscal control in the economic field if he gives any more. I believe that a very marginal share gives sufficient

manoeuvrability for any economic control that is required.

We do not make sudden and drastic changes, we hope—with the lessons we have learned in the past 20 years—in either monetary or fiscal policy. They are marginal changes and marginal controls of sources of revenue are sufficient, I think, to take care of that.

What we need, and what this bill is not based upon, is a coherent, rational assessment by all governments of where the responsibilities lie; and then the responsible governments must determine their priorities within those fields.

It is implicit that the federal Government is prepared to transfer this responsibility to the provinces where it belongs. It is implicit from what Honourable Mr. Marchand said, and which I quoted. It is also implicit by the fact that if the Province of Ontario wanted to close down every post-secondary school in the province tomorrow morning, it would still get $15 per capita per year and could devote the money to a centennial project if it chose to do so.

Hon. Mr. Connolly (Ottawa West): That would create a problem.

Hon. Mr. McCutcheon: This bill does not guarantee post-secondary education in any province.

The federal Government—and I am not objecting to this—is at least recognizing that it must be left to the responsible government, once having determined where the responsibilities lie, to determine its own priorities within its areas of responsibility. That is something which the Premier of Manitoba and other provincial premiers have been requesting for a considerable period of time and on which no responsible reply has come from the federal Government.

Hon. Mr. Connolly (Ottawa West): This bill should in due course provide the answer.

Hon. Mr. McCutcheon: Yes, but I do not think it does.

Hon. Mr. Hayden: I thought you said it did.

Hon. Mr. McCutcheon: Up to a very limited point. The bill is not looking at the whole field. It deals with equalization, and then it refers to post-secondary education. I say it accepts the principle in post-secondary education that if you are not prepared to take care of your responsibility you can spend the money in any way you wish.

Hon. Mr. Hayden: It does provide a measure of provincial responsibility.

Hon. Mr. McCutcheon: That is right, in the one field. I am saying that what we need is a discussion covering a wider area. Then it will not become just a discussion of tax divisions, but of division of tax fields—hopefully on a uniform tax basis and by agreement to enable each authority to meet its responsibilities.

I do not think there is any value in labouring that point. There are provinces which do not need medical schools, there are provinces which do not need law schools, and there are those which do. Arrangements of that kind in this field are being made and will continue to be made, but it is the provincial government which has the responsibility and must determine the priority.

For each authority to go ahead independently—and that is implicit in Mr. Sharp's suggestions at the federal-provincial conference—can result only in chaos. We must have a co-operative federation, and it must be based on something more than ultimata and decrees from On High. It must be based on prior consultation and prior agreement.

The bill purports to authorize arrangements that will be in effect for five years. The one encouraging thing about it is that I do not think anybody in this chamber believes that it will be in effect for five years. There are events and circumstances which I think will make for the revision of this bill, and for a different and, I hope more satisfactory arrangement, within the next two or three years. Therefore, we can hope that by that time better counsels will prevail.

I see Senator Leonard smiling. I was not even thinking of a change of government—

Hon. Mr. Leonard: I was wondering why you were so pessimistic.

Hon. Mr. McCutcheon: —though that would be very helpful, when it comes, as it will. I am thinking of certain reports of royal commissions that have come down. I am thinking of the fact that when some of these transitional payments evaporate, the provinces that are going to benefit most by them will find that the future is a little hard on them.

Unless there is adequate fiscal redistribution, the goal of a strong federation which must include strong provinces—sometimes I think the federal Government does not want strong provinces—will be frustrated. As the Premier of Ontario said with respect to that

conference: "Unilateral decision without consultation is no substitute for good federalism"—and with that I agree.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable senator speaks now it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Honourable senators, we have had a very remarkable speech from Senator McCutcheon. First of all, I wish to pay him a compliment and a tribute from all of us on his contribution to the debate. He is not of the Government, and I can assume that he is thankful for that.

Hon. Mr. Roebuck: He is likely to escape for a long time.

Hon. Mr. Connolly (Ottawa West): Despite the fact that this is a most complicated and involved piece of legislation, and while he has access to many good sources of information, nonetheless he did a terrific amount of work in preparing his speech.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Connolly (Ottawa West): His speech was critical in part, commendatory in part—a minor part, if you will—nonetheless, it is a kind of speech that we are proud to hear in this chamber.

Honourable senators, if I am brief in my comments, I should like honourable Senator McCutcheon to understand that my brevity is not a discourtesy to him, but because of the pressure upon us to deal with other work that is coming before us.

He talked about ultimata and decrees from On High being perhaps the guiding principles in federal-provincial fiscal and other arrangements. At one time that may have been true. Speaking sincerely and honestly, I say I do not believe that to be the case today. If there is one reason which I can give, more than any other—and it is not political—it is the fact that up to 25 years ago, federal-provincial meetings were attended by the federal authorities with a great phalanx of experts, on the one side, and provincial premiers on the other side, alone or sometimes with their attorneys general. Today in almost every field of government in every province there is a corps of experts who understand and appreciate the complexities of the problems affecting a federal system of government.

Improvements have been made federally and provincially by that corps of experts in helping and advising ministers and trying to find solutions for these admittedly difficult situations, and this has been a great step forward in federal-provincial relations. In fact, much of the fiscal policy of this country, rather than being decided in the Cabinet room or in the Department of Finance, is decided around the federal-provincial table.

It may be that Senator McCutcheon would say, "Yes, but you carry the big stick." Up to a point perhaps that is necessary, although I do not say it is true. I agree with Senator McCutcheon—we all agree with him—that not only the federal but the provincial authorities should have access to adequate sources of taxation to meet their increasing responsibilities in every field. But I would ask Senator McCutcheon to look at the six principles that I outlined last evening at the opening of my remarks, not as simply pious hopes but as principles upon which this Government hopes to proceed and which it hopes to see developed.

The very first one—I cannot quote it because I only have my notes here—is that the arrangements between the federal and provincial authorities should give to each adequate access to tax sources to discharge their respective responsibilities.

Senator McCutcheon then talks about the importance of the provinces. I think that is recognized, but if too much emphasis is given to that by the Government, then the Government will be criticized for down-grading the federal authority.

The fourth principle that I enunciated last evening was that the federal authority should at all times have both theoretical and practical authority to discharge its full responsibility. So there is constantly a battle of balances as among what should be done, what can be done and what must be done in order to accommodate both levels of government.

I was gratified to hear Senator McCutcheon indicate at the beginning of his speech that the principle of equalization payments is sound and that the formula that has been worked out is also sound. He went on to speak about the Prime Minister's concern with the economic growth of this country and its relation to training and education. The Prime Minister does hold this view, but it is not peculiar to him. It is a view which is shared by every thinking Canadian.

Hon. Mr. McCutcheon: I was not being critical at that stage.

Hon. Mr. Connolly (Ottawa West): I realize that, but there is the vital matter of bringing the level of Canadian training and capacity up to what it should be to achieve productivity at a higher rate and to a higher level than we have been able to so far. Incidentally, it is obvious that the Governor of the Bank of Canada was not talking aimlessly when he said that our productivity was not as good as it should be. If we are to increase our productivity and to increase the general level of the working and thinking capacity of our people in all areas of our national life, more and still more education will be required at all levels.

I do not say that this can be done in one fell swoop. But I do say that as a result of the passage of this bill, there will, in addition to the old formula, be available to the provinces approximately $200 million in the fiscal year 1967-68. That is a fair start, if I may say so, and, as Senator McCutcheon says, it promises to escalate.

Senator McCutcheon talks about federal intrusions into the area of responsibility of the provinces. Perhaps the word "intrusion" is the appropriate word. If it is, it has been going on for a long time in the fields of social services, welfare, health, family allowances, youth allowances and other fields. But I think that if Senator McCutcheon were a member of the Government today, he would—as I am sure he did when he was in the Ministry—feel that there is a responsibility of the federal authority in this country to try to improve the standard of living and the productive capacity of every part of the country—not just to choose one and develop it at the expense of another, but to set national standards.

I say this because I think any Canadian, whether he lives in the easternmost tip of Newfoundland or the westernmost tip of British Columbia, should be entitled to the opportunities that any other Canadian has.

Hon. Mr. McDonald: Hear, hear.

Hon. Mr. Connolly (Ottawa West): And I care not whether he speaks English, French, Italian, German or what language. I think his opportunities in this country should be equal. This is not an easy thing to accomplish, and standards have to be set.

So I do not believe it is fair to say, at a time when the federal Government is attempting to do this by fiscal transfers and otherwise, that it is in effect blackmailing the provinces politically. I think it has to give a lead and, if the federal Government were not giving this lead I would expect Senator McCutcheon and a good many other senators to be on their feet in this chamber saying to me, "Why can you not convey this message to your colleagues in the Government?" In such circumstances I think they would be right.

Under this new bill Ontario will get $152.7 million, including the technical and vocational training allowances. Under the existing provisions, Ontario would have had $97.1 million, including the TVT allowances. At least Ontario is going to get the difference between $97.1 million and the $152.7 million this year.

Senator McCutcheon points out that Ontario still has a heavy educational load in respect of capital costs: $185 million to $200 million. I will accept those figures, but one must remember that under Section 93 of the British North America Act the primary responsibility in the field of education is with the province. And it was only with the greatest of difficulty, politically and otherwise, that the university grant system was inaugurated and the device established of channeling this money, not to the provinces or to the universities directly, but through the Canadian University Foundation into the universities.

Now, Ontario is getting another $60 million out of us this year—

Hon. Mr. McCutcheon: May I interrupt for a moment?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. McCutcheon: I never suggested that the federal Government had responsibility in this field. I did suggest that it is the responsibility of the Government to sit down with the provinces and make sure that each government has access to tax fields to enable it to discharge its responsibilities under the Constitution.

Hon. Mr. Connolly (Ottawa West): I accept that statement as my own; I fully agree with it. However, I say that Ontario is going to get $152 million this year under this new program, whereas it would have got $97 million under the old program. But it still has $185 millions of capital costs staring it in the face. Nevertheless, it cannot be expected that the federal Government can pick up the whole tab, or indeed much more of the tab in the field of education than it is picking up now, although it is escalated under this bill.

Hon. Mr. McCutcheon: I did not suggest that. I said that when the Prime Minister

suggested he was paying out 50 per cent of the capital costs and everything the Bladen Commission recommended, that was not a correct statement.

Hon. Mr. Connolly (Ottawa West): I do not want to go into any benefits the provinces might have had under the Bladen Report or under this legislation.

Hon. Mr. McCutcheon: I only raised it because the Prime Minister did.

Hon. Mr. Connolly (Ottawa West): If the honourable senator wants to discuss this in committee, there will be ample opportunity to do so. But the provinces have the responsibility in the field of education and they must be expected to bear a great deal of the cost of the increasing burden placed upon them in this respect. It is their constitutional responsibility to do so. I think they are getting a great deal of help. They got much help as a result of the 1961 legislation, but I think the new legislation is a closer approach to the ideal which Senator McCutcheon so much desires, and which we all desire.

I think I need say no more than that I commend the bill to the Senate.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), bill referred to the Standing Committee on Banking and Commerce.

STANDING COMMITTEE ON BANKING AND COMMERCE

NOTICE OF MEETING

Hon. John J. Connolly: Honourable senators, may I have unanimous consent to make an announcement in regard to the Banking and Commerce Committee?

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): The chairman of the committee proposes that that committee meet this evening at 8 o'clock to consider Bill C-277 and any other business that might be before it.

THE ESTIMATES

FINANCE COMMITTEE EMPOWERED TO EXAMINE AND REPORT

Leave having been given to revert to Motions:

Hon. John J. Connolly moved, with leave of the Senate:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (G) laid before Parliament for the fiscal year ending 31st March, 1967; and

That the committee be empowered to send for persons, papers and records, to print its proceedings upon the said Supplementary Estimates (G) and to sit during sittings and adjournments of the Senate.

Motion agreed to.

PENSION BENEFITS STANDARDS BILL

SECOND READING—DEBATE ADJOURNED

Hon. Earl W. Urquhart moved the second reading of Bill C-221, respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

He said: Honourable senators, Bill C-221 was introduced in the House of Commons and given first reading on July 7, 1966. For one reason or another, the bill did not receive second reading until Friday last, March 10, 1967. On that day the bill was given second reading, then considered clause by clause in Committee of the Whole, and was finally given third reading—all in the one day.

There was only one amendment to this bill, and that amendment changed the qualification date from the 1st day of January 1967 to the 1st day of October 1967. The reason for this amendment is quite clear when we look at the long period of time between first and second readings. The extension of the qualification date will enable the pension plans covered by this legislation to be suitably amended to conform to the standards for registration as provided in clause 10 of the bill.

In order to prevent any confusion I should point out that this bill does not relate to employees of the Government, for they are already covered under the Public Service Superannuation Act. This legislation concerns itself with employees who come under the Federal Labour Code or employees who are within the jurisdiction of the Canada Labour Code and the Industrial Relations and Disputes Investigation Act. In other words, this

legislation is for employees who work for employers under federal jurisdiction but outside the Government.

To state it simply, the legislation is for employees who work for the railways, for radio broadcasting stations, for banks, and so on. A complete list of all such employers appears in clause 3 of the bill. In addition, the bill covers any works, undertakings or businesses of a local or private nature in the Yukon or the Northwest Territories where the federal Government will carry out a role similar to that of the provincial governments in dealing with pension plans for employment under provincial jurisdiction. The inclusion of a pension plan in these territories was made at the request of the territorial governments concerned.

The background for this legislation can be outlined briefly and simply.

On December 18, 1964, the then Minister of Finance, speaking in the House of Commons, announced the federal Government's intention to introduce legislation as contained in Bill C-221. At that time legislation relating to the portability and solvency of private pension plans as applicable to employment under provincial jurisdiction had already come into force in the Province of Ontario. Ontario was a pioneer in leading the way for this kind of legislation.

In October 1964, an interprovincial conference on uniform pension legislation was convened. The object was to develop a model act which could be approved by all provincial authorities and passed by all provincial legislatures so that there would be uniformity in all provinces of Canada. The federal Government participated in this interprovincial conference and agreed to introduce federal legislation relating to employees under federal jurisdiction as soon as there was a wide measure of agreement among the provinces relating to legislation for employees under provincial jurisdiction.

It is interesting to note that since the act was passed in Ontario, similar acts based on the model act have been passed in the Provinces of Quebec and Alberta, and similar legislation has been introduced in the legislatures of Manitoba and Saskatchewan. Bill C-221 is based on the model act which was developed at the conference on uniform pension legislation. The administration of this legislation will be handled by the Department of Insurance. The Superintendent of Insurance will be charged with the responsibility for registering and reviewing continually pension plans which are covered by this bill.

In accordance with the procedure followed in the model act, the standards for registration are spelled out in detail in clause 10 of the bill; but the detailed provisions dealing with the handling of the pension funds have been left to regulation. This will be found in clause 11 of the bill. The bill contains registration provisions under clause 10 requiring employers to whom it applies to file their existing plans and any amendments to them with the Superintendent of Insurance; and the same requirements apply to new pension plans, as they may be developed.

Honourable senators, it should be emphasized that the bill contains no provisions requiring that pension plans be introduced where none exist now. Neither does the bill prevent a plan from being terminated. The bill does not require that all employees of an employer be members of the plan, but the bill does state that a plan must meet the requirements of this legislation so long as the plan remains in force.

In clause 12, under the termination or winding-up of a pension plan, there are provisions dealing with the application of all pension fund moneys in order to provide deferred or immediate pensions for both former and present members of the plan in accordance with their respective entitlements.

As I said earlier, the standards for registration of pension plans will be found in clause 10 of the bill. These standards require that the pension plan must provide for the "locking-in" of certain contributions made by the employee after the qualification date of October 1, 1967. This will mean that any member of a pension plan who has attained the age of 45 years and who has been in the service of an employer for a continuous period of 10 years, or who has been a member of the same pension plan under different employers for 10 years and who also has attained the age of 45 years, shall be entitled under that pension plan, upon retirement or termination of his service, to a deferred pension annuity or credit, or an immediate annuity, depending on whether or not he reached the retirement age set forth in the plan. This annuity must be related to at least his service under the plan after the qualification date, which is October 1, 1967.

It must be borne in mind that this locking-in requirement does not apply to contributions for service before the qualification date

of October 1, 1967, or to voluntary additional contributions. In other words, contributions made prior to October 1, 1967, may be withdrawn under the legislation but only if the plan provides for it. But it must also be stated that after October 1, 1967, contributions relating to less than 10 years' service with an employer can also be withdrawn by the employee under the legislation, but only if the plan so provides. But if he has worked the 10 years after October 1, 1967, for the same employer or under the same pension plan, and has reached the age of 45 years in either case, the employee's contributions are locked in and cannot be withdrawn.

I am referring now to the legislative requirements of this bill, but there is nothing to prevent a pension plan from having locking-in provisions of contributions at an earlier age than 45 years, or for less than 10 years' service, or both. Provision for this will be found in clause 10(2) of the bill.

Under the same subclause 10(2), limited payments of lump sum amounts are also permitted in cases where the monthly pension under the plan would be less than $10. In addition to that, a plan may provide for payment of a lump sum not exceeding 25 per cent of the commuted value of the deferred annuity benefit. This may be paid upon or after the termination of service of a member of the plan before he attains the requirement age under that plan. A plan may also provide for the payment of reduced or increased annuities because of early and deferred commencement of payment. Reduction in the amount of an annuity before it commences is also permitted in order to provide for survivor benefits, for example. Variation in the amount of the annuity in order to take into account pensions payable under the Old Age Security Act, the Canada Pension Plan or the Quebec Pension Plan is also permitted.

These pension plans must meet the funding and solvency requirements to be set out in the regulations as well as meet the requirements for investment fund moneys to be prescribed by regulations under clause 11. This legislation provides for portability of pension rights—the right is portable—by implication, which can be understood from clause 10, by the words "deferred pension benefit" to which he retains entitlement wherever he goes. The portability factor will also be part of the pension plan provisions which must ensure that the employee receives an annuity at retirement age.

Under clause 5 of the bill, agreements may be entered into between the federal Government and the provinces respecting these pensions plans, and under clause 5(c) an agency can be set up and designated for the purpose of receiving, holding and disbursing pension benefit credits under this act. Under this subclause, if an employee has accumulated pension funds with different employers under different pension plans, these funds can be paid into an agency which will deal with the funds that might have accumulated, and he can receive a pension benefit purchased by the amount paid in on his behalf. This will enable an employee who has worked in more than one province for some years, and then starts to work for the federal Government, to have his pension credits protected. This is because this provision can apply to every province which has legislation passed under this model act. There will be discussions and co-operation between provincial and federal governments on this very point from time to time, and it is not anticipated that there will be any difficulty.

The Minister of Finance is given the power to designate such an agency, but as yet it is not known whether it will be a federal agency, a federal-provincial agency, or a private trust company, but we have the assurance that the decision on the formation of this agency will be made by agreement between the federal Government and the provinces.

I think it should be pointed out that under clause 11, moneys now in any one of these pension funds will be covered by this law in addition to moneys received after October 1 under the regulations that will be set up under clause 11. The Superintendent of Insurance will have the right to look into the investment of pension moneys in relation to all pension funds covered by this legislation to determine whether the investments are sound and secure within the requirements of the act. If the investments are not sound and secure, the Superintendent of Insurance will have the authority to force the employer to make the necessary changes and adjustments under the pension fund investigation. The employers and private companies will have a free hand in the matter of investments so long as the investments are acceptable to the Superintendent of Insurance as being sound and secure within the requirements of the act and the regulations under it.

Honourable senators, that is a brief and what I consider to be a concise explanation of

this bill. I shall be happy to move that this bill be referred to the Standing Committee on Banking and Commerce, but in that respect I shall be guided by the wishes of all honourable senators.

On motion of Hon. Mr. Choquette, debate adjourned.

BANK OF CANADA ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-190, to amend the Bank of Canada Act.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, before the next order is called I ask the indulgence of the house to say that the income tax bill has been passed by the other place. The intention is that Senator Hayden will explain that bill tomorrow afternoon. We could wait for that bill this afternoon and proceed now with the report of the Standing Committee on Finance. However, as there is a committee meeting tonight it might be more suitable if we adjourned until tomorrow afternoon at 2:30, which would enable Senator Hayden to give his explanation at that time, on the understanding that as soon as this house receives the bill, it will give it first reading and proceed with second reading. Such a course of action will save our sitting on for another half hour or so this afternoon.

Hon. Mr. Brooks: There is no suggestion of our not having the bill by 2:30 tomorrow afternoon?

Hon. Mr. Connolly (Ottawa West): No. The bill is available now. Some amendments have to be checked, and the bill is being held up while that is being done.

Hon Mr. Flynn: The honourable Leader of the Government does not expect this house to pass that bill tomorrow, does he?

Hon. Mr. Connolly (Ottawa West): No, no. I am sorry that we do not have the bill at this moment.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until tomorrow, Thursday, March 16, at 2.30 o'clock in the afternoon.

Motion agreed to.

The Senate adjourned until tomorrow at 2.30 p.m.

THE SENATE

Thursday, March 16, 1967

The Senate met at 2.30 p.m., the Speaker in the Chair.

Prayers

INCOME TAX ACT

BILL TO AMEND INCOME TAX ACT AND TO REPEAL CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Salter A. Hayden, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, this is the second bill to amend the Income Tax Act arising out of the budget of March of last year. The first bill, which was C-216, we dealt with last summer. You will recall that that bill contained several items which were not proceeded with. Those several items were the provisions in relation to deferred profit sharing plans, the Canadian Vessel Construction Assistance Act and the transfer of income tax provisions and some changes therein from that act to the Income Tax Act, and also the Supplementary Unemployment Benefits Act. We have in the bill before us provisions dealing with these three headings, and the opportunity has been seized upon in a number of other, shall we say unconnected and miscellaneous ways, to retouch, correct and deal with situations that have arisen since.

I propose to deal more particularly with the purposes which appear in the title to this bill, that is, the deferred profit sharing plan. This plan, as those who are on the opposite side of the chamber today know, was originally introduced by the then Minister of Finance, Mr. Fleming, in 1960-61, at which time he described it as an important piece of social legislation.

I think I should refresh your minds on the general scheme of that act so that you will appreciate the changes that are being made by this bill. If you are concerned about the section pertaining to the profit sharing plan, you may refer to section 79c of the Income Tax Act which deals with all the features of the deferred profit sharing plan presently in force.

Broadly speaking, a profit sharing plan is established by an employer for the benefit of his employees, or for a defined class of the employees. Under this plan, the employer undertakes to make payments out of his profits, or computed by reference to his profits, into a trust established under the plan, of which the employees are beneficiaries or contingently may be beneficiaries.

The employer's contributions to the trust are, within defined limits, deductible in computing his income tax for the year in respect of which the payments are made. The employer's contributions to the trust and all income earned by it are allocated, usually on a contingent basis, among the beneficiaries, who are employees, but are not actually paid out of the trust until the happening of a future event, which is usually the normal retirement of the employee.

The trust is exempt from income tax on its income; and no tax is paid by the individual beneficiary employee until he actually receives payment out of the trust.

These plans, under the original provisions as well, all require to be registered. Section 79c contains the conditions and restrictions as to the content of the plan, the nature of the investments that it may make, and all such provisions of that character.

Through the years administrative practices have been developed under this section and they have had the effect of making it broadly restrictive, as a practical matter, rather than what one would appear to read from the exact line used in the statute.

However, this is before us now because, as the minister reports, abuses have developed. One of the more common abuses was to establish such a plan for a closely held corporation—that would be a corporation with very few shareholders—in such a way that, although the plan was apparently for the benefit of the employees of the business generally, thus entitling the corporation to a large annual deduction for contributions to the plan, it would ultimately benefit only a few people, namely, the principal shareholders

and/or their families. It was also found that funds in the trust could be manipulated in a number of ways in order to provide immediate tax advantages to persons who were in a position to control the plan.

May I take one moment to explain that? Under these plans the annual contributions to the plan were not necessarily required to be allocated at one time. If allocated, and if an employee retired from the plan at any given time, then there was a forfeiture or a negation of any allocation to him, because he carried nothing out of the plan with him when he retired, and at some subsequent date there would be a reallocation.

By manipulating reallocations without the requirement of spreading them in some way over all the members in the plan, and by favouring a few instead of many, you might have large accumulations in the plan operating for the benefit of very few people, and mainly those who really control the plan. It was felt that this was an abuse which should be corrected. It may be that when I finish giving the explanation you will feel that the pendulum has swung too far the other way; I may make some comment on that as I go along.

In the bill before you, the changes and the tightening up designed to prevent or check these abuses have to do mainly with what is called "vesting"; that is, at some stage vesting the payments into the fund and allocating it to a particular employee—vesting them in him. Following that are the restrictions in relation to reallocation and how it may be done, the limits with respect to amounts to any particular remaining member of the plan, the question of the quality of the investment which the trust may make, and the distribution of accumulated funds.

Then, in order to keep the thing going smoothly, a system of tax penalties is provided in these sections. Then there are provisions dealing with plans presently registered and operating, and indicating how you must conform those plans to the new provisions in this bill.

May I just touch on those points? First of all, the requirement of registration is continued. In other words, any new plan that develops since and including December 21 last year must satisfy the requirements of the Income Tax Act as and when this bill becomes law.

Plans already registered but which do not comply with the new provisions found in this bill are given until January 1, 1968 to conform. If they fail, the minister may revoke the plans. I may say a little more about that later.

Concerning employer deductions, under the law as it is now the employer might make his annual contribution on the basis of the lesser of $1,500 or the amount of his contribution to the plan in that year in relation to each employee. Under the bill before us a third condition has been added. It says that the deduction which the employer is entitled to in relation to his contribution is the least of the $1,500, or the amount he pays in respect of each employee into the plan and into the trust in the year, or 20 per cent of the salaries or wages paid to the employees.

Hon. Mr. Connolly (Ottawa West): In that year.

Hon. Mr. Hayden: In that year, yes. On the question of allocations, the requirement under the bill is that those payments which are made in a particular year by the employer to the trust in support of this plan must be allocated not later than 90 days after the close of the year in which they were paid. Then it is also required that all amounts in the trust in respect of payments that had heretofore been made and that had been allocated to employees, where the employees have ceased to be employees, those amounts must be reallocated at once.

The next big element I am going to mention is vesting. This bill provides for an automatic vesting of the amounts in the plan standing to the credit of a particular employee—if he has remained in the employ of the company during that time—at the end of five years after the end of the year in which the amounts were allocated to him in the plan. If after that period the employee leaves, he is entitled to take the proceeds which have been vested in him; or, if he dies within the limited period provided in the bill, the moneys in the fund and in the trust standing to his credit must be paid to his beneficiary or his estate within the limited period after his death. But an employee who has funds vested in his name and who retires from the plan, or when he leaves at age 71, has certain rights which he may exercise. For instance, he may elect to take the payment by instalments rather than in full; and this bill provides that in those circumstances on his election the instalments may be on an annual basis, limited to a period of 10 years.

The bill also provides that instead of taking his money he may request the trustee to subscribe for an annuity, and this annuity must not have a guaranteed payment range of greater than 15 years.

There are other provisions relating to the operation of these plans after December 21, 1966. For instance, where a trustee makes use of the assets in the fund or the trust as security for a borrower, there is a tax penalty at once. This tax penalty is equal to the fair market value of the assets which were used as security, and that amount is paid as a tax penalty to the Consolidated Revenue Fund. As and when that situation is corrected, and the loan is cancelled out and the securities are released, then under the procedures provided in the bill an application may be made for a refund of the tax paid at the time of the violation of this restriction. The general restriction is that you cannot use these funds as security for loans.

I turn next to forfeitures. As I mentioned to you earlier, forfeitures would describe the situation where a person under an existing plan has ceased to be a member and therefore his allocations are undone and there is no requirement of vesting. Then, up until such time as there is a reallocation, those funds are in the position of being forfeited because their purpose has failed. If there is not an immediate reallocation, there is provision for a tax penalty amounting to 50 per cent of the money that stands in that forfeited position.

I think I have collected in a summary way the features of the tax penalty, and maybe I should put them together in one short statement for you at this time because I have talked about the tax forfeitures. I refer you to page 28 of the bill, and that applies in relation to any situation where a forfeiture occurs in the plan and in the trust after December 21, 1966.

There are two other cases where tax penalties apply. One is that if the trustee invests in non-qualified investments, there is a tax penalty to the extent of the cost of those non-qualified investments. There is a provision in the bill that if you cure that situation and sell the non-qualified investments, then you may apply for a refund, but the refund of the taxes you have paid would not necessarily be the amount you had invested in those non-qualified investments. It would be the amount you had realized on their disposition, which might be less. Therefore, you might not necessarily get back from the fund the full amount of money you expended at the time you purchased them.

Hon. Mr. Choquette: Would not the qualified investments be set out on this list which the Government gives to the employer? Surely, he cannot go beyond and outside that list?

Hon. Mr. Hayden: The bill sets out what are qualified investments. It is not a case of the Government or any department; supplying him with a list; it is the statute that gives the nature of the qualified investments. Nevertheless, my friend has lived long enough—and certainly I have, which is longer—to know that notwithstanding directions in relation to investments, interpretations get broadened in the private sector at times, and investments might arise which are not in the qualified category.

This business of qualified investments has two aspects. I have spoken to you about the aspect of "on and after December 21, 1966", in relation to any new plans after that date. But there is another side to the coin—that is, you have existing plans and you have investments in those plans which would not meet the requirement of "qualified investment". What is done to those? In a very broad way, you are given the period from and including 1967 down to I think 1970, in which, according to the provisions of the bill, you may liquidate the non-qualified investments and, depending on the rate of liquidation, you may pay very little tax in the meantime. If you make a complete liquidation over the period permitted you might end up with receiving back any tax penalty which you have paid because of taking that position. This appears at page 23 of the bill in the new section 105L, in the new Part IIE of the Income Tax Act, which deals with taxes on deferred profit sharing plans and revoked plans.

May I tell you, by way of a summary what appears in section 105L, because frankly the first time you read it it may seem a bit complicated.

The term "initial base of the trust," which appears in section 105L, is defined to mean the investments in the trust as at December 21, 1966. You assume then that those are not qualified investments as defined in the bill. Section 105L provides you with a basis over the period from 1967 to 1970 in which you can liquidate that position with a minimum of tax, and with the possibility, at the end of the road, of receiving refunds of any kind of tax which you have had to pay over this period.

For instance, let us say that in the year 1967 you are such a trust—that is, an existing trust on December 21, 1966—and your initial base of

trust investments are non-conforming to the requirements of this bill. If in respect of the year 1967 you dispose of some of those, then the measure of determination as to whether you pay tax this year is the difference between 20 per cent of that initial base and the amount that you realized on your dispositions in that year. So, if you disposed of up to 20 per cent of your initial base in that year, at a price at least equal to their market value at December 21, 1966, you would then have no tax to pay. You can go on in the next year and in succeeding years to repeat that operation, and you may come out very well. If you decide to stay with your non-qualified investments, then of course the danger you run in the way of a tax penalty would be 100 per cent of the cost of those initial base investments as at December 21, 1966. But, section 105L gives you a method of alleviating the burden of the penalty.

I have spoken about the tax penalty in relation to the situation where you use securities in the trust as security for loans. There is a tax to the extent of the fair market value of the property which you pledge in connection with the borrowing, and it is refundable but not necessarily at the full amount. It is refundable when that transaction is undone, or when you move out of that transaction. The only instance in which there appears to be no refund is that of the 50 per cent tax on forfeitures, where the reallocation does not proceed within the time specified in the bill.

Hon. Mr. Connolly (Ottawa West): Will the honourable senator permit a question?

Hon. Mr. Hayden: Yes.

Hon. Mr. Connolly (Ottawa West): Forfeitures will develop in the event of a failure to reallocate within a certain time. What is sought to be cured by this provision? Perhaps I might put that question in another way. What would be the advantage of a trustee or a trust not reallocating?

Hon. Mr. Hayden: The advantage that appears obvious right away is that if you do not reallocate at once those funds would remain at large in the trust, subject to allocation or reallocation at a more propitious time, and possibly in respect of fewer people than planned. But, it would defeat the idea of vesting.

In other words, once an employer contributes money to a plan of this kind the whole scheme of this legislation, as with earlier legislation, is to see to it that to the ultimate degree the moneys that go in are enjoyed by the beneficiairies of the plan. The only way in which that enjoyment could be had otherwise, for instance, so far as the employer was concerned, is if in connection with forfeitures the trustee was directed to pay that money back to the employer. In those circumstances the employer must take it into his income for that year so that the revenues have not been deprived of any tax. But if the employer does not take it back in, and it sits there, then as long as it is not reallocated it has no particular beneficiary. If it is forteited money it is just accumulating there.

So, in order to make the scheme of vesting effective, and where the vesting occurs within this limited period of five years, you must start with the date of the allocation or the reallocation of the money to the particular employee. That is the starting point for the five-year term.

The only comment I make on that is that it may well be that a five-year term is not a long enough term for a deferred profit sharing plan. If one of the purposes of the plan is to add an additional factor or benefit to the situation between an employee and an employer which will make continuance in his existing employment more attractive to him, it may be that ten years would be a more effective time. But I am sure that, if in the working out of this provision five years is too short a period of time, then in due course there will be requests for some change. The earlier provisions contained in Bill C-216 have been examined by the public who are interested in legislation of this kind, and I think this bill to a considerable extent reflects the views of those who have an interest in them. I have not made any comparison of the changes, if any, between the provisions of this bill and the provisions in respect of the same subject in the earlier bill, but I would doubt that there are significant changes.

I have told you about three tax elements which are tax penalties. The design is to force compliance with the particular plan of deferred profit sharing for employees. The design is to see to it that the revenues are not made less by some improper use of the funds in the plan while the person who contributes is enjoying a tax immunity. Therefore, it was felt that in order to make assurance doubly sure the tax penalties would be imposed, with the opportunity of getting them back, except in the one case of tax forfeitures.

There is one field that is not covered in the list of qualified investments but is covered separately. It has to do with life insurance. There is a provision in the bill that life insurance, if it follows the conditions that are laid out in this bill, may be regarded as a qualified investment. This provision will be found starting at the bottom of page 21 of the bill, in subsection 6 of section 105K.

May I tell you briefly what the qualifications are in order that life insurance held by or taken out by a trustee of a trust under a deferred profit sharing plan may qualify as a qualified investment? As can be seen from the top of page 22, the trust, by virtue of paying the premiums, is the only person entitled to any rights or benefits under the policy, other than the rights or benefits of the insurer. The second thing is that the cash surrender value of the policy is or will be, at a time before the 71st anniversary of the birth of the insured person, on the assumption that all the premiums under the policy are paid, not less than the maximum total amount payable by the insurer under the policy. In other words, at some time during the existence of this policy, before the man reaches his 71st birthday the sum total from the premiums paid must equal the cash surrender value of the policy.

This clearly would appear to limit the type of insurance to endowment policies, but notwithstanding that you then have a wide open provision which the trustee may follow with respect to a part of the funds in the trust and the kind of insurance that he may buy. You will find that reference on page 22 of the bill, section 105K, subsection 7. There the trustee, notwithstanding these earlier limitations which would appear to limit the insurance to endowment policies, can take 25 per cent of the payments which the employer makes into the trust and put that 25 per cent into any type of life insurance. Of course the beneficiary must be the trust, but he can, if he feels the employer is making sufficient profit to provide for a maximum contribution to the plan each year, even go the the extent of using 25 per cent to take out insurance policies on the lives of the employers. So the 25 per cent is wide open and has no limitation; otherwise the limitation would appear to be as to endowment policies. I suppose the thinking behind that is to achieve the maximum in benefit in the funds that would fall to the particular employee when he has reached his 71st year.

I have explained in a very small way the various features of this bill so far as they deal with deferred profit sharing plans. I have told you about the vesting, the reallocation, the investment limitations, the distribution, and the penalties. I did not tell you about forfeiture in order to prevent a reallocation of funds that have been forfeited through the failure of the employee to remain in the employment for at least a five-year period from the time payments were made on his behalf, so that there may not be an uneven reallocation, with substantial amounts going in one direction and very little in another direction. There is a provision in the bill which places a limitation on the amount of the forfeiture which may be reallocated to a particular employee. That may be found at page 24 of the bill. According to the language there, the amount of the limitation is:

> (b) the amount, if any, by which
>
> (i) the product obtained when $2,000 is multiplied by the number of years in which the employee was a beneficiary under the plan or under any antecedent deferred profit sharing plan that governed a trust to which payments were made under the antecedent plan for the benefit of beneficiaries thereunder by the employee's employer.

So there is not a wide and unlimited discretion in the hands of those in control of the plan and of the trust funds, when forfeitures occur, to reallocate without some regard to the statutory restrictions which put a ceiling or a maximum on the amount that may be allocated or reallocated in the direction of a particular employee. That may create uneven amounts in reallocation, but the amounts will be measured by a constant factor, and the difference may well occur by reason of the length of time one employee has been in the plan as against the length of time another has been in the plan.

This is a very summary statement, but for the purpose of spurring your interest perhaps it is provocative and you will take a look at the bill.

There is also the requirement that the trustee must file annual reports on the operations and dispositions under the plan each year within 90 days following the end of the year.

Then there are provisions with respect to procedures for applying for refunds, and also provisions for transfers from one profit sharing plan to another.

The second item partially correlated with this is supplementary unemployment benefit plans. These are covered under section 79A

of the Income Tax Act as it presently stands. I refer you to section 14 of the bill, which does not change in any way the basic provisions for supplementary unemployment benefit plans.

Perhaps I should say that "supplementary unemployment benefit plans" is defined in the Income Tax Act as:

> an arrangement . . . under which payments are made by an employer to a trustee in trust exclusively for the payment of periodic amounts to employees or former employees of the employer who are or may be laid off for any temporary or indefinite period.

You will find this type of plan chiefly occurring in employment contracts as between unions representing employees and the employers of such employees. In other words, they are mainly the product of collective agreements.

The only change that is made by this legislation is to require that these plans be registered. No penalties are added and no exemptions are taken away. The idea of registration is that the department charged with the administration, by studying the operations of these plans will know whether those who were operating under deferred profit sharing plans and creating abuses might look upon this as an area which could lend itself to that sort of thing. Therefore, they will be required to register so as to have full information as to the quality and scheme of the plan. Whether there will be any limitations or restrictions will be a matter for the future.

Dealing now with the Canadian Vessel Construction Assistance Act, this bill repeals that act and replaces certain provisions of it by similar provisions in the Income Tax Act, but with one very substantial variation.

In the Canadian Vessel Construction Assistance Act three main things were done. First, it provided for a 33⅓ per cent straight-line cost allowance of a vessel constructed and registered in Canada; secondly, a recapture of capital cost allowance under provisions of the Income Tax Act where the proceeds are used to acquire a vessel constructed and registered in Canada; thirdly, it provided a deduction for tax purposes over a four-year period of the estimated cost of quadrennial or other special surveys required under the Canada Shipping Act.

In the course of the transfer of these provisions—basically they are income tax provisions, though up to this moment they are contained in the Canadian Vessel Construction Assistance Act—two of them carry over and the middle one disappears, or "phases out," which is the expression used, bringing back into the Income Tax Act as income the gains on the sale of a vessel which has enjoyed the benefit under this statute.

The Canadian Vessel Construction Assistance Act was originally enacted in 1949. Its main purpose was to encourage the construction and conversion of vessels in Canadian yards so as to provide work in the Canadian shipbuilding industry and at the same time to encourage Canadian owners to modernize their fleets.

The scheme of the act was as follows. In the case of a vessel constructed in a Canadian yard and in the case of a conversion or major alteration done in a Canadian yard, the owner was entitled to depreciate the cost of the vessel or conversion for income tax purposes at a rate of up to 33⅓ per cent on a straight-line basis, as opposed to diminishing balance.

Hon. Mr. Connolly (Ottawa West): Written off in three years.

Hon. Mr. Hayden: The capital cost of the vessel or conversion for this purpose was determined by the Canadian Maritime Commission. The Commission interpreted the act in such a way that a vessel under construction was regarded as a vessel for purposes of this depreciation, and hence it was possible for an owner to commence depreciating his vessel in the year in which construction began. To qualify for this accelerated depreciation, the vessel had to be registered in Canada or registered elsewhere in the Commonwealth under conditions satisfactory of the Maritime Commission.

The rate of 33⅓ per cent straight-line depreciation provided under C.V.C.A. Act, compared with the rate of 15 per cent on a diminishing balance basis provided in the regulations made under the Income Tax Act. So, you can see there was a substantial advantage, and a further substantial advantage, which I will mention in a moment, that the subsidies were gained, certainly in relation to fishing vessels, up to the extent of 50 per cent of the cost of construction of those vessels.

The one element that is "phasing out" is this. Under the act as it presently stands, where a vessel was disposed of by a Canadian owner under conditions that would otherwise have given rise to recapture of capital cost allowance under the provisions of the Income Tax Act, the C.V.C.A. Act provided freedom

from such recapture to the extent that the proceeds of disposition of the vessel were used by any person for replacement or conversion purposes under conditions satisfactory to the Canadian Maritime Commission.

Alternatively, the vendor could deposit with the Maritime Commission an amount equal to the tax that would otherwise have been payable by reason of the recapture of capital cost allowance on the vessel sold as a guarantee that the proceeds of disposition would ultimately be used for replacement. The act required that such replacement occur within seven years from the date of disposition.

Under the provisions of this bill, the capital cost allowance position for new ships will be significantly changed. Relief from recapture, where proceeds of disposition are used for replacement, are repealed in respect of dispositions of ships acquired after January 1, 1966, unless such ship is constructed under a contract that was concluded before January 1, 1966. The relief from recapture provisions is to be completely repealed for all dispositions of vessels that occur after December 31, 1973. For the period between January 1, 1966 and December 31, 1973, freedom from recapture on the sale of a vessel will only apply in the event that the proceeds of disposition are used for replacement before January 1, 1974. This is the phasing out which I have dealt with. If the deposit which has been put up is not made use of before this terminal date, then it goes into the Consolidated Revenue Fund.

There is more to the history of this. Another important point and one I should mention at this time is in respect to the 33⅓ per cent straight-line depreciation. When you repeal the C.V.C.A. Act, then of course you repeal that provision as well. There is nothing in this bill specifically which deals with the continuance of that 33⅓ per cent rate of depreciation, and yet to cut it off in midstream might be very injurious and affect very adversely operations and constructions that are presently in progress and which started after January 1, 1966.

In statements which have been released as to the Government's program, by the minister, it has been stated that while the provision of the Canadian Vessel Construction Assistance Act permitting the exemption from taxpayer income of recaptureable capital cost allowances is to be discontinued, the rapid depreciation condition of the C.V.C.A Act will be retained, which means that those rapid depreciation provisions—in other words, the 33⅓ per cent—will be continued, presumably, therefore, by regulation.

Honourable senators, so far as fishing vessels are concerned, while the subsidies payable in relation to other classes of shipping construction have been announced, and they will be substantially reduced on a phasing-out basis, there is no proposal at the present time to disturb the 50 per cent of cost subsidy in the construction of fishing vessels. These are the three main provisions of the bill.

I think I should tell you that there are a few miscellaneous items. You always find them. When I get an income tax bill, I do not look first for the things mentioned in the budget resolutions, but for those extra and miscellaneous clauses said to be in the way of clarifying and correcting. I am always curious to see the extent of what is covered by the word "clarifying"; and if I find the new provisions are relieving, then I have nothing to say.

In that category, any person who may be interested will find in clause 6 of the bill that the amounts paid to qualified dental mechanics for the making or repairing of an upper or lower denture and for certain other dental work, are going to qualify as medical expenses, subject to the usual limitation of the amounts. I should tell you too—having dealt with the federal-provincial fiscal arrangements as recently as yesterday evening in committee—that you will find, in clauses 7 and 9 of this bill the provisions in respect of provincial abatement, that is, personal tax deductions under clause 7, and corporation tax deductions under clause 9. You will also find a provision, in clause 10, where there is no significant change in the deductions which an employee of a foreign country may make, but the benefit is extended to members of his family and servants.

Honourable senators, we had a bill before us recently, dealing with scientific research, on which evidence was heard in committee. You will find a provision in this bill dealing with the income tax aspects. That is in clauses 3(1), 5(4), 12 and 13.

What I have to say about this follows on under the program for advancement of industrial technology, which alphabetically they call P.A.I.T. The Department of Industry may make a grant of up to 50 per cent of the cost, other than fixed asset cost, of a specific research project, which involves a significant technological advance and affords good prospects of commercial exploitation.

If the project is unsuccessful, no repayment of the grant is required under that legislation. If it is commercially successful, the grant must be repaid with interest. Therefore, at the time the grant is received and the expenditure is being made, the amount of those expenditures, if equal to the grant, may not be used as a deduction; but if the work is successful, and commercial operation results, there is an obligation on the receiver of that grant to repay with interest. As and when he repays the grant and pays the interest, he is entitled to bring these amounts in as deductible items for income tax purposes.

You will find the same thing applies in clauses 16 and 3(1), in dealing with drilling and exploration expenses. Under the Northern Mineral Exploration Assistance regulations a grant may be made to Canadian individuals, or a Canadian-controlled or registered public company, of up to 40 per cent of the cost of a mineral exploration program, excluding oil exploration carried on in northern Canada. If the program is unsuccessful, that is the end of the road so far as the money is concerned. If the program is successful commercially, then the grant is repayable. So if the obligations to pay are provided for in these clauses, the same provisions concerning deductibility apply.

In a recent case in the Ontario courts, *Bazos v. Bazos*, an income tax official was subpoenaed to appear at the trial and to bring records and give evidence. He appeared without his records, saying that he was under direction not to produce those records because they were confidential. The judge told him he had better come back in the afternoon with the records or he would be committed for contempt.

Some sort of conflict developed as a result of that, and therefore consideration has been given to the value of the confidential character of income tax information. You will find a provision in this bill—starting at the bottom of page 29, Section 22, and carrying through to about two-thirds of the way down on page 30—under which, if there is such a requirement that an official or authorized person appear and bring the records from the Income Tax Division, the minister has a right of appeal. If it is a provincial court which makes such a direction, the right of appeal is to the provincial court of appeal; if it is a federal court, the right of appeal is to the Supreme Court of Canada. When the appeal is taken all proceedings are stayed until the appeal has been disposed of.

So it might not be a bad idea for the department to have printed some forms of notices of appeal both to the provincial appeal courts and to the Supreme Court of Canada. Such forms could be ready for instant use simply by filling in certain blank spaces. This might be a wise preparation in the event that there is any wholesale effort, arising out of the case to which I have referred, to get at income tax records.

Hon. Mr. Flynn: That must have been an isolated case, I am sure.

Hon. Mr. Hayden: My experience has been that isolated cases which open up a field do not long remain isolated. They acquire a lot of company.

Hon. Mr. Macdonald (Brantford): There is no appeal from the Ontario Court of Appeal?

Hon. Mr. Hayden: In this particular case?

Hon. Mr. Connolly (Ottawa West): There might be.

Hon. Mr. Hayden: Well, there is nothing in the bill as it is drawn. One would have to look at the provisions governing appeals from the Supreme Court of Ontario to decide whether in this particular case there was an appeal. There might well be.

These would appear to be the essential provisions. I have dealt with deferred profit sharing plans in a very summary way, believe me, because there is a lot of detail. It may be interesting and informative detail, but it is not appropriate for presentation here. Possibly that avenue could be explored with more interest before a committee, as and when this bill goes to committee.

Hon. Malcolm Hollett: Honourable senators, I am quite sure you do not expect me to speak long on this complex bill, which is particularly complicated by its having to do with the Income Tax Act.

Before I go on, I would like to say how I would love to be able to speak on this bill as well as the honourable senator who has just sat down. I am reminded of the power contained in the Hamilton Falls, sometimes called Churchill Falls. The falls is a great source of power, but if we are not ready to receive it, it goes to waste. There the senator stands, like the Hamilton Falls, but if we are not ready to benefit from what he says, we lose his words as we lose the water over the falls. The analogy came to my mind as the honourable senator spoke.

Hon. Mr. Hayden: Except that in this case the benefits are perpetuated in print. You cannot do that with the water from the Hamilton Falls.

Hon. Mr. Hollett: I was reminded of the Hamilton Falls as the honourable senator spoke, but I at least on this side—and I am sure there may be others—had difficulty in getting the "power" even by turning on the switch, simply because I was not ready to receive it. I am not well enough versed in matters financial to be able to absorb all the wisdom spoken from the lips of the honourable senator.

I wish I understood financial matters as well as he does. Perhaps if I did, I would be a millionaire; but I am not, and I do not understand its complexities. But I do congratulate him on being able to explain things very well indeed, although to grasp all that he said would require a keen financial insight.

I have tried to study this bill carefully. To that end I made a study in the first instance of the Income Tax Act itself but, unfortunately, I bogged down completely when I began to compare the Income Tax Act with the various amendments to it. As a matter of fact, I more or less gave up.

I do not know why in the first place it was suggested to me that I should speak on this particular bill, because I know so very little about financial matters. At any rate, the only section in the bill which did appeal to me as one upon which I could concentrate was Section 24, which has to do with the Canadian Vessel Construction Assistance Act. All that that particular section says is that the said Canadian Vessel Construction Assistance Act is being repealed. In other words, this particular Canadian Vessel Construction Assistance Act which was put into the Income Tax Act back in 1949 is being repealed.

Incidentally, the Income Tax Act at that particular time had 144 pages. Since that time it has been amended a dozen times, and I do not know how many pages are in it now. But the fact that that section was repealed took me right back to the Income Tax Act again. At any rate, I only concerned myself with Sections 11 and 20, having to do with such matters as the construction of vessels.

As has been pointed out, the question of vessel construction in Canada will be governed by section 11 and section 20 of the aforementioned Income Tax Act and the regulations under these paragraphs. To boil it down, therefore, the whole question of vessel construction and any assistance this act may give to those who build our ships in Canada will actually depend on the regulations which may be made under these two sections.

I understand that under these two particular sections, and under the regulations made under the authority of the said Income Tax Act, such items include provisions for (1) accelerated depreciation of the 33⅓ per cent on straight-line construction or major conversions of a ship in Canada; and registered in Canada or the British Commonwealth; (2) allowance of reserve for survey expenses; disposition of proceeds of insurance; (3) election in respect of proceeds from disposition of the vessel.

All these items will be taken care of by sections 11 and 20 of the Income Tax Act.

But I understand there is an item which has been dropped, whereby under certain conditions there is allowed exemption from taxable income of capital cost allowance. I discovered that much, and I am quoting from some information on shipbuilding I received from the Department of Industry.

Incidentally, I tried very hard to get facts from the various departments, and I am most grateful to the Department of Industry for the material they gave me relative to the matter under discussion. I got a list of the vessels which were constructed in the various Maritime provinces, but the amount of assistance looked so small I considered it did not come under this particular act. I think I am right in saying that it came under the Department of Industry, where subsidies were granted.

I found out that from April 1966 to February 28, 1967, close to $2 million had been paid over to assist in the construction of smaller vessels in the Atlantic provinces, and of that amount Nova Scotia got $1½ million, Quebec $212,000, Newfoundland $216,000, New Brunswick $63,000, and Prince Edward Island almost $13,000. That amount was made up of subsidies and had to do with fishing vessels, trawlers and others.

I am quoting this simply to put it on the record because I know it is not actually related to the subject we are discussing. These moneys were paid over in the construction of 24 draggers, 39 longliners, 5 seiners, and 69 multi-purpose vessels.

As I said before with regard to income tax, I take it that there are very few people in this country today who could intelligently discuss this subject. I know I for one could not, and I admit it.

Hon. Mr. Roebuck: All we do is pay.

Hon. Mr. Hollett: I will come to that in a moment or two.

With regard to this particular income tax bill, the sections are so long and complicated that one gets competely lost in trying to understand it. And I can well understand the difficulties of high income groups or individuals when income tax time rolls round. I can quite understand how many lawyers and accountants soon become millionaires endeavouring to make out income tax returns for big business. It is quite understandable that this should be so. One has only to read the Income Tax Act to see how it is that the lawyers and accountants find themselves in such lucrative professions.

Hon. Mr. Aseltine: You have been misinformed so far as lawyers are concerned.

Hon. Mr. Hollett: You are a farmer at the moment as well as a lawyer, and I take it that being a farmer out west you make double what an ordinary farmer here would make.

Hon. Mr. McDonald: That is where he loses his lawyer's fees—in farming operations.

Hon. Mr. Hollett: I would like to interject that I believe it is time for Canadians to take a second look at the tremendous expenditures that are being made every year by various governments. If you look at the table of federal Government expenditures printed in the *Minutes of the Proceedings* on March 9, you will find that since 1956 our expenditures, including those under the Old Age Security Fund, have more than doubled. These expenditures in 1956 were $4,799 million, and I understand that in the present fiscal year they will amount to $9 billion and some odd millions. This trend would indicate that in 10 years our expenditures instead of being $9.6 billion will probably be in the neighbourhood of $20 billion. For 1967-68 it is forecast that there will be an expenditure of over $11 billion by the federal Government. Where are we going?

You will note also from the public accounts of 1965-66—and I think I am entitled to mention these matters here since we are discussing an income tax bill which will be used in collecting a lot of that money from you millionaires—that our gross public debt five years ago was approximately $23 billion, whereas in 1966 it amounted to some $27 billion. Our net debt has gone from $13 billion to $15½ billion over the same period. Interest alone on our national debt amounts to over $1 billion.

We have to be very careful if we are to preserve our freedom. Once you get into debt—and this applies to a country as well as an individual—you have lost your freedom.

I well remember in 1933 when the little province where I was born had to surrender its freedom and was taken under the wing of the British Government and placed in the hands of a royal commission. I want to stress this fact, honourable senators, to impress upon you the situation into which we are getting with these vast expenditures. Look at the Estimates for the coming year and see what the expenditures are expected to be and I think you will agree with me that these should be cut back quite a lot. Many of the things we are trying to do have to be done on borrowed money, and in my view they should be allowed to stand over until we are better able to pay for them. There has not been one year in a long time when we did not have to borrow money. Think what the situation would be if the moneylenders were to say, as the people who control money in the world today could say to Canada as well as they said it to little old Newfoundland back in 1933—"No more money for you." Where are we then? As I have said before, we will lose our freedom, and if we lose that we are finished.

I have read very carefully the speeches in the other place, particularly the replies of the Minister of Finance, Mr. Sharp. I am very glad to find that the minister gave assurance that the changes which this bill will bring about will not alter in any way the Government's policy towards the encouragement of shipbuilding. You will find that reference in Commons *Hansard* of Thursday, March 2.

I also read the comments of another honourable member of the other place, who said, "We need lots of attention to the merchant fleet and to the encouragement of our young people to go to sea." I am afraid we are not doing that and we are not encouraging our young men to go to sea. We are approaching the point where some day most of the sailors and fishermen in our waters will have come from other countries rather than from Canada. We have to be careful on that particular point.

It is my view that a lot more attention is being paid by the federal Government to the welfare of our farmers in Canada than is being paid to the welfare of fishermen. It is only necessary to compare the number of farmers with the number of fishermen and to compare the grants and subsidies given to the

farmers with those given to fishermen, and also those engaged in the building of fishing ships. It is notable that the sailors and the fishermen on the Atlantic coast—and I suppose the same applies to the Pacific coast—are not now getting the assistance required by men who go down to the sea in ships. I would like all honourable senators to examine the figures and ascertain the situation.

I do not intend to take much more of your time because I know that at this point time is of the essence. I was going to refer to the fishing vessels subsidy, but will defer my comments on that subject until a later date. These are figures relating to the Department of Industry which have to do with dragger fishermen and draggers.

I am certainly interested in this bill, but only in so far as it has to do with either merchant or fishing vessel construction. As I read it and tried to understand it I could find no instance where the shipbuilding industry would be affected in an ulterior way; and we have the word of the Minister of Finance, the Honourable Mr. Sharp, that that is correct. No changes will be made whereby the shipbuilding industry will be hampered. I am not referring now just to subsidies, but the Canadian Vessels Construction Assistance Act as it will now come into the Income Tax Act.

Before I sit down, I want to make a plea to the Government. Unless greater encouragement—and I will not say "assistance"—is given to our fishermen and merchant seamen, we Canadians are going to have to look elsewhere for men to man our ships. That may be because Canada at the moment is very prosperous. There is no question but that if you go to the Atlantic provinces, and west to British Columbia and elsewhere, you will realize that if the Government took as much interest in the welfare of these men as it is taking in that of the farmer in the central part of Canada, it would be to our mutual advantage.

I have nothing whatsoever against this bill. I agree with it entirely and I think it will be in the best interests of the country.

Hon. Walter M. Aseltine: Honourable senators, as I glance around the Senate chamber I see that the attendance has thinned somewhat. No doubt some honourable senators knew I was going to make a few remarks.

Hon. Mr. Connolly (Ottawa West): The reason for the small attendance is committee meetings. I am sure that if they had known you were going to speak they would be present now.

Hon. Mr. Aseltine: However, honourable senators, I appreciate the fact that this bill is before us at this time because it gives me an opportunity to discuss certain complaints which have been building up in my mind for some time with respect to income tax matters. I do not intend to speak about the provisions of the bill to any extent. I spent several days reading it over and, like my honourable friend from Newfoundland (Hon. Mr. Hollett), I finally gave up. The language and the involved matters dealt with were almost too much for me, and because of that I appreciated Senator Hayden's fine explanation of the bill this afternoon.

Honourable senators, I have two complaints. They have to do with the income tax form which all taxpayers have to fill out at this time of the year, and I have reference particularly to farmers, fishermen and ordinary taxpayers like myself. I am not referring to great corporations or big business, or anyone in that category. They have chartered accountants and others well versed in financial matters to do this work for them.

My first complaint is that when the income tax forms should be in the hands of the taxpayer he is unable to obtain them. Before I left Rosetown early in January we spent many days trying to obtain copies of the new income tax form. People were calling in for the forms every day, saying they were leaving for their holidays in the United States or other parts of the world and wanted to file their income tax returns before they left; but there were no forms available.

The other complaint I have is that when these forms were eventually received it was found they were the most complicated and difficult to understand of any we have ever had.

Hon. Mr. Roebuck: I wonder if the honourable senator has been listening to the radio, because every morning I hear someone on the air saying that these new forms are such that a babe in arms can understand them, and that all you have to do is look at the headings and it becomes clear.

Hon. Mr. Choquette: They asked the babes in arms, and they said it is untrue!

Hon. Mr. Aseltine: Well, it has not been my experience that they are simple.

Hon. Mr. Roebuck: That is what they tell you.

Hon. Mr. Aseltine: I think before I am through I will have demonstrated that there is nothing to that claim.

Hon. Mr. Connolly (Ottawa West): Some babies!

Hon. Mr. Aseltine: The taxpayer has to wait until he gets this envelope from the Taxation Data Centre in Ottawa, and when he opens it up he finds inside the 1966 T1 General tax guide of 20 complicated pages. Also in that envelope there is a T1 General form which is absolutely new in almost every respect, when compared to the forms of previous years. Before anyone can possibly make out this T1 General form with any degree of accuracy, if he is an ordinary taxpayer, he has to read this guide carefully and compare the sections of the guide to the sections in the T1 General form.

Then, when he thinks he understands what it is all about, he begins to compile his tax return. There is a form here which he has to tear out, and when it is filled in he attaches it to the main form. He has then to fill out a form in connection with his investment income, because there is not enough space on the back of the T1 General for that. When he has gathered all that information together he turns to page 2 of the T1 General, and fills in the information there. When he has that done he has to deal with his Canada Pension Plan return, which is also a part of this new form and it is most complicated.

When he arrives at the amount of his taxable income he has to turn back to his T1 General Tax Guide in which he will find a table which used to be attached to the form T1 General. It is not there anymore.

Then he starts to work out the amount of his tax. He finds in the Tax Guide a form headed "Detailed Tax Calculation", which is also very complicated. He fills that out, tears it from the book, and attaches it also to his T1 General.

Finally, after a lot of worry and headaches he arrives at the amount of the tax, provincial and federal. When he calculates it over again he finds he has a different answer, and when he calculates it for the third time he has still another answer.

Honourable senators, for over thirty years I have been making out income tax returns for farmers and ordinary taxpayers, and I have never run into anything as complicated as these new forms. When I first obtained the envelope containing the T1 General Tax Guide and the T1 General Form, I sat down to study them carefully.

Hon. Mr. Hnatyshyn: I hope you are charging more.

Hon. Mr. Aseltine: I spent more than one day studying it. When I thought I understood everything pretty well I decided to make out a sample return. I took the case of an ordinary senator with no income other than his indemnity. After several hours' work I was able to complete a form that I thought would be satisfactory to the Department. It took me half a day to do it. When I began to check the computations on the back of the form I found that I had subtracted certain items that I should have added, and I had to do it over again.

I think that the ordinary taxpayer has a sound complaint. Just as he has arrived at the point where he understands how to complete his tax return the Government remodels the whole setup, gives him these new forms, and he has to start all over again. The farmer and the fisherman are in a worse position still than the persons I have just mentioned.

A farmer or a fisherman receives this envelope in which he finds the Farmer's & Fisherman's Tax Guide for 1966, which is 20 pages of complicated statements. When he reads it he sees this:

> T1 General Guide.
>
> This form is also contained in the envelope in which you will receive your T1 General. It contains information regarding the completion of your return in addition to the information found in the Farmer's & Fisherman's Guide.

Therefore, after the farmer has read through all that and has compared it with the T1 General he has to go back to read the T1 General Tax Guide which is another booklet containing, as I said a short time ago, 20 pages. After that he is able to start making out his return, if he understands what he has read, which he very seldom does.

In this guide is found a direction which says to the poor farmer:

> If you do not understand anything consult your nearest tax office.

That tax office may be a hundred miles away, and he cannot go there. If he writes he probably cannot explain exactly the information he requires.

When he gathers his information together the first thing he has to do it to make out his depreciation schedule. Look at it, honourable senators. He has a lot of farm machinery and equipment of all kinds, and he has to show

the year in which each item was acquired, the kind of asset, the month of purchase, the month of disposal, the cost, the allowance for this year, and the total allowance for this and prior years, and so on. When he has that completed he attaches it to his from T1 General.

Next he has to complete a complicated form showing his income for the year and all of his deductions such as taxes, fertilizer, and everything else. That is quite a job and it takes a long time. If he has any rental income he has to file one of those rental income forms that I mentioned. If he has any investment income he has to fill out another form. All of these forms he attaches to his T1 General.

When he has all that done the next step is to carry forward the information to page 2 of the form, and here he finds out what his taxable income is. But he is still not through. The Guide tells him he must go back to the T1 General Tax Guide, in which he finds a table which shows him how to make out a detailed statement of what his income tax amounts to. If his income tax is not very heavy he can go to the back of that form and find another table which indicates to him what the federal and provincial tax will be. He enters those figures on the back of the 1966 T1 General, and he is lucky if he figures out exactly what he owes.

So, this whole business is not nearly as simple as Senator Roebuck would try to have us believe.

Hon. Mr. Roebuck: I was not trying to have you believe that. I wanted to know if you had heard the representative of the Department who speaks on the radio every morning.

Hon. Mr. Choquette: His name is Hughes—I have heard him.

Hon. Mr. Roebuck: I do not know what his name is, but he has given us assurance.

Hon. Mr. Aseltine: I beg your pardon. I thought you were telling me that this was a very simple matter.

Hon. Mr. Roebuck: No, I was not.

Hon. Mr. Aseltine: Actually, it is a real headache for every farmer and ordinary taxpayer. I was very disappointed when these new forms arrived and I discovered that they were so difficult. I thought from the advertising, such as Senator Roebuck has referred to, that the Department was simplifying everything so that a babe in arms could understand these returns. I am sorry but I am no babe in arms when it comes to making out these returns, because I found them very difficult indeed. I hope that when we get new forms next year they will be simplified. I would like to see everything that is required on the T1 General form, instead of having to read all these guides that I have mentioned.

Another matter I would like to speak about, honourable senators, concerns succession duty or estate tax. A person who has been paying income tax all his life has perhaps in spite of that been able to build up a considerable estate, and at his death he is taxed again. However, there is an exemption of $60,000 if he leaves a widow, and something extra if he leaves dependant children of a certain age. If he does not leave a widow and dependant children the exemption goes down to $40,000, with certain adjustments if the aggregate value of the estate is between $51,000 and $53,000. However, the point I wish to make has nothing to do with that.

In recent years, since 1959 when these exemptions were set up, the value of land in the Province of Saskatchewan has trebled, with the result that a large section of land in the area I come from is now selling for perhaps between $100 and $150 an acre. That is the valuation which the Department of National Revenue puts on it when a person dies. He may also have valuable farm equipment, perhaps worth $50,000. When he dies the exemption is $60,000, and his executors and beneficiaries are probably obliged to sell the farm, or in the case of business, to sell the business, to pay the succession duty or the estate tax.

What I wish to advocate right now is that this exemption should be increased so that the farm or the farm equipment or the business would not have to be sold. In order to take care of many of the cases we have to deal with in my part of Saskatchewan, I think the exemption should be raised to between $90,000 and $100,000 thus permitting the farm or business to be carried on in the way it was before the testator passed away.

Honourable senators, that concludes my remarks. I hope the Government will consider the matters I have mentioned, that income tax forms in the future will be simplified and that they will do something to increase the exemptions at present being allowed in connection with succession duty.

Hon. Arthur W. Roebuck: Honourable senators, there is just one point I would like to

make about one feature in the bill that is worrying me. Senator Hayden has referred to the plans that are now in existence. There are a number of plans in connection with my own office, and I suppose in connection with the office of every senator who is a lawyer, which are approved by the Department and perhaps have been in existence for a long time.

The explanation we have been given warns us that if such plans are not in tune with this new taxation bill they may be cancelled. I do not know what then happens to the fund. I am just wondering whether in my office we must order a study not only of this bill but also of the previous act, and then a study of all the plans with which we have been connected to find out whether we are in line with the new law and what changes should be made.

If that is the situation, it is quite a serious one for every law office in the dominion that has any connection with plans of this nature.

I would like to know—and I should like to have asked Senator Hayden had he not been obliged to leave—whether the department will notify us as to the degree to which the plans are out of line with present law, otherwise it presents a very serious proposition to all the law offices that I know of.

I hope that when we meet in committee the Department will be ready to give us some direction as to what is necessary for us to do to keep in line.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), bill referred to the Standing Committee on Banking and Commerce.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS BILL, 1967

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. A. Hamilton McDonald, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. McDonald: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. McDonald, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act, and had been directed that the bill be reported without amendment.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

IMMIGRATION APPEAL BOARD BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. John Hnatyshyn, Chairman of the Standing Committee on Immigration and Labour, presented the following report of the committee on Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hnatyshyn: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hnatyshyn, Chairman of the Standing Committee on Immigration and

Labour, reported that the committee had considered Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration, and had directed that the bill be reported without amendment.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for the third reading at the next sitting.

Motion agreed to.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until tomorrow March 17, at 11 a.m.

Motion agreed to.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING—MOTION IN AMENDMENT NEGATIVED—DEBATE CONTINUED

The Senate resumed from Wednesday, February 1, 1967, the adjourned debate on the motion of Hon. Mr. Roebuck, for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Jacques Flynn: Honourable senators, when I adjourned the debate on this bill I indicated my intention to move that the bill be not now read a second time, but that the subject matter thereof be referred to the Special Joint Committee of both houses appointed to study the amendments recommended in the bill in connection with hate literature.

We had to wait until the other place was disposed to join with us in the appointment of such a committee, and then in the appointment of the members. We received only yesterday the report from the other place that they had appointed the members to serve on this joint committee.

May I shortly summarize the reasons why I intend to move the motion which I have indicated. I said that we were all in agreement with the objectives of this bill, but there was not unanimous agreement on the bill itself. In fact, I would say that we were all very critical of the bill because we were not sure whether it was useful or would achieve the purposes for which it was intended. Therefore, I thought it would be better—since most of the criticism touched upon the principle as well as on the form of the bill—that the Senate be not called upon to approve the principles of the bill before it is referred to the special committee.

Honourable senators, I think we should be as free as the members of the house are going to be when they come to this committee to consider the subject matter of the bill, without having approved the principle—in the same way as the Joint Committee on Divorce, for instance, considers all the bills that have been presented on that subject.

It seems to me that this motion is reasonable in the circumstances, and I would appeal to the honourable Leader of the Government for approval of it. I think it would meet the views of the majority of the members here.

Consequently, seconded by honourable Senator Choquette, I move, that the bill be not now read the second time but that the subject matter thereof be referred to the Special Joint Committee of the Senate and the House of Commons appointed to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "hate propaganda" in Canada, as set out in Bill S-49, intituled: "An Act to Amend the Criminal Code."

The Hon. the Speaker: Honourable senators, it is moved by honourable Senator Roebuck, seconded by honourable Senator Hugessen, that Bill S-49, intituled, "An Act to amend the Criminal Code", be now read a second time.

In amendment, it is moved by honourable Senator Flynn, seconded by honourable Senator Choquette, that the said bill be not now read a second time but that the subject matter thereof be referred to the special Joint Committee appointed to study and report upon amendments to the Criminal Code relating to the dissemination of varieties of "Hate propaganda" in Canada as set out in Bill S-49.

Hon. John J. Connolly: Honourable senators, the motion in amendment is the item to which I will speak.

Having spoken to the honourable senator who has moved the amendment, and also having consulted my colleagues, I think I must take the position of resisting the amendment.

I am not completely in agreement with what the honourable senator has said, namely, that the principle running through the entirety of this bill is disapproved by the vast majority of the members of this chamber. I

do agree that the speeches which have been made, for the most part—and perhaps with only one or two exceptions—have been quite critical of provisions of the bill. I am aware of the limitations and as well the scope and breadth of some of the provisions in the bill which concern certain honourable senators.

I wish to assure the honourable senator who has moved the amendment and all other honourable senators, that it is the intention of the Government to have this bill considered very carefully by this committee. I think it has been demonstrated in other measures which have been dealt with by committees of Parliament in this session, that when the Government says this, it acts accordingly. We would be perfectly willing to have every detail of this bill examined and to make such amendments as are considered to be appropriate.

I am quite confident that by following this course we would achieve the results that the honourable senator has in mind. What he wants to do particularly is to clean up this bill in many ways, and we need not go into the details. I would point out that the bill originates as a result of the study made by the royal commission. The report has been made, and for that reason the Government feels that a measure should be introduced so that very serious consideration will be given to the provisions of the bill as it is ultimately drafted.

I will give the assurance now on behalf of the Government that the Minister of Justice, who will be the minister in charge and who will be responsible primarily, will certainly give most sympathetic attention to argument made in respect of proposed amendments.

The Hon. the Speaker: It is moved by the honourable Senator Roebuck, seconded by the honourable Senaor Hugessen, that Bill S-49, intituled: "An Act to amend the Criminal Code", be now read the second time.

In amendment, it is moved by the honourable Senator Flynn, seconded by the honourable Senator Choquette—

Some Hon. Senators: Dispense.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion in amendment?

Those in favour of the motion in amendment will please say "Content."

Some Hon. Senators: Content.

The Hon. the Speaker: Those who are against the motion in amendment will please say "Non-content."

Some Hon. Senators: Non-content.

The Hon. the Speaker: In my opinion, the Non-contents have it. I declare the amendment lost.

The question now is on the motion for second reading of Bill S-49, An Act to amend the Criminal Code.

Honourable senators, is it your pleasure to adopt the motion?

Hon. Mr. Roebuck: I move the adjournment of the debate.

On motion of Hon. Mr. Roebuck, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of Reports of the Standing Committee on Divorce Nos. 1212 to 1251, inclusive, which were presented yesterday.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted on division.

RESOLUTIONS PRESENTED

Leave having been given to revert to Presentation of Petitions:

Hon. Mr. Roebuck: Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1185, for the relief of Margaret Grace Stark Leach.

Resolution 1186, for the relief of Pamela Ann Merrill Peck.

Resolution 1187, for the relief of Marcel Meunier.

Resolution 1188, for the relief of Attilio Forlini.

Resolution 1189, for the relief of Peter Thomas Tester.

Resolution 1190, for the relief of Gwynith Ann Davies Elliott Menard.

Resolution 1191, for the relief of Marie Edwidge Huguette Oligny Alexandre.

Resolution 1192, for the relief of Francois Labbe.

Resolution 1193, for the relief of Francine Loyer D'Amour.

Resolution 1194, for the relief of Pamela Anne Kenrick Laing.

Resolution 1195, for the relief of Brigitte Elizabeth Brandl Craig.

Resolution 1196, for the relief of Mary Marguerite Isabelle Jocelyne Lemay Derbridge.

Resolution 1197, for the relief of Diane Lillian Kirkus Black.

Resolution 1198, for the relief of William Kevin Kiely.

Resolution 1199, for the relief of Susan Ross Kilburn Edwards.

Resolution 1200, for the relief of Ada Rubin Craske.

Resolution 1201, for the relief of Joseph Rosaire Houle.

Resolution 1202, for the relief of Jacques Jean Joseph Gaudel.

Resolution 1203, for the relief of Alice Akairib Bekhor.

Resolution 1204, for the relief of Joan Lenora Brown Eadie.

Resolution 1205, for the relief of Judith Mary Allen Donohoe.

Resolution 1206, for the relief of Maurice Demers.

Resolution 1207, for the relief of Marie Pauline Gisele Leduc Paquin.

Resolution 1208, for the relief of Fernand Labonte.

Resolution 1209, for the relief of Florence Graziella Bernier Murray Miller.

Resolution 1210, for the relief of Joyce Clara Woodhouse Tracey.

Resolution 1211, for the relief of James Joseph Peard.

Resolution 1212, for the relief of Jacqueline Marchand Fortin.

Resolution 1213, for the relief of Hector Thessereault.

Resolution 1214, for the relief of Beverly (Beverley) Brooks Mallaley.

Resolution 1215, for the relief of Claude Laporte.

Resolution 1216, for the relief of Bernard Langevin.

Resolution 1217, for the relief of Stanley Harold Rowe.

Resolution 1218, for the relief of John Gerald Wellington Hall.

Resolution 1219, for the relief of Suzanne Boily Beaupre.

Resolution 1220, for the relief of Claudette Drouin Seguin.

Resolution 1221, for the relief of Gwynneth Carlyle Roberts Earl.

Resolution 1222, for the relief of Yvette Letendre Binette.

Resolution 1223, for the relief of Iris Miller Rolland.

Resolution 1224, for the relief of Ronaldo Champagne.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck moved that the resolutions be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

THE ESTIMATES

REPORT OF FINANCE COMMITTEE—DEBATE ADJOURNED

The Senate proceeded to consideration of the report of the Standing Committee on Finance with respect to the expenditures set out in the Main Estimates and Supplementary Estimates (A) and (C) laid before Parliament for the fiscal year ending 31st March, 1967.

Hon. T. D'Arcy Leonard moved the adoption of the report.

He said: Honourable senators, the report is printed as part of the proceedings of the Senate on Thursday, March 9. It is therefore included in your files. The report speaks for itself. It is largely factual and objective. My remarks, therefore, can be by way of brief explanation or words of supplement to the report itself.

The report is in the nature of an annual report, covering a year's work from the time the main estimates were referred to the Standing Committee on Finance approximately a year ago and including, of course, all the supplementary Estimates referred to the committee up to last week.

The report does not cover Supplementary Estimates (F) and (G), which were tabled after the committee had made its report, but nevertheless they were anticipated and the report states that there would be supplementary Estimates. Those estimates have been taken into consideration, to some extent at any rate, in the estimates of expenditures in the report. This morning the committee dealt with Supplementary Estimates (G), and Dr. Davidson, the Secretary of the Treasury Board, was our witness.

This is the procedure that almost necessarily has to be followed; that is, that we have a continuing forum dealing with the Estimates throughout the year and then towards the end of the fiscal year the committee can report on the work of the year.

In paragraph 2 of the report the committee points out that we have followed the same procedure as in past years, whereby the committee considers the Estimates in general rather than attempting to deal with them department by department. This has proved to be the proper way, I submit, particularly now that the House of Commons does refer the standing or special committees, and it would be an unnecessary duplication and waste of time and effort if the Senate in turn were to do that.

During the year, as matters developed which were of interest to any particular members, or of special interest generally, the ministers or appropriate officials of various departments were called before our committee for consideration of matters affecting their departments. During the year we had before us in that connection the officials of the National Research Council, the Atlantic Development Board, the Canadian Broadcasting Corporation, and Expo 67.

Paragraph 3 of the report deals with the total over-all figures of the main and supplementary Estimates then available, giving the total figure at $8,558,185,901. The Estimates also provided for loans and investments to be made amounting to $585,205,400. Since that time Supplementary Estimates (F) and (G) bring the total for the year up to $8,795,617,719 for the budgetary estimates, and, for loans, investments and advances, the figure is $673,505,160. These budgetary estimates, of course, do not include all the expenditures of the Government and it has generally been customary for the Senate Committee to be interested in other expenditures such as those of the Old Age Security Fund. Therefore, for the purpose of considering the over-all major expenditures of the Government this report brings into its calculations for tabular purposes and for comment not only the budgetary expenses but also the Old Age Security Fund payments. Paragraph 4 of the report deals with that.

The budgetary expenditures are prepared well in advance even of the fiscal year itself, and they never do match the actual expenditures of the Government. As a rule the expenditures at the end of a year will be some $100 million or $200 million less than have been provided for in the budgetary estimates. This is because of lapses and time lags, and so forth. Therefore in paragraph 4 we have followed the precedents of previous years and the report deals with expenditures rather than with budgetary estimates. It makes a comparison from year to year and relates also the expenditures to the gross national product of the country. The table attached to the report applies to paragraph 4 of the report. That table shows the estimated expenditures for the current fiscal year as given by the Minister of Finance in the mini-budget, plus the old Age Security Fund expenditures. Comparing them with last year's expenditures you find an increase of some $949 million, or an increase of 10.9 per cent. The table shows that this is the largest percentage increase and the largest dollar increase since 1955. Last year's 8.2 per cent was also one of the largest increases. This paragraph of the report ends up with the words:

> To avoid higher taxes or more inflation it is desirable that the rate of increase of Federal Expenditures should moderate.

In that connection the committee is only saying what the Minister of Finance himself said, if I may quote from a speech he made in the House of Commons and which was later circulated outside the house. He said on December 19:

> —we must moderate the rate of increase in new public expenditures. Neither the capacity nor the willingness of Canadians to pay higher taxes should be taken for granted.

The same note is struck in the Bank of Canada Report released and tabled this week. At page 10 the report says:

> —there must be a realistic appreciation on the part of the public of the scale of the benefits the economy can physically provide through increases in output,—

And again at page 11:

> In this matter the attitudes and actions of governments are particularly important, not only because of the size of the government sector and closely related sectors of the economy, but also because of the disposition of others to follow patterns set, or acquiesced in, by governments.

I shall have something more to say about that later.

Paragraph 5 deals with recommendations of the Glassco Commission. As a result of the report of this commission the number of votes

in the Estimates has been reduced from 495 in 1962-63 to 243 at the present time. This results in part from the program of decentralization recommended by the Glassco Commission whereby greater responsibility is placed upon departments for the control and management of their expenditures, and also that expenditures be classified by continuing programs of expenditures rather than with respect to certain classes of expenditures. The Auditor General called our attention to the fact that in this process there was some danger of erosion of parliamentary authority because on the average each individual vote is for a larger sum of money. Therefore, the committee report states that because of that possibility of erosion it is all the more important that we should continue our practice of having these Estimates before the Senate Finance Committee and having the Secretary of the Treasury Board and the Auditor General appear before the committee.

Paragraph 6 of the report deals with the fact that by reason of the continuing sittings of the Finance Committee, a problem that has been of some trouble to the Senate in past years has been overcome to a great extent —that is, there have always been complaints about the inadequate time allowed for consideration of the interim supply bills. The sittings of the Finance Committee and the fact that they have the Estimates under their scrutiny throughout the year meets the objections that have been made in the past to the question of the time limit on interim supply bills.

Paragraph 7 deals with the unusual occurrence that took place last November when moneys were transferred out of Vote 15 of the Finance estimates to meet payrolls of other departments. This was at a time when there was a debate continuing in the other place that prevented the supply bill from reaching us in the ordinary time necessary to authorize payroll payments. The Minister of National Revenue, the Secretary of the Treasury Board and the Auditor General, appeared before our Finance Committee in that connection. With out entering into any disputes as to whether the Government or the Opposition was to blame for the circumstances, the committee reports that such use of Vote 15 should be avoided.

Paragraph 8 of the report deals with another matter which was raised in the Senate—the "Sunday" program of the Canadian Broadcasting Corporation. You will recall that the president of the corporation, Mr. Ouimet, appeared before the committee and he commented that the particular program was a mistake. This paragraph concludes:

> Your committee believes that to avoid in the future such a mistake, which must have outraged a large percentage of viewers throughout Canada, there should be a stronger chain of supervising authority in the C.B.C., to insure that the programs do not offend against the standards of decency of the great majority of Canadians.

Paragraph 9 deals with the Atlantic Development Board. In this connection Dr. E. P. Weeks appeared before us, and I quote from the paragraph:

> His report was favourably received and the committee considers that the Board is developing sound long-term plans to increase employment and production in the Atlantic region.

Now I come to paragraph 10 which deals with the Third Annual Review of the Economic Council of Canada which recommended that Parliament might consider the setting up of a Standing Committee on Economic Affairs. I propose to say a little more about this in view of the remarks made by Senator Beaubien (Bedford) yesterday. He made those remarks on a privileged occasion, but I have his permission to speak to them because, along with others who heard him, I approve of the idea he had in mind. It seems to me that this suggestion of the Economic Council, which was also endorsed by the committee, provides a method whereby Senator Beaubien's idea might be implemented.

The Economic Council may have had some other things in mind, but unquestionably I think they were concerned with the economic effect of Government expenditures and Government actions, and for that reason the members of the House of Commons and the Senate could well have a joint committee dealing with economic affairs. The Economic Council points out that such a committee should have a small permanent staff of high quality. Your committee says:

> This indeed would be required and in addition such a staff could be of assistance to the Finance Committee because of the close relationship that should exist between Government expenditures and Government economic policies.

I want to add a few remarks of my own as to why I think that kind of committee might be a better one than, for example, to try to have the Finance Committee itself embark on a wider field of study and consideration than it does when it considers the Estimates themselves.

It is relevant to make some reference to the political situation and the kind of constitution we have in Canada. Senator Brooks referred to this yesterday, and again I have his permission to refer to what he said with approval, because he pointed out that the real control under our system of expenditures exists primarily before the Estimates actually reach Parliament. The respective ministers must prepare their Estimates; they must be submitted to Treasury Board; they must go through Cabinet; they must go through extensive scrutiny before they ever reach Parliament. But, on top of that, the power of Parliament to deal with the Estimates under our system of responsible Government is considerably limited. I might illustrate that by contrasting our system with that in the United States, where the Executive is not responsible to Congress in the same way as our Executive in Canada and in the United Kingdom is responsible to the elected representatives and ultimately, of course, to the electorate.

In the United States the budget of Estimates is prepared for the President by the Bureau of Estimates, which is really an arm of the President. It is then submitted by the President, first of all, to the House of Representatives. The House of Representatives proceeds to alter those Estimates as they put them in the form of bills, and they can alter them drastically. They can cut them down or increase them. After they have gone through that process, they go to the Senate, which has the same powers. By the time bills dealing with taxation or expenditures come back to the President, apart from any powers of persuasion that he has, and his power of veto, it is the practice that he must accept the bills with the expenditures and items as they have been revised and altered by Congress itself.

One sees the contrast between that system and ours whereby, in the first place, money bills cannot be introduced except by Executive action, by resolution and, having been brought into Parliament, traditionally and for all practical purposes the power of Parliament to deal with those bills is very limited, except with the consent of the Government.

Even more than an ordinary legislative bill, a finance bill, in effect, amounts to a vote of confidence, and if the Executive itself is not willing to amend these bills, then it is in the position of saying to Parliament, "If you do not vote the money that it is our responsibility to bring before you, or the taxes we say should be levied, then you are voting non-confidence in us."

This has been the situation not only in Canada but for a much longer time in the United Kingdom. It is only within comparatively modern times that we have reached the position of putting in certain controls by way of scrutiny, examination, calling witnesses, or asking for an accounting of expenditures by the Government and the Executive responsible to the electors. Therefore, we must keep in mind when we are dealing with these Estimates, whether in the House of Commons or here, that under our system there are very definite limits upon the powers, not only of the committees, but also of the two chambers.

This has been the subject of a great deal of thinking in the last few years, and there has grown up a general feeling that there ought to be a more effective control or, at any rate, that there ought to be a better way of bringing public opinion to bear, of achieving increased knowledge of what is going on with respect to Government expenditures. Of course, in Canada the problem is magnified by the fact the federal Government expenditures are less than half of the total government expenditures throughout Canada. The municipal and provincial expenditures amount to more than the federal Government expenditures.

In this connection I thought you might be interested, for example, to know that in the United Kingdom a good deal of study is being given to this problem. I have here a Command Paper which was issued just last year —Command Paper No. 2915 on Public Expenditure: Planning and Control. This is issued by the Chancellor of the Exchequer himself. This is not an independent study, but I think you will be interested in a couple of extracts from it which indicate the thinking of the Chancellor of the Exchequer.

Hon. Mr. Connolly (Ottawa West): Could we have the number of that Command Paper again, please?

Hon. Mr. Leonard: It is Command Paper No. 2915. This was presented to Parliament by the Chancellor of the Exchequer in February, 1966. This is Mr. Callaghan making the report.

Without reading it all, he says that the Government began a review of public expenditure for certain purposes, one of which was:

> ...to bring the growth of public expenditure into a sounder relationship with the development of the national economy.
>
> 3. The process of reshaping involved:—
>
> (a) A decision to limit the total growth of public sector expenditure to an average of 4¼ per cent a year at constant prices from 1964-65 to 1969-70: ...
>
> (b) Within this total, a long-term allocation of resources to each of the main public services to provide the quantitative framework for their development.
>
> (c) A strict review of individual programmes, in particular of defence.
>
> (d) The preparation of Estimates within specified limits so as to ensure their consistency with (a) and (b).
>
> (e) A review of the investment of the nationalised industries to fit in with the National Plan.
>
> (f) More effective implementation of the programmes and an improvement of financial control to get better value for money.

I will just read what his conclusion was at the end of the report. Bear in mind, this is a minister of the Labour Government, and whether he is able to carry out what he has in mind is another question. I am speaking rather of the kind of thinking and studying that is going on. He concludes by saying:

> We have, accordingly, reshaped the total programme and I can inform the House that from now on expenditure will be kept to the level that we as a nation can afford. I am giving instructions to Departments that the 1966-67 Estimates shall be drawn up within a limit which has been determined for each Department within the agreed total...

I think you realize that is somewhat different from the way we have been proceeding here in the past. So much for that.

I would like to stress that one can see that if one is to get into this kind of study, or that which Senator Beaubien had in mind, it will require the kind of staff that the Economic Council recommended, a small permanent staff of high quality. My own view is that this kind of staff is required even now, with the growth of the committee work of the Senate, without in any way derogating from the good work done by our present committee staff. To get the kind of expert opinion and advice we need, we must have more of a permanent staff of that character in the Senate.

Paragraph 11 deals with Expo 67 and the expenditures being made thereto. It points out that all world fairs have had a deficit, and no doubt this one will too, but it is too early yet to estimate the amount of it. We do know, however, that there are many advantages, both direct and indirect, from Expo 67. The advance sales of tickets has been greater than was expected.

The members of the committee were impressed by the evidence given by Mr. Robert F. Shaw, the Deputy Commissioner General, and Mr. G. D. Rediker, the Director of Finance and Administration, and expressed to these gentlemen their hope that the Exposition would be a tremendous success, and that its results would be of substantial benefit to Canada.

In paragraph 12 the committee pays tribute to the Secretary of the Treasury Board and the Auditor General, two outstanding officials in the public service. I hardly need to add to that, but I was interested to receive a letter from Mr. Henderson, the Auditor General, written after he read this report and containing some words of commendation. There is no doubt that we can benefit greatly from the help given us by these two devoted public servants.

Honourable senators, before I conclude I should like to pay a tribute to the members of the committee. They have all taken an active interest in the committee's work, and will continue to do so. In this respect I refer particularly to the members of the steering committee, namely, Senator Molson the Deputy Chairman of the committee, and Senators Flynn, Haig and Smith (Queens-Shelburne).

On motion of Hon. Mr. O'Leary (Carleton), debate adjourned.

TELEFERRY BILL

FIRST READING

Leave having been given to revert to Presentation of Petitions:

Hon. John J. Connolly presented Bill S-58, respecting interprovincial and international teleferries.

Bill read first time.

Hon. Mr. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

The Senate adjourned until tomorrow at 11 a.m.

THE SENATE

Friday, March 17, 1967

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Return of Unclaimed Balances in the Chartered Banks of Canada, as at December 31, 1966, pursuant to section 119(1) of the Bank Act, chapter 48, Statutes of Canada, 1953-54. (English and French texts).

Return of Unclaimed Balances in the Banks incorporated under the Quebec Savings Banks Act, as at December 31, 1966, pursuant to section 93(1) of the said Act, chapter 41, Statutes of Canada, 1953-54. (English and French texts).

Report of Air Canada for the year ended December 31, 1966, pursuant to section 29 of the Trans-Canada Air Lines Act, chapter 268, R.S.C., 1952. (English and French texts).

Report to Parliament of the Auditors on the Accounts of Air Canada for the year ended December 31, 1966, pursuant to section 29 of the Trans-Canada Air Lines Act, chapter 268, R.S.C., 1952. (English and French texts).

ADMINISTRATION OF JUSTICE

SECOND REPORT OF JOINT COMMITTEE TABLED

Hon. Eric Cook, for Hon. D. Lang, Joint Chairman of the Special Joint Committee of the Senate and House of Commons respecting Mr. Justice Leo Landreville, tabled the second report of the committee.

BUSINESS OF THE SENATE

On the Orders of the Day:

Hon. Sarto Fournier: Honourable senators, before the Orders of the Day are called, I would like to ask the honourable leader what is the program for the sitting for today and Monday, please.

Hon. Mr. Connolly (Ottawa West): Today we will take up the business on the Order Paper. Some of the items will be allowed to stand.

After the third readings of certain bills, we will consider the legislation which could go to committee.

Thereafter Senator O'Leary (Carleton) will deal with Item No. 3.

Subject to the will of the Senate at that time, we will probably adjourn until 3 o'clock on Monday next.

ST. PATRICK'S DAY

TRIBUTES TO ST. PATRICK AND THE IRISH PEOPLE

Hon. Clement A. O'Leary: Honourable senators, before the Orders of the Day are called, may I say that I believe the records of this house would indicate that, over the years, it has become an established practice for one or more of Irish descent in this chamber to say just a few words about the Emerald Isle and its great Apostle, Saint Patrick, whose feast we celebrate today.

In the past we have had some excellent and knowledgeable speeches from such distinguished Irish-Canadian senators as Senator Burke and Senator Higgins of Newfoundland, Senator Felix Quinn of Halifax and, more recently, Senator Grosart, Senator Sullivan and Senator Quart. I may well have forgotten a few others. Of course, I am certainly not going to forget one who is the Irish-Canadian expert in the Senate—the honourable Leader of the Government, (Hon. Mr. Connolly, Ottawa West).

It is not my intent to compete in any way with the great speeches that are on the record of this chamber. I come from that part of Nova Scotia where the innumerable Camerons, Chisholms, MacDonalds, MacGillivrays and MacIsaacs would not necessarily vote me into any public office as a result of the remarks I may make on this particular occasion. They are very tolerant, however, because they have on occasion for a brief period at least elected a few Irish representatives to certain public positions.

In this chamber, however, I feel much at home as I look around me—and I am not going to name any names—because we have here many honourable senators with either a whole lot or just a little bit of Irish blood. In the past I have noticed that the others have been very kind and tolerant and I am sure they are going to bear with me for just a couple of moments this morning.

I will not repeat the record of either the names or the accomplishments of Ireland's

great scholars, poets, bards, warriors and missionaries. Suffice to say that irrespective of our origin we all owe much to these great men of the past who, during the Dark Ages, stood alone—stood alone in the world—not merely maintaining a spark of learning but actually holding the torch very high indeed.

St. Patrick and his missionaries were remarkably successful in their efforts to bring Christianity not only to Ireland, as we all know, but to all of the British Isles and beyond. I like to think that their greatest accomplishment was perhaps the introduction of the first simple elements of genuine Christian charity. For the first time in the history of man we read of compassion; compassion for the vanquished and the downtrodden. Every generation since then has known war and strife, but in almost every instance that we can think of, forgiveness has followed along with a deep sense of sympathy for the human misery resulting from war and strife.

I am sure that I echo the sentiments of everyone present when I wish the Irish well today wherever they may be. For all of us in this country, we are very proud and happy to be simply called Canadians.

Hon. John J. Connolly: Honourable senators, may I be permitted to move the adjournment of the debate until later this day?

Hon. Senators: Agreed.

On motion of Hon. Mr. Connolly (Ottawa West), debate adjourned.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS BILL, 1967

THIRD READING

Hon. John J. Connolly moved the third reading of Bill C-277, to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with the provinces, and to amend the Established Programs (Interim Arrangements) Act.

Hon. Mr. Burchill: Before the third reading is moved, may I ask the Leader of the Government if it is his understanding, as I hope it is, that the amounts allocated to the provinces as outlined in the bill are solely for educational purposes?

Hon. Mr. Connolly (Ottawa West): That certainly is my understanding. The money is to be made available to the provinces through this vehicle for the purposes of post-secondary education, and I think there is no doubt in the minds of the provincial authorities in every province that the money will be paid out for that purpose only.

Motion agreed to and bill read third time and passed.

IMMIGRATION APPEAL BOARD BILL

THIRD READING

Hon. Earl A. Hastings moved the third reading of Bill C-220, to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration.

He said: Honourable senators, on second reading of Bill C-220 I undertook to seek further information for the honourable Leader of the Opposition (Hon. Mr. Brooks) with respect to immigration offices behind the Iron Curtain. My answer to his inquiry is that up to the present time we have not had an immigration office in Moscow or any city behind the Iron Curtain. Such procedural matters that have to be dealt with are handled by the Canadian or British Embassy in that area. Immigration from such countries is probably confined to the very closest relatives or to the family unit—that is, aged parents, the wife, and/or children under 18 years of age of Canadian residents. It is sponsored immigration only from those sources, and they are subject to the usual security checks.

Hon. Mr. Brooks: May I ask if it is the intention to establish offices in such locations in the future? If it is only for relatives of the very few who come to Canada, why would it be necessary to establish such offices?

Hon. Mr. Hastings: The feeling of the department is that it is discrimination against certain Canadian citizens who have relatives in those countries to deny them the use of our services. It is felt by the department that the service should be expanded in that area. Efforts are now being made to establish offices to handle immigration matters.

Hon. Mr. Brooks: They are getting the service already, according to the report.

Hon. Mr. Connolly (Ottawa West): To supplement what Senator Hastings has just said, on behalf of the Government I might say that I have spoken to the minister about this matter, and I understand the establishment of offices will only proceed as the requirements justify.

It would be unfortunate to assume that upon the passage of this measure offices will

automatically be established in some countries where obviously there is not much need for the service.

Motion agreed to and bill read third time and passed.

BUSINESS OF THE SENATE

Hon. Mr. Connolly (Ottawa West): Honourable senators, before item No. 3 on the Order Paper is called, may I say that I have spoken to Senator O'Leary (Carleton), and if it is agreeable I would ask that items Nos. 7, 9 and 10 be called in that order. The purpose of my request is that some of these bills may be referred to committee, and since a committee will be available next Monday morning at 11 o'clock, I think it would be our general wish that those items be considered now. Then we will revert to the normal order. I am grateful to Senator O'Leary for agreeing to this arrangement.

Hon. Senators: Agreed.

PENSION BENEFITS STANDARDS BILL

SECOND READING

The Senate resumed from Wednesday, March 15, the adjourned debate on the motion of Hon. Mr. Urquhart, for the second reading of Bill C-221, respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

Hon. Lionel Choquette: Honourable senators, as the sponsor of the bill (Hon. Mr. Urquhart) explained to us, this proposed legislation is intended to provide uniform standards for private pension plans in fields covered by federal labour law.

I must pay a compliment to the sponsor because, as a novice, it was easily seen that he had done his homework, that he had worked considerably on this bill and went to great lengths to clarify it as much as he could.

In other words, this legislation protects the rights of employees in their own pension plans. For this reason alone the legislation is to be welcomed, because in the past pension plans in this country have not always been an adequate protection for those employees who might have contributed to a special pension fund.

It should be made clear at the outset that this legislation concerns itself with employees who come under the federal labour code, that is, employees who work on the railways, for interprovincial transport companies, banks, and such institutions. In other words, this bill will cover employees who come within the jurisdiction of the Canada Labour (Standards) Code and the Canada Labour (Safety) Code, as well as the Industrial Relations and Disputes Investigation Act.

The legislation is patterned after laws already passed by Quebec, Ontario and Alberta, and proposed in Manitoba and Saskatchewan in respect of corresponding provincial plans.

We will recall that on October 16, 1964—and I pay particular attention to the quotation the sponsor gave to us—the interprovincial conference on uniform pension legislation was held in Toronto, to which federal Government observers were invited. It was then agreed that every effort should be made to prepare a model act for consideration by the end of 1964. The Honourable Walter L. Gordon, the then Minister of Finance, made the following declaration in the other place on December 18, 1964:

> The Government has decided that as soon as there is a wide measure of agreement as to the approach to be taken by the provinces to this problem, as it applies to employment under provincial jurisdiction, the Government will, as a measure of co-operation with the provinces, introduce similar legislation applicable to employment in works, undertakings and businesses under the jurisdiction of Parliament.

With regard to the question of portability, the Minister had this to say:

> In addition, the pension plans of federal Government employees and employees of federal crown corporations will be amended to include similar provisions for portability.

The minister then hastened to make it clear that as both the provincial legislation and the proposed federal legislation on this subject will relate to private pension plans, there will be no conflict between it and the Canada Pension Plan.

So, honourable senators, it is clear that in 1964 the Government promised to move federally in line with provincial efforts to obtain uniformity of pension standards.

One of the inherent difficulties with the pension plans, past and present, is that they have not been proof against inflation. I believe that all honourable senators are aware

of many sad cases in which the pensions now being paid, both in the public and private sector, are simply not adequate to cope with the rising cost of living. This problem intensifies almost daily, so that we must, and I would hope sooner rather than later, find some sensible, orderly and actuarially sound way of keeping pensions current so that they will remain reasonably commensurate with the cost of living.

Pension plans, I think it will be agreed, ought to contain built-in provisions which will allow the pensions to escalate in accordance with the increases in the cost of living. It is perhaps unrealistic to expect that this will be done pursuant to the present legislation, which does not even require all employers under federal labour legislation to have pension plans. The problem is of general concern and applies, in my estimation, to all pension legislation; and it is something that we should constantly bear in mind, and work toward, in dealing with all pension legislation. Should pensions not, in fact, be paid in constant dollars?

I am aware that the Joint Senate-Commons Committee on the Public Service is now studying the adequacy of the pensions being paid to retired public servants and military personnel. That important matter being in effect *sub judice*, I will not comment further; but, as far as I know, no comparable consideration is being given to the plight of those in receipt of inadequate pensions in the private sector. Politics has been described as "the art of the possible." Whatever our mistakes may have been in the past, I suggest that every step possible should now be taken to ensure that they are not repeated in the future, so that those who subsequently retire on pension will not find themselves in a position of hardship one, five or ten years later, as the result of inflation.

Having said that, honourable senators, it seems to me that this legislation is of a technical character, but it has been so well explained by the sponsor that I see no necessity for referring it to a committee. I understand that some employees who will be affected are somewhat confused and uncertain as to what the legislation will accomplish.

Some appear to think that, once this legislation is passed, all employees within the jurisdiction of the federal labour code will have pension plans protected by law; whereas, all this bill does is to ensure that if an employer has established a pension plan, or if hereafter he establishes one, it must meet the standards set up by this legislation.

I note that the sponsor of the bill is not present today. Because I do not see any necessity for referring this bill to a committee, I had hoped he would be here to answer two questions. However, I will put them on the record, and if the honourable Leader of the Government, or anyone else, has the answers, he or they might supply us with them.

My first question is: Could we ascertain how the two main categories of pension plans—the underwritten plans and the trusteed plans—are to be related and dealt with? As we know, there are usually two types of pensions, one is the sort of trust fund called trusteed plan, and there is another plan which is underwritten by an insurance company.

The second question is: I would also like to know how the contributory and non-contributory plans are to be integrated into the protective provision.

Hon. Mr. Connolly (Ottawa West): I thank honourable Senator Choquette for his remarks on this legislation.

I emphasize as he did and as the honourable sponsor did, that the initiative in this field was taken by the provinces, led by the Province of Ontario, which has the closest approach to model legislation on this subject.

As Senator Choquette has indicated, this bill is concerned not with public plans such as the Canada Pension Plan or the Public Service Superannuation Plan, but with private plans. He rightly remarks that inflation will be a continu ng problem for those under any pension plan. It has been proven only too true that in the last decade the erosion of the dollar has been extensive indeed.

In the Canada Pension Plan there is a provision for escalation based upon the cost of living. That escalation applies also to the Old Age Pension provisions. I see no possibility of providing for such escalation in the case of private plans, other than through the wise investment of the funds, because the contributions of employer and employees in private plans are based usually on a percentage of the earnings of an employee in a given year.

Whether these plans are administered by underwriting companies, as honourable Senator Choquette describes them—which would mean trust companies or insurance companies—or even through the purchase of

annuities, or whether they are administered by private trustees, as is sometimes the case, the type of investment which the trustee is entitled to make is not restricted to trustee investments, Government bonds and such other trustee investments as are listed by statute in every province.

These trustees are entitled to make investments which are available to insurance companies and trust and loan companies. As all honourable senators know, that is a wide field. It allows for the purchase of equities and, while there is some restriction, it provides an opportunity for growth.

That may be the only way in which the erosion of the dollar can be taken care of in respect of private pension plans, unless by agreement between employer and employees some arrangement can be made. This bill does not deal with that, but in time perhaps such an arrangement could be worked out in private contract, under the provisions of this bill.

Honourable Senator Choquette asked about plans, the funds for which are held by trustees alone, private trustees, on the one hand, and plans which are underwritten or for which the trustee is an insurance company or a trust company.

There is nothing in this bill to scrap any of those plans where they are so underwritten in the sense that such a company is the trustee. The other type of trustee is one which has not the financial status of an insurance company or a trust company.

I take it that Senator Choquette's point is that there is more assurance for the solvency of the fund if there is an insurance company behind the plan rather than a private trustee. The only answer which can be given on that point is that this legislation seeks to provide certain rules for the safety and security of these funds, rules which will allow the Superintendent of Insurance, with whom these plans are to be registered, to look into the adequacy of the investing policy.

In that way, in a plan managed by a private trustee, the Superintendent of Insurance would have authority, under this legislation, to ensure that the trustee observes the rules requiring the fund to be kept in a proper condition of solvency.

Furthermore, there are winding-up provisions under section 12 of the bill. I suppose that also goes to the question of the security of the fund and the right of the individual employee to protection in respect of the payments to which he is entitled as a result of his contributions.

Honourable senators, in this model bill there is another provision which helps employees. Many private plans contain a clause that if an employee withdraws his services from a company and drops out of the plan, his contributions are forfeit. This is being changed under this legislation. Such plans now existing do not necessarily mean that the employer would then take the money back into income. It would normally be used to reduce the contribution which the employer would have to make in future years as a result of the withdrawal of certain employees from the plan. In those cases in the future there will be no forfeiture. There will be a vesting in the employee of his entitlement under the private plan—and basically this is what we mean by portability.

Most private plans allow an employee to withdraw his own contribution when he withdraws his services. This legislation is designed to give him more than that; in other words, to give him also an entitlement to the contributions which have been made already on his behalf by his employer.

Hon. Lionel Choquette: I thank the honourable leader for his clear explanation. Had I known he had such a good answer and could give it promptly, I would have referred the bill to committee and have asked that there be only one expert called—the Leader of the Government in the Senate.

Hon. Mr. Connolly (Ottawa West): This is St. Patrick's Day!

Hon. Arthur W. Roebuck: The honourable Senator Choquette has suggested that some proceedings should be taken to ensure that the payments shall be constant, that is, that the dollar shall be constant. Is not the practical problem confined almost entirely to keeping the dollar constant?

Honourable senators may recollect that earlier in this session I presented a very careful analysis of the dollar and its rise and fall. I have not heard any discussion as a consequence of that, although I carried on some conversation with the Minister of Finance and the Prime Minister. I pointed out at that time that the most potent factor in the falling of the value of the dollar was the number of dollars in circulation. After the First World War we went off the gold standard, so that from that time until now the only

support that has been given to the Canadian dollar, as to the United Kingdom currency, has been sentiment: the value which people attach to the dollar. It has been largely sentimental, but influenced in the main by the number of dollars in circulation.

I pointed out at that time that today there are twice as many dollars in circulation as there were 20 years ago; there are one-half as many more dollars in circulation as there were 10 years ago. I pointed out that the temptation to force more and more money into circulation is ever present in those who control the finances of our country, because it amounts to a loan from the public interest free.

Nobody seems to understand or pay any attention to the fact that more and more money is shoved into circulation by the payment of Government bills through the printing press. Nobody seems to pay any attention to that, and yet in my judgment that is the key to the rise and fall of the dollar. I am not alone in thinking that, because we have had some wonderful experiences to show that it is true. If I may mention just one it is when the Republic of Germany brought the mark down to nothing simply by running the printing press.

We have not gone that far, but the principles are the same whether applied to our own dollar or to the German mark.

I would think that this might be a subject which we in the Senate could undertake to study seriously with great advantage. I suggested on one occasion that we call the representatives of the Finance Department and cross-examine them on what they do and why. The association between the Finance Department and the Bank of Canada brings about these changes in monetary values. If we could really come to some understanding as to the fundamentals of this problem we would greatly benefit the Canadian people.

The constant erosion, as Senator Connolly has called it, of the dollar has brought great suffering and bad business principles into the life of the nation ever since the last war. We might very well do a fine piece of public service, if we went to the bottom of this thing and reported to the Canadian people, who I am sure are uninformed on this problem.

I notice that Senator Connolly assumed in his remarks that this erosion of the dollar must go on. I cannot agree with that statement. It will go on if we follow the same policies we have in the last 20 or 30 years. It certainly will go on with its evil results to many people besides those to whom both honourable gentlemen have referred, those who live on pensions.

I hope my colleagues will give some thought to this subject.

Motion agreed to and bill read second time.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BANK OF CANADA ACT

BILL TO AMEND—SECOND READING

Hon. A. Hamilton McDonald moved the second reading of Bill C-190, to amend the Bank of Canada Act.

He said: Honourable senators, before I attempt to explain or at least give my version of Bill C-190, perhaps I might be allowed to say to my Irish friends, "The top of the mornin' to you," and just indicate to you that had it not been for two happenings in my family history perhaps I might have had some closer association with the Irish. By the time my forefathers left Scotland—perhaps I should say were chased out of Scotland—the Irish had closed their borders to us and we had to come to Canada. Perhaps that was not a bad move, but then the second blow was struck by the fact that I was born on March 16. Had that event been delayed by one day, I again might have had some closer association with the Irish.

Perhaps we should leave the celebrations of St. Patrick's Day to the Irish and, as a lonely Scot, I will attempt to give my version of Bill C-190.

There are many changes proposed in this bill, an act to amend the Bank of Canada Act, but many of them are minor, needing little if any explanation. However, there are at least two major changes. The first one is on page 2 of the bill, section 14, which attempts to spell out the relationship between the government of the day and the Bank of Canada.

I do not think it is necessary to go back into history to tell honourable senators of the growth and changes which have taken place in the Bank of Canada Act since its inception in 1934. I think it is only necessary at this time to point out that during that interval from 1934 to date there have been some

differences of opinion as to who has been responsible for monetary policy in our country.

The amendments to the Bank of Canada Act being proposed now make it clear to everyone in Canada that from this time forward, if not in the past, the government of the day will be responsible for the monetary policies of this country in consultation, of course, with the Governor and the officials of the Bank of Canada.

As a matter of fact clause 14 does three things. First, it makes provision for continuous consultation between the governor of the bank and the government of the day. I need only refer to some remarks of the present Governor of the Bank of Canada made shortly after he was appointed to his present position, when he claimed that in his opinion the government of the day must accept responsibility for monetary policy, but they must be in continuous consultation with himself and other officials of the bank. Furthermore, the Royal Commission on Banking and Finance indicated that this was the method or the procedure which they thought ought to be followed. This bill makes provision for that consultation.

The bill also provides a procedure to be followed in the event there is a disagreement between the Governor of the Bank of Canada and the Minister of Finance or the Government. And the Minister of Finance, as a minister of the Crown, speaks for the Government and on its behalf in any consultation with the officials of the Bank of Canada.

The third change is to do away with the veto power of the governor or deputy governor with regard to decisions that have been made by the directors or the executive committee. This power has been in the act for many years, but to my knowledge it has never been used and clause 14 of the bill recommended that it be removed from the act.

So, honourable senators, under this amendment it will no longer be possible for any government to deny its responsibility for monetary policy any more than it can deny its responsibility for any policy in the field of national affairs. I am confident that this was the meaning behind the Bank of Canada Act as far back as 1936, but there have been some occasions during our history when this was not agreed to by all people in public life, and personally I am pleased to see it spelled out in the bill. I hope all honourable senators will lend their support to this change.

The second major change appears at page 5 of the bill. Here we are dealing with the cash and secondary reserves requirement of the chartered banks of Canada. At the moment, as you know, we have only cash reserves, but this bill has a proposed amendment to make allowances for secondary reserves. Why is this necessary?

As I said a moment ago section 18, subsection 2, of the Bank of Canada Act would empower the Bank of Canada to impose or vary a minimum secondary reserve requirement applicable to chartered banks, replacing its existing power to vary the minimum cash reserve requirements. I quote here from the opening statement of the Governor of the Bank of Canada made before the House of Commons Committee on Finance, Trade and Economic Affairs in October 1966:

> In certain situations the usual techniques of cash reserve management may need to be supplemented by some more direct and immediate method of influencing chartered bank lending policies. Circumstances could arise, for example, in which it was important to exert some temporary restraint on bank loan expansion while at the same time minimizing, so far as possible, a rise in market interest rates which would result from chartered banks selling Government securities to get the resources needed to meet the increased loan demand.
>
> Under the existing legislation, the Bank of Canada could try to deal with a situation of this kind by invoking its power to increase the required cash reserve ratio applicable to the banks. The effect would be to impound liquidity which the chartered banks might otherwise be able to draw upon in order to postpone an adjustment in their lending policies, since the banks would have to sell liquid assets to the Bank of Canada to meet the higher legal cash requirements. The use of this power would, however, have incidental effects on the earnings position of the institutions to which it applied, since cash reserves earn no return.
>
> To replace this power to vary the required level of cash reserves it is now proposed that the Bank of Canada should have the power to impose and vary a secondary reserve requirement. This would provide an alternative means of impounding chartered bank liquidity.

> The exercise of this power would be subject to specified limits and notice requirements. If a secondary reserve requirement were imposed under this section of the act, it could not initially be fixed at more than 6 per cent of the chartered banks' Canadian dollar deposit liabilities, and the maximum level to which it could eventually be raised would be 12 per cent. Increases in the required ratio would be limited to one per cent per month and would be preceded by one month's notice, as would the initial imposition of such a requirement. The secondary reserves included would be any cash in excess of the statutory cash requirement, day-to-day loans and Government of Canada treasury bills. The requirement would apply to the banks' average holdings of such assets each month.

In simple language, honourable senators, the proposed stand-by power included in this section would provide a means of either impounding or releasing chartered banks' liquidities, and this would in turn influence the lending policies of our chartered banks. I think we are all very familiar with circumstances occurring recently where this would have been a great asset to the economic conditions in our country.

It is my intention, if honourable senators see fit to give second reading to this bill, to move that it be referred to the Standing Committee on Banking and Commerce. In the event there are any questions on technical matters such as the one I have just raised, it would be my preference that they should be asked of the officials at such a meeting, because I know that officials of the Bank of Canada will be present. I say this because I have no training in the banking field, and the officials who will be present will be well qualified to answer any questions asked.

There are many other sections which have been in this act since 1934 and have never been used. The first one to which I wish to refer is section 20, at page 6 of the bill. This section removes from the Bank of Canada Act the provision whereby the Bank of Canada could act as banker or fiscal agent of a province or of the provinces of Canada. Again, this section has never been used, and the Porter Commission recommended that it be removed from the act.

Hon. Mr. Thorvaldson: You are referring to clause 11 of this bill.

Hon. Mr. McDonald: That is right; page 6, clause 11, dealing with section 20 of the present act. There is a feeling that if the Bank of Canada were to provide these facilities to the provinces it could interfere with the central bank's management of Canadian monetary policy, and therefore the recommendation is made that it should be removed from the act.

Another change is in section 21, where the wording "payable to bearer on demand and" is removed from the notes of the Bank of Canada. The notes themselves are legal currency under the Currency, Mint and Exchange Fund Act, and therefore there is no need for continuing this wording.

The third change is in section 22 where reference is made to gold in foreign exchange reserves against notes and deposit liabilities, to back these notes by gold. This has not been the case for many years. I would like to refer to the action that was taken in 1940 when the gold reserve requirement was first withdrawn by the Exchange Fund Order under the War Measures Act and the bank's gold holdings were transferred to the Exchange Fund. The suspension was continued after the war by section 70(2) of the Foreign Exchange Act which was passed in August 1946. The wording of that section was virtually identical to that of the present section 25(1) of the Currency, Mint and Exchange Fund Act passed in 1952 with the termination of the foreign exchange control.

There are several other proposals in the bill which follow recommendations of the Royal Commission on Banking and Finance concerning those who might act as directors of the Bank of Canada or be engaged on the management staff of the bank.

As you know, honourable senators, certain individuals because of the position they hold in our society, are not qualified to act as directors of the Bank of Canada, and it is now proposed to add to that list partners, officers or employees of firms of investment dealers which act as primary distributors of Government of Canada securities. I am sure all honourable senators will agree that those who occupy positions such as those already included in the act and those it is intended to add to the act, ought not to be directors of the Bank of Canada.

It is also proposed that the executive committee of the bank should be enlarged by one. It is proposed that the aggregate amount of the directors' fees should be increased. The reason for this is to make it possible for a

full meeting of the board to take place more frequently in the future than has been possible in the past.

The bill proposes to make the pensions of the Governor and the Deputy Governor of the bank subject to order in council. After all, the Governor and the Deputy Governor are appointed and their salaries are fixed by order in council so it is felt to be only fair that their pensions should be set by order in council as well.

Turning to page 7 of the bill, clause 16, you will find that the period of time that may expire before the minister has to table his report in Parliament has been extended from 14 to 21 days. The only reason for adding the additional seven days is to give adequate time for its printing and translation.

As I said a moment ago, it is my intention, if honourable senators see fit to give this bill second reading, to move that it be referred to the Standing Committee on Banking and Commerce. At the meeting of that committee the officials of the bank will be present, and I am sure all questions will be answered to your satisfaction.

Hon. Gunnar S. Thorvaldson: Honourable senators, considering the date, it would be completely unrealistic if I could not claim a little piece of the shamrock in my blood. Consequently, I want to remind you that when my former home country, Iceland, was colonized, beginning in 874, although the colonization was primarily from Norway, nevertheless, history records that about 20 to 25 per cent of the colonists came from Ireland.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): And missionaries before that too.

Hon. Mr. Thorvaldson: And, indeed, missionaries—that is, the ones from Ireland.

In regard to Bill C-190, the honourable Senator McDonald has explained its provisions very fully. As he says, there are two main provisions in the bill. One of them is contained in clause 6, which revises section 14, under the heading, "Government Directive." It involves the relationship between the government of the day and the Governor of the Bank—or, the Government and the Board of Directors of the Bank in respect to monetary policy.

The other most important feature of the bill is clause 9, which sets up a new method of maintaining reserves of the chartered banks in the Bank of Canada.

The other parts of the bill are largely what we call housekeeping provisions, although as indicated by the honourable sponsor, most of the amendments are of considerable importance. However, compared to the two I have particularly mentioned, the others are not as significant.

Section 14 is of great importance, and impinges to a great extent on the remarks made by the honourable Senator Roebuck and others earlier today concerning the erosion of the dollar. The essence of section 14 is the question of consultation between the Governor of the Bank of Canada and the Government of the day—I should perhaps say, consultation between the Governor of the Bank and the Minister of Finance of the day. Consequently, one wonders why a section in the same terms as this amendment was not a part of the Bank of Canada Act when it was enacted in 1934.

I would now like to throw out the suggestion that perhaps this amendment is a mixed blessing. I realize that it had full support in the other place, and I am quite sure it will have full support here. However, I wish to recall to honourable senators that the Bank of Canada Act was drafted and enacted following a comprehensive report on the financial and banking system of this country presented by a royal commission headed by Lord Macmillan, an eminent financier and banker from the United Kingdom. I think he was considered at the time to be one of the leading world authorities on the subject of banking, particularly central banking. The Macmillan Commission did not recommend the inclusion in the act of a section such as the one now being included, and there was a very definite reason for the omission.

Let me say first, that of the nearly one hundred central banks of the world, very few of them have a similar provision to the one we are now enacting. And when I say "very few", I exclude the totalitarian countries. Indeed, the large majority of the central banks of the world are legally responsible for monetary policy, and the Government is in each case responsible, for fiscal policy. When there was a change of Government in 1935 it was, however, recognized by the Minister of Finance who succeeded the Minister of Finance of the Bennett Government that here was a situation that might conceivably lead to difficulty, namely, because the act did not specify that monetary policy was the responsibility of government.

Nevertheless, you will recall that the Governor at that time was Mr. Graham Towers, a banker of highest integrity, ability and experience. It was indeed thought inconceivable that there would not be that degree of consultation between the Minister of Finance and Mr. Towers that would prevent difficulties such as arose later on, and of which this house is very much aware. The fact is that there was unquestionably complete confidence and consultation at all times between Mr. Graham Towers and the Minister of Finance for as long as Mr. Towers held the important post of Governor of the Bank of Canada.

The system worked well, and the key to the system, as recommended by Lord Macmillan and as enacted in the Bank of Canada Act, was that the Governor of the Bank of Canada must be a man of ability, he must be a banker, and he must understand the role of the central bank in the economic fabric of a nation. I say that Mr. Towers had all those qualifications in abundance.

When Mr. Rasminsky was appointed Governor of the Bank of Canada one of the first things he did was to make a statement openly that it was his intention that at all times there would be complete consultation between himself and the government of the day. Nevertheless, the law remains today as it was in 1934, and we have only had this one unfortunate episode which occurred a few years ago, and which of course is the reason for this amendment.

I wish to recall to you, however, that not one, but two ministers of finance in this country had difficulty with the second governor of the bank. Mr. Harris had difficulty and so did Mr. Fleming. It is a fact of record that Mr. Harris stated in 1956 that by law the Government was not in charge of monetary policy in this country, and that he refused to take responsibility for it. Mr. Fleming did likewise. Indeed, both of them were right in law.

Honourable senators, I want to say that in my judgment we would not have had this amendment were it not for the needless episodes that occurred during the tenure of office of the second Governor of the Bank.

In this regard, let me quote from the Report of the Royal Commission on Banking and Finance. In the first place, the report devoted a great deal of time and attention to this very problem, commencing with page 539. In the final event, not without hesitation however, the royal commission recommended that this amendment be enacted. Why was it not put in the original act? I think the key is set out in a sentence on page 541:

> The main reason, however, for conferring some measure of autonomy on the central bank has been the historical tendency of governments of all forms to develop the habit of inflating the currency.

The example, of course, is obvious. When a government comes to the end of its time of office and an election is pending, there is a tremendous tendency on its part to open the flood gates of the money supply, to give the economy a "shot in the arm" in order to assist the government in an election. I speak not only of Canada. This is a natural tendency in democracies in all parts of the world. That is the reason why the original act omitted the substance of the present amendment.

Continuing on page 541 of the report:

> Indeed, it was largely because the Macmillan Commission found that rates on Finance Act advances were varied mainly to meet the exigencies of government finance rather than the credit needs of the country that it recommended setting up an independent central bank.

The word "independent" there of course refers to the legal position as it was in the Bank of Canada Act—complete separation in law between monetary and fiscal policy. That omission, however, did not exclude the obvious essential of a central bank, namely, that there must be continuous consultation between the Governor of the Bank and the Government in power in regard to the monetary policy of the bank.

Honourable senators, that is all I have to say on this phase of the bill. But I have tried to show that real dangers are involved when a nation completely amalgamates the monetary authority of a country, that is the agency in charge of monetary policy, and the government which is responsible for fiscal policy. Consequently, as honourable senators will observe, the amendment is very carefully drafted.

The honourable senator who introduced the bill (Hon. Mr. McDonald) indicated that the section had three parts, and I would like to draw to your attention the safeguards that are included in it. They are real safeguards and are there for a purpose. The amendment completely follows the wording suggested in the Porter Royal Commission on Banking and Finance.

The first part of the section states:

> The Minister and the Governor shall consult regularly on monetary policy and on its relation to general economic policy.

That has always been the practice except perhaps in the instance that I referred to in 1956 and later in 1961.

Then follows a most ingenious subsection 2 which authorizes a directive, not by the Minister of Finance but by order in council, and that directive is required to set out the policy of the Government in specific terms and applicable for a specified period, and the bank shall comply with such directive.

Now, this directive must be on "top of the table," and cannot be given in camera to the Governor of the Bank. Subsection 3 states:

> A directive given under this section shall be published forthwith in the *Canada Gazette* and shall be laid before Parliament within fifteen days after the giving thereof...

So, honourable senators, there are real safeguards in regard to maintaining the independence of the bank; and when, under this legislation, monetary policy is assumed by government it is done under conditions where there has been consultation, and the directive must be given in such circumstances that the public of the country will know what it is all about and be alert to the reasons for giving it. In that event, of course, the public has the final decision to make in regard to these matters.

By and large, I agree with the amendment. Nevertheless, it was my desire to point out the background of the amendment. I also want to express the hope that never again will a contest develop between the governor of the bank and the government of the country. Nothing but harm and damage would result from such a confrontation.

Hon. Arthur W. Roebuck: May I ask the sponsor of the bill a question? On page 6, clause 12, the new section 21 says:

> (1) The Bank has the sole right to issue notes intended for circulation in Canada and such notes shall be a first charge upon the assets of the Bank.

The old section read:

> (1) The Bank has the sole right to issue notes payable to bearer on demand and intended for circulation in Canada and such notes shall be a first charge upon the assets of the Bank.

All I see in the change is that in future it will have a right to issue notes, and previously it had the right to issue notes "payable on demand". What is the difference?

Apparently this bill will give to the Government a greater power than it had before with regard to the issue of currency. As Senator Thorvaldson has so well said, there is a danger at least of the monetary policy being guided by the interests of the party in power, the Government, rather than by the needs of the people.

Are we by this bill getting closer to making monetary policy a matter of government exigency than it was previously? It has been bad enough, but does this make it worse?

Hon. Mr. McDonald: I do not think it does. The words "payable to bearer on demand" have been deleted. What does it mean? It does not mean anything, because all bills are legal tender under the Currency, Mint and Exchange Fund Act. So all we are removing is verbiage. In my opinion, it will make no difference to the situation.

Hon. Mr. Roebuck: My second question is, in making the management of the Bank of Canada in monetary policy more amenable to Government control, are we making the operation of finance more in the interest of the government of the day than in the interest of the public at large?

One would not wish to confuse these two points, but in this instance, the issuance of government notes is a loan to the government without interest. Undoubtedly, the administration—and I do not care which party is in power—does not have to pay interest. They do not have to sell bonds, they simply print the money and pay their debts with it. Are we making the situation worse or better by these changes?

Hon. Mr. McDonald: I do not think the situation is being changed at all. I can express only my own opinion; I cannot speak for the Government. It seems to me that the most sacred responsibility of any government is monetary control of the nation, and that governments must accept that responsibility. If they wish to fool around with monetary policy in election years, I think the people will judge them for it, and I hope they do. I do not believe any change is being made in this particular instance by this bill.

Hon. Mr. Roebuck: Thank you.

Motion agreed to and bill read the second time.

REFERRED TO COMMITTEE

On motion of Honorable Mr. McDonald (Moosomin), bill referred to the Standing Committee on Banking and Commerce.

NATIONAL MUSEUMS BILL

SECOND READING

The Senate resumed from Tuesday, March 14, the adjourned debate on the motion of Hon. Mr. Everett, for the second reading of Bill S-57, to establish a corporation for the administration of the National Museums of Canada.

Hon. A. J. Brooks: Honourable senators, most of those who have spoken this morning have been emphatic in claiming their Irish descent and Irish blood. I might say that I can do that too. I am sure that anyone who had a grandfather by the name of Patrick Kelly who came from Cork in Ireland certainly has such a claim. I am proud to claim it and to emphasize it, not only on St. Patrick's Day but on every day in the year.

Hon. Mr. Connolly (Ottawa West): You will qualify to be president of the club.

Hon. Mr. Brooks: Honourable senators, I am speaking on a bill which has not had much publicity. It is a subject of importance to the Canadian people. Although I do not claim to have much knowledge of this subject, I have visited quite a number of museums in this country and elsewhere and, like most honourable senators and the general public, I have always found such museums of considerable interest.

We are rather surprised at this bill being introduced at this time. It was unexpected, having been introduced very recently without previous warning. While I congratulate the sponsor of the bill on having given us a good explanation of it, I think more is required and I hope it will be sent to a committee.

While speaking of Senator Everett, may I say how very pleased I am to note that one of our youngest senators is taking such an active part in the proceedings of the Senate. It is a good omen.

Honourable senators, this legislation was not mentioned in the Speech from the Throne, nor in the long list of business set out in the other place and here as a matter likely to come before us. What is the urgency for this particular bill? Why could it not have waited until the next session?

There is deep interest in museums from one end of Canada to the other. Had this bill been advertised for months as has been done in the case of other measures, there would have been delegations from different cities and towns across Canada. In addition to national museums, there are semi-national museums in the large centres, and those in charge would have been anxious to come here and make representations, because it is well known that some museums are having a difficult time financially. Further, in the short time available now, all that we can give to this bill, if it is to go through before Easter, is very perfunctory attention.

May I refer to two other bills from the same source, namely, the Department of the Secretary of State. Bill C-194, to establish a corporation for the administration of the National Arts Centre, is a bill very similar to this one, well advertised and given considerable attention. Bill C-204, to provide for the establishment of a Canadian Film Development Corporation, is in the same category. If you read these bills you will find that the intention and the wording are practically the same as in this bill before us.

Now, while I make these statements, honourable senators, I am not objecting to this bill being in the Senate. My objection is to the time at which it is being introduced. We are always very happy when the Leader of the Government in the Senate tells us he is getting more work for us. We encourage him to be active in that connection. But there are certain questions: Why the urgency? Why so much secrecy regarding this bill? As it is more or less a sister bill to these other bills, why was it not introduced long ago? Why was it not introduced and explained by the Secretary of State or by someone else at that time?

If I might interject here, I do not see any great reason for unnecessarily prolonging the life of this particular session. I think we are all of the opinion that the sooner it dies the better for the session, and the better for all those participating in it. It is the longest in history, and the least productive.

I would point out to honourable senators that museums are not new in Canada. This is not something that somebody has just discovered in the last few weeks or months. We have old museums in Canada. We had museums in the provinces before the days of Confederation. I might say that we are very

proud that they originated in the Maritime provinces, because the father of museums in Canada was Abraham Gesner, and the first museum in Canada—though it was not Canada at that time—was founded in the City of Saint John in 1842.

Museums have had a very interesting history in every province of Canada. There are over 200 different kinds in this country. I read a short article in a paper published in 1955 by the Dominion Bureau of Statistics on museums and art galleries in Canada. The article said that the museums of Canada fall into a number of classes, depending, first, on what they regard as their chief function and, second, on the sources of the funds by which they are supported. There are natural-history museums and local museums devoted to a variety of subjects related to a particular locality or area. From the point of view of maintenance there are national museums supported by the federal Government, provincial museums financed by the various provinces, and local museums which commonly receive some help from the municipality in which they are located. In addition there are some that are supported entirely from private donations and admittance fees.

So you can see that there is a large variety of museums and very much interest in them. I have already mentioned the museum which was established in the City of Saint John in 1842. To mention some of the other more important museums, this same Abraham Gesner helped to found a museum here in Ottawa the following year, 1843. There is the great museum of the Citadel in Quebec City, a military museum. There is the Montreal McCord National Museum, which is very outstanding, and there is the Royal Ontario Museum in Toronto.

The following museums have staff members specifically charged with organizing programs in education and providing extension services:

The Nova Scotia Museum in Halifax;

Laval University Museum established in 1950, the first university museum established in Canada;

McGill University Museum, Montreal, which was established a few years later;

The National Museum of Canada in Ottawa;

The Royal Ontario Museum, Toronto;

The Saskatchewan Museum of Natural History, Regina, Saskatchewan;

The Manitoba Museum, Winnipeg, Manitoba; and

The Provincial Museum of Natural History and Anthropology in Victoria, B.C.

There are many others as well.

I was interested to learn that the Royal Ontario Museum of the University of Toronto is the world's largest university museum. I am sure that all honourable senators would be very interested and proud to learn that.

We are told in the bill that the museums' work is to be extended directly with the schools. Well, for years this work in connection with schools has been going on all over Canada from the different museums. Very extensive work has been done.

More than 50 years ago, when I was at school we were taken to the museum in the City of Saint John to view the different collections there. I recall that the director of that museum, Dr. McIntosh, used to take canoe trips with teachers in the summer holidays. He would take as many as 30 teachers to see different interesting places—old Indian forts, French forts, English forts; the flora and fauna of the country and anything of interest at all. The teachers were taken to these sites and shown these things and I am sure they passed their interest and information on to the children they taught. So it is nothing new for us to say we are by this bill setting up museums for the instruction of children.

There are certain questions, honourable senators, which I hope will be answered in the committee. I think one of the questions we should ask is the estimate of the extra costs that this new setup is going to mean. We have already set up these other two organizations which I have mentioned from the Department of the Secretary of State, and already we are beginning to feel the large extra cost as far as they are concerned, and we can expect more.

Under this bill I understand we are going to set up training schools for the operation of museums. There will be travelling costs for different museums' exhibits being moved from one part of Canada to the other. Well, Canada is a very large country; transferring exhibits from one part of it to the other could be very expensive, however desirable it might be.

Some people will say that it is not going to cost an awful lot for museums. That is what we say about all these bills that come before us. It is not the cost of one particular item that is so important. If it were only one item

it would be all right, but it is the cost of the dozens of items we are having to consider.

You all know the story of the straw that broke the camel's back. If you keep adding these straws which are not very heavy in themselves, they eventually break the camel's back—in this case, the taxpayer's back. As our good friend Senator Leonard pointed out yesterday, these terrific costs in Government today are putting too much of a burden on the backs of the Canadian people. Again, we heard the Leader of the Government speak today of the erosion of the dollar. These are all matters which in my opinion should be taken into consideration by the Government today, and, instead of adding to the costs, even though these things may seem at the time more or less desirable, I think it is time for us surely to consider cutting back on these costs. Let us get down to priorities as to needs.

Having made those general remarks, honourable senators, I would like now to look briefly at the bill itself. As I say, we have had so little time and there has been so little publicity regarding this bill that I think we should have a full explanation of it in the committee.

On page 1, section 3, we have the establishment of the corporation. I note from that that the Director of the Canada Council is to be the chairman. At least that is what I understood from reading it. The President of the National Research Council will be the vice-chairman. I have no objection to this, but besides these two gentlemen there will be 10 other members. So the first board is set up which will consist of at least 12 trustees, and of course that board will have to have an extra staff.

I also note that the chairman and vice-chairman and board shall be appointed by the Governor in Council for such terms, not exceeding five years each, as are fixed by the Governor in Council. Honourable senators, when we get good men appointed as directors—and I am sure they would not be appointed unless they were good men, as are the men we have now—I hope they will not be limited to a five-year tenure of office. If this were insisted upon I would regard it as being a point of weakness in the bill.

Clause 5 speaks about the purposes and powers of the corporation, and the sponsor of the bill particularly emphasized this clause. The wording of the clause is as follows:

> 5. (1) The purposes of the Corporation are to demonstrate the products of nature and the works of man, with special but not exclusive reference to Canada, so as to promote interest therein throughout Canada and to disseminate knowledge thereof.

Surely that is what we have been doing for the last hundred years, not only in our national museums but in all the other museums across the country. The clause goes on:

> (2) In furtherance of its purposes the Corporation may
>
> (a) collect, classify, preserve and display objects relevant to its purposes;

That has been done. A little further down we see this:

> (c) arrange for and sponsor travelling exhibitions of materials in, or related to, its collections.

Are they going to travel from Ottawa, the centre of Canada, to St. John's, Newfoundland, and to Victoria, British Columbia? To my mind that is going to be very expensive.

Then, honourable senators, we come to clause 6 which deals with the organization of this corporation. Mind you, we already have 12 trustees, but in this clause we read the following:

> 6. The corporation shall comprise
>
> (a) a museum of fine arts, to be known as the National Gallery of Canada;
>
> (b) a museum of human history;
>
> (c) a museum of natural history;
>
> (d) a museum of science and technology; and
>
> (e) such other museums as may, with the approval of the Governor in Council, be established by the Board.

Then clause 7 goes on to say:

> 7. (1) There shall be a director for each museum appointed by the Governor in Council on the recommendation of the board to hold office during pleasure.

In other words, honourable senators, there shall be a director for each and every museum that is set up. Again I would point out that if there is to be a director for every museum, and we do not know how many will be set up under subclause (e) of clause 6, we do not know how many directors there will be. There could be a great number of them. Frankly, I think in bills like this we see that Parkinson's law is simply running wild.

Then, honourable senators, we see that there is to be a special account opened in the Consolidated Revenue Fund and a secretary-general is to be appointed. Three special funds are to be established, which shall be under the jurisdiction of the secretary-general. You can rest assured, if there are three funds there will be three organizations established to look after them. Here again, we have more people on the payroll and more money being spent.

Clause 13, honourable senators, deals with by-laws. I do not intend to try to analyse all the clauses of this bill because I hope it will go to a committee for study. In this clause we see that the board with the approval of the minister may make by-laws, and one of the authorities given under the by-laws is for the establishment of consultative committees consisting of members of the board or persons other than members, or both. Where are we going to have these consultative committees? Will we have them all across Canada? You cannot appoint just one committee; you will have to appoint a committee in every city or town where there is a museum.

I am not trying to confuse the National Museum with other museums, but I do know that the federal Government does pay the expenses of national museums and part of the costs of others, and it is very hard to determine the difference between a national or a semi-national museum. By-laws may also be made to fix remuneration, travelling and living expenses to be paid to members of the board as provided for in the act, and to members of the consultative committees other than members of the board. Therefore, we will have numerous people being paid salaries directly from Ottawa and we shall have these consultative committees which get a per diem amount set up all across the country. They will be everywhere—how many, we do not know.

I do not intend to speak further on this matter today, but I do want to point out that in matters of bills such as this, unless the trend is halted we are going to end up following the Parkinson theory. The gross in unnecessary spending together with the eroding of the dollar—with $11 billion taxes on the people of Canada for federal Government expenses alone—I think bills such as this should be very carefully considered first by the minister responsible and then by the cabinet. I also think—though I wonder if I should say it—it might be a good thing if we had more men like C. D. Howe or Donald Fleming in our cabinets to speak to matters such as I see in this bill. I may be wrong in this respect.

Hon. John J. Connolly: Honourable senators, I do not propose to speak at any length.

Senator Brooks referred to the fact that this bill came to this house unheralded and unsung. In a sense that is true, but then almost every bill that is brought here is in the same position. However, I would point out that this bill has been considered by the Government for a period of at least two years.

When my colleague Senator Deschatelets was in the Government it was first mooted that something should be done about trying to reorganize, restructure or establish on a satisfactory basis the national museums mentioned in this bill. The idea is to try to manage them in a way that will be more effective and more useful to the people of Canada. I am pleased at the great interest that Senator Brooks expressed in the importance of the work of the museums.

Like Senator Brooks, I deplore the effect of Parkinson's law, but I see no reason why it should be necessary to have an unusually large expansion of the staff required to run the museums. However, I would like to see them run in a way that will produce the best possible value for the people of Canada, young and old. I would hope that many of the problems which Senator Brooks sees in this bill can be resolved in committee. If the bill gets second reading, I shall certainly move that it be referred to a committee for study.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), bill referred to the Standing Committee on Banking and Commerce.

The Senate recessed until 2.30 p.m.

At 2.30 p.m. the sitting was resumed.

THE ESTIMATES

REPORT OF FINANCE COMMITTEE—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Leonard for the adoption of the report of the Standing Committee on Finance with respect to the expenditures set out in the Main Estimates and Supplementary Estimates (A) and (C) laid before Parliament for the fiscal year ending 31st March, 1967.

Hon. M. Grattan O'Leary: Honourable senators, the O'Thorvaldsons, the O'Brooks, O'McDonalds and O'Learys having reminded us of the greatness of this day, I think that with the memory of Gaspe and an Irish town road, where I began my days, I should add just a word.

My distinguished namesake, Senator O'Leary (Antigonish-Guysborough), spoke this morning of Patrick as a man of compassion, and indeed he was. But Patrick was far more than that, he was a very human man. Patrick was a very belligerent man. I imagine our neighbours across the line would have called him a tough guy—and he had to be tough to deal with the Irish at that time.

Ireland when Patrick arrived there—and he arrived not exactly on his own volition—had a system of one high Irish king and a number of subordinate kings. They had their troubles—something like our dominion-provincial relations—the only difference being that instead of calling another provincial conference, they had a war.

Patrick left only two records in his own handwriting, one his confessions, an extraordinarily interesting document, and the other a letter to Corrotius, a Welsh-Scots chieftain, who carried off some of the people Patrick had baptized.

To get to know the real Patrick, not the one we see in plaster statues in our churches and elsewhere, you have to read these two documents. In fact, in the best biography written of St. Patrick by the Archbishop of Tuam, Dr. Healy, he emphasized this. He said if you want to know the personality and character of St. Patrick you have got to read what he himself wrote about himself.

If you go to Ireland today, as I have gone often, and try to follow in the footsteps of St. Patrick, at almost every well, stream or brook that you come to they will tell you almost invariably in their charming way that this was the brook where St. Patrick baptized the beautiful blonde daughter of either some chief or Irish king. It is not good history, but I imagine it is a pretty good thing for the Irish tourist industry.

There is not an ounce of evidence that Patrick banished snakes from Ireland. In fact, there never were snakes in Ireland. There is no evidence that he used the shamrock to exemplify the Trinity, and many, many other legends that are encrusted around this man by pious writers who not only created a bogus St. Patrick but also a bogus Ireland as well.

There is one legend, however, about St. Patrick which I would like to believe. It is the legend that when he was on his way to Armagh, shortly before his death, he was accosted by an angel who advised him not to go there, for some reason or another, and told him that as a reward for not going there he would be given the exclusive and particular privilege of judging all the Irish on the day of resurrection. I hope that is true, because I know he would be a just, honourable and merciful judge. And, God knows, we Irish on that last day are going to need all the help we can get.

I realize that my audience today is not an extensive one, and I am reminded about G. K. Chesterton. He was lecturing one year at Senator Connolly's old university, Notre Dame. Apparently the farmers used to drive in from Indiana to hear him. Chesterton spoke in a very low voice. One evening the farmers were having difficulty in hearing him, and voices came across the hall, "We are not hearing a word you say". Chesterton looked over his spectacles at them and said, "I am very sorry for that, but confidentially you are not missing much." So that is what I would have to say to such, for example, as my good friend Senator Leonard who very courteously and kindly explained to me that during my speech he would be on a plane on his way to Toronto.

However, I want to say this about Senator Leonard's report, which is what I am going to discuss, that, first of all, I commend him for the clarity and candour of his report—a clarity and candour which is a great improvement, a great relief from the rhetoric of most government claims or apologetics. I must add, too, in all fairness, that I think that in the past two or three years we have seen a great improvement, in that now we have a committee of this house such as the one presided over by Senator Leonard. In addition to that, in the other place the Government now refers its Estimates of most of the departments to various committees. This again is surely a step towards what is after all the most priceless right of Parliament, the right to examine and perhaps control the Queen's Estimates.

Unfortunately—and this is to be the substance of my speech—these two new steps in the right direction have not succeeded in any marked degree, at any rate, in checking or controlling government expenditures.

I had the privilege a few months ago of attending one of Senator Leonard's committees. He kindly invited me to attend on that particular day, because they had before them Mr. Ouimet of the C.B.C. On that day this committee was concerned especially with a C.B.C. program called "Sunday." I must say frankly that after listening to the discussion I would have been far more impressed had the committee shown less concern for the taste or lack of taste of "Sunday" and more concern for what it was costing the taxpayers of this country. Here you have a second-rate program, here you have, in fact, a third-rate program, and Mr. Ouimet, on this particular day explained or admitted—perhaps I should say he confessed—that this program "Sunday" was costing the taxpayers of this country $50,000 a week for each program. Therefore with a run of 26 weeks, it was going to cost the people of Canada $1,200,000.

I submit to you, honourable senators, that at this period in our history, with all the troubles that are bearing down on us, to ask the Canadian people to put up $1,200,000 for a program such as "Sunday" is an outrageous thing for C.B.C., which has no money of its own.

Some Hon. Senators: Hear, hear.

Hon. Mr. O'Leary (Carleton): This is not even a sponsored program. To ask the people of Canada to put up $1,200,000 for it is outrageous. I am not an enemy of the C.B.C. I think they do some things extraordinarily well. I would like to mention here especially the C.B.C.'s coverage of the funeral of our late Governor General. With amazing technical skill and with dignity and reverence, that piece of reporting was a credit to electronic journalism and a credit to the C.B.C. I doubt if it could be surpassed anywhere in the world.

Some Hon. Senators: Hear, hear.

Hon. Mr. O'Leary (Carleton): The trouble with the C.B.C., it seems to me, is that it has a number of young producers, and some of them have just discovered sex and appear to be obsessed with it.

Honourable senators, I am sure you will all agree with me that sex is desirable and perhaps necessary; but I do not think that you should have programs which are always at sex o'clock. I do not think that sex is something we should take out of the boudoirs and clinics and expose on television programs.

I would be the last in the world to oppose in anyway free speech on the C.B.C., and I was not concerned last year in the fuss made over a program called "Seven Days". I think the fuss made then showed a national immaturity, and certainly there has been no improvement with "Sunday." At all events, we must be careful not to interfere with freedom of speech on the C.B.C., that is, within the limits of free speech, with the realization that free speech is not an absolute. Apart from that, I think that some control in some way, by some agency, either within the C.B.C. or without it, should be exercised over the particular programs of which I am speaking.

I have said this often and I am going to repeat it here: I think that what the C.B.C. has always needed is a first-class responsible news editor, and a first-class responsible comptroller of finance.

Let us take the greatest newspaper in the English-speaking world, the *New York Times*. For years *Times* has carried on its masthead, "All the news that is fit to print". It has editors, news and managing editors and editors-in-chief, who see to it that that principle is observed. There is nothing very strange or startling about a thing like that; and surely it could be exercised in the same way with respect to the C.B.C.

So it is with the C.B.C.'s expenditures. I happened to be at one time the president of a newspaper. We operated under a budget. We knew that if we exceeded that budget, exceeded the source of our income, permitted extravagance to take hold of us, we should very quickly hear from the paper's proprietors, if not from the banks.

I submit, honourable senators, that that rule, a mere rule of commonsense responsibility for the public's money, must be applied to the Canadian Broadcasting Corporation before it is too late.

This year, in the present Estimates—the Estimates of the money which we have already spent—we provided the C.B.C. with $112 million. I am not going to discuss the Estimates tabled the other day—I think that would be out of order—but surely it is permissible to say that this year we are providing them with $144 million. And do not let anyone tell you that this is because of some extra work they have taken on with regard to Expo. The sole expenditure provided with regard to Expo does not exceed $6 million. Yet $144 million is the amount, and this does not take account of money provided, or

that will be provided, for the international news service of the C.B.C.; and it does not take account of loans below $35 million.

Honourable senators, those loans to the C.B.C. are not loans, and if you want confirmation on that I ask you to read the report of the Auditor General. Those are expenditures, ordinary budgetary expenditures. Is there a bank in this country, is there a lending organization in this country, which would lend the C.B.C. $35 million at the present time?

These are grants—and all of us know that not within the lifetime of any man in this Senate today will they be repaid. They will have to be written off.

Now, honourable senators, taking leave of the C.B.C. for a moment, I return to the Estimates and to Senator Leonard's statement. Senator Leonard presented this house with an excellent statement, as I have already said. He spoke of these expenditures and said that, if at any time they exceeded the growth of the gross national product they would become a matter for concern. I am speaking now of the old estimates. Senator Leonard admitted in his own statement that last year, while the increase in expenditure was $10.9 million, this was in excess already of the gross national product growth.

Hon. Mr. Connolly (Ottawa West): The same.

Hon. Mr. O'Leary (Carleton): When you start discussing these estimates, especially these new estimates, with people like Senator Leonard, they immediately say to you: "Surely you are not taking account of all of the extra money we have to pay out to the provinces, for example," and so on and so forth. This is true, but if Senator Leonard had looked at the tables here in the general summary of expenditures by departments, in 17 departments there were reductions, but in 47 departments there were increases—and those increases amounted to $124 million in a single year. This is not concerned with money paid to the provinces. Here we have a table of actual increased expenditures in the ordinary departments, in the ordinary running expenses of the Government, amounting to $124 million.

Senator Leonard says: "To the extent that the increase in Government expenditures does not outrun the rate of growth of the economy as a whole, such increases can be absorbed without too great difficulty."

"Without too great difficulty"—what does Senator Leonard mean by that? What would happen if the rate of increase in the gross national product started to decrease? The rate of growth is decreasing now—it certainly is not increasing—it is standing still. We have evidence of this from all the experts in the country. The gross national product is standing still, but you have the overhead built up over the past five years. Over the past five years, according to the senator's statement here, the increase in expenditure has been $5 billion. We have built up this overhead. We now have a public debt, the interest on which alone is $1,280 million. The interest on the national debt today will be three times greater than the total deficit at the end of March.

Honourable senators, there is more than that. We are building up overheads in other respects. We have built-in expenditures now that are simply appalling. We have pensions and a score of other things. These things remain. They will not depart. They will not go away. So if it should happen in our world of terrible uncertainty that the gross national product of Canada should fall—not only fail to increase but start to fall—then this country is bound to be in desperate straits because of those commitments.

Four years ago we appointed what we know as the Glassco Royal Commission. Three years later, after a cost of some $3 million, it made a report which everybody admitted at the time was a good report. Its recommendations were held to be good, but do you realize that of the 276 specifically worded recommendations—and these were recommendations to save money to the public purse and towards greater efficiency and economy—there are still 151 to be dealt with?

I think I must say here in all fairness that very often in these recommended improvements towards efficiency there is a question of opinion. I think that a man like Dr. George Davidson would perhaps know as much as any man in this country, including Mr. Glassco or the Auditor General, about whether there really could be improvements made under those recommendations. That is a realm of opinion and you have to admit that perhaps so far as a royal commission is concerned if you get 25 per cent of your recommendations accepted you are doing well.

I speak with some feeling on this matter because I was chairman of a royal commission. I made some very sensible and I think necessary recommendations. But neither the Conservative Government nor the Liberal

Government had the courage to put them into effect. I always remember, when I think of the fate of my own report, what somebody once said about royal commissions: If Moses had been a royal commissioner, the Israelites would still be in Egypt. But we come to a statement by the Auditor General where it is no longer a question of opinion. It is now a question of fact.

The Auditor General in his latest report says this:

> I advised the House last year that when this (Glassco) Royal Commission concluded its work, administrative overhead in terms of staff needs and office costs was to the order of $1,000 million. The comparable figure presently estimated for 1966-67 is $1,325 million, an increase of over 30 per cent during the past four years. Some explanation of this can be found in the Summary of Employees, which shows that the number of employees authorized for departments, Crown Corporations and other instrumentalities at March 31, 1966, had increased by 10,965 over the past year. This brings to 20,512 the increase in the number of employees authorized since the Royal Commission published its findings.

Twenty thousand five hundred and twelve in three years! Who will say here that those increases were from departments where already they had not enough employees? All of us have felt over the years that our civil servants—and I am not speaking now of our top civil servants, who in many ways amaze me when I hear them in committee—are the best in the world and certainly the most honest. But anybody who knows anything about the Civil Service—and I have lived in this city with them for 56 years—will realize that to say that we needed 20,000 more employees over the last three years is utter nonsense and utter irresponsibility.

Now, I mentioned a moment ago that Senator Leonard said that if we could keep up with the growth of the gross national product in so far as expenditures are concerned, we would not be in too bad a position. But, had he been here, I should have liked to ask him this: Supposing some government, with a falling gross national product, or even threatening to fall, came along and was rash enough, irresponsible enough, to increase national spending by a $1 billion in a single year, what would he think of it? And suppose that same rash, irresponsible government increased national spending by 20 per cent in a single year, what would he think of that? Supposing this government handed over to the C.B.C. an additional $35 million in a single year, what would my friend Senator Leonard think of that? Such rashness, such irresponsibility would seem to be incredible; it would seem that it could not happen; but, honourable senators, it has happened, and the proof is in this volume just given to this house.

Six years ago Professor Norman Ward, well-known to this house, wrote a book called *The Public Purse* which contained this paragraph:

> Each newly elected House of Commons finds itself committed, by laws already passed... to spending $1 billion or $2 billion before it ever meets.

That was in 1961. Honourable senators, the Parliament which succeeds the present Parliament—be it a year from now or two years from now—will find itself committed, by laws already passed, to spending more than $4 billion before it ever meets.

This year alone, as I have mentioned, the interest on the national debt will exceed, by almost three times, the total deficit, yet we go on spending, piling up a mounting debt, piling up a mounting inflation and imposing grievous hardship upon the people of this country. And, honourable senators, let there be no doubt about it, it is the common people who are bearing the greatest tax burden at the present time and who are the most grievously affected by inflation.

I could give you the figures here today. I could give you the percentages that are paid. The millionaires do not pay the taxes of this country. They pay through the nose, of course, but actually people with incomes over $50,000 a year pay less than 5 per cent of the total running cost of this country. It is the ordinary people who carry the burden. Of course you tax corporations and tax them through the nose—perhaps too much so—but those corporate taxes are inevitably, and not dishonestly, passed on to the poor consumer through increased prices. It could not be otherwise.

Then you have your sales tax, and that tax bears down more heavily upon the poorer classes than upon any other. Finally, when we talk of trying to keep the increase in expenditures at least alongside the gross national product, what guarantee have we at

this time that the gross national product will rise? What guarantee have we that it will not decline?

I say to you, honourable senators, in our world of awesome uncertainties there can be no guarantee that the gross national product will continue to rise, but there are signs everywhere that it may go on to fall.

Only this week we have had the respected head of the Bank of Canada warn us that rising prices threaten to put Canada out of line competitively with the United States. We have had a Governor of the Bank of Canada deplore the rise in government expenditures, and we all know this is not the only Government that is spending money; all of our provinces are spending too much and all our governments are spending too much, and this is undoubtedly what Mr. Rasminsky had in mind. He told us in a picturesque, striking phrase that we cannot get a quart of wine out of a pint jug. This has been the trouble in Canada in recent years; we have been putting distribution ahead of production, and this you cannot do. You cannot build a superstructure without foundations and we have been building the superstructure and neglecting the foundations. We have been distributing money we do not possess and which we cannot possibly distribute without grave danger to the whole economy.

Does the Government at the present time have no heed for these warnings? Does it not see the storm signals? Does it not see what is happening all over the world? A few years ago we were told that Chancellor Erhard, the great genius of Germany, had settled the economic problems of that country for all time. Well, his schemes did not work and now he is out of office. Today in trade the Common Market countries, Italy, France and West Germany, have begun to decline. Their gross national product has begun to decline and it is now barely holding its own. Unless the grace of God saves us from our folly Canada's gross national product will almost certainly decline, and when that time comes we are going to be in trouble.

Speaking of the decline in the gross national product, honourable senators, I wonder if the Government of Canada is watching what is taking place in Great Britain with respect to Britain's joining the Common Market. Just a year ago in Bristol, in a most important speech of the British election campaign, Mr. Wilson spelled out his attitude regarding British membership in that community. Entry, he said, was only possible "if the conditions are right...and those conditions require we must be free to go on buying food and raw materials as we have for 100 years...in Canada, Australia, New Zealand and other Commonwealth countries."

That was a year ago. But now Mr. Wilson is back from a visit to the six Common Market capitals, and he is no longer setting conditions. On the contrary, we are told this by the highly respected London correspondent of the *New York Times*, Mr. Anthony Lewis:

> Mr. Wilson has for all practical purposes accepted that the European Economic Community's agricultural policy is here to stay, and that Britain must adjust to it.
>
> He has not even suggested in his talks that he wants some special dispensation to allow free entry of food and raw materials from the Commonwealth at large.

Does the Government of Canada ever stop and think what this British attitude may do for our exports of newsprint, food, aluminum and other products? Does it stop and think what the effect of a reduction in the export of these goods would have on the growth of our gross national product?

Yet, as I said a few moments ago, honourable senators, we go on disregarding all these signs, disregarding these ominous clouds; we go on with expenditures, mortgaging our estate beyond possible capacity to pay. We go on with expenditures, spawning taxes, making inevitable higher price tags on the goods we have to export, and this without any right on our part to expect that the world will prefer our higher priced goods to the lower priced goods of our competitors. Heedlessly and recklessly we put distribution, as I have said before, ahead of production; we build superstructures without foundations, and thus too often in pursuit of a false philosophy, a philosophy condemned by all of history.

Some of you may say now, I am sure, that I am talking as a Tory traditionalist. That I deny. I am trying to speak only as a Canadian humanist, as a Canadian realist, as one who distrusts the growing power and encroachments of the State.

God forbid that we should ever return to the law of the jungle—the law of every man for himself and the devil take the hindmost. But, honourable senators, at the same time I think the hour has struck for us in this country to banish the perilous superstition

that it is the business of the State to direct and superintend all human behaviour. The sick and aged, the infirm, the afflicted—all of these must have the thought of a humane, civilized society. But, honourable senators, it is a far different thing when government undertakes to provide sanctuary for all of man's foibles and follies, destroying his moral fibre and initiative, eroding his human worth and dignity and inevitably imperilling his freedom.

That way, honourable senators, lies desolation and decay.

Hon. Donald Smith: Honourable senators, it seems to be my lot on a number of occasions to follow someone who has the oratorical excellence that Senator O'Leary (Carleton) has just displayed. I remember on several occasions, consecutive occasions in the house when I had the misfortune, and I always called it that, to follow Senator Farris from Vancouver, an orator of very high calibre.

We are always very glad to hear Senator O'Leary and many of us wish he would more frequently take occasion to address this house. We always learn from him and we are certainly always charmed by him.

On this occasion he has painted on the canvas with a rather broad brush, and to change the pace, as it were, I take in my hand a camel hair brush and paint over a very small part of the canvas, which is the report of the Senate Finance Committee. I am going to refer almost entirely to paragraph 9 in the report, which refers to the very interesting day spent on an examination of the activities of the Atlantic Development Board. At that meeting of the committee evidence was heard from the Executive Director, Dr. Weeks, who told us of the work that the Atlantic Development Board was doing.

Now, as a preliminary to what I have to say, I would like to make reference to a public document, one that some of us will perhaps recall, that had quite a lot to say about the problems of the Atlantic region. As a preface to what I am going to say about the Atlantic Development Board, and indeed some other government agencies which are trying to do something constructive with regard to the economic development of the Atlantic region in particular, I should like to refer to four very short passages from that document.

The first is this:

> An objective of economic policy should be to integrate and improve the basic economic framework of the Atlantic region, including in particular the transportation facilities of the area.

The second states:

> What is needed, we believe, is a bold comprehensive and co-ordinated approach to the underlying problems of the region.

The third:

> An integrated interprovincial power development and distribution system will be justified, although this may require some measure of subsidy from public funds.

And, a final quotation:

> We suggest that the federal Government establish a Capital Projects Commission for the Atlantic provinces.

Honourable senators, there may be more than one "putative" father of this child, whose name has now become the Atlantic Development Board, who may claim greater credit for the growth and development than they in fact deserve. I believe the evidence is clear that the "natural" father of the Atlantic Development Board is the author of these selections I have just read. They are excerpts from the 1957 Report of the Royal Commission on Canada's Economic Prospects, whose author is Walter Gordon.

In my opinion, Newfoundlanders, Prince Edward Islanders, New Brunswickers and Nova Scotians have had good reason to recognize as valid his blueprint for economic progress in these provinces. Walter Gordon's proposals have been adopted and enlarged by successive federal governments, and followed by such meaningful action during the last few years as was described to us in the evidence given to the Finance Committee.

The conclusion reached by the committee, when it was preparing its report, ends as follows:

> The Board—

The reference being to the Atlantic Development Board.

> —is developing sound long-term plans to increase employment and production in the Atlantic region.

A great deal of money has been spent by the Atlantic Development Board since it came into the phase of its operations when it was in a position to recommend expenditures.

After listening to Senator O'Leary (Carleton), I am hopeful that any economies he would like to see made in Government expenditures would not mean cutting down the pace of spending for this particular purpose.

There is an appendix to the record of the proceedings of the Finance Committee dated Thursday, June 16, 1966, the day the subject of the Atlantic Development Board was discussed. That appendix contains a great deal of information, some of which is scattered and rather difficult to follow by those who do not have as keen an interest in this as a large number of Atlantic provinces members of this chamber, in order to get a real picture of the kind of things being done in the work of the Atlantic Development Board.

For the convenience of honourable senators, I would like to place on the record at this time, in an abbreviated form, tables indicating the nature of the work that is being done. I prepared these tables from the information contained in the evidence given before the committee, and I have done so under several headings.

Under the first group or heading there is a list of the amounts of money which have gone to each of the Atlantic provinces, and an indication as to the particular use for power development and transmission.

If I have the permission of honourable senators, I shall put this short table on the record at this point.

Hon. Mr. Brooks: May I ask the honourable senator how far back he goes?

Hon. Mr. Smith (Queens-Shelburne): I go back to the information placed on the record at the time Dr. Weeks appeared before the committee regarding the Atlantic Development Board.

Hon. Mr. Brooks: How far back does he go?

Hon. Mr. Smith (Queens-Shelburne): I think his activities went back to 1963, because up to that point their planning had not advanced to the point, and their discussions with the provincial governments had not reached the point where they had agreed on the exact expenditures desired to be made in the case of each province.

Hon. Mr. Brooks: There had been a considerable amount of work done before that.

Hon. Mr. Smith (Queens-Shelburne): Yes, considerable planning and thought. As the Leader of the Opposition (Hon. Mr. Brooks) well knows, Dr. Weeks was Executive Director of the board previous to 1963, and he assembled around him some staff at that time.

The Hon. the Speaker: Is it agreed that these tables should form part of the record of today's proceedings?

Hon. Senators: Agreed.

Table I

ATLANTIC DEVELOPMENT BOARD PROJECTS

(Source—Proceedings of Finance Committee, June 16, 1966)

Power Development and Transmission

N.S.	$12.1 million (of total cost of $24 million (thermal power) Trenton)
N.B.	$20 million (of total cost of $110 million (Hydro) Mactaquac)
P.E.I.	$4.3 million (submarine cable)
Nfld.	$24 million (of total cost of over $100 million (Hydro) Bay D'Espoir)
Total	$60.4 million

Hon. Mr. Smith (Queens-Shelburne): These are not my figures, but a condensation of much more difficult to understand figures contained in the report; and by glancing at these simplified tables you might obtain a better picture of the situation.

I want to refer to two figures in this table. The total amount of money allocated for power development and transmission in the provinces up to this time was $60.4 million. Perhaps I may be excused if I indicate that, of that total, $12.1 million has gone to the Province of Nova Scotia, towards the construction of a thermal power plant being built in conjunction with the Nova Scotia Power Commission at Trenton, Nova Scotia.

Another group of figures I have is under the heading of "Industrial Development Projects," and the total which has been allocated under this heading is $11.8 million. Of this amount, $7.2 million went to my province. If I mention these sums in connection with my own province, I do so because I naturally have a greater interest in them.

Table II

INDUSTRIAL DEVELOPMENT PROJECTS

N.S.	$7.2 million
N.B.	$2.5 million
P.E.I.	$1.1 million
Nfld.	$1 million
Total	$11.8 million

The next group I have is for "Site Preparation and Water Supply for new Fish Plants." Of a total of $7.2 million, $1.5 million has gone to Nova Scotia.

Table III

SITE PREPARATION AND WATER SUPPLY FOR NEW FISH PLANTS

N.S.	$1.5 million
N.B.	$0.5 million
P.E.I.	(incl. above)
Nfld.	$5.2 million
	$7.2 million

I have some personal knowledge of the effect of this expenditure of $1½ million in my own province. There is a number of fish plants, and they are detailed in the printed record, which would not have gone forward with their development without this and some other form of assistance which was made available to them. One is located very close to where I live in Nova Scotia, and without the assistance of the Atlantic Development Board the employment picture in that particular area would be entirely different from what it is today. As a result of that stimulus, much greater additional investment was made in this particular fish plant, even to the extent that today all the local labour is at work, and that operation is being carried out in this rural area by labour from my own town of Liverpool, on a daily basis, in order to meet the labour requirements. All of the local fishermen are employed, working in much larger boats and drawing higher incomes than ever before.

I believe that if it were not for this sort of investment to stimulate this sort of development the drift would be continued out of that area of Nova Scotia, and indeed out of the province entirely, perhaps to as far as British Columbia where so many of our fishermen and those with a fisheries background have gone over the years.

Another valuable function of the Atlantic Development Board has been the provision of transportation facilities in the area and in particular toward highway construction in the Atlantic provinces. These expenditures are other than those connected with the Trans-Canada Highway. In this highway construction program, administered by the Atlantic Development Board, a total federal expenditure of $40.7 million has been made, and of that amount $12 million has gone to my own province of Nova Scotia.

Table IV

TOWARDS HIGHWAY CONSTRUCTION IN THE ATLANTIC PROVINCES (OTHER THAN TRANS-CANADA)

N.S.	$12 million
N.B.	$12 million
P.E.I.	$4.7 million
Nfld.	$12 million
Total	$40.7 million

There are also several interesting and valuable efforts of the board. For example, there is miscellaneous capital assistance for research buildings and equipment now under way in both Nova Scotia and New Brunswick with a total federal contribution of $3 million.

In addition, the federal Government has encouraged betterment of the industrial pollution situation in the Atlantic provinces by making a special grant of $2 million to carry out studies and to do certain work to be of some assistance in the abatement of that industrial pollution. It may be that this work which has gone forward at a rather advanced rate in comparison with other provinces may put us in the position of leading the way in this connection.

Table V

MISCELLANEOUS CAPITAL ASSISTANCE RESEARCH BUILDINGS AND EQUIPMENT

N.S.	$1,750,000
N.B.	$1,250,000
Total	$3,000,000

Industrial Pollution Abatement in the Atlantic Provinces:

Total $2,000,000

With regard to this anti-pollution campaign, I want to say that the Province of

Nova Scotia itself has been the vanguard in the movement to do something about pollution. A young man from my home town was the head of this new department in Nova Scotia, and I understand there is a joint arrangement with the Province of New Brunswick in this field. This is something that the whole country, and indeed the whole continent, will have to give a great deal of attention to in the near future.

I have added the amounts of approved projects up to the time of the report, which is dated May 31, 1966, and it totals $125 million. I was informed the other day by the officials of the Atlantic Development Board that since that date an additional $17 million has been approved, and therefore the total is now $142 million. This is a considerable sum of money, and I do not feel it should be regarded as handouts in any shape or form. The money is being spent on basic solutions to some of our problems, and I think that expenditures in this field by this and other governments should be considered as investments to be repaid in the future by a much better way of life for the people who live in the Atlantic region, and which will result in increased production and employment and provide equal opportunities of all kinds.

The effort that is going on in Nova Scotia has caught the attention of the rest of this country, as well as our friends in the United States. The province has pursued a very active industrial program for some years. It has received international awards for the efforts it is making in this direction. Nova Soctia was in this field early. I think the province has had a very active department of industry. I am not sure that was the title in those days, but my honourable friend Senator Harold Connolly, who is my deskmate, was for some period the minister in charge of that department of government.

There are a great many techniques and a large number of people involved in what is found to be necessary to attain better employment possibilities and other improvements in the Atlantic Provinces.

I should like to spend a few minutes to indicate some special arrangements in financing which are being done by the federal Government toward that goal. The first is in relation to the completion of the Trans-Canada Highway. It will be recalled that a few years ago the federal share of the unfinished Trans-Canada Highway was increased from 50 per cent to 90 per cent. Since that time the extra 40 per cent federal contribution has increased the amount that the provinces would have received under the other formula by $58.5 million. In my province of Nova Scotia this meant an increase of assistance for the highway completion of $13.8 million. I have the figures for other provinces, but I will not take the time to read them into the record. If they could be made part of the record, honourable senators who are interested will be able to see them.

Table VI

SPECIAL ARRANGEMENTS WITH ATLANTIC PROVINCES FOR COMPLETION OF TRANS-CANADA HIGHWAY

	Since 1963 Federal share increased from 50% to 90% Additional 40% Federal Contribution	Total Federal Contribution
Nfld.	$ 27.5 million	($ 62.6 million)
P. E. I.	1.4 million	($ 3.5 million)
N.S.	13.8 million	($ 30.5 million)
N.B.	15.8 million	($ 35.2 million)
	$58.5 millions	($131.8 millions)

	Estimated Balance to complete by 1970 Additional 40% Federal Contribution	Total Federal Contribution
Nfld.	$ 8.8 million	($ 22 millions)
P. E. I.	.6 million	($ 1.5 millions)
N.S.	9.2 million	($ 23 millions)
N.B.	11.6 million	($ 29 millions)
	$30.2 millions	($ 75 millions)
Since 1963 Grand Total	$88.7 millions	$206.8 millions

Hon. Mr. Brooks: I do not like to interrupt the honourable senator, but may I ask how far back he goes with his dates? If I recall correctly, this 90 per cent assistance must have gone back to five or six years ago at least. Have you the amounts for the respective years, or is it just a total amount?

Hon. Mr. Smith (Queens-Shelburne): The only figures I have quoted show the difference it made to the financial contributions that the provinces had to pay because of the additional 40 per cent of the federal contribution, which dates back to 1963. The Trans-Canada Highway contracts or agreements between the federal authority and the provinces

date back to the early fifties. As all honourable senators will recall, our own area of the country was the slowest in being able to take advantage of the standard 50 per cent offer which was made 15 or 16 years ago, and in order to encourage the early completion of the Trans-Canada Highway it was decided in 1963 to raise the amount of federal contribution from 50 per cent to 90 per cent.

Hon. Mr. Brooks: In that connection I am sure the honourable senator is wrong, because it was decided in 1959 or 1960 to raise the contribution from 50 per cent to 90 per cent. We had that advantage in New Brunswick, and I am sure they must have had the same advantage in Nova Scotia.

Hon. Mr. Smith (Queens-Shelburne): Honourable senators, all I can say is that I discussed this on the telephone with the branch of the Department of Public Works which is involved in this matter, and they told me that the formula was changed in 1963. I hesitate to put it in this way, but it was the latter part of 1963.

Hon. Mr. Deschatelets: I do not know if the Leader of the Opposition is right or wrong, but I can say that the senator on this side is right, because this was done in this form while I was Minister of Public Works.

Hon. Mr. Brooks: I recall it particularly in New Brunswick, regarding the bridge across the river at Fredericton—Senator Burchill will recall this—the provincial Government paid 10 per cent and the federal Government paid 90 per cent, and there were other areas where there was the same proportion. As a matter of fact, I know definitely, because I was in the cabinet at that time.

Hon. Mr. Smith (Queens-Shelburne): I think I know what Senator Brooks has in mind. There was a provision some years ago that the federal Government would pay 90 per cent of any 10 per cent of the highway mileage for which any province would ask them to pay. As a result of that old formula, even the Province of British Columbia, a relatively wealthy province, was able to get tremendous assistance from the federal Government for the completion of their expensive highway through the mountains. Likewise, this bridge which my friend refers to would have been very expensive for his province unless there had been some provision for getting 90 per cent of any 10 per cent segment of the Trans-Canada Highway cost. We in Nova Scotia at that time took advantage of that particular clause in order to get 90 per cent of the cost of the most expensive highway. On the most expensive part of the highway, through Cape Breton, that was most helpful. The province which had the greatest trouble in trying to complete its share of the Trans-Canada Highway is, as we all know, the Province of Newfoundland.

Hon. Mr. Brooks: That is right.

Hon. Mr. Smith (Queens-Shelburne): They graded the highway, but I do not know whether they would ever have finished it in our lifetime had this formula not been changed. If anyone deserves credit for getting this formula put on the statute books, it is the Premier of Newfoundland and the minister from Newfoundland who, I am sure, were very persuasive people. There again, of course, it helped us poor Nova Scotians out, as well as the rest of the Atlantic region.

Hon. Mr. Cook: We were just being good to you.

Hon. Mr. Smith (Queens-Shelburne): As Senator Cook says, they were just being good to us.

I have one more point to make about the Trans-Canada Highway. I have said that the total spent under this new 40 per cent formula was $58½ million. It is estimated that to complete the Trans-Canada Highway in those provinces, when the bills are finally in an extra 40 per cent will mean an additional $30.2 million. Therefore, the grand total of what has been done by the federal authorities since 1963, because of the extra 40 per cent, is $88.7 million.

There are other things which the federal Government is doing for all provinces. Some are suitable for the Atlantic provinces and some are not.

As yet, we in the Atlantic provinces have not taken much action on ARDA projects, but they are coming and I think it is a worthwhile effort that is being made.

There is a rather interesting prospect in connection with the benefit which will accrue to my own province through the Rural Economic Development Fund. I was talking to someone in the Department of Forestry a few days ago about this, and he told me that surveys have been completed in five countries of northeastern Nova Scotia and in four Cape Breton counties. It is his opinion that, if the projects are approved and shared by the Province of Nova Scotia, as they will have to

be under this formula, over a very long period of time the federal commitment could actually run into hundreds of millions of dollars.

Hon. Mr. Burchill: Is that ARDA?

Hon. Mr. Smith (Queens-Shelburne): This is under the Rural Economic Development Fund. It is the same fund which is operating to such a large extent in the province of my honourable friend from New Brunswick. I am sure he is quite familiar with what is going on in the northern part of his province in that respect. That will be very helpful in the long term.

I hesitate to mention these huge sums, running into hundreds of millions of dollars. I know it shocked some of our members not so long ago, when we were discussing this legislation under which the Rural Economic Development Fund operates, when hundreds of millions of dollars were spoken of with respect to northern New Brunswick and some rural parts of the Provinces of Quebec and Manitoba.

Again, there is something special being done for the Atlantic provinces through the use of the health resources fund. There was an extra contribution of $25 million to the Atlantic provinces. This was the sum directed to all the provinces in the Atlantic area and they, among themselves, decided to allocate it where it would do the most good.

Since Nova Scotia has up to this time the only medical school, it was very pleasing to me that the other Atlantic provinces acquiesced in the proposal that the Dalhousie Medical School be the first beneficiary under that health resources fund. I noticed in the press recently that the first cheque was delivered to the Minister of Health in Nova Scotia by the Minister of Health and Welfare from Ottawa. The amount of the federal contribution to the Sir Charles Tupper Medical Building will be $11.2 million out of a total cost of $16.7 million for the new Medical Teaching Centre.

Perhaps I should say a word about the situation in Cape Breton. I am glad to see one of the representatives of Cape Breton sitting opposite me here today.

I think the federal investment in the Crown corporation which will operate the Cape Breton coal mines in the phase-out period could be a substantial amount. This Crown corporation will also be provided with funds for broadening the industrial base of Cape Breton. Since no firm decisions have yet been made, I was able to get no further information on that.

There is an agency operating in the last few years, at least in my own province, with great results. I notice in the final supplementary Estimates which were tabled here a few days ago, that the commitment under the area development legislation was increased up to $200 million.

We were told, when the Finance Committee questioned the Secretary of the Treasury Board, that it was necessary to increase this fund at this time because of commitments which were being made, and if they did not have the increase in the fund they would have to cancel their program of supporting the industrial development in the designated areas.

This is a technique with which we are familiar, in which direct grants are made to new or expanding industries. It does not apply only to the designated areas in the Atlantic provinces but to the designated areas in all other provinces.

I have learned that the Atlantic region, with 10 per cent of the population of Canada, is receiving one-third of the investment in new industry which is supported by this program. Perhaps more important, one-third of all the new job opportunities created by this new investment have been created in the Atlantic provinces.

It would be well to point out two specific examples of the kind of industries which are being assisted by this agency. Two examples are the heavy water plants in Cape Breton. One is operated by a subsidiary, one might say, of the Government of Nova Scotia, a company called Deuterium of Canada. The other heavy water plant is under construction at the present time and will be operated by Canadian General Electric. Both of these companies have applied for development grants which will involve a federal investment of $10 million.

I was informed that the British-American Oil Refinery, which is being built in the Straits area, will also be eligible for similar support.

Honourable senators, there are other areas which the Finance Committee might well investigate at some future time. It is only fair to let the rest of the country learn how the money is being spent in the Atlantic area, particularly when extraordinary steps are being taken to improve the economy.

I hope that before long the Finance Committee will have an opportunity to examine the operations of both the Rural Economic Development Fund and the Area Development Agency.

Hon. J. Campbell Haig: Honourable senators, if Senator Smith had difficulty in following Senator O'Leary, my problem is that much greater in that I have to follow both Senator O'Leary and Senator Smith.

With deference, I would like to make two suggestions to the honourable Leader of the Government and to the officials of this house. The first is that the afternoon sittings commence at 2.30 instead of 3 o'clock. The second suggestion is that when telegrams are sent to our official residences the persons delivering them should be told to deliver them or telephone them at about 7 or 7.30 o'clock in the morning. I have spoken to a senator from the west who received his telegram at 3 o'clock in the morning. I received mine at my apartment at 2.30 in the morning.

Hon. Mr. Connolly (Ottawa West): I hope that one was not signed by me.

Hon. Mr. Haig: Honourable senators, I am not suggesting who signed the telegram, but I understand that instructions go from the Leader of the Government to the Clerk of the Senate that he has been directed by the Speaker to notify honourable members.

One senator from Toronto received his at 5 o'clock in the morning and another senator from Toronto received his telegram at 6 o'clock in the morning. Why the time differences? I do not know, but all one can do on receiving a phone call at that time of the night is to get "darned annoyed".

By leaving at 4 o'clock in the morning from Winnipeg, a senator could get to Ottawa the next morning. At all events, I am sure it would be appreciated by all senators if in the telegram it were indicated that we should be phoned at 7 or 7.30 o'clock, because they all know our home phone numbers.

Honourable senators, I would like to deal now with the report of the Finance Committee presented by Senator Leonard. The report is dated March 9 and is printed as an appendix to the proceedings of that date.

I wish to advise the honourable senators that the special steering committee have a great deal of confidence in the work, attention and labour that Senator Leonard puts into the organization and conduct of his committee.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Haig: I understand that a few years ago this committee was fairly active, but when I was summoned here, our Whip told me what committees I would be on. He said, "Haig, you will be on this committee. It meets once a year. You will be on this other committee. It has not met for two years".

Apparently I was not expected to do a great deal of work, but then he said, "You will be on the Finance Committee as well." Since I have been on that committee I have learned more of the operation of financial matters in Government than from any other committee I have been on.

When the Finance Committee meets and hears some of those officials—who, as Senator O'Leary says, are the best in the world —they know their subject and they can project their ideas across to us in a way that even we can understand. Therefore, I would suggest to honourable members who are not on that committee that they should make a special effort to attend some of those sessions.

In paragraph 4 of the report, which Senator O'Leary discussed at great length, on a question of the amount of expenditures related to our gross national product he painted a picture indicating that so long as the gross national product is growing there is a certain proportion to which our expenditures can be related, but if the G.N.P. stays still or goes down, then this or any other government is going to be in trouble.

I also would like to comment on paragraph 7 in connection with the use of Vote No. 15 of the Finance Department to the extent of $2,160,000 which, according to Dr. Davidson, is a contingency amount in that department for this special purpose that, if during certain times before getting supplementary Estimates in they need extra moneys for salaries, they can take them from this fund. It is voted by Parliament and can be used in that way. The report says that can be avoided, and I agree with the report. If we get our supply motions in so late that either the Government or the Opposition can hold it up so that it is necessary to resort to this other vote, then I think that is wrong and I agree with the report to that extent.

Senator O'Leary has referred to the C.B.C. Unfortunately I was not at the committee meeting when Mr. Ouimet was there, so I will not comment on that.

In connection with paragraph 11 of the report dealing with Expo, a few weeks ago we dealt with a bill which would provide for some $21 million for the federal share of the expected expenditures of Expo. We were told that this had to be passed to third reading and then would go to committee. The Leader of the Government indicated at that time that that was a different method of doing things than had ever been done before.

We examined Mr. Robert F. Shaw, Deputy Commissioner and Mr. Rediker, the officials from Expo, who gave us a very clear-cut and fair explanation of the financial problems of Expo. Mr. Shaw spoke of his hopes and aspirations for the exhibition when it opens and indicated something to us which we did not realize before, namely, that there is a salvage value in certain of the exhibition buildings, minirails, railways and also bridges and La Ronde, the amusement centre. The expected loss is there, and he admitted it, but he said that in the history of world exhibitions not one of them has ever made a profit. He did say, however, that the advance sale of passports far exceeded their expectations; in fact, to such an extent that they were approximately one month late in getting new passports issued.

That is the sort of information we received when we discussed this matter with the officials of Expo, and that brings up again the fact that this committee under the chairmanship of Senator Leonard is very good in its methods of operation. It brings informed officials and even ministers before it to discuss these matters, and it is a very good education for the senators. I hope, and I know it will be so, that in future years the Finance Committee will extend its work in examining the Estimates of the Government.

Hon. Mr. Connolly (Ottawa West): Honourable senators, just before this part of the debate closes, may I just say two things. First, if Senator Haig's desire to have the Senate sit at 2.30 instead of 3 o'clock each day is to be complied with, it would be necessary to change Rule 7 of the Senate, which of course is not an insuperable obstacle. It can be done. Perhaps it is something which might be considered at the beginning of the next session.

Hon. Mr. Haig: How did we meet last Monday at 2.30?

Hon. Mr. Connolly (Ottawa West): By unanimous consent, in the same way as we did today. There is nothing to prevent us from meeting when we want; we are the masters of our own procedures.

Hon. Mr. Choquette: Certainly. We can meet at 1 a.m., for example.

Hon. Mr. Connolly (Ottawa West): Exactly.

Another point I am glad the senator raised is the question of telegrams. As I understand it, the telegrams that went out to summon the Senate as a result of the death of the Governor General, left here at 10 o'clock at night. I feel outraged that some senators, even closer to Ottawa than Winnipeg, did not receive those wires for hours and hours after their dispatch. I do not know why these wires cannot be delivered, no matter where they are to go in Canada, within an hour of the time they are dispatched. I am glad the point has been raised and I will raise it with the Canadian National Telegraphs. If they cannot give us better service, I think we will use another telegraph system.

Hon. Mr. Welch: I would like to say, sir, that I received my telegram here in Ottawa on Tuesday last week.

On motion of Hon. Mr. McDonald, debate adjourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1185 to 1224, inclusive, which were presented yesterday.

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 1185, for the relief of Margaret Grace Stark Leach.

Resolution 1186, for the relief of Pamela Ann Merrill Peck.

Resolution 1187, for the relief of Marcel Meunier.

Resolution 1188, for the relief of Attilio Forlini.

Resolution 1189, for the relief of Peter Thomas Tester.

Resolution 1190, for the relief of Gwynith Ann Davies Elliott Menard.

Resolution 1191, for the relief of Marie Edwidge Huguette Oligny Alexandre.

Resolution 1192, for the relief of François Labbe.

Resolution 1193, for the relief of Francine Loyer D'Amour.

Resolution 1194, for the relief of Pamela Anne Kenrick Laing.

Resolution 1195, for the relief of Brigitte Elizabeth Brandl Craig.

Resolution 1196, for the relief of Mary Marguerite Isabelle Jocelyne Lemay Derbridge.

Resolution 1197, for the relief of Diane Lillian Kirkus Black.

Resolution 1198, for the relief of William Kevin Kiely.

Resolution 1199, for the relief of Susan Ross Kilburn Edwards.

Resolution 1200, for the relief of Ada Rubin Craske.

Resolution 1201, for the relief of Joseph Rosaire Houle.

Resolution 1202, for the relief of Jacques Jean Joseph Gaudel.

Resolution 1203, for the relief of Alice Akairib Bekhor.

Resolution 1204, for the relief of Joan Lenora Brown Eadie.

Resolution 1205, for the relief of Judith Mary Allen Donohoe.

Resolution 1206, for the relief of Maurice Demers.

Resolution 1207, for the relief of Marie Pauline Gisele Leduc Paquin.

Resolution 1208, for the relief of Fernand Labonte.

Resolution 1209, for the relief of Florence Graziella Bernier Murray Miller.

Resolution 1210, for the relief of Joyce Clara Woodhouse Tracey.

Resolution 1211, for the relief of James Joseph Peard.

Resolution 1212, for the relief of Jacqueline Marchand Fortin.

Resolution 1213, for the relief of Hector Thessereault.

Resolution 1214, for the relief of Beverly (Beverley) Brooks Mallaley.

Resolution 1215, for the relief of Claude Laporte.

Resolution 1216, for the relief of Bernard Langevin.

Resolution 1217, for the relief of Stanley Harold Rowe.

Resolution 1218, for the relief of John Gerald Wellington Hall.

Resolution 1219, for the relief of Suzanne Boily Beaupre.

Resolution 1220, for the relief of Claudette Drouin Seguin.

Resolution 1221, for the relief of Gwynneth Carlyle Roberts Earl.

Resolution 1222, for the relief of Yvette Letendre Binette.

Resolution 1223, for the relief of Iris Miller Rolland.

Resolution 1224, for the relief of Ronaldo Champagne.

Resolutions adopted, on division.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, I hope that on Monday at 3 o'clock we will have received the Bank Bill and perhaps the bills associated with it. If, however, they are delayed, I hope that we will proceed to item No. 4 of today's Order Paper, the amendment to the Criminal Code, and that that debate can be wound up by Senator Roebuck and the matter referred to committee. Then we could consider Order No. 6 of today's Order Paper dealing with teleferries. I understand from Senator Macdonald (Cape Breton) that he may then be prepared to go on with the inquiry initiated by Senator Gladstone.

ST. PATRICK'S DAY

TRIBUTES TO ST. PATRICK AND THE IRISH PEOPLE

Hon. John. J. Connolly: Honourable senators, before we adjourn I think it would be less than gracious of me, as Leader of the Senate, and I think you would expect no less from me than that I should express my pleasure that once more the Senate of Canada should see fit to mark the feast of St. Patrick. I would have done this earlier but for a number of reasons. I was anxious, as were all honourable senators, to deal with the urgent legislation that was to go to committee, and I was particularly anxious not to delay Senator O'Leary (Carleton) in the speech he was to make.

In expressing my pleasure on this occasion, perhaps I am not alone because it could be that the Irish Leader of the House of Lords, the Earl of Longford, as well as the Irish Leader in the Senate of the United States, the Honourable Michael Mansfield, today are having the same experience.

In this Senate, speeches alone have not always been the method used to mark this occasion. In 1955 the late Senator Felix Quinn of Halifax, beloved of us all, rose in his place and with a voice whose strength had faded, but whose timbre remained, sang very feelingly "Galway Bay", though *Hansard* does not reflect the singing.

Hon. Mr. Roebuck: "The Harp That Once Through Tara's Halls".

Hon. Mr. Connolly (Ottawa West): "The Harp That Once Through Tara's Halls" and, perhaps "A Little Bit of Heaven".

Today in many lands besides Ireland, Tara's harp and halls are remembered; the plaintive strains of Kathleen Mavourneen, The Rose of Tralee, Love's Young Dream, The Dear Little Shamrock, and The Ministrel Boy stir the emotions of Erin's sons and daughters.

I think the Book of Kells, the Tara Brooch, Muckross Abbey, still revive, with eloquent silence, the earliest days of Western culture which the Irish preserved when, as Senator O'Leary (Antigonish-Guysborough) said this morning, all was darkness in Continental Europe. Patrick and Columba emerge again, for they were missionaries, and in a sense the fathers of the fabled wild geese which our good friend the senator from Gulf, Senator Power, mentioned on a number of occasions.

Dispersed indeed is this race into every clime, but wherever they are they remember the injunction which the Emerald Isle gave them in the song of Thomas Moore:

Go, where glory waits thee,
But while fame elates thee,
Oh still remember me.

In Canada's centennial year I think it is worthy of recording that of the 35 faces in the picture of the Fathers of Confederation, seven were of Irish birth or descent: Thomas D'Arcy McGee, Canada; Edward Whelan, Prince Edward Island; Ambrose Shea, Newfoundland; Edward Palmer, Prince Edward Island; A. G. Archibald, Canada; Jonathan McCully, Canada; and W. A. Henry, Canada.

Today of Canada's 20 million, 10 per cent are of Irish blood or descent. But many more—countless in number—know that Irish blood courses through their hearts, and today they too remember this and feel it.

Even some of our French-speaking fellow Canadians might be surprised to know that the name Sylvain is really Sullivan, Aubry is O'Brennan, Houssye is Hussey, Riel is Reilly, Hirouin is Kerwin, Martin is Martin, Binette is Bennett, Alarie is O'Leary, Alain is Allan.

Hon. Mr. Brooks: And Flynn is Flynn.

Hon. Mr. Connolly (Ottawa West): And John O'Farrell, a Quebec lawyer, established this in a paper done in 1872, after an extensive study of the old parish registers of Lower Canada. The historic reason lies in the early settlements on the St. Lawrence and on the exodus which followed the great famine in Ireland of 1846 to 1848, and the many, many Irish immigrants to this country going back even to the days of the French regime.

May I finish with these lines from John Boyle O'Reilly, which seem so appropriate in Canada this year:

What have ye brought to our nation-building,
Sons of the Gael?
What is your burden or guerdon
from old Innisfail?

* * *

Bold pioneers for the wilderness,
defenders in the field,—
The sons of a race of soldiers who never
learned to yield.
Young hearts with duty brimming—
as faith makes sweet the due;
Their truth to me their witness, they
cannot be false to you.

Hon. Arthur W. Roebuck: I have listened to the very eloquent and highly Irish sentences of the Government Leader, and I could not quite resist the temptation to claim for myself Irish descent as almost everybody else in this chamber has done. My mother's family came from Ireland, and I think that is one of the reasons for the character I possess, be it ever so good or ever so bad. The same respect which I paid to her I also pay to the Irish race.

I have one more word to add, honourable senators. The leader has said that I would finish the debate on the Criminal Code on Monday. I shall be prepared to do so, but I hope that I shall be well up the list on the Orders of the Day, and not way down it. Perhaps that can be understood.

Hon. Mr. Connolly (Ottawa West): This is subject to our desire to deal with the Bank

Bill and the appropriation legislation. Anything we have left here should be subject to the general understanding that priority should be given to these pieces of legislation which will require Royal Assent before the Easter adjournment.

Hon. Mr. Brooks: And will possibly go to a committee.

Hon. Mr. Connolly (Ottawa West): Yes, indeed.

The Senate adjourned until Monday, March 20, at 3 p.m.

THE SENATE

Monday, March 20, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Explanatory note respecting the Returns of Unclaimed Balances in the Chartered Banks of Canada and in the Banks incorporated under the Quebec Savings Banks Act, tabled in the Senate March 17, 1967, together with a copy of the *Canada Gazette* Supplement for March 18, 1967, on the subject of Unclaimed Balances. (English and French texts).

NATIONAL MUSEUMS BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-57, to establish a corporation for the administration of the National Museums of Canada:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-57, to establish a corporation for the administration of the National Museums of Canada, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. John J. Connolly: Honourable senators, this bill originated in the Senate and, with a view to keeping the House of Commons in business and with enough to do, perhaps we should give the bill third reading now, if there is no objection or further question. I am sure the House of Commons would be impressed with our efficiency.

With leave, I move third reading of Bill S-57 now.

Hon. Jacques Flynn: Honourable senators, I do not want to delay the bill; I merely want to say a few words. I am not convinced that the purpose of this bill has been made very clear. I was not in committee this morning, but I inquired and did not get the answers that I hoped would be given there.

Hon. Mr. Hayden: Why did you not ask the chairman?

Hon. Mr. Flynn: Well, the chairman is always too efficient. I would rather ask somebody else.

Hon. Mr. Hayden: You would get too good an answer, is that it?

Hon. Mr. Flynn: Well, maybe too good or maybe too bad, it all depends.

Hon. Mr. Connolly (Ottawa West): Would the honourable gentleman want information or misinformation—or perhaps "Mister Information"?

Hon. Mr. Flynn: Well, I would say the honourable gentleman is more convinced than convincing.

It seems to me that the purpose of this bill is to place under one authority the National Gallery of Canada and two or three other museums mentioned therein, and others that may be declared as federal museums because of national interest. Some of these are very specialized museums. Only the National Museum, in my view, has a national character and a wide scope.

Usually a museum serves as an accessory to a given science, operation or activity. I do not see in principle what we can gain by putting these different museums under one authority. You have to have specialists in this field, since these museums will serve very specific purposes. It seems to me that unless the establishment of one authority for various museums is proven to really add to the efficiency of these organizations, this bill will not actually achieve a good purpose.

I may be wrong because, as I said, I was not in the committee this morning. But I

cannot by the simple reading of the bill find a good reason for setting up this new authority to replace the National Gallery Act. That Act was achieving a specific purpose, because the National Gallery, as I said before, is of national interest and of a very wide scope. Will this single authority take the responsibility, for instance, for museums which were under the care of the Minister of Northern Affairs? Museums concerned with the Eskimos and northern affairs are highly specialized, and I do not see how the placing of those museums under this new body will help them at all.

Hon. Mr. Hayden: Honourable senators, maybe I can at least give the explanations we got this morning. Whether this will be good and sufficient reason as far as my friend is concerned is an entirely different matter, but what was said was acceptable to the members who were present.

In connection with these various museums that will be under this corporation when the bill passes Parliament, it was indicated that this corporation would have overriding authority with respect to each of these endeavors, but there would be a board of management—call it what you will—with special training and skill for administrative purposes as required by a particular museum. This is the plan, and we must assume that if it is carried out it will work. Whether it will work or not, we cannot tell until it gets into operation.

Hon. Mr. Flynn: Whether it is required is another question.

Motion agreed to and bill read third time and passed.

BANK OF CANADA ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-190, to amend the Bank of Canada Act:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-190, to amend the Bank of Canada Act, and had directed that the bill be reported without amendment.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

INCOME TAX ACT

BILL TO AMEND INCOME TAX ACT AND TO REPEAL CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act, and had directed that the bill be reported without amendment.

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Hayden moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 1252 to 1290, inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

PENSION BENEFITS STANDARDS BILL

THIRD READING

Hon. John J. Connolly moved the third reading of Bill C-221, respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

Motion agreed to and bill read third time and passed.

CRIMINAL CODE (HATE PROPAGANDA)

BILL TO AMEND—SECOND READING

The Senate resumed from Thursday, March 16, 1967, the adjourned debate on the motion of Hon. Mr. Roebuck for the second reading of Bill S-49, to amend the Criminal Code.

Hon. Arthur W. Roebuck: Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable Senator Roebuck speaks now it will have the effect of closing the debate.

Hon. Mr. Roebuck: Every honourable senator within the hearing of my voice will be pleased to know that this debate will be closed if I as sponsor speak at this time. The debate has been lengthy, and to a certain extent everyone is tired of it. It is rather difficult to remember what took place four months ago.

However, in closing the debate, honourable senators, I wish to express my grateful acknowledgement of the extent and vigour with which this debate has been carried on—a discussion which I had the honour to initiate. The fact that many of you spoke, and some critically, is a matter of satisfaction to me in a case of this kind, because, as was said by a philosopher, "In a multiplicity of councillors there is wisdom."

The debate, which commenced on November 9 last, has continued for four months. I have been impressed with the thoughtful quality of many of the addresses and the frequency with which honourable senators invoked the principles of freedom, the rights of the individual and of good government.

Besides that, I would like to acknowledge the complete unanimity with which all senators have viewed the basic principles of this bill. We seem to have been thoroughly in agreement with what Senator Croll termed "the corrosive properties of hate," and upon the desirability of unity and good will rather than of dislike and abuse of one another. The merchants of hate have no customers in this chamber. I am proud of that fact. Not one word has been said in approval or defence of hate propaganda. We would all like to get rid of that if it were within our power, and I think it is. Senator Flynn only last week said we are all agreed on the purposes of the bill.

I do not mean it to be inferred from what I have said that the bill has not met with criticism. Indeed, there has been a great deal of criticism. Some senators objected on grounds with which I am in sympathy and accord, although not entirely in complete agreement.

For instance, the thought was expressed a number of times during the debate that were the bill sent to a committee it could be improved. In this, of course, I heartily agree. We all desire the very best bill possible under these circumstances. Draftsmanship is seldom perfect. As a matter of fact, the road to perfection is long and difficult and usually rough. This is an amendment to the Criminal Code. The Code is basically restrictive, and any measure of a restrictive character warrants our most careful scrutiny.

Some senators doubted the need for this measure. Of course need is a question of fact. I honour those who see no evil and hear no evil, and so on, and find comfort and repose in the thought that "It cannot happen to us." But I am not so fortunate, for I have seen and heard in the course of my career a good deal of evil writing and speaking—propaganda such as this bill seeks to suppress.

Nor am I without support in this experience. The Special Committee on Hate Propaganda, appointed by the Parliament of Canada, has produced ample evidence of the vilest of hate propaganda and the need for this legislation. Let us consider, as I think it is very appropriate, the personnel of that committee.

The Chairman, Maxwell Cohen, is the Dean of the Faculty of Law, McGill University. Such a man is not easily deceived in evidence of this nature. He is thoroughly trained in the

principles of the law. It has been suggested that Maxwell Cohen traces his ethnic origin to one of those groups which is frequently the subject of hate propaganda. So, for argument's sake, let us stand him aside for the moment—that is, if anyone thinks one should completely disregard the considered judgment of the Dean of the Faculty of Law of one of our greatest universities. Still, for the purposes of argument only, let us for the moment stand him aside.

Next, Saul Hayes is the next member of the committee to which I referred. I know him as an able barrister of Montreal, for whom I have the greatest respect. On the same grounds, let us stand him aside.

Then, who is left? What shall we say of Dr. J. A. Corry, Principal of Queen's University? There is no such suggestion with regard to him. He is a man of very high standing and is widely respected in the Canadian community.

The next member of the committee to whom I would refer, is l'Abbé Gérrard Dion, of the Faculty of Science of Laval University. Then there is Professor Mark R. MacGuigan, associate Professor of Law of the University of Toronto, a man of real distinction.

The next member, and not a professor at all, is Mr. Shane MacKay, Executive Director of the Winnipeg *Free Press*.

Lastly, there is Professor Pierre-Elliot Trudeau, a Professor of Law of the University of Montreal.

All those men I have mentioned are members of this special committee on hate propaganda. After a most exhaustive inquiry, they reported to the Minister of Justice and the Attorney General of Canada. The evidence of these eminent men, I suggest, commands respect. They have furnished us the very text of quantities of the most disgusting and dangerous hate propaganda at large in this country.

If all that is not sufficient—although it is in print in our own hands—let the committee we have appointed, and which will consider this bill at length, require the testimony of our own postal authorities. Those authorities can tell us, and I am sure they will, of the scurrilous literature which has polluted Her Majesty's mails.

Changing to another phase, one senator, for whom I have the greatest respect, quoted me as describing Canadians as "good-natured, kindly and hospitable." I repeat those words and I am proud of them. Of course the argument was that, if our population is good-natured, kindly and hospitable, this bill is unnecessary. However, honourable senators, I did not say that all Canadians are possessed of those virtues. Had I done so, that honourable senator could have proved me wrong, by his reference to a certain Nazi named Beattie. That man, by communicating hate in a Toronto park, incited hatred and contempt against two of the groups within the definition of this bill, "identifiable groups," which was likely to cause a breach of the peace and which in fact did so cause a breach of the peace.

Beattie was charged under a municipal by-law and acquitted on constitutional grounds. This is an incident very much in point in this debate, so I sent for the text of the magistrate's judgment. I have it here, and with your permission I wish to point out some of the leading paragraphs.

For instance, the first paragraph says:

> In this case, the defendant, William John Beattie, is charged with the breach of a by-law of the Corporation of the City of Toronto. Specifically, the charge is that on the 19th Day of June, in the year 1966, at the City of Toronto in the County of York, he unlawfully did, "in a city park, namely, in Allan Gardens, use language which was likely to stir up hatred against sections of the people distinguished by colour, race, religion, ethnic or national origin, namely, Jews and Negroes, contrary to the provisions of section 13 of By-law No. 21379, as amended, of the Corporation of the City of Toronto."

The operative section of this by-law is as follows:

> No person shall...use language or engage in any form of conduct which is likely to stir up hatred against any section of the public distinguished by colour, race, religion, ethnic or national origin, in a city park.

The case was thoroughly argued by counsel and among the submissions on behalf of the defendant were:

> That it is ultra vires the jurisdiction of the Corporation of the City of Toronto, by reason that it is, in pith and substance, legislation in the field of criminal law.

Counsel said also that it is legislation regulating the freedom of speech. I read on:

> After listening to a recording of the speech in question given in evidence in court, and upon reading a transcript of this recording, I have no hesitation in stating that the language used was most insulting, both to Jews and Negroes and

would likely or probably cause hatred to be stirred up in the park as against the ethnic groups mentioned.

Then he adds:

Hatred was, in fact, stirred up.

He adds to that:

I believe it is safe to say that as of this date, there is no criminal legislation specifically dealing with the situation contemplated by the relevant section of the by-law...The Municipal Government can pass provisions prohibiting the littering of parks with garbage. The question is, can these same provisions be extended to cover "verbal garbage".

He thinks not. I quote now the conclusion of his judgment:

It would have been entirely within the authority of City Council to prohibit the defendant from speaking in the park, if for no other reason than it would require some two hundred policemen to maintain order in the park.

And his final conclusion:

In my view, the area of freedom of speech belongs to the residual powers reserved to the federal Parliament under section 91 of the British North America Act, pursuant to the Peace, Order and Good Government provision thereof and that since this matter was not assigned exclusively to the legislatures of the provinces under that Act, the Government of Canada is the only legislative authority competent to deal with the question.

And on that understanding:

Accordingly, I must come to the conclusion that the Council of the Corporation of the City of Toronto, in passing—

The by-law in question.

—pursuant to which the defendant was charged, was acting outside the legislative competence of that body. The charge against William John Beattie is, therefore, dismissed.

Now, it was charged during this debate, and probably senators will remember it, that neither Senator Croll nor I had mentioned a single case in Canada which indicated a need for this legislation. Well, gentlemen, there it is. I do not know how you could get a more applicable or more striking case than that to which I have just referred.

As recently as June the 19th, 1966, in a Toronto park a self-boasted Nazi publicly used language which a Toronto magistrate holds was most insulting to both Jews and Negroes and would likely or probably cause hatred to be stirred up in the park against the ethnic groups mentioned. And he further adds that hatred was in fact stirred up. A Toronto newspaper says that a double ring of detectives and mounted policemen held back more than 2,000 persons, and the magistrate says it would have required 200 policemen to maintain order. The magistrate adds that there is no criminal legislation specifically dealing with this situation.

Does this not effectively answer the argument in this debate that the Criminal Code as it now stands is not sufficient? The civic government had done its best to protect its citizens from hate propaganda, but the magistrate held that such legislation is beyond the legislative capacity of the municipality or of the provincial legislature. The magistrate places responsibility squarely on the shoulders of the dominion Parliament—on this chamber at the present moment—which he says has so far furnished no criminal legislation specifically dealing with such a situation.

This bill does provide the specific legislation necessary for the prohibition of that kind of thing, and until this bill becomes law in Canada there is nothing in the statutes to prevent a repetition of this dangerous and most undesirable incident in our cities and towns. Beattie has not attempted a further public attack on the groups in question, on men whom he would defame. He has been deterred, I presume, by the 2,000 angry people of Toronto who surrounded him and from whom he was protected by police power. If that is so, are we to rely on mob law to preserve peace and decency in Canadian life?

Were we to prevent the passage of this bill, as some senators have expressed they wish to do, we would be held to have intended a natural consequence of our act: the substitution of the rule of the mob for the rule of the law—and nobody shall say that this chamber has ever opposed the rule of law.

Some senators have expressed a fear that the bill would restrict the freedom of speech. One of my colleagues quoted the Toronto *Daily Star* as saying that Parliament should hesitate before abridging free speech merely because it is abused by a few crackpots. Well, let me remind you that the very purpose of this bill is to prevent the malice of crackpots becoming a public nuisance. And since my friends have quoted newspapers, may I do so also? I quote from the Winnipeg *Free Press* of

January 10, 1967. The opening paragraph is as follows:

> The federal government has produced its version of the hate propaganda bill and this has now been referred to a joint Commons-Senate committee. The referral will involve further delay and it is thus doubtful whether the bill will get on the statute book during the present session of Parliament. In view of the incessant flow of hate propaganda, such a delay is regrettable.

As a matter of fact, the bill had not yet been referred to a committee, but a committee had been appointed in this house for the purpose of such a referral.

I will not read the whole article, because as you can see it is nearly a page, but it goes on to say that:

> The second objection, that such a law in our democratic society is not necessary, will sound hollow to many of the victims of defamation who now have no regress against the cruel propaganda war being waged against them. Only three days before Christmas the Free Press carried a report about the alarm within the Jewish community here over the flood of vicious anti-Semitic propaganda...
>
> The issue of freedom of speech has been answered by the Cohen committee report which said that a healthy society always imposes by custom and law some limits on what each of us may do and that the limits imposed by the present Canadian statutes are not sufficient to protect minorities.

The article concludes in these words:

> However, where vicious hatred is propagated against a religious group, be they Catholics, Congregationalists or Jehovah's Witnesses, the law should apply in all its rigor. Hatred is an ugly thing whatever its target and hate propaganda of no matter what stripe has no place in Canada.

Now, honourable senators, I pause to proclaim that I take second place to no one in this chamber or elsewhere in my respect for and loyalty to the principles of freedom of both speech and action. I would remind you that it was I who moved the inquiry into civil rights and fundamental freedoms some few years ago. I chaired that committee and I wrote the report. I am for the liberty of each individual.

Hon. Mr. Connolly (Ottawa West): Many years ago it was!

Hon. Mr. Roebuck: Well, not so long ago.

Hon. Mr. Connolly (Ottawa West): Nineteen thirty-two.

Hon. Mr. Roebuck: No, it was much more recent than that

I am for the liberty of each individual, as I have just said, but that must be qualified by the equal rights of all others. But I am at least as much concerned for those groups unjustly attacked as I am for the vulgar blackguards who would defame their fellow citizens and who would thus, in consequence, threaten the peace of Canada.

With the senators who showed vigilance in defence of free speech I am in thorough accord. Free speech is essential to the preservation of freedom and of what is good in our way of life, but, honourable senators, freedom is not licence. We attach sanctions to defamatory libels of individuals. Why then is it wrong to extend that prohibition to defamation of groups of individuals?

It has been argued that Parliament cannot by law abolish hate. This bill makes no such attempt. Men's thoughts, to quote the old saying, are not triable except as they are manifested in words and in actions. So far as I am concerned, the hater is welcome to his hate. It is against his evil speaking and writing and disgusting propaganda that this bill is directed.

We have been told that the bill would prevent critical discussion of all manner of imaginary groups. Such an interpretation shows utter disregard for the very wording of the bill:

> The bill prohibits
>
> (1) the advocacy of genocide,
>
> (2) inciting hatred in public places likely to lead to a breach of the peace, and
>
> (3) wilful promotion of hatred or contempt against any identifiable group.

Now an identifiable group as defined in the bill means

> any section of the public distinguished by colour, race or ethnic origin.

My little Webster's dictionary defines "distinguished" as

> to separate from another by some mark or quality.

It has been suggested in the face of that definition that the French Canadian separatists may be protected by this bill because of

their French origin. I submit that these separatists are of exactly the same ethnic origin as all the rest of the French Canadians, and that they are only distinguished from the other French Canadians by their disloyalty to Canada. Colour, race and ethnic origin does not include political opinions.

Another suggestion was made that the coloured Pullman porters might be included in the bill, but surely they are not distinguished by colour, race or ethnic origin from all other Canadians of Negro origin. They are distinguished or separated from the rest of the Negroes of our country only by their jobs, and of course are not included in this bill.

Another suggestion was that it could affect the Chinese laundryman. Well, while Chinese and Negroes and others can generally be distinguished by colour, race or ethnic origin, the Chinese laundryman is distinguished from other Chinese in this country only by the job he does, and so is not included.

I thought we had reached the very limit of fantastic misunderstanding on this reading, or not reading of the bill, when somebody dragged in the Royal Family on the alleged ground that they are of Germanic origin. Now, just how the family of Mrs. Guelph is to be distinguished by colour, race or ethnic origin from all other citizens of the United Kingdom who are similarly of that ethnic origin, I cannot understand. The Royal Family is distinguished by their rank and by the position they hold, and not by anything else.

Honourable senators, we were warned in one speech about what we might say in an election campaign. It is suggested that the bill might be used to silence opposition, and still legitimate criticism by alleging an attack on some group. Well, for argument's sake, I do not mind admitting that my side is all white, and the other side is all black, and others are all pinks, near pinks, and so on. But who, honourable senators, is so stupid as to confuse political colour with the colour mentioned in this bill?

You know, honourable senators, this is a serious bill. When some such criticisms were mentioned in this house and sent abroad through the press and other news media, I could not help wondering why anyone would misread a bill in that way, or had not read it at all—I do not know which.

In this bill genocide is defined as the systematic extermination of racial, national or religious groups, and the bill prohibits its advocacy, including acts done with intent to destroy in whole or in part any group of persons. Then in paragraph (e) of that first section it includes "forcibly transferring children of one group to another group." Someone with an extraordinary sense of humour suggested that the Attorney General of British Columbia might find himself in jail because he took Doukhobor children from their parents and put them with another group. Does anyone charge that the attorney general's intention was to destroy in whole or in part the Doukhobor group? If not, there is an obvious misreading of this bill which should not have gone forth from this chamber—this usually reliable chamber. The attorney general's action was, of course, in the interests of the children, so that when they were returned to their parents they might lead useful lives as educated citizens.

While the opposition was in this mood, we could not possibly hope to escape some reference to birth control and to "the pill". The suggestions made need no reply. Who is so ill-informed as to believe that the intent of the manufacturers of that medicine is the extermination of any race or group?

It was, of course, a serious tactical error when someone opposed to the bill raised the cry of British institutions. We were told that Hyde Park would not long survive were legislation of this nature enforced in Great Britain. Of course Great Britain is traditionally the home of free speech and many freedoms and so, since that question was raised, I investigated the law of England in this particular and now have the most recent legislation passed by the Imperial Parliament. It is entitled "The Race Relations Act 1965", and it is headed thus:

> An Act to prohibit discrimination on racial grounds in places of public resort; ...to penalise incitement to racial hatred.

And I turn to section 6, which is the operative portion of the bill.

> 6 (1) A person shall be guilty of an offence under this section if, with intent to stir up hatred against any section of the public in Great Britain distinguished by colour, race, or ethnic or national origins—
>
> (a) he publishes or distributes written matter which is threatening, abusive or insulating; or
>
> (b) he uses in any public place or at any public meeting words which are threatening, abusive or insulting, being matter or words likely to stir up hatred against that section on grounds of colour, race, or ethnic or national origins ...

(3) A person guilty of an offence under ths section shall be liable...

(b) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine not exceeding one thousand pounds, or both.

You will observe that in the sections I have mentioned no qualifying or protective sections were added. It stands as I have read it.

Then section 7 reads:

For section 5 of the Public Order Act 1936 there shall be substituted the following section:—

"5. Any person who in any public place or at any public meeting—

(a) uses threatening, abusive or insulting words or behaviour, or

(b) distributes or displays any writing, sign or visible representation which is threatening, abusive or insulting, with intent to provoke a breach of the peace or whereby a breach of the peace is likely to be occasioned, shall be guilty of an offence."

And that is the legislation passed by the Imperial Parliament, the Mother of Parliaments, in the home of individual freedom.

Hon. Mr. Lang: Does that act mention genocide as being an offence?

Hon. Mr. Roebuck: It is not mentioned in this act, but anyone who advocated genocide would surely come under the provisions I have read. I cannot imagine anything more hateful or destructive or more likely to cause a breach of the peace than to advocate the murder of certain classes in our society.

Hon. Mr. Deschatelets: Is the honourable senator aware of any prosecution that was ever entered under this legislation in the United Kingdom?

Hon. Mr. Roebuck: I have not that information at hand.

Hon. Mr. Croll: There was some.

Hon. Mr. Roebuck: By the way, Senator Hayden, told us of an unruly situation he passed through this last summer when he was in England, a situation no doubt brought about by actions which that legislation sought to suppress.

This act is much more drastic than the bill before us, for the English act contains none of the safeguards for bona fide public discussion provided in our bill.

I want to read those clauses of our bill so as to have them in mind. Section 267B(3) reads:

No person shall be convicted of an offence under subsection (2) where he establishes

(a) that the statements communicated were true;

That is vastly different from the English bill that makes no reference to whether the statements are true or untrue. This gives to anyone distributing hate literature the right to defend on the ground that his statements are true, or:

(b) that they were relevant to any subject of public interest, the public discussion of which was for the public benefit, and that on reasonable grounds he believed them to be true.

I do not suppose there is anyone in this chamber who would stand sponsor to anyone making an attack that he believes to be untrue. We in this chamber are not used to standing behind liars who inflame public opinion or promote hatred against other defenceless individuals.

When I was in London this last summer I found Hyde Park was very much in business, and they were carrying on as they had in days of yore.

Since others have quoted from newspaper clippings, so can I. This is a letter to the Ottawa *Citizen* of November 29, 1966, in which the writer says:

I was rather astonished, in Norman Campbell's column of November 16 commenting on Bill S-49 now before the Senate which will amend the Criminal Code to prevent the dissemination of racial hatred, to read: "Hyde Park in London...would not survive very long if Britain brought in legislation similar to that now before the Canadian Parliament."

Great Britain has done this very thing. Since October 1965 there has been a law called the Race Relations Act which is composed of two parts. The first deals with discrimination, a field in which our legislatures and Parliament have been active since 1951. The second part outlaws the incitement of racial hatred and, in fact, does not contain the safeguards for bone fide public controversy that Bill S-49 provides. Yet Hyde Park in London, according to all reports received, is still thriving as a centre of free speech and discussion.

My friend Senator Choquette, whom I am pleased to see before me, suggests this measure would drive hate organizations underground. Well, I say that is the place for them. If I had my way, I would drive them so far underground they would come out in China and take their place with the Red Guards.

Hon. Mr. Flynn: The other side from here is Australia, not China.

Hon. Mr. Roebuck: At all events, I am not afraid of driving such people underground. I think that is the place for them. If this bill prevents the merchants of hate proclaiming their vile doctrines from the housetops, it will have served a useful purpose.

Senator Choquette also questioned why religion was not included with colour, race and ethnic origin. Why, I really do not know. I did not draft that bill, and I can only assume, and I think I read something to the effect, that we do not wish to interfere in religious discussions conducted at times with some acrimony. However, I would point out that religious wars are a thing of the past. Religious groups are no longer in danger of the thumbscrew and the rack. No one now risks being burned at the stake as a result of some religious controversy. I would point out too that religion is not enumerated in the British act.

Hon. Mr. Leonard: May I ask the honourable senator a question? Was not religion included in the bill drafted by the Cohen Committee?

Hon. Mr. Roebuck: Yes, it was. I gather from a statement I read of one of the members that it was thought that one of the groups was not so much an ethnic group as a religious group, and there was some danger of its being left out when the matter reached the courts. I just do not know, but I will join with Senator Choquette and others in a thorough discussion of this point so that we may come to a sensible conclusion as to whether religion should or should not be added.

I should like to know also whether the religious organizations in Canada desire to be included, or whether they think it is at all necessary to be included. I will hold an open mind on this if my honourable friend will—and I know he will—and we shall discuss it at length when we get into committee.

Senator Hayden—and I am sorry to see that he is not in his seat at the moment—questioned the inclusion of the provisions regarding genocide on the ground that the crime itself had not been committed in Canada. Well, this bill has the object of preventing the haters in this country, as did Hitler in Germany, making the commission of such crimes possible. We are taking time by the forelock. Forewarned is forearmed. There can be nothing said against preventing the advocacy of genocide, or the murder of sections of our community. Anybody who argues against that must have his eyes closed to the possibilities involved.

Senator Hayden's critical pose has given a certain comfort to the opposition to the bill but, on the other hand, honourable senators, he blasts what he calls:

> the sneaky, dastardly and wide-open material that might be distributed and that might select some sections of the public, by reason of race or colour or ethnic origin, and revile those people.

And then he added that it is difficult not to be against that sort of thing. Well, I would say that it is not only difficult; it is impossible.

Hon. Mr. Flynn: We are all against it, as I have always said.

Hon. Mr. Roebuck: Of course, we are. And I have made it very clear, have I not, that I have no objection to the discussion that has taken place?

Hon. Mr. Flynn: It was clearer at the beginning of the honourable senator's speech.

Hon. Mr. Roebuck: It is perfectly clear now. I am arguing, honourable senators, that we are all of a mind in this regard, and that we should pass this measure as a consequence, and unanimously send it to a committee. We are all agreed on the fundamental principles of this bill. Senator Hayden said he was satisfied that the bill be sent to a committee, and that is all I desire at this moment. Let us send the bill to a committee.

Of course, it is not for me or for anyone to say that a bill of this kind is perfect. I have already mentioned the unlikelihood of anything being perfect. There is nothing that is not open to attack on the ground that it is not perfect. Perfection is seldom reached in anything.

This bill, if it is given second reading, will be referred to a joint committee of both houses that has already been appointed, for four purposes: firstly, further study of the bill; secondly, for the hearing of representations; thirdly, the improvement of the bill, if that is found to be possible; and, fourthly, to report to this chamber. In those circumstances I think that we ought to be pretty well agreed

among ourselves. There is very little reason for controversy at this moment, and I commend the motion for second reading of the bill to the support of all honourable senators on the ground that the bill will be referred to a committee for further study.

Hon. Mr. Flynn: May I ask the honourable sponsor two short questions? He has quoted the Beattie case in support of the urgency of the passing of this measure into law. Do I not understand from the facts that Beattie's speech incited hatred against himself rather than against Negroes and Jews? My second question is: Would not the Crown Attorney in the city of Toronto have shown better judgment if he had laid a charge of disturbing the peace under the Criminal Code?

Hon. Mr. Roebuck: Hate has always a two-way action. The hate which Beattie attempted to raise against his fellow citizens, of course, recoiled upon himself. He raised a very great deal of hate, and if he continues to get away with it he will pile hate upon hate against these inoffensive Negroes and the large body of respectable Jews. Of course the hate went in both directions, and 200 policemen were required, so the magistrate says, to keep order.

The honourable senator also asks whether another charge could have been laid under the Criminal Code. The magistrate clearly said that there is nothing in the Code upon which he could rely.

Hon. Mr. Flynn: That is, in connection with the charge as laid.

Hon. Mr. Roebuck: He went very much further than that. After a study of the Code he said that there is nothing in it which specifically prevents an occurrence of this kind. Were it repeated, nothing could be done. I should like to make certainty doubly sure by the passage of this bill.

Hon. Mr. Flynn: We are differing only on the question of urgency.

Hon. Mr. Benidickson: Honourable senators, I should like to ask the honourable senator from Toronto-Trinity (Hon. Mr. Roebuck) a question. I know that this debate has extended over many issues of *Hansard*, but I wonder if, before closing the debate, he, being a former Attorney General of the Province of Ontario, would put on the record of this sitting the legal meaning of "ordered to be forfeited", which is an additional penalty in the proposed amendment to the Criminal Code?

Hon. Mr. Roebuck: Well, in the bill there is provision that hate propaganda may be seized and may be ordered destroyed on the consent of the Attorney General of the province. If the magistrate holds that literature is hate propaganda, then it may be dealt with in that way. The honourable senator asks me for a definition of three or four words, and I wonder if that is the answer he wishes.

Hon. Mr. Benidickson: The additional penalty is "an order for forfeiture". Does that mean that the material will be forfeited?

Hon. Mr. Roebuck: Yes. The material, of course, will be forfeited, as salacious literature—books and that sort of thing—when a person is convicted under a certain provision in the Code.

Hon. Mr. Connolly (Ottawa West): Pornography.

Hon. Mr. Roebuck: Yes, pornography, but that is not the word used in the Code.

Hon. Mr. Benidickson: Obscene publications.

Hon. Mr. Roebuck: Yes, that is the wording used in the Code. When a person is convicted of selling that kind of literature, the literature is liable to seizure under a provision which uses the very words of this bill.

Hon. Mr. Hollett: I understood from Senator Roebuck that this bill did not originate with him. In other words, he had nothing to do with its drafting. I understand also that it did not originate in the other place.

Hon. Mr. Connolly (Ottawa West): It is a Government bill.

Hon. Mr. Hollett: It is a Government bill?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Hollett: Then, I was misinformed.

Hon. Mr. Choquette: Yes; it was introduced first in the Senate.

Hon. Mr. Roebuck: I was asked to sponsor it, which I did very willingly.

Hon. Mr. Hollett: It has not been before the other place?

Hon. Mr. Connolly (Ottawa West): No.

The Hon. the Speaker: It is moved by the honourable Senator Roebuck, seconded by the honourable Senator Hugessen, that Bill S-49,

intituled: "An Act to Amend the Criminal Code", be now read the second time.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. Mr. Flynn: On division.

Motion agreed to and bill read second time, on division.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Roebuck, bill referred to the Special Joint Committee of the House of Commons and the Senate on the Criminal Code (Hate Propaganda).

TELEFERRY BILL

SECOND READING

Hon. John J. Connolly moved second reading of Bill S-58, respecting interprovincial and international teleferries.

He said: Honourable senators, this is neither a difficult nor a lengthy bill, but if it is passed by Parliament it will have the unusual name of the Teleferry Act. I am told that "teleferry" may briefly be defined, although it is defined in the bill, as a system for the operation of aerial cable cars. Aerial cable cars or teleferries have been in operation in the Swiss and Austrian Alps for many years, In late years they have come into use in skiing areas on many continents. There is a teleferry—a chair lift, if you like,—of the gondola type on Grouse Mountain in Vancouver, used not only for skiers in the winter, but also for sightseers in the summer—when it does not rain out there. The principle of the system is used in the ski areas in many parts of Canada.

I remember the first time I visited Banff, I went up on a chair lift. Unfortunately, it was not one of the enclosed gondola type, and I don't think I have ever been quite so scared in my life. The lift travelled some 60 feet above the ground, and with the winds and the swaying of the seat I was on I wondered whether I would survive the lift to the top. I recall on that occasion meeting one of our former colleagues, the late Senator Peter Campbell, coming down the other way. He looked at me and said, "You are green." In turn, I looked at him and said, "I hope I am not as green as you are."

Of course, not all ski lifts are of the type referred to in this bill. Rope tows, and T-bars, by which the skiers are pulled up as they ride on their skies, are not of this type. The type referred to here is the enclosed gondola.

The bill is designed to cover teleferries which cross over into interprovincial or international boundaries. The specific reason for the legislation is that at this moment there is under construction over the Detroit River a teleferry system which will transport persons from Detroit to Windsor and back. This of course is in addition to the other river crossing facilities, namely the Ambassador Bridge and the tunnel, and there may still be surface ferries on the water. I am not sure.

However, we have jurisdiction to do this only in respect of teleferry systems which cross interprovincial or international boundaries, and there happens to be a gap in the law at this time. On the statute books of Canada is an act covering bridges across interprovincial or international boundaries; it is chapter 20 of the Revised Statutes of Canada, 1952. The authority to regulate traffic under the Bridges Act was vested in the Board of Transport Commission, now the Transport Board. Under that act the board may issue certificates of safety with respect to these bridges after inspection. It has authority to arrange for the inspection of bridges which are considered to be unsafe and, if necessary, to suspend their use.

There is also on the statute books of Canada the Ferries Act, chapter 114 of the Revised Statutes of 1952, which relates only to ferries which operate between provinces or across international boundaries. However, it happens that it does not govern operation of ferries in the coasting trade of Canada. It provides for the issue of licences by the Governor in Council to operate such ferries. Licences for international ferries are granted under that act for a term of ten years and may be renewed. Licences for interprovincial ferries under that act are granted by the Governor in Council for a term of five years.

There is provision in that act also for the making of regulations to fix tolls, to deal with questions of forfeiture, and to examine safety of the vessels that are covered by the federal Ferries Act. So that that part of transportation over interprovincial and international boundaries is pretty well covered by existing legislation.

However, with these new systems of transportation visualized by the proposed new structure across the Detroit River, it was felt that some governing authority should be established, hence this bill, which deals with licencing, tolls, safety, the provision of regulations, and offences.

The act will come into force upon proclamation, not automatically upon the Royal Assent.

May I now deal with the specific provisions of the bill. I think I should give a little detail here, because frankly this does not seem to be a bill we would necessarily want to refer to a committee. In saying that, I hasten to add that I do not preclude by any manner or means the suggestion that it should be considered in committee, but I think that after looking at the bill honourable senators will feel that this is a matter which we could dispose of without a committee meeting.

Section 4 provides for the licensing of an organization to operate a teleferry system. It provides that the licensee must be incorporated in Canada. The term of the licence will be for 50 years but the franchise given to a successful applicant for a licence will not be exclusive to the licensee even in the area in which the system is established.

Section 4(b) allows the granting of a temporary licence for one to five years, to enable the existing company—I can only assume it is the company operating between Detroit and Windsor—to comply with this new legislation. In other words, it will be necessary, before that organization applies for a permanent licence, to secure a Canadian corporation as a vehicle under which it can operate.

There is provision for the cancellation of licences if the regulations, to be promulgated later, are violated.

In the case of international ferries, there is provision for cancellation if customs or immigration laws of Canada are infringed.

As these systems can operate over navigable waters, the provisions of the Navigable Waters Protection Act will be available for invocation by the authorities.

Section 10(a) provides for regulation of the tolls to be charged. If the system is operated across an international boundary, the authority supervising the tolls will be the Canadian Transport Commission.

In the case of interprovincial ferries, the tolls are regulated by order-in-council, as in the Ferries Act to which I referred.

Hon. Mr. Brooks: Would that be true of international toll bridges also?

Hon. Mr. Connolly (Ottawa West): No. In the case of international toll bridges, under the Railway Act, the toll must be approved by what has been called heretofore the Board of Transport Commissioners but in future will be the Canadian Transport Commission.

Hon. Mr. Brooks: It will be the same?

Hon. Mr. Connolly (Ottawa West): It will be the same. The Ambassador Bridge at Windsor is a good example. The schedule of tolls there must be approved by the Canadian Transport Commission before the schedule can be made effective.

The regulations will cover terms and conditions of the licence; the size, strength, structure and components of the teleferry system; and generally the question of safety.

The provisions of the Bridges Act have been incorporated into this bill.

The regulations will also provide for standards of inspection during the construction period and the operating period. They will also deal with questions of public convenience in respect of the handling of traffic, the frequency of runs and such matters. In case of necessity, particularly if the safety of someone should be called into question, the licence may be cancelled.

I am told—although I never heard of any such commercial application—that this system of transportation of persons and of chattels may be a significant means of transport in future in urban centres. Subways can be extremely expensive. Some American cities have had elevated railways but almost all have disappeared and have been replaced by subways. Whether a teleferry system will ever be commercially feasible in urban centres remains to be proved. If it should so happen, this bill would apply only if such a system should cross an interprovincial or an international boundary.

Other provisions of the bill deal with offences which may be committed, and stipulate that the bill will come into operation upon proclamation.

There may be questions which honourable senators have, and if I can answer them I shall be happy to do so.

Hon. A. J. Brooks: Honourable senators, we received this bill only within the past few days, so there has not been much time to study it. However, as the honourable leader has indicated, there is not much need to study it. I agree with that, but I believe also that it would have been an interesting bill to bring before the Standing Committee on Transport and Communications. I hope that in another session, when these bills are left over, as they were, from the House of Commons, we might get them in the Senate a little earlier so that we can discuss them more fully.

Honourable senators, I learned a new word from this bill.

Hon. Mr. Connolly (Ottawa West): So did I.

Hon. Mr. Brooks: It is the word "teleferry". I did not know it existed in the English language. Before I came into the chamber, I was fortunate in that the Department of Transport sent me some information regarding this bill. It followed along the line which the honourable senator has taken. I am not so sure that the Windsor-Detroit ferry will be the only one in Canada.

Hon. Mr. Connolly (Ottawa West): Oh, no.

Hon. Mr. Brooks: The leader has said we might well expect other ferries of the same kind. I do not see why there should not be such ferries all along the border, particularly in my province, for example, across the St. John River dividing Maine and New Brunswick and also across the St. Croix River.

I notice the bill refers to "passengers and chattels." Would the leader say if "chattels" includes cars. We speak of "goods and chattels," but I think the legal title of "chattels" does not include a car—although immigrants coming from the United States are allowed to bring their "chattels," and I think they bring their cars at the same time. That point should be made clear.

We also understand that this system comes under the Canadian Transport Commission as far as international licences are concerned.

The object of this bill is to provide authority to regulate those suspension line devices or systems also referred to as aerial cable cars, passenger tramways or rope-ways connecting one province with another or connecting Canada and the United States. I take it they also might connect points in the same province.

Hon. Mr. Connolly (Ottawa West): Yes, but this Parliament would have no jurisdiction to regulate intraprovincial movement.

Hon. Mr. Brooks: I understand that. I also learned from the information I received that when the Government had become aware of the precise nature of the proposed works, it soon became evident that under existing legislation the Navigable Waters Protection Act was the only federal statute clearly applying to such a device. My source of information went on to inform me that no statutory objection could be raised against the proposal under either the Railway Act, the Ferries Act or the Bridges Act because they were not applicable and therefore the Department of Public Works was justified in processing the company's application.

So, this act is taking the place of those three acts, the Railway Act, the Ferries Act and the Bridges Act. Is that right?

Hon. Mr. Connolly (Ottawa West): That is right. There is a gap in the law in respect of this type of operation.

Hon. Mr. Brooks: The Bridges Act will apply for the purpose of ensuring structural safety, and when the Canada Safety Code comes into force it will apply in respect of an employee's safety and so on. I take it, then, that in general this act is to cover up what would have been provided for in these other acts.

Personally, I see no reason why it should be sent to a committee, although if we had had more time I would like to have heard more discussion on it. I am not asking that it be sent to a committee.

Hon. Mr. Benidickson: Do I understand the Leader of the Opposition to say that he thinks it should not go to a committee?

Hon. Mr. Brooks: If we had time I would say it certainly should go to a committee, because it is a subject which could very well receive considerable study. But under the circumstances I see no particular reason why it should go to committee because we have had a very good explanation from the leader. Moreover—and this is a little selfish—I also had a very good explanation from the Department of Transport. So far as I am concerned, it is a matter of time.

Hon. Mr. Connolly (Ottawa West): Honourable senators—

The Hon. the Speaker: The honourable senator realizes that if he speaks now it will have the effect of closing the debate.

Hon. Mr. Connolly (Ottawa West): Perhaps I need only refer to two things. One question was posed by the Leader of the Opposition as to whether or not cars would be included within the definition of chattels as used in the bill. I would definitely say yes, in a theoretical way; but from a practical point of view, the gondolas may not be large enough to carry automobiles. I suppose it would depend a good deal upon the commercial application of the system and the amount of traffic and that sort of thing.

Hon. Mr. Hayden: They could put them on coat hangers and send them across that way.

Hon. Mr. Connolly (Ottawa West): Perhaps some of the smaller cars might go that way,

but I am sure Senator Hayden does not drive the kind of car that could be put on a coat hanger.

Hon. Mr. Choquette: Skidoos, perhaps!

Hon. Mr. Connolly (Ottawa West): It would depend on the size of the gondola.

The only other point I might have raised when I was speaking earlier was that municipal authorities will of course have some say about installation within the municipality. Perhaps the provincial authorities too will have some say even in the case of interprovincial and international ferries, because they have regulations and perhaps even legislation with respect to transport devices of this kind. So there may very well be licensing required by other authorities than the federal.

In any event, the authorities seem to feel that there should be some federal supervision exercised in respect of these systems.

Motion agreed to and bill read second time.

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

The Senate adjourned until 8 p.m.

At 8.15 p.m. the sitting was resumed.

INDIANS OF CANADA

STATUS IN CENTENNIAL YEAR

The Senate resumed from Friday, March 10, the adjourned debate on the inquiry of the honourable Senator Gladstone, calling the attention of the Senate to the status, in this Centennial Year, of the Indians of Canada.

Hon. John M. Macdonald: Honourable senators, I am sure that we all listened with a great deal of interest to the speech given recently by our colleague, Senator Gladstone. He wanted to call our attention to the status of the Indians of Canada in this centennial year, and he certainly did so in a most impressive manner. His speech was, as we would have expected, most informative, and showed not only his great knowledge of the subject he was discussing, but also his deep understanding of the hopes, the fears and the ambitions of his people.

It is understandable that the Indian people of Canada would feel that they have been imposed upon, that they have been unfairly treated, that their rights have been disregarded. I think it must be admitted they were unfairly treated, and indeed, as he stated, treated for generations as if they were a dying race. While, of course, this is no longer true, it has left a legacy of suspicion and mistrust which will not be easily overcome.

The status of the Indians of Canada still leaves much to be desired, but it is good to note their situation is improving, and will likely improve to a much greater extent in the years to come. It is interesting to note also that the Indian population is increasing; indeed, the report of the Department of Northern Affairs and National Resources for the fiscal year 1965-66 shows the Indian population has increased from 151,558 in 1954 to 217,864 in 1965.

I may say that of that number over 8,000 live in the Maritime provinces. The problems of Indians living, for example, in Nova Scotia might be somewhat different from the problems of those living in Alberta. Personally, I am only familiar with the conditions on one reserve, that of Eskasoni on Cape Breton Island. It is a large community—I suppose over a thousand Indians live there—and I think their main problem is an economic one, that of employment.

I have always held the view that for any minority group to better themselves it is necessary that they first obtain some type of economic security. After that comes education, for it is only through education that any minority group can attain a better status in our society.

However, I realize now much more is involved in this matter.

Recently a report was tabled here called, "A Survey of the Contemporary Indians of Canada," which is known as Part I of the Hawthorn-Tremblay Report. In 1964 the Minister of Citizenship and Immigration asked the University of British Columbia, in conjunction with other scholars from other universities, to undertake a study of the social, economic and educational situation of the Indians of Canada, and to offer recommendations where it appeared benefits could be gained. This report is certainly tremendously worth while. It shows the results of much study and hard work. Its scope can be judged by the fact it consists of 403 pages of fairly small type and contains 91 recommendations.

While the report stresses the economic factors involved, it also stresses others. For example, on page 5 it states:

> The problems that called for detailed and objective study were concerned with the inadequate fulfilment of the proper and just aspirations of the Indians of Canada to material well-being, to health, and to the knowledge that they live in equality and in dignity within the greater Canadian society. The Indians do not now have what they need in some of these matters and they cannot at present get what they want in others.
>
> In general, they want the material blessings other Canadians have in the way of incomes, houses, cars, furnishings, clothes, foods and so on perhaps partly because they are advertised at and exhorted to want them equally with the rest of us. Their income levels and their average expenditures are rising but on the average are now far less than equal to national or regional averages and the gap is ever widening. They want and need good health but their possession of it, manifested by mortality tables and by the observation of every teacher and country doctor, is less than others possess although most Indians are more active and do more hard physical work than most Whites.

On page 63 it states:

> In seeking to explain the generally depressed position of Indians in Canada the main emphasis has been placed on social and cultural factors influencing motivations, attitudes and behaviour patterns. As brought out more fully in a later chapter, these appear to have been more important than objective physical and technical factors such as location, accessibility to resources and availability of capital.

So, there is more to the problem than unemployment or economic factors, but, at the same time the report does stress the great importance of the economic situation. At page 21 it has this to say:

> The Indian Affairs Branch is now attempting to formulate a program that will encourage the more rapid development of Indians and it proposes to attack the problem on several fronts—governmental and political, educational, social and cultural, as well as economic.
>
> The goal of economic development seems crucial in any such program for two related reasons:
>
> 1. The receipt of income depends primarily on gainful employment, and income largely determines the degree to which people can enjoy the goods or facilities and participate in the various type of meaningful facilities and activities that Canadian society has to offer. Economic rewards are an essential means to other ends.
>
> 2. Gainful employment in jobs socially defined as useful and productive still remains the most important single field of activity for the vast majority of people. It is the main tie that links the adult with his society and that gives him a sense of status and identity. Prolonged or permanent unemployment, poverty and dependency, among individuals and groups, tend to become increasingly demoralizing and give rise to a host of costly and destructive social and psychological problems.

Honourable senators it is obvious from this tremendous study that while the economic situation is one to which particular care must be given, there are other factors that must be considered before the problems facing the Indian population of Canada can be solved. I commend this report to all honourable senators. I am sure you will find it interesting, instructive and informative.

Senator Gladstone mentioned also the dissatisfaction of some of the Indian people with the treaties of the 1870's. I do not suppose it is of much importance in this day and age, but the situation in Nova Scotia, for example, in regard to the treaty rights of the Mic Mac people was most unsatisfactory. At page 236 this same report deals with this question:

> The situation in Nova Scotia and New Brunswick can only be described, in legal terms, as indeterminate. Two documents bearing similarities to recognized treaties elsewhere in Canada are in existence. The first document, Submission and Agreement of Eastern Indians—

And note the date.

> —December 15, 1725, an agreement with the Penobscot, Naridgwalk, St. John, Cape Sables and other tribes inhabiting His Majesty's territories of New England and Nova Scotia...

The second document, Treaty or Articles of Peace and Friendship Renewed, December 6, 1752—

The report mentions that these documents were not recognized as treaties because they did not have all the attributes of a treaty with a foreign power. The report deals at some length with this, and quotes the case of *The King v. Syliboy* which was heard in 1928 in Nova Scotia, and in which the judge took this attitude.

If I may interject a personal note here, I will say that I knew Syliboy, the party in that case, at one time. He was Grand Chief of the Mic Mac tribe, and when I knew him he lived in Eskasoni. I can tell you that he was an educated man in the very best sense of the term. He knew a great deal about the history of the Indian people and he had an extensive knowledge of their treaty rights. I remember him as a man of great natural dignity who could express himself well and who in his time gave valuable leadership to his people.

Honourable senators, I think much progress has been made by the Indian people in Nova Scotia and by the work of sympathetic and dedicated officials. The work of skilled and dedicated teachers is now becoming more and more apparent. In the reserve I mentioned leadership is coming from the Indian people themselves. The chief and the men and women of the council are sincere, able and progressive people. They are giving good leadership, and the results of this will become more and more apparent as the years go by. Yes, honourable senators, the Indian people of Canada deserve our wholehearted support, and I know they will receive that support. Yet I would like to emphasize that I believe that the leadership which has developed among themselves is much more valuable than any which can be imposed upon them.

I believe that Senator Gladstone has done well to bring this question before us at this time. He of course is a man who is well known for his efforts on behalf of his own people, and I think we can assure him in this centennial year that in his efforts and in the efforts of the Indian people to aid themselves they will have the support of all of us to the end that as the years go by they will have a better and a more happy existence.

On motion of Hon. Mr. Connolly (Ottawa West) debate adjourned.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, before we adjourn, perhaps I should say that ealier this evening I was in discussion with some members on both sides of the other house, and my information is that they hope to have the Bank Bill out of committee tonight. It is not expected that the bill will receive third reading tonight, although that is a remote possibility. However, it is expected that third reading of the bill will be the first order of business tomorrow. If the bill receives third reading early tomorrow afternoon, arrangements will be made to have it brought here forthwith. It is possible that we could receive it at about half past three or quarter to four in the afternoon, although I may be overly optimistic. I do take into account the fact that not only in this house but in the other place there is some concern about knowing approximately when the Easter recess will begin, because transportation is difficult to arrange.

In the circumstances, our plan is to adjourn now until the normal time tomorrow afternoon, at which time Senator Leonard will continue the debate on the motion for the adoption of the Finance Committee report. I would be hopeful that the Bank Bill will be available to us shortly after he concludes. All I can say is, say your prayers and keep your fingers crossed.

CANADIAN CITIZENSHIP ACT

BILL TO AMEND—FIRST READING

Leave having been given to revert to presentation of petitions:

Hon. John J. Connolly presented Bill S-59, to amend the Canadian Citizenship Act.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

The Senate adjourned until tomorrow at 3 p.m.

THE SENATE

Tuesday, March 21, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

Hon. John J. Connolly: Honourable senators, I would ask for unanimous consent that Lord Bowden of Chesterfield, a member of the House of Lords in the United Kingdom, be invited to take a seat on the floor of the Senate and later to address us.

Hon. Senators: Agreed.

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that Lord Bowden is now waiting in the antechamber.

LORD BOWDEN OF CHESTERFIELD

GUEST OF THE SENATE

Lord Bowden of Chesterfield, member of the House of Lords of the United Kingdom, was escorted into the chamber by the Gentleman Usher of the Black Rod, and presented to and invited to take a place to the right of the Honourable the Speaker. Honourable senators stood until Lord Bowden was seated.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I have the privilege of introducing to you today a very distinguished member of the Upper House in the United Kingdom, Lord Bowden of Chesterfield. We welcome him here on the floor of this chamber not only because he is a fellow parliamentarian but also because of his very distinguished career.

Lord Bowden is a former minister of state for the Department of Science and Education in Britain, having assumed that office in 1964. Like some of us, although we have not the title, he is a life peer. He is Principal of Manchester College of Science and Technology. He studied principally at Cambridge under one of the most distinguished scientists of our times, Lord Rutherford, who, as all honourable senators know, was not only at Cambridge but also on the staff of McGill University and later on the staff of Manchester of which our distinguished guest is now the principal.

Lord Bowden took his doctorate under Lord Rutherford. Of course Lord Rutherford was a member of a very distinguished group of scientists preceding the present generation of scientists—men like Frederick Soddy, who was of Oxford originally, subsequently of McGill and later of London, whose work on isotopes made startling advances in the field of science and who was awarded the Nobel Prize for Chemistry in 1921.

Of that company too was Sir James Jeans, who was of Cambridge and later of Princeton, a physicist, astronomer and cosmologist; and it is appropriate to note that the old Laplace theory on the solar system was replaced by a theory advanced by Sir James Jeans.

Of that company too was Sir Arthur Edington, who was also trained at Manchester and at Cambridge in the field of astronomy.

All these men—a generation really before that of our distinguished guest—were the forerunners of what we now call the new science in the fields of physics, chemistry, astronomy and mathematics. Indeed, one must include in that group the name of Albert Einstein as well. They set the stage for scientific development and for the practical application of these ideas that were developed by the new scientists. In fact, our guest participated in the practical application of this work because he was associated with Sir Robert Watson-Watt in radar research, which meant so much in the early days of the Second World War.

The point I think we want to remember about these men is, however, that they were not simply scientists. They belonged to a body I have described as the new scientists, but they were influenced profoundly by what has come to be known as the new humanism and this, in turn, led them to the old philosophy. In other words, they were not only scientists but they were cosmologisist and philosophers, and their writings fully demonstrate this point.

I think that our distinguished guest, perhaps not by blood but certainly in the intellectual sense, is a direct descendent of those men. His address at York University last week, which was commented upon so favourably in the *Globe and Mail* on March 16, indicated the calibre of man he is. He spoke about the over-concern that the peoples of the western world have with scientific development. In that same remarkable speech he spoke not only of the brain drain from his country, and indeed from ours, but also about the need for developing the ideas of a deep humanism and a deep sense of spirituality.

Our guest will be interested to know that we in this chamber take an interest in the field in which he is an expert. Quite recently we debated, I think with competence, a bill to establish the Science Council, and also the question of incentives to research. We have had a number of debates on various occasions during this session on the problems of higher education in Canada.

Honourable senators, I have much pleasure in asking Lord Bowden if he would be kind enough to address the Senate briefly at this time.

Lord Bowden of Chesterfield: Honourable senators, may I begin by thanking you very warmly indeed for the great honour you have done me in admitting me to your House, and allowing me the privilege of observing your deliberations.

I must thank you, Sir, for the very kind things you have said about me, and for your kindness in allowing me to speak briefly to this House.

It is a long time since I myself did any effective science, but I have been concerned for many years with the problems of administering science in industry, in universities and in the country at large. It has become apparent to me as it has to many people that the growth of science and its spectacular achievements have transformed not only our modern world, but have transformed in particular the relationship and the association between the world of science and the world of government.

When I was a student thirty years ago the number of scientists in the world was quite small, and the amount of money they required for their pursuits was again quite small. Lord Rutherford, to whom reference has been made, during my time at Cambridge never had more than £2,500 in any given year for all the research that he did—research which led to the disintegration of the atom and effectively to the creation of our modern world.

Today scientific budgets are measured by the hundreds of millions of pounds. Not only are the costs of science greater than they were, but they are continuing to grow at an annual rate of 16 per cent compound in every country of the world, which means that they double every five or six years. The resources that scientists demand are great. The responsibilities which they discharge are equally great.

It is becoming obvious that many of the most important decisions that one has to take in considering the growth of science are basically political as much as they are scientific.

If the world is to be shaped by scientists it must be shaped by scientists as advised by governments.

It was Clemenceau who said many years ago that war is too important to be left to the generals. I think in the same way that science is too important to be left to the scientists. It can only progress effectively if it is guided by the deliberations of governments and by the deliberations of such assemblies as this and of my own House in England, because the future of the world is at stake in the way in which we deploy our resources of scientific manpower, and the way in which we decide to develop this or that particular scientific achievement.

I have been much concerned of late by the extraordinary developments of what the senator has spoken of as the "brain drain". It is of course notoriously true that the whole of the new world was populated by people who left the old over a period of 100 years or more. It was a convention we admired and liked, but in the last few years this age-old tradition has changed in its very nature. A few years ago only a few per cent of the immigrants in Canada were professionally qualified. Now almost 25 per cent of them are.

There is a most desperate shortage of scientists all over the world, and they are beginning to be scarce and so precious that they are drifting from the underdeveloped parts of the world to the richer and better developed parts. One finds it in all sorts of ways. Two weeks ago 740 doctors in England took an examination to allow them to qualify to practise in the United States. That is a third of the graduate year, and 60 per cent of the doctors in our northern hospitals were educated in India.

This is a dramatic, unexpected and fundamentally important change in the whole nature of the migration with which we have been familiar for years, and it is beginning to dominate academic policy the world over.

Last year a third of our graduating physicists left for America, immediately they took their doctorates. On the other hand, in some countries, as India and Ghana, two-thirds or even three-quarters of the graduating class left immediately on graduation or as soon thereafter as they could.

The brain drain is a vast migration from Europe, and Canada too, and men are leaving the underdeveloped countries where engineers and professional men are needed for America where they already have more than any other country in the world. This is likely, I am afraid, totally to distort and almost to destroy the best efforts being made to help the underdeveloped countries in developing their educational system. It is bad enough if we lose a third of our men, but what of countries which lose 90 per cent?

It is a very long time ago since the scriptures recorded that "To him that hath shall more be given, and from him that hath not shall be taken even that which he hath". This describes quite literally the state of affairs in the educational world at this time. The few educated people in the underdeveloped countries come, as I have said, in this great migration ultimately ending in the United States and Canada.

It was Karl Marx who took this text as the basis of his whole political creed, which you remember was that the rich get richer and the poor get poorer almost automatically in a capitalist society. This has been disproved in individual countries since Marx's time because of the pressure of public opinion and the influence of government; but as between countries where these forces do not operate it is beginning to appear as if Marx may be right after all.

When one thinks of the motives which drive these people from the poorer countries to the rich, it appears that fields in India are remaining uncultivated largely because of the American defence effort and the American race to the moon. In the end, Marx's prophecy may be fulfilled because of American defence against communism.

This, honourable senators, is a paradox, and one might almost say it is the supreme irony of history. It is a matter which has been the concern of all of us; it is a matter far more political than scientific; it is a matter which demands the attention of government, and it is a problem which we have to study in England because we have no idea how to solve it.

I hope I may be forgiven for speaking of a matter which is greatly concerning many of us in Europe. We are worried about it. We feel that many of the efforts we have made to help the undeveloped countries are overshadowed by the sacrifices we are making to develop the developed industries of the United States.

We spend £205 million a year on aid to underdeveloped countries. We have a large established ministry to do it. And we find, unbeknownst to ourselves, that we are losing at least the equivalent of this in educating men to go to the United States. Here is an anxious problem and potentially the supreme irony which modern times has witnessed.

Sir, may I thank you very much indeed for the opportunity of being here, and thank you very much more, honourable senators, for allowing me the privilege of speaking to you and being so kind as to allow me to enter your House.

Hon. A. J. Brooks: Honourable senators, I wish to join with the Leader of the Government in welcoming our guest here this afternoon. The Leader of the Government has told us of the wonderful record of our guest, Lord Bowden. I may say that his record is well known not only all over Canada but throughout the whole world.

I was very interested in his remarks regarding the brain drain of his country. We recognize that, for the same thing is happening here in Canada. May I say that I come from a section of Canada which experiences the greatest brain drain of all—the Atlantic provinces. There we have not only a brain drain to the United States but also to Upper Canada, as we call it. We are very grateful indeed that we can produce the goods and can still send out a great many of our brainy people not only to the United States and Canada but wherever they are needed. There is always a good supply left.

Honourable senators, it is seldom that we are honoured by the presence of a so distinguished a guest as we have here this afternoon. It is less often that we have an opportunity of listening to remarks of such a distinguished person.

On behalf of all honourable senators, I wish to thank our distinguished guest for being with us this afternoon and for his gracious and interesting remarks. We have indeed enjoyed both very much. I hope that he has enjoyed his visit to Canada. I hope he has enjoyed his visit to Ottawa and that he will come back many times to see us again.

Again, Lord Bowden, I thank you on behalf of my colleagues here on both sides of this house.

Hon. Senators: Hear, hear.

Preceded by the Gentleman Usher of the Black Rod, Lord Bowden withdrew while honourable senators stood.

CRIMINAL CODE (HATE PROPAGANDA)

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Langlois (Mégantic) has been substituted for that of Mr. Gauthier on the list of members appointed to serve on the Special Joint Committee on the Criminal Code (Hate Propaganda).

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Annual Report of the Minister of Trade and Commerce under the Corporations and Labour Unions Returns Act (Part I. Corporations), for the fiscal periods ending in 1963, pursuant to section 16 of the said Act, chapter 26, Statutes of Canada, 1962 (English and French texts).

Report of Polymer Corporation Limited, including its Accounts and Financial Statement certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the Central Mortgage and Housing Corporation, together with a Statement of its Accounts certified by the Auditors, for the year ended December 31, 1966, pursuant to section 33 of the Central Mortgage and Housing Corporation Act, chapter 46, and sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the Department of Public Works for the fiscal year ended March 31, 1966, pursuant to section 34 of the Public Works Act, chapter 228, R.S.C., 1952. (English and French texts.)

Report of Proceedings under the Trans-Canada Highway Act for the fiscal year ended March 31, 1966, pursuant to section 9 of the said Act, chapter 269, R.S.C., 1952. (English and French texts).

BANK OF CANADA ACT

BILL TO AMEND—THIRD READING

Hon. John J. Connolly moved the third reading of Bill C-190, to amend the Bank of Canada Act.

Motion agreed to and bill read third time and passed.

INCOME TAX ACT

BILL TO AMEND INCOME TAX ACT AND TO REPEAL CANADIAN VESSEL CONSTRUCTION ASSISTANCE ACT—THIRD READING

Hon. Salter A. Hayden moved the third reading of Bill C-259, to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

He said: Honourable senators, before the motion is put, I want to give some further information to the Senate which I undertook to obtain at the time this bill was being considered in committee. The information requested has to do with the availability of the forms of application for social security numbers, since there is a provision in this bill making it mandatory that a social security number be included in the income tax return of the taxpayer in 1967, with reference to the 1966 taxation year. The availability of these forms, I am told, is as follows. They are available at all Post Offices in Canada except in the Province of Quebec. In the Province of Quebec they are available at all branches of the Caisses Populaires as well as at all Unemployment Insurance offices.

Hon. Mr. Benidickson: Honourable senators, I would like to ask Senator Hayden, with respect to his comments concerning the Province of Quebec, why such a usual function as the post office would not be utilized for the dissemination of these forms in that province? With all respect to the caisses populaires and some other institutions in Quebec, why would not our own federal institutions be available as the source for dissemination of this type of information, as it is for applications for income tax forms?

Hon. Mr. Hayden: Honourable senators, the information which I was requested to obtain and report on was where these forms were available for any person who wanted to make an application. I obtained that information. It is factual. I suppose my position is: "Mine not

to reason why," but simply to report the information.

Hon. Mr. Benidickson: Honourable senators, I think that our post offices are most available to our citizens across this country, and with all respect to caisses populaires, for which I have the greatest respect, why should they be in a position above that of our post offices? I have an idea that the appointment of a postmaster, even in the Province of Quebec, is important and if he has these forms they should be available to the people.

Motion agreed to and bill read third time and passed.

TELEFERRY BILL

THIRD READING

Hon. John J. Connolly moved the third reading of Bill S-58, respecting interprovincial and international teleferries.

Motion agreed to and bill read third time and passed.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of Reports of the Standing Committee on Divorce Nos. 1252 to 1290, inclusive, which were presented yesterday.

On motion of Hon. Mrs. Inman for Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted on division.

RESOLUTIONS PRESENTED

Leave having been given to revert to Presentation of Petitions:

Hon. Mrs. Inman for Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1225, for the relief of Joseph Paul Fernand Labreche.

Resolution 1226, for the relief of Mariette Rose Lepine.

Resolution 1227, for the relief of Ubald Laurencelle.

Resolution 1228, for the relief of Frank Edward O'Dwyer.

Resolution 1229, for the relief of Robert Cyr.

Resolution 1230, for the relief of Thelma Doreen Young Magee.

Resolution 1231, for the relief of Eileen McKoy Penticost.

Resolution 1232, for the relief of Mary Ellen Dempsey Bucci.

Resolution 1233, for the relief of Gisele Bourque Dupere.

Resolution 1234, for the relief of Alice Jutigonka (Utronkie) MacDonald.

Resolution 1235, for the relief of Karinn Bjorg Gunnlogsson Sorensen.

Resolution 1236, for the relief of Margot Anne Robinson Deligniere.

Resolution 1237, for the relief of Marie Jeannine (Jeannyne) Berthe Vaillancourt Bourgeois.

Resolution 1238, for the relief of Ann Marie Falconer Porga.

Resolution 1239, for the relief of Jean-Marie Labonte.

Resolution 1240, for the relief of Mary Elizabeth (Elisabeth) Margot Jacqueline Patricia Harton Ross.

Resolution 1241, for the relief of Fernande Gauthier Beaugrand.

Resolution 1242, for the relief of Jeanettte Brash Doiron.

Resolution 1243, for the relief of Roger Hamel.

Resolution 1244, for the relief of Gussie Solomon-Nish Greenstein.

Resolution 1245, for the relief of Shirley Holtzman Spector.

Resolution 1246, for the relief of Alice Elizabeth Getty King.

Resolution 1247, for the relief of Ruth Sharon Alice Burgess Moscovitch.

Resolution 1248, for the relief of Gertrude Anna Schrotterowna Worthington.

Resolution 1249, for the relief of Michelle Jacques Leveille.

Resolution 1250, for the relief of Dorothy Doris Belbin Taube.

Resolution 1251, for the relief of Yvette Pelletier Garon.

Resolution 1252, for the relief of Marie Marguerite Leoni Landry Clement.

Resolution 1253, for the relief of Jozefa Ilnicki Kirkman Maxwell.

Resolution 1254, for the relief of Rhoda May Joudrey Wood.

Resolution 1255 for the relief of Andre Michaud.

Resolution 1256, for the relief of Pierrette Bouchard Hoffman.

Resolution 1257, for the relief of Ronald David Flanagan.

Resolution 1258, for the relief of Rolande Brullemans Villeneuve.

Resolution 1259, for the relief of Karin Luedders Holzer.

Resolution 1260, for the relief of Ailleen Staples Smethurst.

Resolution 1261, for the relief of Maria Irtl Kiss.

Resolution 1262, for the relief of Joseph Pierre Georges Etienne Girard.

Resolution 1263, for the relief of Earl Bruce Boomhour.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mrs. Inman for Hon. Mr. Roebuck moved that the resolutions be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

THE ESTIMATES

REPORT OF FINANCE COMMITTEE ADOPTED

The Senate resumed from Friday, March 17, the adjourned debate on the motion of Hon. Mr. Leonard for the adoption of the report of the Standing Committee on Finance with respect to the expenditures set out in the Main Estimates and Supplementary Estimates (A) and (C) laid before Parliament for the fiscal year ending 31st March 1967.

Hon. T. D'Arcy Leonard: Honourable senators, I presume if I speak now it will have the effect of closing the debate.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Mr. Leonard: Apparently it is not necessary to agree, and in that event I will go ahead. I gather that it will be a free for all, after I am through, but I assure honourable senators that I have no intention of trying to keep you in session until the bill to amend the Bank Act arrives.

Hon. Mr. Brooks: Can you close that debate?

Hon. Mr. Leonard: I certainly have no control over it.

Honourable senators, my first words must be to express my appreciation to those who have taken part in the debate on the report of this committee. I personally take more delight in listening than in speaking, but at the same time I am always conscious of the fact that debate is the essence of Parliament, where the important public issues of the day should receive the best discussion, where we should have the play and interplay of argument and the putting forth of ideas, sometimes conflicting ideas or a clash of views, and of exerting the art of persuasion and reconciliation to its greatest extent.

I also want to say that in this chamber we are extremely fortunate that we have in the person of Senator Grattan O'Leary a man who deservedly and by general acclaim is recognized as one of the most gifted speakers in Canada today and one who has no superior as a master of debate.

Hon. Senators: Hear, hear.

Hon. Mr. Leonard: I must apologize to him for having missed his speech last Friday. I had tried to make my plans so that I would be able to hear him, but other circumstances arose and I was not able to do so. I apologize and also express my regret for having missed the pleasure of hearing him, but I have read his remarks in full with great interest and appreciation, and there are several references I would like to make today with respect to the comments he made.

In particular I would like to make reference to two matters, one of which deals with the Canadian Broadcasting Corporation and Senator O'Leary's comments on that part of the report. The other matter is that of Government expenditures, which is perhaps the most important part of the report, and Senator O'Leary's remarks in that regard.

With respect to both of these items I would like to make some preliminary observations dealing with the manner of the preparation of the report and its wording. I must plead guilty, as its chairman, to having had a major responsibility in the drafting of the report and its wording. I think this is necessarily so in the case of the chairman of any committee. At the same time there are definite limitations upon the chairman in drafting such a report. So far as it deals with factual matters, the report must stick to the facts as presented to the committee. So far as there are in the report statements by way of opinion or com-

ment on what took place, they must be fair comments and not coloured by what may be the particular views of the chairman himself.

One does try to have a wording that fairly represents the consensus of the committee, or at least of a majority of the committee. That means the wording must be wide enough to cover in many cases quite a broad spectrum of the shades of opinion that may be represented on a committee.

I make these preliminary remarks to indicate that while I agree with the report, and I am not detracting in any fashion from what is in it, nevertheless, there may be things I would say in expressing my own particular views that would not be quite proper to put in the report. I recognize that once the report gets into this chamber we are all free to discuss it and express our own personal views.

Coming to the matter of the Canadian Broadcasting Corporation, I quote from Senator O'Leary's remarks this sentence:

> I must say frankly that after listening to the discussion—

That is the discussion in committee.

> —I would have been far more impressed had the committee shown less concern for the taste or lack of taste of "Sunday" and more concern for what it was costing the taxpayers of this country.

I find myself in strong personal agreement with Senator O'Leary in those remarks. Actually I have never seen any of these "Sunday" programs, and I certainly am not tempted to do so in the future by what I have heard. Therefore, from the standpoint of the expenditure which I as a taxpayer am contributing to the $50,000 the program costs each night—or the $1,200,000 it costs for 26 nights—it is a waste of money. However, I can say it is not a waste of my time because I prefer to read rather than watch such a program.

Hon. Mr. Connolly (Ottawa West): It is cancelled for next year.

Hon. Mr. Leonard: I understand that, but I do not think our report had anything to do with it. I make these remarks to lead up to the fact that the report does represent what took place.

This matter arose orginally by way of a debate in this chamber where questions were asked criticizing the program. There was obviously considerable feeling that the program had been objectionable. Because of that the committee called the President of the Canadian Broadcasting Corporation, Mr. Ouimet, before it and questioned him largely on the taste or lack of taste in this program, having in mind, I think, the question of how could this have happened, and how could it be avoided in the future. This is why the report was worded in this way, and why the committee acted as it did. Personally I feel, as does Senator O'Leary, that it is a lot of money to spend in a way in which I would prefer it not to be spent.

At the same time I must in fairness say, as did Senator O'Leary, that the coverage of the ceremonies and funeral following the death of General Vanier was magnificent, and we must recognize that an organization like the Canadian Broadcasting Corporation must keep talented personnel, must have a tremendous amount of equipment available to do that kind of broadcasting on short notice, over a considerable period of time, and under extreme difficulties. Consequently, it must cost a great deal of money.

In my opinion all this leads up to the question of whether we should embark upon a study of the financial situation of the Canadian Broadcasting Corporation. It would require considerable expert assistance for a committee such as the Finance Committee to undertake it; it would require a great deal of time not only of the members of the committee but on the part of others, and a good deal of money. Furthermore, this kind of study could only be embarked upon as a result of a Government decision, and even to recommend that decision, as the committee could very well do, would, I think, require more study than we have been able to make at the present time. This is by way of explanation of my view of the matter of the C.B.C.

The second matter on which I would like to comment is the subject of the financial expenditures of the Government. Here again, so that I may relate my remarks to Senator O'Leary's speech, I should quote from what he said. He quoted from the item in the report dealing with the growth of Government expenditures, and he said at the top of page 1686:

> "Without too great difficulty"—what does Senator Leonard mean by that?

Incidentally, these were not my remarks, but I will endorse them since they were in the committee's report. Senator O'Leary continued:

> What would happen if the rate of increase in the Gross National Product

started to decrease? The rate of growth is decreasing now—it certainly is not increasing—it is standing still. We have evidence of this from all the experts in the country. The Gross National Product is standing still, but you have the overhead built up over the past five years. Over the past five years, according to the senator's statement here, the increase in expenditure has been $5 billion. We have built up this overhead. We now have a public debt, the interest on which alone is $1,280 million.

Those are very pertinent remarks in considering the report of this committee. It may be that I minimize in my own mind the problem to which Senator O'Leary refers. I do not look forward to the prospect engendered by his last words, that ahead of our country, in the event of these things happening, lie desolation and decay. I am not filled with foreboding to that extent. Senator O'Leary may say I minimize—or perhaps he magnifies—the difficulties.

I would like to put on record some of the factors that cause me to be not as concerned as he is with respect to the situation. In the first place, I want to deal with our present federal Government expenditures as a percentage of the Gross National Product, because this is one of the factors that makes our problem with respect to federal Government expenditures still a manageable one.

I have in my hand a table I am going to ask permission of the House to have included in my remarks *in extenso*, and I will describe it to the Senate. It was prepared at my request by the Dominion Bureau of Statistics and is headed, "Federal Government Total Expenditures, Expenditures on Total Goods and Services and Expenditures on Defence Goods and Services as a Percentage of Gross National Product, 1951 to 1965". To make the point I want to make I shall quote only two or three of these figures. Incidentally, the table gives its source also. The data is taken from certain Dominion Bureau of Statistics publications dealing with national accounts, and that will appear in the record.

Starting in 1951, the federal Government total expenditures, expressed as a percentage of the Gross National Product, were 14.6. In the following year, 1952, this percentage jumped to 18.2. That was because of the Korean War, and the increase was largely in defence expenditures. From 1952 down to and including 1964 the percentage ranged from a low in 1956, of 16.5 to a high in 1961 of 19 per cent.

In 1965, which is the latest available figure, the percentage dropped to 16.2. That was the lowest percentage since 1951. So that one must always take into account the base upon which federal Government expenditures rest, and the power to generate the taxes and expenditures arises from the prosperity of the country which is reflected largely in the figures relating to our Gross National Product. In any event, when we went into 1966 we did so with a lower percentage of federal Government expenditures, related to our Gross National Product, than we had had in 14 years.

So, even though the expenditures rose during the year in which the committee has been studying them by slightly more than the Gross National Product, the base from which we started was sufficiently low to make the problem of the increased expenditures a manageable one. I am not defending the amount of increase or saying it is quite in order to go on increasing expenditures. I simply say that any problem created by the increase in expenditures to date is definitely a manageable one, having in mind that over the immediately preceding years federal expenses have gone as high as 19 per cent of the Gross National Product, and still we have had years of prosperity and over the whole period we have had expanding prosperity.

May I have permission to place this table on the record?

Hon. Senators: Agreed.

(*The table follows*)

FEDERAL GOVERNMENT TOTAL EXPENDITURES, EXPENDITURES ON TOTAL GOODS AND SERVICES AND EXPENDITURES AND DEFENCE GOODS AND SERVICES AS A PERCENTAGE OF GROSS NATIONAL PRODUCT, 1951 to 1965

(Dollar figures in millions)

	Gross National Product	Federal Government Total Expenditures	Percentage of Gross National Product	Federal Government Expenditure on Goods and Services Total	Percentage of Gross National Product	Federal Government Expenditure on Goods and Services Defence	Percentage of Gross National Product
1951	21,170	3,089	14.6	1,702	8.0	1,157	5.5
1952	23,995	4,373	18.2	2,489	10.4	1,800	7.5
1953	25,020	4,584	18.3	2,559	10.2	1,907	7.6
1954	24,871	4,628	18.6	2,449	9.8	1,727	6.9
1955	27,132	4,761	17.5	2,510	9.3	1,760	6.5
1956	30,585	5,034	16.5	2,683	8.8	1,802	5.9
1957	31,909	5,339	16.7	2,728	8.5	1,765	5.5
1958	32,894	6,091	18.5	2,854	8.7	1,661	5.0
1959	34,915	6,370	18.2	2,832	8.1	1,559	4.5
1960	36,287	6,662	18.4	2,730	7.5	1,546	4.3
1961	37,471	7,129	19.0	2,982	8.0	1,613	4.3
1962	40,575	7,424	18.3	3,025	7.5	1,680	4.1
1963	43,424	7,507	17.3	2,934	6.8	1,572	3.6
1964	47,403	7,891	16.6	3,046	6.4	1,584	3.3
1965	51,996	8,405	16.2	3,267	6.3	1,562	3.0

SOURCE: The data were taken from the following DBS publications: 1951 to 1954—National Accounts, Income and Expenditure, 1926–1956; 1955 to 1958—National Accounts, Income and Expenditure, 1962; 1959 to 1965—National Accounts, Income and Expenditure, 1965.

Hon. Mr. Leonard: Another factor about which I wish to speak deals with what is now happening to our Gross National Product. I find that my interpretation of what is happening is rather different to Senator O'Leary's interpretation.

The latest official figures only go up to and including the third quarter of 1966, and our Gross National Product is very substantially higher in three quarters of 1966 than it was in 1965. While the figures for the last quarter are not officially available, there are reasonably reliable estimates being made which come out to an increase last year over the preceding year of about 10.4 per cent in our Gross National Product. That is a very substantial increase. I am dealing in current dollars, not in constant dollars, because on both sides of this problem we are discussing current dollars, whether they are expenditures or G.N.P.

One has to have a little sense of prophecy or speculation or gambling to look ahead and see what is likely to happen, but certainly there is no indication, from what I can read or gather, that it is as Senator O'Leary described it.

The best survey with which I am familiar on this subject is a survey made every year by the Prudential Insurance Company of America. This is about their sixteenth or seventeenth in a row; they do one for the United States and one for Canada. Considering all the conditions and the "ifs" and "buts" that may develop within the course of a year, they have been remarkably good in their forecasting. They have expert staffs, the reports are carefully detailed and the company has access to good sources of information. The report goes back over 1966 and says that:

> The economy continues to operate at record high levels as Canada prepares to celebrate its 100th birthday.

They go on to the 1967 outlook in brief. Their reasons are set out in the brochure, and they conclude:

> The Gross National Product will rise 7½ per cent this Centennial year to $61.7 billion, a better than $4.3 billion year-to-year increase—

Of the 10.4 per cent last year, 4 per cent was represented by a change in the value of the dollar. Their view is that this year the price rise will moderate to 3½ per cent, and they state that the total growth will be slower in the later part of 1967.

I am not going to develop this point further, other than to say that here is another factor that we must take into account in considering how far an increase in federal Government expenditures can be properly borne without too much difficulty. If this report is reasonably accurate it does support my view that the problem is manageable or, at least, manageable in part.

Before I come to the third factor, I should deal with the point Senator O'Leary (Carleton) made in respect of the public debt. The interest on the public debt in 1967-68 will be $1.280 billion. This expenditure, of course, has been increasing from year to year, but here again I think it has to be related to the base upon which it rests. I turned back to 1961, which I picked out as an example, and I compared the interest we were then paying on our national debt with our G.N.P., and I brought it into relationship with the figures for 1967-68. The cost of servicing our national debt rose from approximately $800 million to $1.280 billion, a rise of approximately 60 per cent. Over the same years the G.N.P. has risen from approximately $37 billion to approximately $60 billion, a rise of an almost identical 60 per cent.

The figures indicate to me that the problem is no more serious today than it was, for instance, in 1961. I could add also that the interest on our national debt is, after all, a form of transfer payment. The taxpayers pay the money and the bondholders receive it. The largest bondholders are the insurance companies of Canada. So, in effect it is the great group of Canadian policyholders that is receiving the interest. Today I think our national debt is held almost completely in Canada. Certainly more of it is held in Canada today than was held years ago, and that makes the national debt much more manageable from an economic standpoint.

The third factor in my consideration is that there is still a considerable measure of executive control over expenditures. Notwithstanding the fact that they are included in the Estimates, and notwithstanding the fact that appropriation bills based on those Estimates are passed by both houses, the Executive can still postpone and even forego expenditures. It was action along this line that the Government took a year or so ago when it decided to postpone certain capital expenditures on buildings. That was done because it was felt there was too much pressure on the building industry at that time.

These are the three factors that relieve my mind from some of the concern that I would otherwise share with Senator O'Leary (Carleton).

To my mind also there is a fourth factor, and that is that I have a considerable amount of confidence in the experience and judgment of the present Minister of Finance. I believe he is fully conscious of the dangers involved in increasing expenditures. The greatest danger at the present time is the inflationary pressure that increased expenditure puts upon the economy. We have almost reached the stage of full employment, and we can produce only so much more in the way of goods and services as our labour force can increase in numbers, and as it can increase its productivity. So, there is a limit on the amount of goods and services we can produce, and if our expenditures in both the public and private sectors increase beyond that limit, then there is strong inflationary pressure.

It is in that connection that I myself would be much happier if I could anticipate that the federal Government's expenditures will be less than the amount set out in the Estimates for 1967-68. Nothing I have said is any way in conflict with that hope. Even if my hope is not completely realized, there are still factors in the situation that leave me, at least, with no particularly strong feeling of pessimism.

I should like to thank Senator Haig also for his contribution to the debate. He is always gracious in his tributes. He is a very conscientious member of the committee and an active member of the steering committee.

Senator Donald Smith is always constructive in his work and as a member of the committee. He made the suggestion that the committee might in the next session do well to examine the operations of the Rural Economic Development Fund and the area development agencies. That is a good idea, and we will consider it when the committee meets after the Easter recess.

Honourable senators, I apologize for having been over-long, and I thank you for your courtesy and attention.

Report adopted.

The Senate adjourned until 8.00 p.m.

At 9.15 p.m. the sitting was resumed.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, I have been delaying the ringing of the bell in the hope that there might be some definite word from the other place about the Bank Act. I have talked to representatives of all parties on the other side, and I am informed that they expect to give the bill third reading, but probably not before 10 o'clock. There is of course an element of risk that one member can refuse to give unanimous consent to third reading. However, in anticipation of what they hope, and I think the majority of them are of this view, that the bill will receive third reading tonight, I move, with leave, seconded by Senator Hayden, that when the Senate rises tonight it do stand adjourned until 10 o'clock tomorrow morning.

Hon. A. J. Brooks: Honourable senators, I know that the Leader of the Government has been examining every possibility of having this bill brought before the Senate as soon as possible. He speaks of our adjourning until 10 o'clock tomorrow morning, and I am in absolute agreement with that. However, I would ask him this question: When we meet tomorrow morning at 10 o'clock and discuss the bill, and if we agree unanimously to second reading, to which I have no objection, shall we meet tomorrow afternoon and continue discussion of the bill at that time, and then perhaps send it to Committee? I am just trying to learn what might happen after our meeting at 10 o'clock tomorrow morning.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I will be completely in the hands of the Senate in this respect. My hope is that we would have unanimous consent that the bill be read the second time as soon as it is available and is explained.

Hon. A. J. Brooks: When?

Hon. Mr. Connolly (Ottawa West): Tomorrow morning. The purpose of meeting at 10 o'clock is to debate the bill tomorrow morning. If there are honourable senators who want to speak tomorrow but do not wish to do so tomorrow morning, we could recess for a while and then come back and complete the debate on second reading.

I would hope that the bill would be sent to the Standing Committee on Banking and Commerce as soon as the debate here is finished. I would hope also that the committee would sit immediately after that portion of the debate and the Senate rises.

There is the risk that if third reading is not given in the other place tonight we may meet here at 10 o'clock tomorrow without much use, because the Commons probably will not sit until 2.30 tomorrow afternoon unless, by unanimous consent, they agree to sit tomorrow morning.

As the Commons members seem to be anxious to adjourn tomorrow for the Easter recess, we can expect to receive interim supply appropriation bill dealing with the supplementary Estimates (G).

Honourable senators, I see no other business which would concern the Senate for tomorrow. I hope that explanation is sufficient. If there are questions I will try to answer them.

Hon. Mr. McCutcheon: Is the leader talking now of an adjournment or is he talking of prorogation?

Hon. Mr. Connolly (Ottawa West): I am talking of an adjournment over the Easter recess.

Hon. Salter A. Hayden: An Easter recess.

Hon. Mr. McCutcheon: What business have we to do after the Easter recess?

Hon. Mr. Connolly (Ottawa West): There will be a good deal of business. There is some business on the Order Paper which we have not finished at the moment. There is the Citizenship bill and one other bill on the Order Paper, and there will be more legislation, I assume, coming from the other place.

Hon. Mr. Brooks: As I understand it, if tomorrow morning we do not receive the Bank Bill and we have to wait until 2.30 in the afternoon, I take it that we will consider Interim Supply in the hope that the Bank Bill will arrive.

So far as interim supply and supplementary supply is concerned, frankly I do not see—for reasons explained by you as leader this afternoon—why these should be held up. The key situation is the Bank bill, of course.

Hon. Mr. Connolly (Ottawa West): Precisely.

Hon. Mr. Brooks: If that bill comes to us, we will have to carry on as circumstances dictate. That is all.

Hon. Mr. McCutcheon: We sat on Good Friday two years ago.

Motion agreed to.

The Senate adjourned until tomorrow at 10 a.m.

THE SENATE

*Wednesday, March 22, 1967

The Senate met at 10 a.m., the Speaker in the Chair.

Prayers.

BANK ACT

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-222, respecting banks and banking.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. Daniel A. Lang, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, there is probably no one in this chamber who experienced a greater sense of relief than I did at the arrival here of this legislation. During the last few days, as we awaited passage of this bill in the other place, I found I was getting myself more deeply and more inconclusively involved in this rather elaborate piece of legislation, and probably not to the ultimate edification of our chamber.

Before continuing, I should say that I am indeed honoured that our leader (Hon. Mr. Connolly, Ottawa West) has permitted me to sponsor this important legislation on second reading. However, I must say that as I contemplated this honour I wondered whether the leader was somewhat circumscribed in his choice, inasmuch as there is much greater talent available to him in this chamber. Perhaps that talent is more closely involved in the sphere of banking and finance in this country.

Hon. Mr. McCutcheon: He could have let somebody on the Opposition side introduce it.

Hon. Mr. Lang: This Hobson's choice being forced upon the honourable Leader of the Government causes me to approach my task with a certain amount of humility and reservation. Nevertheless if honourable senators will bear with me I will attempt, as best I can, to place before you the highlights of this measure and to outline the policies behind the various provisions.

I should remind honourable senators that Bill C-222 was first introduced into the House of Commons on July 5 of last year. It will be recalled that the first version of this legislation was presented by the former Minister of Finance, but before it became law it was overtaken by the dissolution of Parliament in the autumn of 1965. After its introduction in its present form, the bill then went to the Standing Committee on Finance, Trade and Economic Affairs of the House of Commons. That committee held some 75 meetings on this bill, received approximately 27 briefs, heard dozens of witnesses, and considered 71 amendments. I point out these details in order to underline the fact that this bill comes to us in a well digested form, and I think, after reading this morning's newspapers, it is now even more digested than it was yesterday.

This bill represents the decennial revision of the Bank Act—a periodic revision of legislation which comes down to us from Confederation when the then provincially chartered banks first came under federal control. Their *modus operandi* under federal control was uncertain, and it was felt that periodic revision of these charters was the best way of adapting these heretofore provincial institutions to a new national concept.

These decennial revisions have now become a fact of our legislative life. The last one that we had in Parliament was in 1954. Accordingly, this decennial revision would, in the normal course of events, have come before Parliament in 1964. However, the delays involved have been inevitable and unavoidable, and the bank charters have been extended from time to time until this piece of legislation becomes law.

As at this moment the lives of the charters of our present banks will expire, except for the passage of this legislation, on April 11 next. Primarily this bill extends the charters of all banks for a period of ten years and permits them for that period of time to continue to carry on their business.

Hon. Mr. Roebuck: For ten years?

Hon. Mr. Lang: For ten years from the proclamation of this piece of legislation. At the end of the year 1965 there were eight chartered banks in Canada with a total of 5,945 branches. Since then, as we are all aware, two additional banks have been added to this roster, namely, the Bank of Western Canada and the Bank of British Columbia.

To put in perspective the philosophical basis for this legislation, I would remind honour-

*See P. 1768

able senators that it is primarily founded upon the recommendations of the Royal Commission on Banking and Finance, which reported in 1964 and is more familiarly known as the Porter Commission. This bill embodies many, if not most, of the major recommendations of the commission and puts into statutory form the objectives behind the recommendations of the commission. I only need to remind honourable senators that basically these recommendations were directed towards putting more flexibility into our banking system, to give to our banks greater investing and borrowing powers, and to make them more competitive in their operations.

Honourable senators will recall that in the recent amendments to the Loan and Trust Companies Acts, many of the royal commission's recommendations were there carried into effect, and in this legislation we see those recommendations projected into the area of banking.

I think it would be only fair to say that in studying this bill, honourable senators will recognize a certain dichotomy between two basic philosophical concepts; first, that directed towards the objective that I have just mentioned, namely, the creation of a more favourable environment for the banks in terms of their competitive aspects and in terms of their flexibility in the financial market, and as against that the problem of maintaining Canadian ownership of these financial institutions. In short, to the extent that the conditions imposed in this legislation, towards achieving Canadian control of our financial institutions, have the effect of restricting effective economic competition within Canada between non-residents and our domestic banks, these conditions tend to weaken somewhat, or blunt the effect of, the other provisions of the bill which are designed primarily to stimulate competition among banks in Canada generally.

Permit me, honourable senators, at this point, and in the most capsule form, to mention those provisions of the bill which are acknowledged to be the main provisions.

First, the banks will be able, henceforth, to make conventional mortgage loans, which will be exempt from any interest ceiling.

Hon. Mr. McCutcheon: Which clause is that?

Hon. Mr. Hayden: It is in clause 75, I think.

Hon. Mr. Lang: To maintain these clause numbers in one's mind is quite a prodigious undertaking. It is in clause 75 (1) on page 52.

Secondly, the banks' minimum cash ratio, held by the Bank of Canada against demand deposits, will be reduced; and that cash ratio will be segregated from the cash ratio required to be maintained with the Bank of Canada against term deposits.

Agreements between banks on interest rates on deposits and on loans will be prohibited.

Honourable senators, I may mention here that, in enumerating these changes, I am not giving them to you in any sequence that relates to the arrangement of the clauses in the bill.

Hon. Mr. Thorvaldson: Was there no provision in the Bank Act previously with regard to arrangements between banks?

Hon. Mr. Lang: No, there was not. The banks, as you are aware, do not fall within the ambit of the Combines Investigation Act, as that act is confined to the making of agreements restricting competition in articles which are the subject matter of trade and commerce. In other words, these service institutions do not fall within the Combines Investigation Act; and there is no reference in the present Bank Act dealing with agreements on these matters or prohibiting them.

Honourable senators, the banks will be permitted to issue debentures. Those debentures will be subordinated to a bank's liability on account of its deposits.

The six per cent ceiling on interest rates on loans will be abandoned. An *ad interim* interest ceiling will be imposed. This interim interest ceiling will fluctuate in direct relationship to the average market yield on short-term Government bonds, namely, one and three-quarter per cent above such average yield as that average yield may from time to time be determined. This interim ceiling will automatically disappear when that average yield on short-term Government securities drops to 5 per cent.

Hon. Mr. Hnatyshyn: Does the new rate apply to the present indebtedness to the bank?

Hon. Mr. Lang: I think that would depend on whether the present indebtedness was a term indebtedness or a demand indebtedness.

As honourable senators know, the Canadian banks cannot under the present act accept any subscriptions for shares of their capital stock from any government in Canada. Under the present bill, however, government funds of certain specified characters can purchase

shares in our banks in amounts up to a maximum of 10 per cent, but only on a non-voting basis. These government funds as specified are largely pension funds, hospitalization funds and other government funds of that nature, which would be acquiring shares purely in connection with their portfolio of investments.

Next, honourable senators, banks will be limited, generally speaking—and I underline that—to 10 per cent ownership of any other corporation.

Bank boards in future may not have on them directors who represent in aggregate more than one-fifth of the directors of another corporation; and, again to the same end, namely, the prevention of interlocking directorates, eventually a director of a trust or loan company may not be a director of a bank.

Banks will have to disclose in their annual financial statements their so-called "inner reserves".

Banks will be required to disclose the entire cost of borrowing; that is, the entire cost including those costs of borrowing which are not interest charges in themselves.

Finally, honourable senators, non-resident control of banks and the extent of individual control of banks is strictly limited by this legislation.

I think from hearing that enumeration of headings, honourable senators will very quickly appreciate the extent and ramifications of this legislation. To more completely inform honourable senators with regard to these various proposals, I will ask you to refer to the bill itself, which is now before you. I will deal with these main proposals seriatim as they appear throughout the bill.

First, I would refer honourable senators to clause 9, at page 7 of the bill, which says:

> Subject to this Act, the authorized capital stock of the bank shall be not less than one million dollars and shall be divided into shares each having a par value of one dollar or any multiple thereof not exceeding ten dollars.

I should remind honourable senators that at one time the equivalent of this section in the Bank Act stipulated that the par value of bank shares must be $100. In 1934 this section was amended to permit a par value of $10, and now we have a further amendment permitting a par value of $1, or any multiple thereof not exceeding $10. The purpose of this amendment is to enable the banks to subdivide their shares, the market price of which now ranges in the area of $60 or $70, and by doing so to effect a wider distribution of their shares among the public generally. Related to this clause is clause 17 (1) (b) on page 12 of the bill which gives to the shareholders of the bank the power to bring about this subdivision as permitted by clause 9.

Honourable senators, I would like to direct your attention to clause 18 (6) on page 14 of the bill. This is a major clause and provides, in short, that directors of deposit taking institutions such as savings banks and some loan and trust companies will not be eligible to be directors of a chartered bank after two years from the date the maximum loan interest rate is removed. This clause is designed to prevent interlocking directorates between financial institutions, including banks and trust companies. The time that the restriction is to take effect is to be when the interest ceiling is removed and when greater competition among these institutions is anticipated.

Hon. Mr. Hollett: May I ask a question about subclause 5 (a) which says:

> A person is not eligible to be elected or appointed a director if
>
> (a) he has reached the age of seventy-five years,—

Why is that?

Hon. Mr. Lang: That is a continuing section, senator.

Hon. Mr. Hollett: I do not mean that. What is the reason for it?

Hon. Mr. Lang: I believe the philosophy behind that is similar to the philosophy behind the recent amendments to the legislation governing this chamber.

At this stage, honourable senators, I would draw your attention to clause 18, subclause (7), on page 14, which limits the number of directors of any one corporation who may become directors of a bank. Perhaps if I give an example to illustrate what I mean it may make it clearer. If there are five directors on the board of a corporation, only one of those directors would be eligible to become a director of a bank.

Hon. Mr. McCutcheon: Of a particular bank.

Hon. Mr. Lang: Of a particular bank. If the corporate board consists of 10 directors, only two of those directors would be eligible to become directors of a particular bank.

Hon. Mr. McCutcheon: What is the situation if the corporation has only three directors?

Hon. Mr. Lang: I think it would be very difficult to elect a fractional director to the board. I do not think that is provided for in any corporation act with which I am familiar. Perhaps we can take them to the nearest quarter. I cannot answer your question.

Hon. Mr. McCutcheon: We can deal with this later.

Hon. Mr. Lang: I would like now to refer honourable senators to clause 33 at page 20. This is an important clause under which the banks are to be permitted to offer new shares at a price to be fixed by the directors. Honourable senators are aware that under the present legislation the directors of a bank must, in offering a new issue of shares, offer them pro rata to the shareholders of the bank first, and also that the price of those shares cannot exceed a formula which is tied to the sum total of the paid-up capital and rest account of the bank. This provision will enable the board of directors to fix the price of the shares to be offered as they may see fit. It is anticipated that in future these offerings will be at a price more nearly equating the actual market value of the shares.

I am going to depart from the sequence for a moment and skip clauses 52 to 57 which in themselves form a block, and, I will refer, honourable senators, to clause 60 at page 41 of the bill. The amendment contained in clause 60 requires the banks to make full disclosure of what has been known as their "inner reserves." I need only remind honourable senators that under present banking legislation there are two types of inner reserves, first a reserve created out of taxable profits of a bank which is in effect a contingency reserve to meet losses which are not specifically provided for, and, secondly, there is a reserve created out of taxed profits. This latter reserve consists largely of non-deductible expenses which the bank could not charge against its taxable profits. Both these reserves must now be carried in the annual financial statements of the bank.

I should say that heretofore policy has supported the maintenance of secrecy with regard to these reserves, and I think largely because at one time the banks had to carry their portfolio of securities at their market value, whereas under the present legislation the banks can carry their portfolio securities at an amortized value which gives a much more accurate picture as to their real worth. The result is that the main objection to these reserves on the financial statements themselves is gone, and it is felt that there is no valid, subsisting reason for setting them out otherwise than publicly.

Honourable senators, I would quickly pass to clause 72 on page 49, which deals with the cash and secondary reserves of banks, which reserves represent the instrument whereby monetary control over the banks by the Bank of Canada is exercised.

Under this amendment the cash reserves which a chartered bank will be required to carry with the Bank of Canada with respect to demand deposits will gradually be replaced by the present provision, and will be increased from 7 per cent to 12 per cent. A 4 per cent reserve will be required in connection with term deposits. A 12 per cent reserve will hereafter be required in connection with demand deposits; and hereafter a 4 per cent reserve will be required on notice deposits. This will result in an overall requirement of an average of about 6.6 per cent.

In addition, we now have included in this bill a stand-by power given to the Bank of Canada to impose secondary reserve requirements, initially of not more than 6 per cent and which may be increased to not more than 12 per cent. These are requirements of which the Bank of Canada may avail itself in the event of a monetary emergency.

It is anticipated that this first-mentioned amendment will permit the banks to compete more effectively with other institutions, such as trust companies in particular, for term deposits, and is in accordance with the philosophy behind the recommendations of the Royal Commission.

Honourable senators, I quickly pass to page 52 of the bill, clause 75(1). In paragraph (c) thereof, by the inclusion of the word "immovable," the powers of a bank are extended to permit mortgage lending, and generally to the same extent as other deposit-taking institutions. Heretofore banks have been unable to lend money by way of mortgage and have only been permitted to take a mortgage when they felt they required additional security on a loan.

Clause 91(6)(a) relates to this section, and exempts such mortgages from any interest ceiling provision.

The clause also contains limitations on the extent of a bank's mortgage portfolio; and, in addition, imposes on the banks a limitation in connection with the extent to which they can advance money under a mortgage as that mortgage loan relates to the value of property, namely, 75 per cent thereof. If my recollec-

tion is correct, that is the same as the restriction under the Loan and Trust Companies Act.

Honourable senators, I pass over clause 75(2)(g), to which I will return in a few moments, and deal now with clause 76 at page 55.

This new clause places upon the banks a restriction with respect to the extent of their investment in other Canadian corporations, and particularly deposit-taking institutions such as trust companies. In essence, it provides that a bank cannot own shares carrying over 50 per cent of the voting rights of another corporation where the price paid for those shares is $5 million or less; and, again, a bank cannot own shares carrying over 10 per cent of the voting rights where the price paid for the shares is over $5 million.

The theory behind this restriction, of course, is that with respect to a smaller corporation, a bank's interest, to be at all substantial, would have to be somewhat more than 10 per cent, whereas in connection with a larger corporation a 10 per cent interest would appear to be sufficient for the bank's purposes without giving the bank overall control.

However, this clause goes on in the next subclause—namely, 76(1) (a) (ii)—to deal with a bank's interest in loan and trust companies. Notwithstanding what may be the cost to a bank of the shares in a loan or trust company, it cannot own shares carrying more than 10 per cent of the voting rights of that institution. The clause goes on to provide that any excess shares held by banks over these prescribed ceilings must be disposed of by July 1, 1971.

I should point out to honourable senators that there are a few exceptions in that clause. You will note that those exceptions give a bank the opportunity or the right to acquire shares in excess of these ceiling requirements if they are acquired in connection with the realization of a loan that the bank has outstanding. If a bank does realize shares in connection with that operation it must dispose of them within five years. A bank may also acquire shares in excess of the ceilings to which I have referred, generally, but if they do so they must dispose of them within two years.

I am advised that this latter provision is to give the banks the power to intervene in the event of a possible take-over of a Canadian company by non-resident interests. Acquisition solely for the purpose of preventing the takeover must be followed by distribution within two years thereafter of the shares among the Canadian public.

I pass on to clause 77 at page 59 of the bill. This is the clause empowering the banks now to issue debentures of their own, a matter to which I referred previously. It will be noted that these debentures must be subordinated to the deposit liabilities of the bank, and they must also conform to certain other requirements in this clause. They must never exceed, for instance, in total outstanding, one-half of the sum of the paid-up capital and rest account of the bank at the time of issue. This places a ceiling on the amount that a bank can issue. No debentures can be for a term of less than five years. This clause does give banks the opportunity of competing with other institutions for long-term funds, an opportunity which was heretofore denied them.

Honourable senators, clause 91 at page 78 of the bill is very important because it includes the amendment setting forth the formula which fixes the maximum interest rate banks may charge on loans. This clause provides a substitute for the fixed 6 per cent ceiling under the present act, which ceiling was referred to in the report of the Royal Commission as imposing a rigidity on our banking system inconsistent with the best interests of the public and of the banks themselves and which, in effect, precluded competition among the banks in this area. Although the Royal Commission recommended that the ceiling be removed altogether, under present monetary conditions in the country the Government did not feel it advisable to remove it at once, but rather to impose an interim arrangement which would, with the advent of a certain set of conditions, automatically disappear.

As I have mentioned, honourable senators, when this bill becomes law the maximum rate of interest that a bank may charge will be 1¾ per cent above the average yield on Government bonds maturing in three years or less. This average yield will be computed and announced one month before the new rate is to become effective, and that new rate will become effective at the end of each six-month period. In the interests of maintaining continuity the new bank rate until the end of this year will be arbitrarily fixed at 7¼ per cent.

Under this formula if the average yield on these short-term Government securities falls below 5 per cent—in other words, if, under the formula, the bank rate itself becomes less

than 6¾ per cent—then automatically the ceiling disappears.

It may be of interest to honourable senators to know that the original bill, before it went to the committee of the other place, set forth a figure of 4½ per cent as the trigger rate, and that trigger rate was moved up to 5 per cent on the recommendation of the committee. In other words, the committee itself must have felt that the sooner the rate of interest is freed the better it would be for everyone concerned.

There are a few exceptions in this clause. For instance, there is no interest ceiling on what are known as bridging loans covering a short period of time, which come into being when a customer requires a substantial amount of money that will be shortly refinanced such as the construction of a building or similar undertaking.

Basically, this is the first move towards complete freedom of action being permitted the banks in this area.

I should like to refer briefly to clause 92, on page 81. This deals with disclosure as to the "Cost of borrowing" in respect of certain classes of loans. It is interesting to note that under this clause the practice that has arisen of late with respect to requiring a customer to maintain a minimum balance in his account when he is also carrying a loan, and which to some extent defeated the interest ceiling, is prohibited unless it be made under specific agreement with the customer.

Hon. Mr. McCutcheon: When the customer wants the money badly that agreement will be very easy to obtain.

Hon. Mr. Lang: I agree entirely with the sentiments expressed by my honourable friend.

Other costs which the bank incurs and charges to a customer, such as collection charges on discounted notes, now must be subject to an express agreement with the customer before they can be made by the banks.

Finally, honourable senators, I turn to clause 138, which prohibits any agreement between banks with respect to interest rates on loans and deposits. This is in conformity with the recommendation of the Royal Commission on Banking and Finance, and I suggest that this specific prohibition against such practices, now to be included in the Bank Act, should have a very salutory effect on the institutions concerned.

The prohibition contained in this clause does not apply to certain agreements which are set out in clause 138 (2). Generally, these are agreements on matters which will be performed outside of Canada, or agreements that have the specific consent of the Minister of Finance.

That concludes my reference to the specific clauses of this legislation, except those clauses which I passed over on my way through, namely, clauses 52 to 57 and 75(2)(g). If I may, I would like to deal with those clauses en bloc.

Honourable senators, to take you through these clauses would require all the erudition of a Senator Hayden and all the forensic skill of a Senator Connolly in order to give you much enlightenment. I do not aspire to those capabilities as yet, and accordingly I shall try to delineate the policies embedded in these sections rather than refer to the specific machinery contained in them for implementing that policy.

Firstly, except for any existing situation, and in the case of resident shareholders of a new bank, if the Government gives specific approval, ownership by any one shareholder and associates will be limited to 10 per cent of a bank's shares, and total ownership by non-residents will be limited to 25 per cent.

So, basically, in going through these clauses, we find two principles: firstly, that in aggregate foreigners cannot own more than 25 per cent of the shares of a Canadian bank; secondly, that individuals, whether they be Canadian or non-resident—and I will include their associates as defined by these clauses—cannot own more than 10 per cent of the shares of a Canadian bank.

In order to implement this policy these clauses go to elaborate lengths in restricting the transfer of shares and in limiting a bank's ability to accept subscriptions for shares. I think I can best describe this machinery by saying it is an attempt to recognize the status quo, to prevent any increase in individual or foreign ownership above what may now exist, to prevent an excess foreign ownership that may drop down towards the permissible level from again rising, and all with the ultimate objective of bringing excessive ownership down over a period of time, through transmissions, in the ordinary course of events, to within the permissible limits.

If you will examine those clauses you will see how complicated is the drafting necessary to deal with the problems I have mentioned. The clauses do impose upon a bank a severe onus in ascertaining to what extent non-residents do own its shares, in ascertaining who in

fact are non-residents, notwithstanding what may or may not be revealed by the share register, in preventing the transfer of shares from residents to non-residents, which transfers might bring the holdings above the permissible limits or transfers as between any individuals and associates which may have the effect of bringing the holdings of an individual and his associates above the permissible limits. These clauses set out what the bank is required to do to insure the attainment of the objectives of the legislation.

Not only does it apply to transfers of shares, but it applies to subscriptions for shares as the bank may receive them from time to time in connection with new issues of their treasury stock.

I am sure honourable senators will agree with me that this may be a very heavy onus to place on these institutions, but I would point out that under clause 55(4)(b) there is a provision which alleviates considerably the burden otherwise imposed. Under that subclause, in the computations that a bank must make to meet the requirements of the act it can disregard transfers and subscriptions representing par share values under $5,000. Par share values under $5,000, I am advised, do in fact include something like 90 per cent of all the transactions of this nature which take place in connection with a bank's shares. So in the result, the banks should be very well able to deal with the requirements of the act.

Honourable senators will recall that these same provisions were inserted into the Trust and Loan Companies Act several years ago, and those institutions seem to have been able to live with them quite satisfactorily in the meantime.

In conclusion, I would direct your attention to clause 56, on page 36 of the bill, and to clause 75(2)(g) on page 53. As honourable senators are aware, there are two banks in Canada which have been occupying the public press for the past many months, namely, the Bank of Western Canada and the Mercantile Bank. Clause 75(2)(g) applies to these two banks but its effects will be felt, at least for the time being, only by the Mercantile Bank.

As honourable senators are aware, the extent of a bank's business under present legislation is not limited by relation to its paid-up capital and rest or surplus account, as it is called, as is the business of trust and loan companies.

Therefore, in clause 75(2)(g) we find for the first time the inclusion of a provision limiting the extent of the business that a bank may carry on if that bank falls within a certain category. That category is when more than 25 per cent of its issued shares are held by any one resident or non-resident and his associates, as described in clause 56.

As this clause emerged from the Banking Committee in the House of Commons, it read as honourable senators will find it at the bottom of page 53. As it then read, any bank which fell within this category, in order to increase its business beyond the stipulated limits set out in the clause, namely, twenty times its authorized capital, would have to reduce, by December 31, 1972, its resident or non-resident holdings to 25 per cent.

Yesterday in the House of Commons this clause was amended and if honourable senators would refer to the clause itself, I will read it as it now stands.

> (g) at any time after the 31st day of December, 1967, of after such later day, not being a day later than the 31st day of December, 1972, as may be prescribed from time to time by the Governor in Council, have outstanding total liabilities...

And so on. Under this clause as it now reads, the Mercantile Bank, in order to expand beyond the limits set forth in that clause, will have to meet the resident ownership requirements of that clause by the end of this year, or by such later day as may be prescribed from time to time by the Governor in Council but not later than the date set out in the original clause. The effect of this is to put the operation of the Mercantile Bank practically right in the Privy Council chamber.

Hon. Mr. McCutcheon: A pretty poor place to run a bank.

Hon. Mr. Lang: Honourable senators, I revert to clause 57, so that I may relate this clause, and then I shall have concluded my remarks herein.

Clause 57, subclauses (1) and (2) affect the operations of the Bank of Western Canada inasmuch as, by those provisions, a bank falling within the general terminology of that clause—and of which there is only one in Canada today—is excepted from the preceding restrictive provisions, in that it may accept subscriptions from Canadian residents, even if the acceptance of those subscriptions results in an individual holding shares in

excess of the 10 per cent limit prescribed by the preceding clause. Obviously, this is necessary to enable that bank, namely, the Bank of Western Canada, to diversify its shareholding in an orderly manner.

The exercise of its rights under this clause is subject to control by the Governor in Council. The exercise of discretion by the Governor in Council terminates when ten years have elapsed and the Bank of Western Canada has met the limitation of 10 per cent individual ownership. That latter 10 year period, designed to give to this bank the opportunity for orderly development, expansion and diversification of shareholders, is contained in the charter of the bank itself. This clause recognizes the nature of the problems that such a new organization must face during the period of its development and initial expansion.

Hon. Mr. McCutcheon: To which clause are you referring specifically?

Hon. Mr. Lang: To clause 57, which deals with banks incorporated after the prescribed day. The prescribed day is the 17th day of February 1965, under clause 56(1)(c).

By the way, that prescribed day is the day that the predecessor of this bill, namely, Bill C-102, was introduced in the House of Commons.

Hon. Mr. Thorvaldson: Was that in 1964?

Hon. Mr. McCutcheon: 1965.

Hon. Mr. Lang: The 17th day of February 1965.

Honourable senators, I have attempted, as best I can, to take you through this complicated piece of legislation. I hope I have been able to give you an appreciation of the extent and of the ramifications of the various provisions. It is a piece of legislation that deserves careful study by every senator.

Hon. Mr. Choquette: For how long?

Hon. Mr. Lang: That would probably depend upon the individual senator's propensities and inclinations, but I think it warrants consideration because of its long-term effects.

I really cannot resist, in conclusion, making a personal digression, with your leave. I suppose even in banking legislation there is a certain amount of humour and irony, but I thought this morning, as I read in the newspapers the headlines referring to the amendment to clause 75(2)(g) as being a "Gordon victory," that rather ironically this interpretation of the amendment may be placing the previous Minister of Finance in the role of guardian to the banking institutions of Canada against the fierce winds of competition from abroad.

Hon. Mr. Thorvaldson: Against the big bad wolves.

Hon. Mr. Lang: But, I conjured up, as I listened to the subsequent radio news, the image of the ex-Minister of Finance guarding the bridge, and he certainly appeared a most unlikely "Horatio."

Hon. Mr. McCutcheon: I wonder, honourable senators, if Senator Lang would clarify one point for me before I proceed. What is the effect of the amendment to clause 162 that was made in the Commons after the bill was returned from the committee?

Hon. Mr. Lang: Thank you very much, Senator McCutcheon, for bringing this to my attention. I deliberately did not mention this amendment because I do not think it is of very great significance. It is an amendment to the clause that provides for the coming into force of the bill. It is a wordy amendment which I would be glad to give to honourable senators, but I think it could perhaps be more usefully dealt with in committee.

Hon. Mr. Connolly (Ottawa West): We have it before us now.

Hon. Mr. Lang: I can say to honourable senators, however, that the purpose of this amendment is to provide that, until the clauses of this bill are in full force and effect, the restrictions imposed on the Bank of Western Canada and the Bank of British Columbia by virtue of their charters will remain in effect. In other words, it is to prevent there being any hiatus as between the coming into force of the various sections of this act and their superseding the provisions of the charters of those two banks.

I am afraid that is a clumsy explanation, but it is a mechanical amendment which really carries no significance in terms of policy.

Hon. M. Wallace McCutcheon: Thank you very much, Senator Lang.

First, honourable senators, I think you would all join me in extending our congratulations to Senator Lang for the excellent outline he has given us of the effects of this somewhat complicated bill.

As I read the records, when the last decennial revision of the Bank Act was passed in 1954, the bill came before the Senate and was

considered both in committee and in the Senate, not only for days but over a period of weeks. When we hear the rumours around the corridors of the Centre Block as to the Government's intention at the close of the day, and when we read explicitly in the press how we are supposed to act today, I think that Senator Lang was certainly speaking with deep irony when he said that this bill, amended late yesterday in one very important respect at least, deserves the serious consideration of every senator. So does the Bible, but that is not before us for revision in a couple of hours.

Hon. Mr. Leonard: How long would it take?

Hon. Mr. McCutcheon: I want to protest very strongly against what has taken place here. This bill was introduced for the second time on July 5, 1966. It comes before us in the dying days of the session and it will only be passed with the expedition which seems to be expected, if all honourable senators are prepared to do as I did this morning and give unanimous consent to second reading of this bill. And I was under no obligation to do that. I will be under no obligation, when the bill returns from committee later this day, to give unanimous consent to the committee's report being considered. As all honourable senators know, there are three or four occasions on which consent can be withheld.

There are no unusual circumstances about this bill; there is no reason why it should not have been here long before now. It is simply that the Government chose to lay out the business of the House of Commons in a manner which did not give to this bill, already two years late, the priority which it deserves. With the hope of attracting votes, the Government was much more concerned with enacting those presumably vote-catching proposals, many of which are a fraud and a deception of the voters—medicare, the Canada Labour Standards Code, and others.

The proper time will come to discuss this very broad subject and, although I am intending to speak for several hours and might do it now, I will refrain from that, but I say that there is no excuse for this bill coming here only this morning. It could have been here three months ago.

Honourable senators stand up from time to time to talk about the work we do in this House and the valuable work we do in committees. This just makes us a laughing-stock. I for one am very tired of it. If I do not exercise my rights today, it will simply be evidence of the fact that I have decided that the Government of the day has no regard for this House and that, in the circumstances, it is not worth my while to interfere with the holidays of honourable members of another place.

Having said that, it should be borne in mind that it is not necessary to pass this bill today, or tomorrow, or next week. The Bank Act does not expire automatically on the night of the 31st of March or 1st of April. I have not looked up the provisions in bills extending the act, but I suspect it will continue until sometime around the 10th or 12th day of April. I see Senator Hayden nods his head in agreement. I hope the Leader of the Government (Hon. Mr. Connolly, Ottawa West) will accept my plea. He said yesterday we were going to recess until April 3, and I asked what business we were going to have before us then. This would be a very useful piece of business to have, and during the Easter recess honourable senators could give the bill that attention which Senator Lang says it so highly deserves.

I am not going to traverse the ground that was traversed by Senator Lang, but I have a few comments to make on certain clauses of the bill. I refer first to clause 91 dealing with interest and charges. Senator Lang has described very well what this clause purports to do, but he failed to mention what the facts are as of this morning, March 22, 1967, and how they relate to this clause. The clause provides for a fixed ceiling of 7¼ per cent until the 31st day of December 1967, and it then goes on, in subclause (9) on page 80 to set out the circumstances under which the ceiling is eliminated completely. That happens:

> Where the average of the market-yield on short-term bonds of Canada for all Wednesdays in any period of three months ending after the 31st day of December, 1966, is less than five per cent.

Now the fact is, honourable senators—and I will not be bound by these figures but I suspect my calculations are very nearly right—that the average yield on such bonds, that is bonds having a maturity of three years or less, is 5.07 per cent in January, 4.89 per cent in February, and 4.55 per cent for the first half of March. And if the closing quotations as of last night are accurate, as I am sure they are, you must take a Canada bond that has 6½ years to run before you find one that at the market price is yielding over 5 per cent. So I suggest to honourable senators that

unless the trend is reversed dramatically in the next 10 days, by the 30th of April the trigger will have been pulled, and under the bill as it now stands there will be no ceiling on interest rates commencing on January 2, 1968.

The point I propose to raise before the committee, and I mention it now, is that I am puzzled as to the necessity of having, in these circumstances, a fixed rate of 7¼ per cent for the balance of this year. Personally, I have always felt that the fixing of a maximum acted somewhat like a magnet which causes other metal to rise up to its own level, and if there is no maximum, my own view is, and it is a matter of psychology, that there will be greater competition within the banking system a little earlier than would otherwise be the case.

Hon. Mr. Connolly (Ottawa West): The market will regulate it.

Hon. Mr. McCutcheon: And the market will regulate it. So much for that.

The next matter I want to refer to is the question of directors. This is dealt with in clause 18, subclauses (6) and (7). I believe these restrictions are contained on pages 14 and 15. Subclauses (1) and (2) require no comment. Subclause (3) provides that at least three-quarters of the directors shall be Canadian citizens ordinarily resident in Canada. We accept that as a reasonable provision. Then we come down to subclause (6) and subclause (7). Subclause (6) states:

> A person is not eligible to be elected or appointed a director if
>
> (a) he is a director of a bank to which the Quebec Savings Banks Act applies or of a company incorporated under the laws of Canada or a province that carries on the business of a trust company within the meaning of the Trust Companies Act, or the business of a loan company within the meaning of the Loan Companies Act, and that accepts deposits from the public.

It seems to me that the latter portion of this clause is an unreasonable and meaningless restriction. Honourable senators need only refer to various investment guides to note the extent to which some trust companies rely for their directors on persons who are also bank directors, and not only of one bank. A trust company may have on its board, and in many cases has, directors of two, three, four or even five banks.

Now, rightly or wrongly a bank directorship carries, in the eyes of many people, a certain prestige, and all our trust companies are concerned, and I think rightly so, that when this clause becomes effective—and there is no mystery about the date; it will become effective on December 31, 1969, two years after the ceiling disappears—their directors are going to have to make a choice, and it is going to be a difficult choice, and they will probably lose a number of valuable directors.

It might be better to limit the directors of a bank to some modest number like 20—not the astronomical numbers that some of them achieve. That would probably leave more people sophisticated in the financial business to go on the boards of other financial companies, and ensure that those directors who remained on the bank board were in a position to take more interest in its affairs and to be more knowledgeable regarding it. But, leaving that aside, I do say that there is no evidence that I know of that the so-called interlocking directorships between banks and trust companies have any effect whatever upon competition. There is no evidence that it lessens competition, and the theme of the Porter Commission report was that we wanted to stimulate competition.

I think this bill will do a great deal to stimulate competition in the financial field, but I do not think it is necessary that we go to extremes. It seems to me we are doing that in this case. This section strikes at what might be a vice but what, in practice, has never been demonstrated to be so. Far from improving the financial system of this country, I think it is a retrograde step, and I will have something to say about that in committee.

Subclause (7) of the same clause, starting on page 14, states that:

> A person...is not eligible to be elected or appointed a director of the bank after the first day of July, 1971, when other directors of the bank consitute one-fifth or more of the board of directors of the corporation.

Having read that, I think it probably answers the question I asked Senator Lang. Take the case of a company with three directors. Under this provision it seems to me one director of such a company could be elected a director of a particular bank. No other director of such a company could be elected a director of that bank because at that time more than one-fifth of the directors of a private company—in this case one director—

would already be directors of that bank. But that is something our counsel can no doubt advise us on later.

Again, it seems to me this is too restrictive. It is also the type of provision that is so easily circumvented. Add your lawyers and your stenographers to your board of directors, and you will get down under the one-fifth, if you want to. So, it is another of those provisions which is designed to do something that I do not think it will do, because I do not think that competition in the financial field is affected by the fact that one company, for example, that I know of has more than one-fifth of its directors on the board of a particular bank. I assure you those directors do not feel they have too much influence on the bank, either as borrowers or lenders. Again, that is a matter I will refer to in committee.

I now come to clause 75(2) (g), on page 53, as amended in the other place yesterday. Senator Lang told us—and I made a note of it—that this section applied to only two banks, one of which is the Bank of Western Canada—which, incidentally, is not named as a bank in the schedule, and possibly we can have further information about that. The banks are those named in this schedule, and the Bank of Western Canada does not appear there.

Hon. Mr. Croll: It does in Schedule A, page 109.

Hon. Mr. McCutcheon: I am sorry; I was looking at the other schedule.

Clause 75(2)(g), Senator Lang told us, applied to the Bank of Western Canada and to the Mercantile Bank. But it is very obvious from reference to the other clause which Senator Lang quoted when he was dealing with the special position of the Bank of Western Canada, that the rules were provided for the Bank of Western Canada when it originally received its licence to do business. And, in fact, no matter how it is glossed over and papered over, no matter how it is said this is a subclause that applies to all banks, the fact is that it was put in here solely to affect the Mercantile Bank.

I have no brief for the Mercantile Bank as such. I make no comment as to the manner in which evidence was presented before the committee on its behalf. It will be very unfortunate if we cannot have them here to make out a case before us. But I do say that I object very strongly to legislation which is discriminatory and retroactive. That is exactly what this legislation is.

I would have no objection to the subclause—and I shall deal with this in committee—if there were a small proviso put in providing that this subclause does not apply to any bank incorporated before the 22nd day of September, 1964. That is all that is required. If it is not discriminatory, if it is not retroactive, that will make it abundantly clear. When I say it is discriminatory and retroactive, you must remember one or two things. When the Citibank purchased the shares of the Mercantile Bank, a bank which was incorporated by this Parliament—and there are members sitting here who sat on the Banking and Commerce Committee when that application for incorporation came before us, and heard the evidence of Mr. Towers, the then Governor of the Bank of Canada, who supported the application for incorporation—it was well known at that time that the basis of the application was that all of the shares of the bank were going to be held outside of Canada by non-resident bankers. Against that background, Citibank, when it bought the shares of the Mercantile Bank of Canada from the Dutch interests, did something that was absolutely legal, and is legal until this bill is passed and receives Royal assent.

The former Minister of Finance—and I hope we are almost at the end of this sordid washing of dirty cabinet linen in public that has been going on for some time—said: "I warned them." Again, I am not concerned as to the truth of the two stories. The documents seem to indicate that when the representatives of Citibank saw the former Minister of Finance there was a binding agreement entered into by memorandum of agreement, and subsequent telegrams and cables over a period of three weeks just prior to the date of that meeting. But, leaving that aside entirely, I say that we are coming to a most unfortunate situation when a member of the Executive, and particularly the Minister of Finance, can make pronouncements in his own office in the presence of two officials and two foreign financiers which have the binding effect that budget or similar statements have when made in the House of Commons.

Fifteen or sixteen months elapsed—from June or July 1963 to September 22, 1964—before the former Minister of Finance was prepared to rise in the House of Commons and say: "I am not going to be able to bring in my bank act, but I am putting everybody on warning." That is quite proper, and that is why that date of September 22, 1964 is

found in certain provisions of this bill. But there is no justification in my mind for this section, unless it is amended in the manner I have suggested.

Honourable senators know it has all been spread in the press. The Mercantile Bank has nearly replaced sex—

Hon. Mr. Croll: Are you in favour of it?

Hon. Mr. McCutcheon: Yes, both.

It appears, if one can judge from the press, that an agreement was reached. There was retreat from the hard positions on either side, and an agreement was reached by which the Mercantile Bank would have until December 31, 1972 to bring its shareholdings to the point where clause 75 (2) (g) would not apply to it.

The appropriate amendment was made in the committee, as appears from the underlining in the copy of the bill we have before us, because this is a copy of the bill as it was reprinted containing the committee's amendments.

That seemed to end the matter. Then, yesterday something else happened. I am not really concerned. I am amused, and occasionally a little disgusted—

Hon. Mr. Hayden: And sometimes irritated.

Hon. Mr. McCutcheon: No, not irritated—not by this matter; by other matters, yes.

I am a little disgusted at the running feud which seems to go on between the former Minister of Finance and the present Minister of Finance. All honourable senators saw the headlines this morning to the effect that Gordon had won. I wonder if they realize what the effect of this amendment is. As I read it, when this act comes into force upon proclamation of the Governor General—and that proclamation cannot be long delayed—the Governor in Council concurrently will have to pass an Order in Council under the provisions of this subsection to fix a date later than December 31, 1967 in order to permit the Mercantile Bank to open its doors the next day.

Honourable senators, this is the kind of legislation which, accompanied as it is and has been by this feud between two privy councillors—a feud that has been aired in the newspapers, and on radio and television for months—goes a long way towards tarnishing the Canadian image in London, and New York in particular, and elsewhere.

That Parliament can do this, there can be no question. I object to the original clause, but when it is quite obvious to everybody that there has been an agreement made—an agreement between the institution that is affected by this clause and the Minister of Finance—and then the Minister permits the clause to be amended in this form, the financial community elsewhere, upon which we rely to a considerable extent, is going to start wondering as to what kind of people we are and what our Government undertakings are worth.

Hon. Mr. Thorvaldson: Here the Senate can come into its own by applying sober, second thought.

Hon. Mr. McCutcheon: I am going to deal in committee with the matters to which I have referred, and I do not think I will traverse any of the other clauses. This bill, I think, will go a long distance towards increasing competition in the financial and commercial affairs of the country. That is what was recommended by the Porter Commission, and that is what we want. I am sorry that it has the blemishes that I referred to, but it may be that we can take care of those later this day, or ten days from now.

One can question or quarrel with Senator Lang's rather sweeping statement that this bill incorporates many, if not most, of the major recommendations of the Porter Commission. It incorporates the most important one, and that is of prime importance, but it does not incorporate the recommendations of the commission regarding the other deposit-taking institutions—the so-called near banks. Possibly that problem will be dealt with later and in other areas, but the only attempt to deal with it here, and it is obviously ineffective, is the restriction on the cross election of directors between banks and trust and loan companies, to which I have already referred and the restriction on bank holdings of trust and loan company shares.

One serious omission from the bill is the absence of any provision for agencies of foreign banks to operate in this country. We cannot put a fence around ourselves for ever and at the same time expect other people not to put up their own fences against us. The chartered banks in Canada have a very heavy stake, at least the five largest, in the agency system which prevails in the State of New York. Two chartered banks have wholly-owned subsidiaries which do a full banking business in certain states in the United States, a thing of course we are not going to let the Citibank do here.

The five large Canadian banks—possibly six, but certainly five—all have one or more branches in the United Kingdom doing a full banking business. One or more of them has a branch in France.

Now, the Government has apparently taken the position—and I do not agree with the reasons that have been expressed for this—that that type of operation is not going to be permitted. But certainly agency operations by foreign banks should be permitted here. They will increase competition in the financial system and also render us less vulnerable to retaliation by other jurisdictions.

It is encouraging to note that the committee of the other place which dealt with Bill C-222 requested permission to continue to sit and investigate this whole question of the proposed operation of agencies of foreign banks. May I say that this matter came up at certain committees I attended in Washington last week. We can only hope at least that this bill respecting banks and banking will eventually be corrected with respect to that deficiency.

There is of course another encouraging feature in the report of the committee of the other place, in that it said that it saw no reason why appropriate changes should not be made to the Bank Act between decennial reviews. It has been considered, although there is no law to that effect, that this was something that was inviolable and must not be touched within the ten-year period. So while I am not optimistic, I merely say that one derives some encouragement from the thought that if we do not remedy the defects to which I have referred in this chamber between now and the time the bill receives the Royal Assent, possibly amendments may occur next year or the year after as the validity of some of the arguments I have made become more apparent.

Hon. Salter A. Hayden: Honourable senators, my first comment is one of congratulation to Senator Lang for the very clear explanation he has given of the important parts of this bill, and also for indicating the changes that are incorporated in the bill as against what is in the existing act.

I find myself in rather an unusual position so far as Senator McCutcheon is concerned. It may appear from the few things I have to say that we are likely to find more common points of agreement than we usually do. Perhaps that is accounted for in part by the fact that he appeared to be mellower this morning than usual in his criticism and not as caustic as he usually is.

I know it must have been with some hesitancy that Senator McCutcheon was prepared to make the admission that in many respects this bill is good legislation even though it has some defects, the chief ones being the denial of the persons who are directors of trust companies to become directors of the banks, and the requirement that banks must within a certain period of time dispose of their holdings in the voting shares of trust companies down to a 10 per cent holding.

I was interested in his comments on the Mercantile Bank, and I may have a few things to say about that. However, in case you are fearful, I am not going to take long in what I have to say.

First, I agree on the importance of this legislation, possibly the most important piece of legislation we could be called upon to deal with. With that identification, I cannot commend as a usual course that such an important bill should be presented to us with the expectation that we would deal with it within 24 or 48 hours. It is true that in this particular case the sittings of the committee in the Commons have extended over a long period of time. They heard witnesses on all phases of the financial life of Canada, and they gave full consideration to the bill and incorporated a substantial number of amendments. All these proceedings were reported, and I would expect that most of us read the printed proceedings as they became available. Similarly, the discussions in the House of Commons were available, and I assume others read them, as I felt I had to do.

Notwithstanding all that, I would feel more comfortable if we did not have to rush our consideration of this bill—

Hon. Mr. McCutcheon: We do not have to.

Hon. Mr. Hayden: —but the bill is here, and I am not going to be the one to have the finger pointed at and to hear it said, "You delayed the bringing into force of very useful legislation, and at the end of your consideration you adopted, perhaps with a few changes, what had already received thorough consideration elsewhere."

Perhaps the attitude I am taking is the one we take every time we receive some legislation of great importance for our consideration and when we are being pushed against a deadline. We keep protesting, but we keep giving the best consideration we can under the circumstances.

At this point, I wish to address my remarks to the provisions in relation to directors of trust companies being directors of banks. I agree entirely with what Senator McCutcheon has said, that this prohibition is unreasonable, meaningless and completely unnecessary.

The only suggestion as to why such a provision is incorporated is that banks and trust companies are competitors. They may be competitors in the area of solicitation of deposits—they are pretty strong and active competitors in that field, and the net result has been that both the banks and trust companies operate well, and over the years when directors of trust companies have been also directors of banks there has been nothing to indicate that the trust companies have not been operated 100 per cent in the interest of their shareholders and in the interests of the public.

There is nothing in what the trust companies have done in the courses that they have pursued and the policies they have followed over that period of time which would point to the possibility that there was any restriction on the policy to be adopted by reason of a particular interest of the banks in relation to the operations and policies of the trust companies.

I think this restriction is ill-conceived, that directors of trust companies will not be able to be directors of banks, or of a bank, within two years after the ceiling on the interest rate which the banks may charge disappears.

I am inclined to agree too with what Senator McCutcheon said on that point, in that, according to present indications we will be operating on a free rate by the middle of July 1968. I am not going to speculate as to whether, if we did not have this 7¼ per cent interest restriction until December 31, 1967, the conditions would not otherwise be met which would make the rate free earlier than that date. The bill provides that within two years directors of trust companies will not be eligible to be elected directors of banks.

However, on the other side of the picture, with respect to banks with any substantial holdings in the shares of trust companies, they must get their holdings down to 10 per cent by July 1971.

We have this picture, that we are asked to approve of legislation which would say that, in relation to a particular class of companies and investors, that is, banks and their investments in trust companies, for some period of time when they may still retain substantial investments in excess of 10 per cent, they are not entitled to have any representation on the boards of those trust companies; and, thereafter, so long as they retain their 10 per cent interest, or any interest not in excess of 10 per cent, they are not entitled, as a matter of law, to have any representation on the board of directors of the trust company, to take part in the determination of policy, to make suggestions with regard to the proper policies and course of action—all in the interest of looking after the investment they have.

To me, that seems basically wrong. When I compare the treatment in relation to the time period within which a bank must shed its holdings of trust company shares in excess of 10 per cent, I turn to see what treatment is accorded the Mercantile Bank. I find, in effect, they have five years, namely, to December 31, 1972; whereas the banks, in the compulsory shedding of their excess shareholdings over 10 per cent, must have this done by July 1971.

I can find no reason in logic or commonsense, or even in fantasy, to justify the difference. If we must have that situation, I can find no reason for justifying the difference in treatment as between four years and five years.

In my view, therefore, this restriction on directors of trust companies being directors of banks is entirely unnecessary, and it is against the public interest. It cannot be justified even on the ground that they are competitors, because the area in which they may be said to be competitors, that is, in the area of solicitation of deposits, is only one area in a vast number of objectives and purposes which trust companies have.

On the other hand, the areas in which the banks operate vary in many important aspects and are entirely different from the areas in which trust companies operate. They, more or less, even to some considerable extent, complement one another.

The other problem that I see is the clause to which previous speakers have referred, that is, clause 75(2) (g), which deals generally with the permitted powers, objectives and purposes of a bank. There is no doubt but that clause 75(2) (g) is designed to deal with the Mercantile Bank situation.

Remember, as it stood before the amendment yesterday, the effect of this clause was that if the Citibank did not reduce its holdings of shares of Mercantile Bank down to 25 per cent by December 31, 1972, it was then subject to this formula, that its total liabilities, which would include its paid-up capital,

could not be in excess of twenty times its authorized capital.

I understand that if you tested the Mercantile Bank on this formula now, you might find it is operating in excess of what the formula would provide. Therefore, the purpose of this clause, as originally drafted, as I saw it, was to warn the non-resident shareholders holding this substantial quantity of shares in the Mercantile Bank, that they have until December 31, 1972, as a deadline by which to get down to the 25 per cent, or they would have this substantial limitation imposed upon them which would restrict their operations very substantially and would require that they reduce the scope, size and importance of their operations.

This is quite a drastic penalty to impose. But when I compare it with the amendment which was made yesterday in the House of Commons and which reached here this morning, the only way I can describe that amendment is that it will operate like a yo-yo.

Honourable senators, let me tell you why I say that. You all know what a yo-yo is: it is a little wheel on a string, and the youngsters have a way of throwing it up and bringing it down. Exactly what will happen under this clause, as amended, is that when December 31, 1967 comes—unless the Governor in Council meets and there is an order in council permitting otherwise—the Mercantile Bank, being a Canadian bank in which you have non-resident shareholders holding in excess of 25 per cent of the issued shares, must get down to this formula of total liabilities not in excess of 20 times the authorized capital.

In addition to that, where the yo-yo effect comes in is that in this clause the phrase "from time to time" is used. It says that a bank shall not, directly or indirectly—then (g) as amended says—at any time after the 31st day of December, 1967, or after such later day, not being a day later than the 31st day of December 1972, as may be prescribed from time to time by the Governor in Council, have outstanding total liabilities according to this formula laid down.

That means that after December 31, 1967, and up until December 31, 1972, the Governor in Council may, from time to time, say to the Mercantile Bank: "Your situation is such that you have non-resident shareholders in excess of 25 per cent, and therefore you must get down to this formula."

The silliness of it, as it strikes me, is that this implies that when you are told to get down to this formula, the only reason for giving the Governor in Council authority "from time to time"—which means to make such an order again—is that after having got down you may move up again. Otherwise, if one wanted to impose the limitation for the whole period, one would simply say "up until December 31, 1972, this formula applies if shareholding in excess of 25 per cent is owned by non-residents." Therefore, to me it becomes a meaningless sort of thing because I cannot conceive of the Governor in Council operating on that kind of basis and I cannot understand why we provide that kind of language.

In addition, you have some shareholders who are residents of Canada, and it may be that a liquidating policy of the non-resident shareholders over this period of five years will be such that that number may increase; or the course they may prefer to take might be to issue the balance of the authorized capital—and they have about $2 million of authorized capital which they have not issued —which would increase the Canadian content. They may during this period, with the consent of the minister, increase their authorized capital so as to permit the sale of more shares to residents of Canada. In that context, then imagine providing a power by statute which would damage and reduce the scope and size and volume of the operations of the bank in this period, and which, by so doing, would most likely damage the interests of the Canadians who have contributed to it and have become shareholders over this period of time.

I think the form of the amendment is ill-conceived. I think that the clause as it stood in the bill before it was changed yesterday is more desirable, if you must have a signal in the form of a warning that these non-resident shareholders must get down to the 25 per cent basis by a definite period by saying "or else." In my view clause 75(2)(g) as it stood before it was amended yesterday is the kind of "or else" that would make a non-resident shareholder of the character of the non-resident shareholders of the Mercantile Bank endeavour to conform by the limitation period that is provided here.

Now, there are many other things I could mention but I do not propose to do so. There are many beneficial features in the bill which we have before us; it will encourage and induce more competition. I think that is highly desirable.

The banks have an important place in association with the Bank of Canada in the

matter of general over-all monetary policy, in carrying out directions in that regard and being the instruments or the arms that are used by the Bank of Canada, and presumably by the Bank of Canada through the direction of the Government, in order to direct monetary policy and meet the financial requirements of the people of Canada.

Therefore, we have got to look at what is being done in the light that the banks are useful and most important institutions. They are part of our plan in designing and promulgating from time to time policies in relation to monetary matters and also for the provision of necessary financing.

May I come back in closing, then, to my chief criticism of this bill. It is entirely unnecessary and unfair to single out the trust companies and deprive them of a high quality director, one who because of his other affiliations would be of considerable value in the operation of a trust company. There is also a provision in this bill, concerning a director of another corporation—not a trust or loan company—that, when the bank holds more than 10 per cent of the shares of such a company, the director of such a company cannot be a director of the bank. Now, I think that is unnecessarily restricting the area of selection. I think the selection of directors should be left to their personal qualifications, their integrity and their interest, either representative or beneficial or both, in these various institutions. The test should be whether they are capable of doing a good job. I do not think there is any other test that is a reasonable test to apply.

Hon. T. D'Arcy Leonard: Honourable senators, I propose to deal with only two clauses of the bill, and as both of those clauses have been first of all very clearly explained along with the rest of the bill by Senator Lang, and secondly have also been dealt with by Senator McCutcheon and Senator Hayden, my remarks will be quite brief and I shall try not to traverse any ground that has already been covered.

I will deal first with clause 18, respecting the prohibition against the director of a bank being also the director of a loan or a trust company. This is a point that has been well covered by Senator McCutcheon and Senator Hayden. As they stated, the thinking behind this provision is the idea that apparently competition between banks and trust or loan companies for deposits might be lessened by the presence on a board of a trust company and a board of a bank of a common director.

I have had a lifetime of experience in the trust and loan field, and I can say with confidence that this idea is purely theoretical and indeed is a myth. From practical experience, I can say that when loan and trust companies compete with banks for deposits, the competition is keen and hard, regardless of any common directorate. One finds further evidence of this in the briefs that were submitted to the Porter Commission, and in the report itself that during the time when this practice has been going on—and indeed it has been going on ever since the beginning of banking—and especially in recent years, the banks have lost ground to the other institutions because of this keen competition.

This practice has been the proper practice, has been accepted, and has not only been legal but has been recognized for years and for generations. Therefore, not only is clause 18 based upon the false premise that it will in some way increase competition, it is retroactive in effect.

Let me recite the case of a trust company with which I am connected, if I may. I am a director of the Canada Permanent Trust Company. I am not a director of any bank, so that this legislation does not affect me personally. On the board of the Canada Permanent Trust Company, of which there are over 35 members, there are 16 directors who are also bank directors. They represent four different banks. Three of these trust company directors are vice-presidents of their respective banks. I need only give names of one or two to indicate to you that their presence on both boards is perfectly proper and perfectly right.

For example, John A. MacAulay, who is actually well-known in this chamber to a good many members, is Vice-President of the Bank of Montreal and is also on the board of the Canada Permanent Trust Company. He is the head of a well-known law firm in Winnipeg; he is a past President of the Canadian Bar Association; he is the only Canadian to have been head of the International Red Cross. He was chosen Citizen of the Year in Winnipeg two years ago and has been a tower of strength on the board of the Canada Permanent Trust Company, and I am sure, on the board of the Bank of Montreal also, without in any way lessening competition between these institutions or in any way failing to discharge his full responsibilities to the institutions of which he is a member of the board.

The other two vice-presidents, if I may just give you their names, are Mr. Edgar Burton, Vice-President of the Canadian Imperial Bank of Commerce, who is also a director on the board of the Canada Permanent Trust Company, and W. C. Harris, Vice-President of the Bank of Nova Scotia, an investment dealer well-known throughout Canada who is also a director of our company.

I mention these names to indicate to you that they are directors of both institutions so that they may bring to the bank and the trust company the general knowledge they have as to business affairs, and the wisdom and judgment they have acquired. In no way is the element of competition lessened between these institutions which are to be deprived of their services. In the first place, the directors will have to decide which board they are going to choose, and then the bank or trust company will have to replace those who resign. This has to be done within two years from a deadline date, which at present appears to be December 31, 1967. Furthermore, when one realizes that annual meetings take place early in the year to elect their directors for the coming year, the decision might have to be made very quickly, perhaps immediately. To me it appears to be ruthless, unfair, retroactive and completely unnecessary.

The other clause I propose to deal with is clause 76. This deals with the ownership by the bank of more than 10 per cent of a trust or loan company. Here I call as my witness Mr. Douglas Gibson, who was a member of the Porter Commission, and who is well known in banking circles as well as being an economist of note. On page 1637 of the Proceedings of the Standing Committee on Finance, Trade and Economic Affairs, of the House of Commons, dealing with clause 76, he says:

> It also proposes, and this is the feature that I want to speak about, to make retroactive the application of this 10 per cent rule to arrangements that have been made between banks and other financial institutions in recent years, indeed going back as far as you like. It seems to me there are two objections to this business of asking banks to undo what already has been done. One is, the retroactive feature; in my view, one does not make something retroactive unless there is a very good reason for it.

This is why I protest against this particular clause, when a transaction of this kind of which I am aware has been entered into. It was endorsed by the authorities at Ottawa and carried out with their approval, and now to try to undo what has already been done is a very serious matter.

Senator McCutcheon has said he proposes to raise these matters again in committee this afternoon. I certainly am prepared to support amendments that would correct these two clauses to which I object. In addition to the reasons I have given, I might also indicate that there are very strong reasons for at least extending the time within which these changes must take place. I have already spoken about the cases of boards of directors, where the time expires within this two-year period. In other cases under the act the time limits have been extended. One reason, of course, for such an extension is the fact that since the bill was originally introduced quite a considerable period of time has gone by. If the time was right in the original bill, it should be extended even on the ground of lapse of time; and, in addition to that, circumstances have changed, so that as interest rates have dropped the ceiling on interest rates will end apparently on December 31, 1967, and that shortens the period for the application of the section to which I have referred.

For these reasons and on the ground of avoiding retroactivity, I would like to see proper amendments to extend the time limit made by the committee and accepted by the Minister of Finance.

Hon. Daniel A. Lang: Honourable senators—

The Hon. the Speaker: I must warn honourable senators that if the honourable Senator Lang speaks now it will have the effect of closing the debate.

Hon. Mr. Lang: Honourable senators, I wish to express my appreciation to Senator McCutcheon, Senator Hayden and Senator Leonard for the remarks they have made here this morning, the more so when I consider the wealth of experience in these areas that they bring to a debate of this nature. I do not think there are any other three men in Canada who combined can present a background to their judgment such as is presented by these three distinguished men. For that reason I think we must—indeed, we cannot but—give considerable weight to their thinking in connection with the clauses to which they have referred.

However, honourable senators, I draw to your attention that in essence their remarks were directed to three things, and to three

things only, namely, the interlocking directorates as between banks and trust companies, the effect of clause 75 on the Mercantile Bank, and Senator Leonard's point with respect to the burden placed upon banks in requiring them to dispose of their holdings in trust companies within such a limited period of time. I think all honourable senators will agree with me that these objections do not go to the root of the legislation, nor do they affect the validity of the basic policy behind the bulk of the enactments in this bill.

I do not wish to delay honourable senators any longer at this time, but I want to thank you for you kind attention during the debate. If this bill receives second reading, I will move that it be referred to the Standing Committee on Banking and Commerce.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Lang, bill referred to the Standing Committee on Banking and Commerce.

QUEBEC SAVINGS BANKS ACT

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-223, respecting savings banks in the Province of Quebec.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly: Honourable senators, before the motion is put, may I point out that this bill is consequential upon the bill we have been discussing. Senator Bourque has kindly consented to sponsor it, and he has a speech to make which will last about twenty minutes. This bill does not require special attention in view of the provisions of the Bank Act itself. Perhaps it would be convenient for honourable senators to continue to sit now so that this bill could receive second reading and then be considered in committee at the same time as the bill we have just been discussing.

Hon. Romuald Bourque, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, before proceeding with my remarks concerning Bill C-223, I would like to congratulate Senator Lang on the able way in which he presented Bill C-222. May I also thank the official of the Department of Finance who has so ably supplied me with all the possible information pertaining to Bill C-223.

The purpose of this bill is to make a decennial revision of the Quebec Savings Banks Act which, as honourable senators are aware, would, but for various circumstances, have been brought before us in 1964. This act governs the operations of the two savings banks which carry on business only in the Province of Quebec. I think it would aid in honourable senators' understanding of the bill if I related the historical background of these two savings banks.

Both savings banks have been in business for well over 100 years. The Montreal City and District Savings Bank, La Banque d'Épargne de la Cité et du District de Montréal, has its head office in Montreal, and La Banque d'Économie de Québec, the Quebec Savings Bank, has its head office in Quebec City.

At the time of Confederation these were really thrift institutions, not unlike co-operatives. They had been started under the sponsorship of the church to provide a place for the savings of the working man, and when the question of what would happen at the time of Confederation was brought forward, they were offered the opportunity of taking out a charter or of turning over their business to a chartered bank or to what was then the Dominion Savings Office. These two decided to take out charters and they now operate under their charters and under an act distinct from the Bank Act. However, while the charters have not been cancelled as is the case in the Bank Act, they are to all intents overridden by the provisions of the Quebec Savings Banks Act. Since 1954, the aim has been to endeavour to see that the provisions of the Quebec Savings Banks Act, in so far as is possible and appropriate, are similar to like provisions in the bill to revise the Bank Act.

The bill now before us may be divided into two basic categories. The first category includes those sections which are changed in order to bring the present act in line with the corresponding changes in the new Bank Act. The second category contains those sections of the Savings Banks Act which differ from the Bank Act. It is these sections which constitute the basic distinction between a savings bank and a chartered bank.

In view of Senator Lang's comprehensive explanation of the provisions of the new Bank Act, it is my intention merely to indi-

cate the important clauses of this bill corresponding to sections in the new Bank Act. They are the following.

The first is clause 12, dealing with directors. Subclause 2 of clause 12 provides that at least three-quarters of the directors shall be Canadian citizens ordinarily resident in Canada. Subclause 4 provides that following July 1, 1970, a person cannot be appointed to the board if he has attained the age of 75.

Clause 26 provides for the issue of new shares and has in paragraph (d) the restriction which is common to both acts, where an issue would violate the ownership ratios that appear later in the bill in clause 46.

Clauses 37 to 50 deal with the ownership and transmission of shares.

Clause 44 (1) corresponds to clause 51 in the Bank Act bill and provides that the bank will have the power to require satisfactory documentation before making a transmission of shares because of the death of a shareholder.

Clauses 45 to 49 are the same as the ownership clauses 52 to 57 of the Bank Act. Clause 46 contains the limit on shares held by non-residents as well as the limit on shares held by any person.

Moving now to clause 53, it is provided that the savings banks will now be required to have the same financial year as the chartered banks, namely, the 31st of October in each year. This section also contains the provisions regarding disclosure found in the Bank Act. The two savings banks will be required to disclose in their annual statements the total of their accumulated appropriations or, in other words, what is now known as "inner reserves."

Clause 55 makes the auditors responsible for all the financial statements of the bank instead of only the statement of assets and liabilities of the bank, as in the past.

The next important clause is 79, which is concerned with "Interest and Charges." The permitted interest and charges here are the same as in the Bank Act, and if and when the maximum rate of loan interest specified in the Bank Act comes off, then it will automatically come off here at the same time.

An amendment has also been made to this act as well as to the Bank Act to cover the disclosure of the cost of loans where the cost is not entirely covered by the interest charge.

Clauses 82 to 86, dealing with unclaimed balances, are brought into line with the corresponding sections in the Bank Act.

Clause 99 is the equivalent of a similar provision in the Bank Act. This gives the Bank of Canada the power to obtain information from these banks in such form as is required, but the banks shall not be required to furnish information with respect to the accounts or affairs of any particular person.

The clauses from 102 to the end of the bill—on insolvency, liquidation and winding up—are the same as in the Bank Act. It is hoped that it will never be necessary to have recourse to these sections, when enacted.

I now come to that group of clauses which constitutes the distinctive characteristic of the savings banks. Clause 63 contains the provisions concerning cash and secondary reserves. The requirements are that they shall maintain a cash reserve of 5 per cent of their deposit liabilities payable in Canadian dollars, and this reserve can be in the form of notes of the Bank of Canada, deposits with the Bank of Canada, and deposits with a chartered bank. This is more liberal than the cash reserve requirements of chartered banks. The latter must keep a reserve of approximately 6.6 per cent of overall deposits, and these reserves must be in notes of deposit with the Bank of Canada.

The secondary reserve of the savings banks is 15 per cent of deposit liabilities. However, it is not a standby secondary reserve as is the case with the chartered banks. Nor is it restricted, as it is in the case of chartered banks, to treasury bills. The savings banks are entitled to hold as secondary reserves any other securities issued or guaranteed by Canada, or a province, payable in Canadian currency. This secondary reserve requirement for savings banks creates no hardship since they normally invest well over 15 per cent of deposit liabilities in such securities.

The explanation for the less stringent reserve requirements for the savings banks is found in their more restricted and conservative lending and investment powers. Their deposits also are not as volatile, and they have practically no demand deposits at all. Moreover, these banks cannot make commercial loans. Thus, the cash reserves of these banks are not an important instrument in the exercise of monetary control by the Bank of Canada.

Clause 65 and following deal with the business and powers of the savings banks. The essential difference between the powers of these banks and the chartered banks is that the savings banks shall not lend money unless they are permitted to by the act. Thus, the savings banks are not empowered to make commercial loans. They are in the savings

business for investment, mostly in the securities of Canada and the provinces, and in mortgage and personal loans.

This bill provides for some increase in the lending and investment powers of the savings banks. In clause 70 (g) there is an amendment which states that they may lend to an individual an amount which, together with any other loan he may have, does not exceed $10,000. This figure was previously $5,000.

Section 72 refers to conventional mortgages. The amount on which the loan may be based has been raised from 60 to 75 per cent of the value of the property. The bank can also take a second mortgage provided that the total of the first and second mortgages does not exceed 75 per cent.

In summary, this bill amends the Quebec Savings Banks Act to bring it in line with the changes in the Bank Act. In addition some increase in power is given to the savings banks, but the nature of their business continues to be severely restricted in comparison with that of the chartered banks.

As I said previously, these two banks began as thrift organizations, one in 1846 and the other about five years later. They became incorporated under the Great Seal, I believe, immediately after Confederation. Both are well over 100 years old.

At the time of incorporation the declared amount of their surplus was, in the case of the City and District Savings Bank, ascertained and settled at $180,000, and that of the Quebec Savings Bank at $83,000. In the case of the City and District Savings Bank this fund was designated as the Poor Fund, and in the case of the Quebec Savings Bank as the Charity Fund. Both funds are for the same purpose. The interest earned from these two funds must be distributed yearly to charitable institutions.

With very few exceptions the changes in this act are similar to, or have the same import as, the changes in the Bank Act.

As time went on these two banks were given wider powers, and especially so in the last ten years. The Royal Commission on Banking and Finance 1963 recommended they be given wider powers on investments and loans, and this has been done. The powers in this bill are ones that have been asked for or agreed upon by the banks concerned. I understand that those two banks are satisfied with the powers they are given by this bill.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I shall not keep you more than two minutes because, all in all, the explanations the sponsor of the bill has just given us were very clear, very complete.

In short, we are dealing here with the normal decennial revision of the charter of two financial institutions of high repute which are the first near-banks we have had in this country and because they operate in a more limited field, that of savings, in a specific area, namely, that of Montreal in one case, and that of Quebec, in the other, a special act is required.

The act is special; indeed, it has a private character as it governs only those two institutions. In the future, a special chapter could be incorporated in the Bank Act to govern them and define the differences which apply to them.

For those reasons, it is not necessary to discuss the bill any further. The most important of the new provisions concern the Bank Act; they will be discussed later on in committee, at the same time as the amendments to this last act.

I congratulate the sponsor of the bill for his explanations and I am sure that, on this side of the house, there is no objection to giving second reading to the bill immediately.

[*Text*]

Motion agreed to, and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Bourque, bill referred to the Standing Committee on Banking and Commerce.

DOCUMENTS TABLED

Hon. John J. Connolly, tabled:

Report of the Department of External Affairs for the year ended December 31, 1966, pursuant to section 6 of the Department of External Affairs Act, chapter 68, R.S.C., 1952. (English and French texts).

Capital Budgets of Eldorado Mining and Refining Limited and Eldorado Aviation Limited for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with a copy of Order in Council P.C. 1967-324, dated February 23, 1967, approving same. (English text).

Copies of two contracts between the Government of Canada and certain municipalities in the Province of

Manitoba for the use or employment of the Royal Canadian Mounted Police, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, chapter 54, Statutes of Canada, 1959. (English text).

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, March 22, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

SURVEY OF THE CONTEMPORARY INDIANS OF CANADA

QUESTION OF PRIVILEGE

On the Orders of the Day:

Hon. Malcolm Hollett: Honourable senators, before the Orders of the Day are called I should like to raise a matter that is not in any way connected with banking. All honourable senators will have received this little booklet of 400-odd pages and running to about 247,000 words entitled "A Survey of the Contemporary Indians of Canada." On a question of privilege I should like to refer to the text which commences 10 lines from the bottom of page 148:

> Large developmental projects involving investments in the hundreds of millions of dollars, notably the Athabasca tar sands in Northern Alberta, the earlier mentioned Peace River power project in Northern British Columbia, and the Hamilton Falls power project in Northern Quebec—

It is the phrase "The Hamilton Falls power project in Northern Quebec" to which I object.

I was not greatly concerned about this until I looked at the inside cover of this volume and saw the words "Crown Copyrights reserved", and realized that this is a Government publication. As a matter of fact, H. B. Hawthorn, the Director of the survey, wrote to the Honourable Arthur Laing, P.C., M.P., Minister of Indian Affairs and Northern Development in these words:

> In 1964 the Minister of Citizenship and Immigration asked The University of British Columbia to undertake, in conjunction with scholars in other universities, a study of the social, educational and economic situation of the Indians of Canada and to offer recommendations where it appeared that benefits could be gained.
>
> We have the honour to submit Part 1 of the findings, concerned primarily with economic, political and administrative matters.

I understand that all honourable senators have received a copy of this survey from the Honourable the Minister of Indian Affairs and Northern Development and, therefore, from all appearances it is a Government document.

I have not read the whole of it, but when I got to page 148 and saw that phrase I felt I must take exception to it because, from my knowledge of geography, Hamilton Falls is in almost the centre of Labrador, which is part of Newfoundland, not Northern Quebec. Hamilton Falls happens to be in that part of Labrador that was given to Newfoundland back in 1927. The authors of this survey have not caught up with their history.

Honourable senators, in my opinion the Honourable the Minister of Indian Affairs and Northern Development should not have sent this survey to me or to anybody else when it contains a statement that is not true. I take exception to this, and I would like the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) to inform us whether it is the opinion of the Honourable the Minister of Indian Affairs and Northern Development that the geographic location of Hamilton Falls is as stated in this volume.

Hon. Mr. Connolly (Ottawa West): I think perhaps this is a place that we could invoke the Latin aphorism, *res ipsa loquitur*. If Hamilton Falls is in Newfoundland, then perhaps the royal commission or the study group that made this report certainly does not know its geography as well as it should. I will draw the remarks of the honourable senator to the minister.

Hon. Mr. MacKenzie: Honourable senators—

Hon. Mr. Hollett: You are from British Columbia.

Hon. Mr. MacKenzie: On a point of information, Professor Hawthorn happens to be a New Zealander, and perhaps he is not as familiar with the geography of Canada as he should be.

Hon. Mr. Connolly (Ottawa West): That lets British Columbia off the hook.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1225 to 1263, inclusive, which were presented yesterday.

Hon. G. Percival Burchill, for Hon. Arthur W. Roebuck, Chairman of the Standing

Committee on Divorce, moved the adoption of the following resolutions:

Resolution 1225, for the relief of Joseph Paul Fernand Labreche.

Resolution 1226, for the relief of Mariette Rose Lepine.

Resolution 1227, for the relief of Ubald Laurencelle.

Resolution 1228, for the relief of Frank Edward O'Dwyer.

Resolution 1229, for the relief of Robert Cyr.

Resolution 1230, for the relief of Thelma Doreen Young Magee.

Resolution 1231, for the relief of Eileen McKoy Penticost.

Resolution 1232, for the relief of Mary Ellen Dempsey Bucci.

Resolution 1233, for the relief of Gisele Bourque Dupere.

Resolution 1234, for the relief of Alice Jutigonka (Utronkie) MacDonald.

Resolution 1235, for the relief of Karinn Bjorg Gunnlogsson Sorensen.

Resolution 1236, for the relief of Margot Anne Robinson Deligniere.

Resolution 1237, for the relief of Marie Jeannine (Jeannyne) Berthe Vaillancourt Bourgeois.

Resolution 1238, for the relief of Ann Marie Falconer Porga.

Resolution 1239, for the relief of Jean-Marie Labonte.

Resolution 1240, for the relief of Mary Elizabeth (Elisabeth) Margot Jacqueline Patricia Harton Ross.

Resolution 1241, for the relief of Fernande Gauthier Beaugrand.

Resolution 1242, for the relief of Jeannette Brash Doiron.

Resolution 1243, for the relief of Roger Hamel.

Resolution 1244, for the relief of Gussie Solomon-Nish Greenstein.

Resolution 1245, for the relief of Shirley Holtzman Spector.

Resolution 1246, for the relief of Alice Elizabeth Getty King.

Resolution 1247, for the relief of Ruth Sharon Alice Burgess Moscovitch.

Resolution 1248, for the relief of Gertrude Anna Schrotterowna Worthington.

Resolution 1249, for the relief of Michelle Jacques Leveille.

Resolution 1250, for the relief of Dorothy Doris Belbin Taube.

Resolution 1251, for the relief of Yvette Pelletier Garon.

Resolution 1252, for the relief of Marie Marguerite Leoni Landry Clement.

Resolution 1253, for the relief of Jozefa Ilnicki Kirkman Maxwell.

Resolution 1254, for the relief of Rhoda May Joudrey Wood.

Resolution 1255 for the relief of Andre Michaud.

Resolution 1256, for the relief of Perrette Bouchard Hoffman.

Resolution 1257, for the relief of Ronald David Flanagan.

Resolution 1258, for the relief of Rolande Brullemans Villeneuve.

Resolution 1259, for the relief of Karin Luedders Holzer.

Resolution 1260, for the relief of Ailleen Staples Smethurst.

Resolution 1261, for the relief of Maria Irtl Kiss.

Resolution 1262, for the relief of Joseph Pierre Georges Etienne Girard.

Resolution 1263, for the relief of Earl Bruce Boomhour.

Resolutions adopted, on division.

BUSINESS OF THE SENATE

Hon. Mr. Connolly (Ottawa West): Honourable senators, if honourable senators agree, perhaps all the other items on the Order Paper can stand.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): We have had a full and productive morning. We do not know how long the committee will take this afternoon, or if it will continue this evening, or even longer. In the circumstances, I think we should rise now to reassemble at the call of the bell at approximately 5.30 this afternoon and assess the situation at that time.

That does not mean there are any foreclosure proceedings being applied to other events. However, I am asked by the Chairman of the Banking and Commerce Committee to inform honourable senators that notices will be sent to their rooms, if not to their boxes as well, that a meeting of that committee will be held at 2.30 this afternoon.

The Senate recessed until approximately 5.30 p.m.

At 6.10 p.m. the sitting was resumed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I apoligize for the delay of half an hour in ringing the bell. This was because I had no definite word about the sitting beyond 6 o'clock in the other place where they are dealing now with the appropriation bills. In view of the fact they have agreed to sit beyond 6 o'clock, would it be agreeable to all if we recessed now until 8 p.m.?

Hon. Senators: Agreed.

The Senate adjourned until 8 p.m.

At 8.15 p.m. the sitting was resumed.

QUEBEC SAVINGS BANKS BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Arthur L. Beaubien, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-223, respecting Savings Banks in the Province of Quebec:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Beaubien (Provencher): I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Beaubien (Provencher), for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-223, respecting Savings Banks in the Province of Quebec, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Bourque: I move, with leave of the Senate, that this bill be read the third time now.

The Hon. the Speaker: With leave of the Senate, it is moved by the honourable Senator Bourque, seconded by the honourable Senator Gouin, that Bill C-223, intituled—

Hon. Mr. Bourque: Honourable senators, as Senator Gouin is a director of one of these banks, Senator Power will second the motion.

Motion agreed to and bill read third time and passed.

BANK BILL

AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Arthur L. Beaubien, for Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill C-222, respecting Banks and Banking.

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Beaubien (Provencher): I move with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE

Hon. Mr. Beaubien (Provencher), for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill C-222 respecting Banks and Banking, and had directed that the bill be reported without amendment.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Lang: Honourable senators, with leave, I move that this bill be read the third time now.

Hon. M. Wallace McCutcheon: Honourable senators, I do not want to trespass on your time unduly, and I shall at least try not to traverse in the same words the matters I covered when I spoke in this chamber this morning, and which were subsequently discussed in committee this afternoon. However, I have a few words to say about clause 75(2)(g) of Bill C-222.

To refresh our minds, this is the clause of the bill which affects the Mercantile Bank of Canada and which has been the subject of much debate and discussion both in and out of Parliament.

As I said this morning, after the representatives of the Mercantile Bank had given their evidence, the lines which had hardened somewhat softened, and we read in the press that the member, I think for Verdun, Mr. Mackasey, on his own authority but with the knowledge of the Minister of Finance, proceeded to New York City and bearded that sophisticated bank clerk, Mr. James Rockefeller, in his office. He came back and reported that there seemed to be a basis for compromise. Subsequently, as the minister said in evidence before our committee this afternoon, he received two messages from Mr. Clifford, the General Manager of the Mercantile Bank. By that time the Mercantile Bank had accepted the fact that the legislation, either to restrict its capacity to grow or alternatively to restrict the holdings of the Citibank in the Mercantile Bank, was going to be passed. Their representations were to the effect that at this stage—and they were not made before the committee in the other place—they wanted an opportunity to develop the bank and to make it a profitable operation so that it would be feasible to offer shares to the Canadian public with the eventual intention of reducing their shareholdings to not more than 25 per cent. That they needed time to do this is evidenced by the fact—I had intended to bring in some statements with me but it is immaterial—that in no year since they have operated have they made as much as $10,000 as I recall it.

Those who believe that obtaining a bank charter gives you a licence to print money and put it in your own pocket are very gullible people.

It was suggested that five years would be an appropriate time in which to proceed to build up the bank and to bring their shareholdings down to that which is required under the subclause to which I am referring now. As the Minister said this afternoon, he regarded that as a reasonable proposition.

In the result, a Liberal member of the Commons committee made a motion to amend this subclause, so that it would not become applicable until the 31st day of December 1972. It was a member of the New Democratic Party who seconded that motion, and it was approved unanimously by the Committee. The bill was so reported to the House of Commons in the form of the bill which we had when we first entered this chamber this morning. We knew that there had been an amendment, but we did not receive a copy of the reprinted bill until some time later.

I propose to move an amendment. Before doing so, I should say that with some reluctance I have decided not to move the amendment which I think should be made, which would be a simple amendment limiting the application of this clause to banks incorporated after a certain date and thereby excluding the Mercantile Bank. I do not hesitate to repeat that this is arbitrary, discriminatory, retroactive legislation and not the type which should go on the statute books. However, to move such an amendment would be a sheer waste of time this evening, the Government having indicated its policy. Therefore, I shall not do it.

Honourable senators, we were presented this morning with an amendment to that subclause. That amendment made the clause effective at any time, not after the 31st day of December 1972 but, after the 31st day of December 1967 or after such later date, not being a day later than the 31st day of December 1972, as may be prescribed from time to time by the Governor in Council.

That means, that before the end of this year, if the doors of the Mercantile Bank are to be opened on the 2nd of January 1968 there must be an order in council saying they can go ahead until December 31, 1968. The minister suggested today that he would probably agree to that, but nobody knows whether they can go on after the 31st of December 1968—until there is another decision made, and then another decision, and yet another decision.

The minister was concerned about the employees of the bank and he also was concerned about the customers of the bank. This bank has been an asset to Canada to date and will continue to be so.

The purpose of the exercise surely is to enable the bank to become a profitable institution, the kind of institution in which Canadians will be prepared to invest a substantial amount of money, so that they will own a minimum of 75 per cent of the stock.

I think this amendment that was passed in the house yesterday will to a great degree tend to nullify the whole object of the exercise. Never at any time can there be any certainty in the minds of the operators of the bank or in the minds of the public; and if the Citibank or the Mercantile Bank, depending

on whether or not they sell presently outstanding shares or sell treasury shares, come along in the spring of 1969 and offer 'X' hundred thousand shares at 'Y' dollars, I think the Canadian investors would say, "Well, now, that looks pretty good, but you are under sentence of death at December 31, 1969, and those odds are a little too great for us. So we will not buy." As a matter of fact, a very curious situation may arise one of these days when it is found that the Canadian public do not want to buy 75 per cent of this bank, but that is something we can face when we come to it.

So I take it from the point of view of accomplishing what presumably the minister wanted to accomplish, and what I think we all want to accomplish once we have, at least so far as I am concerned with great reluctance, accepted the fact that this is Government policy, then this amendment runs completely counter to and may even prevent our accomplishing the end sought.

But possibly more important than that is what I regard as almost a moral question. There were goings to and fro between representatives of the Government, whether unofficial or not, and the Citibank. There were communications between Mr. Clifford, the General Manager of the Mercantile Bank, and the Minister of Finance, who finally said concerning their final proposal—whether it was the first, second or third I don't know—"That seems reasonable to me." And the Liberal member who moved the appropriate amendment in the committee was not uninspired, I think. The fact is the minister said, "I think that is a reasonable proposal," and the committee unanimously went along with him. Now, I am not going to speculate on what inspired the amendment of yesterday in the House of Commons. I am quite willing to let the newspapers do that. Senator Lang suggested that the bill had been a little better digested yesterday. I do not like to deal in terms of that nature or we might come out with terms that would offend some honourable senators. It is not the kind of digestion that I approve of. Regurgitation might be a better word.

But I say that the Citibank was perfectly entitled to feel that it had an agreement with the Minister of Finance, and when the minister said, as he did to us this afternoon, "Of course I welcome this amendment that the Commons made," I say that I do not think that is the position that a responsible minister should take under these circumstances. I was surprised to hear him say it.

All the minister had to do yesterday evening was to say what the fact is: "This was the proposal made to me. I considered it reasonable and the bill was amended accordingly." Then the amendment either would not have been proposed or, if proposed, would have been voted down by the minister's supporters.

I say that this Parliament is putting itself in a position where great financial interests can properly say, "We cannot deal with these people. We cannot rely on them. We went a long way; we invested our money in this situation. We are taking all the risks, and we finally agreed that, if they would give us a little time to make it profitable, we would sell 75 per cent of our shares or raise the capital to a point where we would only have 25 per cent, and 75 per cent would be held in Canada. We did that, and suddenly we wake up and find that at the last moment there has been a change made and the guillotine is suspended by a hair above our heads from day to day for the next five and a half years." I suggest, honourable senators, that that is not a position in which this Parliament should place itself.

The minister said, "Of course, you may be faced with a dreadful dilemma; these people might go on and expand and not sell their shares." I am sure if the Citibank welched on its undertaking—and that is exactly what it would be—this Parliament could find many appropriate remedies to deal with the situation, even if it meant expropriation of the appropriate number of shares. Parliament controls banks, it is supreme, and I do not think we should break agreements and pass this type of legislation because we fear something of which there has been no suggestion. In my opinion such a situation will never arise.

Before moving the amendment I would make one other statement. When we were dealing with bank matters in the last few years some honourable senators have not voted because they felt that there might be a conflict of interest. While I do not agree with their position, I respect it. Should there be any bank directors here this evening, I would suggest to them that there can be no conflict of interest in dealing with this clause and with this amendment. The Government policy is clear, and I am suggesting no change in the Government policy. I am suggesting that we honour the commitments that we entered into, and that we do what the Minister of Fi-

nance suggested a few weeks ago, that is, that we implement what he thought at that time was a very reasonable proposal.

Honourable senators, I move, seconded by Senator Choquette, that the bill be not now read a third time but that it be amended as follows:

> Page 53: Strike out paragraph (g) of subclause (2) of clause 75 and substitute therefor the following:—
>
> "(g) at any time after the 31st day of December, 1972, have outstanding total liabilities (including paid-up capital, rest account and undivided profits) exceeding twenty times its authorized capital stock if more than twenty-five per cent of its issued shares are held by any one resident or non-resident shareholder and his associates as described in section 56."

Hon. Mr. Fournier (De Lanaudière): What you read was exactly what I read in the bill.

Hon. Mr. McCutcheon: I am reverting to the language in the copy of the bill which we received this morning, which was not the copy as passed by the House of Commons. It was the text of the bill as reported out of the House of Commons committee to that House. Subsequently, it was amended. I am striking out the words that constituted that amendment.

Hon. Mr. Fournier (De Lanaudière): If you will permit me, maybe it is a little too technical for me, but I do not grasp exactly what you mean. I am sorry to have to confess my ignorance.

Hon. Mr. McCutcheon: Senator, I do not think you have before you the bill as finally passed. What does it say on the front of your copy?

Hon. Mr. Fournier (De Lanaudière): If you will permit me to say so, I was following you when you were reading the amendment, and those were the exact words as I have them here.

Hon. Mr. McCutcheon: What I am trying to explain, senator, is that if you look at the front of your copy of the bill, I think you will find you have a copy reprinted as amended and reported by the Committee on Finance, Trade and Economic Affairs. Is that what it says on the front of your bill?

Hon. Mr. Fournier (De Lanaudière): Yes.

Hon. Mr. McCutcheon: That is not the bill as finally passed by the House of Commons. I am making an amendment which, if accepted, will cancel the amendment subsequently made by the House of Commons after the bill was reported to it in the form in which you have it.

Hon. Mr. Fournier (De Lanaudière): I would like to ask the Leader of the Government to explain exactly what happened.

Hon. Mr. McCutcheon: I would much sooner have him answer.

Hon. John J. Connolly: Honourable senators, I have listened with great care to the remarks made by Senator McCutcheon. He is always to the point and very clear.

First, let me deal with Senator Fournier's problem. He has before him the reprint of Bill C-222 as amended and reported by the Committee on Finance, Trade and Economic Affairs. When the bill in that form reached the House of Commons, clause 75 (2) (g) was amended in the manner indicated by Senator McCutcheon, and the effect of that amendment is to require the Mercantile Bank, by the 31st of December, 1967, to reduce its holdings in this bank to 25 per cent, unless the time limit is extended by Order in council.

Hon. Mr. McCutcheon: It has the alternatives either to dispose of its shares or reduce its liabilities.

Hon. Mr. Connolly (Ottawa West): That is right. It is to that amendment that I speak.

First of all, I agree that the amendment is a departure from the bill as it emerged from the committee in the other place. The amendment is described by Senator McCutcheon as arbitrary and discriminatory.

Hon. Mr. McCutcheon: No. I think I described the whole clause as that.

Hon. Mr. Connolly (Ottawa West): I am sorry—not only the amendment but the whole clause as arbitrary and discriminatory. Obviously, the reason is that you have here a foreign-owned bank and so incorporated by the Parliament of Canada, a bank originally owned by Dutch interests and now owned wholly by American interests, and now to say in the decennial revision of the Bank Act that Parliament should not change that is arbitrary and discriminatory.

Speaking on behalf of the Government, I must say that any bank charter must always be read as subject to the decennial revision of the Bank Act. The powers that are conferred can, in theory, be changed when the Bank Act comes before Parliament for the decennial revision.

Hon. Mr. McCutcheon: There is no question about that. The real question is whether morally it should be done in these circumstances.

Hon. Mr. Connolly (Ottawa West): That is right. It is a matter of Government policy in a case like this, when there is a great deal of talk about foreign domination of certain segments of our economy, that Canada in this period of expansion—which we all hope will continue—should look as carefully as it can at all these various segments of the economy in which foreign domination can be injurious. In its wisdom—and I am sure Senator McCutcheon would say "in its un-wisdom"—the Government decided that in respect of this foreign-owned bank the public interest would be served best if control of it—or indeed, of any bank in Canada—were not in the hands of a foreigner to the extent of more than 25 per cent. This is a matter of Government policy, and the Government submits that proposal to Parliament for its approval.

So far as the amendment that was moved in the House of Commons is concerned, I would point out first of all that it does not finally cut off at December 31, 1967 the time period within which this 25 per cent level must be reached. It leaves it to the Government to decide, in its wisdom, when that bank, for the purpose of putting its affairs in order or for other reasons, should make an application for an extension of time. There will be authority in the Government to decide whether the 25 per cent rule should apply then or should be postponed to a later date.

Hon. Mr. Benidickson: It can be postponed up to five years.

Hon. Mr. Connolly (Ottawa West): Yes, up to five years.

Before I leave this point I think I should say that I am sure the Government will act reasonably in respect of these extensions. I am sure also that it will act with a sense of regard for the welfare of the country and of the particular segment of the economy we are talking about, namely, the banking industry. I do not think the Government will act arbitrarily. I do not think it will be prejudiced. I think it will look at the facts, and a decision will be made, with the national interest in the background, on the basis of banking requirements and the needs of the country. Personally, I am satisfied on these points.

Hon. Mr. Roebuck: And the welfare of this particular bank.

Hon. Mr. Connolly (Ottawa West): That the Government will act with the welfare of this particular bank in mind is implied, I think, in what I have said.

I should like now to say something about the bank in question and its present owner. The First National City Bank is one of the large and great financial institutions in the United States and has branches and offices all over the world.

Hon. Mr. McCutcheon: The rest of the world is not scared.

Hon. Mr. Connolly (Ottawa West): I could make a comment about that but I prefer not to do so. I do not think that Canada is scared, but I do think we want to be prudent. Prudence is a virtue. But I say that this bank has banking facilities in every part of the world, particularly the parts of the world in which Canada as a trading nation should be operating.

One of the factors that the Minister of Finance has considered in his dealings with this act, and indeed with other applications that have been made to Parliament for the incorporation of banks, is the desire to see more competition in the field of banking. There will be competition as a result of the introduction of this new institution at home.

Hon. Mr. McCutcheon: It is not a new institution, it has been here for some years.

Hon. Mr. Connolly (Ottawa West): Well, it is relatively new. It is only making $10,000 a year. It is certainly not large. You may quarrel with the semantics, but for practical purposes the bank is new.

Nevertheless, it is my firm personal conviction that this bank can give some leadership to the Canadian banks abroad in assisting the development of our foreign trade, by providing facilities that perhaps our Canadian banks do not and cannot provide now, or perhaps have not the contacts and business associations that a bank like this has and can provide. I think that having this bank as part of the Canadian banking system is a good thing for this country. I believe I reflect the views of the Minister of Finance, and I am sure I reflect the views of Senator McCutcheon, when I say that this is a desirable institution to foster and develop.

Senator McCutcheon is concerned about the fact that the bank may not be able to sell its shares in Canada because the sentence of death hangs over it by reason of the discretion of the Government has to extend or not extend the period of time within which the

bank reaches the 25 per cent level. I do not think this is a sentence of death in any sense of the word, nor do I think it will ever become so. I preferred his later simile, that it is a guillotine suspended by a hair. However, I reject the latter part of the simile, because I do not think it is either that or the Sword of Damocles.

I think that what will emerge as a practical working proposition is that when this organization presents its application for an extension—and in time, I hope, for an increase in capital—that the circumstances of the development of the bank will be such that there will be no difficulty in and no controversy about granting it.

In spite of the fact that there is room, because of the discretion vested in the Government by this section, for speculation as to what might happen, I think that Parliament and the people of Canada can rely upon the Government to exercise this discretion in a wise and prudent way, having regard to all of the circumstances that exist at the time the applications are made. I see no reason why, in appropriate circumstances, the practical effect of the amendment would not be brought about by the decisions of the Government. But I think that now is too early to decide what should be done in a given circumstance in the future.

I regret that I must reject the amendment and ask the support of the Senate in this respect.

Hon. Mr. McCutcheon: Honourable senators, I shall keep you but a moment. I am sorry I do not possess the eloquence of the Leader of the Government; but in most of his eloquence he was not discussing the real point of the amendment. If we are to have a discussion as to foreign ownership and as to the nature of this whole clause, which I merely touched upon this morning, then I will be very glad to debate that at considerable length.

In moving the amendment, I am accepting the fact that we are going to do something that, as I said before, I regard as discriminatory, retroactive, and arbitrary.

I accept that, but I say the bank is entitled to the opportunity to manage its affairs for the next five years without any question of any discretionary action being taken at any time to prevent it doing so. It is entitled to do that, particularly in the light of the fact that there was an agreement, expressed or implied, between the bank and the Minister of Finance. That is the real point that honourable senators must consider tonight.

Hon. Mr. Prowse: Will the honourable senator permit a question?

Hon. Mr. McCutcheon: Yes.

Hon. Mr. Prowse: What was the consideration given by Citibank for the agreement of the Minister of Finance that makes this binding agreement we are talking about now?

Hon. Mr. McCutcheon: I do not think that question really deserves an answer. I am sure they did not really bribe the Minister of Finance. They were trying to reach a point at which they could both agree. The situation was that each retreated from his fixed line and they reached an agreement. That is in effect what the Minister of Finance said this afternoon.

I will let honourable senators read tomorrow morning what is on the Dow Jones tape tonight. I am not going to put it on the record.

I said this morning, and I say again, that we are tarnishing our reputation in the financial centres of the world by concurring in a completely unnecessary amendment made in the House of Commons yesterday.

The Minister of Finance was happy. Of course the Leader of the Government has referred to the wisdom of the Government in exercising this discretion which they are given. Of course he has to have confidence in his colleagues—he certainly has a great deal more confidence in them than I have. There is one of his colleagues who objects even to the present provision, and who may be sitting there when these discretions are exercised.

I ask honourable senators to vote for the amendment and to maintain what I hope is our reputation for fair dealing and for keeping to our agreements.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion in amendment?

Hon. Mr. Connolly (Ottawa West): No.

The Hon. the Speaker: Those in favour of the motion in amendment will please say "Content".

Some Hon. Senators: Content.

The Hon. the Speaker: Those against the motion in amendment will please say "Non-content".

Some Hon. Senators: Non-content.

The Hon. the Speaker: In my opinion, the non-contents have it.

And three honourable senators having risen:

Hon. Mr. Fournier (De Lanaudière): Are three enough?

Hon. Mr. McCutcheon: Two would be sufficient.

Hon. Mr. Choquette: There are only three of us.

Hon. Mr. Smith (Queens-Shelburne): There are five of you, if you count your backbenchers.

The Hon. the Speaker: Call in the senators.

Amendment of Hon. Mr. McCutcheon negatived on the following division:

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Hon. Mr. Choquette: Any abstentions? I do not think so.

The Hon. the Speaker: I declare the amendment lost.

It is moved by the honourable Senator Lang, seconded by the honourable Senator Burchill, that this bill be now read the third time. Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Carried.

Hon. Mr. McCutcheon: On division.

Motion agreed to and bill read third time and passed, on division.

BUSINESS OF THE SENATE

Hon. John J. Connolly: Honourable senators, I am informed that the Commons has not yet completed consideration of the appropriation bills, but that it should not be long before they do so. It was the intention to try to get Royal Assent tonight for the measures that are ready to be assented to before the Easter recess begins. Therefore, I suggest that we take recess and reassemble at the call of the bell.

I should like to impart to honourable senators some information contained in papers which I have been carrying around for some time. This gives details of the amount of work that the Senate has been doing since the New Year. The first of these memoranda is dated February 6, which is approximately when we reassembled after Christmas. Honourable senators may be interested to know that to date we have disposed of 31 pieces of legislation, and another one has been referred to a committee.

I think this is a fairly creditable performance for this chamber. It has been done in an orderly way. The only regret that I have—and I see there are some members of the press here this evening—is that a bill like the Bank Act should come to us at such a late stage before adjournment. This is no fault of mine. I suggest it is not really the fault of anyone at whom one can point a finger, because it is the result of circumstances in the other place over which we have no control, and perhaps in some respects over which they have no control. The Government is in a minority position.

Having said that, I am particularly proud of the kind of work that has been done by the Senate since the beginning of this year, and I think today was one of the better days. True, we did not go into this bill clause by clause or study every individual item in it. But I do say that the debate here this morning and the work that was done in committee this afternoon showed how a body with the competence that the membership of this chamber has can zero in on the essentials of a piece of legislation and do it with great credit to themselves and to Parliament. That is due in part, to the kind of explanation and debate that took place this morning; to Senator Lang, whom I compliment on his presentation; to Senator McCutcheon, for the kind of responsible argument he raised in opposition; to the views expressed by Senator Leonard and Senator Hayden, and to the work done by the members of the committee this afternoon.

While I regret the shortness of time that was available to us, I do say that the time was used to the best advantage. I do not know whether we would have had any different result if we had had more time.

Honourable senators, I suggest that we take recess now, to reassemble at the call of the bell.

Hon. Lionel Choquette: Honourable senators, the honourable Leader has spoken and I think I am entitled to speak too.

Hon. Senators: Agreed.

Hon. Mr. Choquette: I would not have cared if this legislation had been before us for five days, five weeks or a month ahead of time and we had had an opportunity to discuss it clause by clause. If we had called for a vote we would have had the same result as we have had here, because I think Liberalism is stronger than any religion that I have ever known. Having been here for nine years, and having seen votes called and members stand up and be counted, and whenever honourable senators tell us that party lines disappear or are drawn thin in this chamber, they make me laugh—they really make me laugh.

Here we have had a vote tonight to give an honest five years to a bank like Mercantile. There is a handful of us here on the Conservative side of the house. There were those who voted in committee today and who nearly won the vote. It was eight to eight, and the chairman refused to cast the deciding vote. We have asked this chamber to vote here on many occasions, and every time our friends the Liberals stood to a man against us—that is, the Conservative Party.

Hon. Mr. Leonard: Not on the same vote.

Hon. Mr. Choquette: Not on the same question.

Hon. Mr. Smith (Queens-Shelburne): On an entirely different question.

Hon. Mr. Choquette: Yes, but I am registering my protest here this evening to show that in this chamber I do not want to hear it said, but I will have to hear it and listen with compassion when it is said, that party lines are thinly drawn.

Hon. Mr. Power: Did any Tories vote with us?

Hon. Mr. Choquette: Every time—

Hon. Mr. Power: Did any Tories vote on our side?

Hon. Mr. Choquette: Every time we had a vote—

Hon. Mr. Power: You voted to a man, as we did.

Hon. Mr. Choquette: Tonight there are four of us.

Hon. Mr. Power: Six.

Hon. Mr. Choquette: We had votes here in which we had seven of our members cast their votes to the Liberal Party, although the latter were two to one against us.

Hon. Mr. Power: At the present time every Tory in the house has voted Tory, as the Liberals have noted Liberal.

Hon. Mr. Choquette: The last time we voted here was on the question of pensions in the Retirement of Senators Act. Seven of our number voted with the Liberal party.

On the flag issue, I know of those who voted against their own convictions, who wanted at least to retain the British emblems. When I saw them I said, "I know of at least five or six who are going to vote against the Canadian flag." They got up and voted to a man for the new flag. Was that not because of partisanship? I am saying this tonight as a protest.

Hon. Mr. Connolly (Ottawa West): Surely, this is imputing motives?

Hon. Mr. Choquette: Oh well, imputing motives? I have made my point.

Hon. Mr. Fournier (De Lanaudière): Honourable senators—

The Hon. the Speaker: Honourable senators, the last speaker had leave of the Senate to make a statement. I do not think there is any good purpose to be served by letting this develop into a debate. Are you agreed that we shall recess?

Hon. Mr. Fournier (De Lanaudière): With leave of the Senate, I should like to make one brief remark. I have been a member of the Parliament of Canada for 30 years, and I have always been the master of my vote. Sometimes I voted with the Government, and sometimes I voted against it. I voted according to my conscience and not because I was a Liberal. I voted according to my conscience every time I had to vote, and everybody knows that.

The Senate adjourned until the call of the bell.

At 10.45 p.m. the sitting was resumed.

APPROPRIATION BILL NO. 2, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-282, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

Bill read first time.

SECOND READING

Hon. Jean-Paul Deschatelets, with leave of the Senate, moved the second reading of the bill.

He said: Honourable senators, Bill C-282 is known as Appropriation Act No. 2, 1967, or Supplementary Estimates (G). These will be the final Supplementary Estimates for the year 1966-67.

I understand that financial sheets have been distributed to honourable senators, and if they will refer to the last page they will see a complete listing of the different amounts of the main Estimates as well as all the Supplementary Estimates thus far, including the present Supplementary Estimates. From that list we may remove from our consideration Supplementary Estimates (F) amounting to $750,000, having to do with educational broadcasting facilities, because I understand that they are still under consideration before Parliament. On the first page of the financial sheets you will note that all appropriation acts during the fiscal year 1966-67 are recorded, with their respective amounts of expenditures. This bill will grant $324,983,578.

As I said before, these will be the last supplementary estimates for the fiscal year 1966-67.

Hon. Mr. Grosart: Other than (F).

Hon. Mr. Deschatelets: Other than (F). The honourable senator is right.

Hon. Mr. McCutcheon: When do we pass (F)?

Hon. Mr. Deschatelets: I do not know. I understand that it is a contentious matter; it is in the House of Commons and has not reached us yet. That is why I said in my opening remarks that it should not be part of the discussion we have now.

Honourable senators, I was ready and prepared to go into details of the bill. I wish to emphasize that I am not under any pressure of business or time limiting my remarks on this bill. On reflection, however, honourable senators will agree that it would not serve any practical purpose to go into the details, for the following reasons.

First, all the items listed in this bill have been discussed and examined time and again during the last twelve months, on all appropriation bills introduced during the fiscal year 1966-67. Moreover—and this might be the main reason and I would hope it is well known—if I do not deal more fully with the various items of the bill tonight, it is because on Wednesday last, March 15, the Standing Committee on Finance dealt in detail with precisely the items and financial aspects of these Supplementary Estimates (G). In fact, I am holding now in my hand the voluminous transcript of what took place in that committee on that day.

While referring to that committee meeting on March 15, this might be a good opportunity to praise again the two high officers of the Treasury Board, Dr. George Davidson and his assistant, Mr. J. G. Glashan, for their outstanding performance in providing honourable senators with complete information on these interesting but complicated financial matters.

Honourable senators, even after the passage of this legislation I think I can give on behalf of our capable Chairman of the Finance Committee, Senator Leonard, the assurance that any question or clarification honourable senators might wish to have in connection with Supplementary Estimates (G) could be dealt with at the first opportunity in the Finance Committee. However, I am going to ask you tonight to accept the passing of this bill.

Hon. Mr. McCutcheon: That is a little late, Senator. Have we got the Supplementary Estimates (G) in front of us?

Hon. Mr. Deschatelets: Well, you should have, Senator. I know that honourable senators have before them now the summary of what has taken place so far, but I thought that honourable senators also had the bill.

Hon. Mr. Connolly (Ottawa West): If I may interrupt the honourable senator, the supplementary Estimates were tabled about a week or 10 days ago and were distributed to senators at that time. They were the subject matter of discussion on March 15 in the Finance Committee, and they are reflected in the schedule to the bill.

Hon. Mr. Deschatelets: At the last meeting of the Finance Committee some honourable senators raised very interesting points having to do especially with the highest amount of expenditures, such as Vote 17g, Agriculture, at page 3 of the bill. At that time there were references also to a sum of $5 million for the Department of Veterans Affairs, which is noted at page 30 of the bill. On page 1 are the expenditures concerning the St. Lawrence Seaway Authority, and we had also a long and interesting discussion originating, if I remember well, with Senator Grosart and having to do with the $1 items in the bill.

I can provide honourable senators with all the details of these $1 items tonight.

Hon. Mr. Choquette: If you are asked.

Hon. Mr. Deschatelets: If I am asked, yes. I wish to say that this was an interesting part of the debate we had. I would mention the fact, and I think this is important, that in the past few years members of the Standing Committee on Finance have made recommendations in order that the Blue Book may be drafted in the most comprehensive way possible, and we were told by Dr. Davidson that in the coming year some of these recommendations will be carried out.

Honourable senators, having said that, I am at the disposal of senators who have any questions to ask at this point. Before I resume my seat I would like again to emphasize the fact that if the debate on this bill does not take hours, I think it fair to say that we have already spent many hours in committee with officers of the Treasury Board going into all the details of the bill. Now if honourable senators would like to ask me any questions I will try to answer them.

Hon. Lionel Choquette: Honourable senators, as a former cabinet minister the deputy leader has just given us a very clear explanation of the Crédits de 1966-1967, Loi des Subsides No. 2 de 1967 (Totalité des Crédits dans le Cas du Budget Supplémentaire (G)). I would add this, that the honourable gentleman, having been appointed to the Senate after having been a cabinet minister, could be described as the financial critic were he in the Opposition. As a matter of fact, ever since he has taken the seat next to the Leader of the Government, he has presented to this chamber very important financial bills, and has done an excellent job in presenting those bills to us.

Some Hon. Senators: Hear, hear.

Hon. Mr. Choquette: I know very little about figures and money bills—I usually leave that to men such as Senator McCutcheon and Senator Grosart—and the figures that have been presented to us by the sponsor of this bill, although clear, may necessitate some explanation and questions might be asked first by Senator Grosart and then by Senator McCutcheon.

Hon. Allister Grosart: Honourable senators, as the sponsor of the bill before us said, this whole question of the Estimates—main, interim and supplementary—has been before the Finance Committee of the Senate, and it would be difficult for anybody who is a member of that committee not to say that under the chairmanship of Senator Leonard, who I am glad to see has moved down to the front benches on the other side—

Hon. Mr. Leonard: Back to acting lance corporal tomorrow.

Hon. Mr. Grosart: —has made a very great contribution to the solution of the problem that is almost eternally before us, and that is the request for instant approval of appropriation bills. We have had many complaints here, as we have had on other bills, and I personally, having sat on that committee—

Hon. Mr. Deschatelets: And very active too.

Hon. Mr. Grosart: The deputy leader says "very active". Perhaps a better objective might be very "querulous". But having sat on that committee, I am satisfied that today we are in a much better position to pass these appropriation bills than we were in the days when they were not being examined in detail by the Finance Committee.

I would go a little further and say, as I have suggested privately to the chairman of the committee, that I think there should be an immediate report to the Senate on the examination of these appropriation bills and the Estimates every time they come before that committee. I think the Senate should be told, "We have examined this particular appropriation bill; we have examined the figures, and we are prepared to say to the members of this chamber that we are now satisfied that, politics apart, putting aside consideration of how high the spending of the Government should go, we are satisfied that these figures the Senate is now asked to endorse make sense."

If I may get into a somewhat broader field for a moment with respect to the general complaint, that we hear over and over again

that Government expenditures are rising, that every year we are spending more money than we spent the previous year, I would say that the fact of the matter is that in terms of percentage, our total Government expenditures in relation to our G.N.P. is quite modest. Actually, this year the Government is spending slightly less money, as a percentage of the G.N.P. than last year; and over the last four or five years this percentage has not risen perceptibly. In relation to the percentage of Gross National Product of other countries, we are not out of line.

I am not one of those who want to rise in the Senate or elsewhere every now and then and say, "It is terrible. I remember 20 years ago we were spending much less money." The fact is that the population is growing; the demands upon the enterprise system—of which I presume we all approve—for the care of those who are not immediately able to benefit from the system are growing. But we are in the fortunate position—and I may appear in this respect to be defending the Government's position—

Hon. Mr. Connolly (Ottawa West): Which you would do.

Hon. Mr. Grosart: —which I am quite prepared to do under the circumstances.

Hon. Mr. McCutcheon: Normally you would hesitate to do it.

Hon. Mr. Grosart: Senator McCutcheon is quite right. Normally I would hesitate to do it, and would only do so if I were absolutely certain of my facts.

It is quite clear that the Government and its advisers have over the years been extremely careful to relate the total Government expenditures to the Gross National Product. In this respect we compare rather well with our friends in the United States when, on a per capita percentage basis—and I do not have the figures before me at the moment—we are actually spending far less on the total requirements of the Government, in spite of the fact that our total expenditures on what has been called social justice are rather higher. I think we have an excellent record over the years in this respect.

Having said that, may I now say about these Estimates that I think it would be well, in every case where we are asked to appropriate large amounts such as are required by these supplementary Estimates, if we had at the same time the report of the Finance Committee. As Senator Deschatelets has said, these particular Estimates were gone over rather carefully.

Some of us questioned, as honourable senators who are members of that committee will recall, the large number of $1 items. It is my opinion that we should get rid of these $1 items because they are fictions of various kinds. They occur in a whole group of categories. There is this fiction and that fiction. Some of them are actually amendments to legislation. I am sure that Senator Leonard, the chairman of the committee, will agree with me when I say that we have here in Bill C-282 actual amendments to acts of Parliament under the guise of a $1 grant. It is time we got rid of them. They make no sense.

There must be in the public service of Canada—in the Treasury Board and the Department of Finance—minds that can devise a better way. Surely, they could say to us: "We want to amend an act of Parliament", and then bring forward an amendment, because this is the essence of the whole legislative process. In these supplementary Estimates that are before us we are actually amending some acts of Parliament.

I have raised this point in committee. I would stress the fact that one of our problems, having in mind the Constitution, is that we resort to a lot of fictions. We resort to a great fiction when under sections 91 and 92 of the British North America Act we pretend that certain types of taxation are not direct or not indirect. I say that in our hundredth year of Confederation we owe it to our country to get rid of these fictions and I think a very good place at which to start would be in these $1 items in Estimates such as these now before us.

That is all that I have to say at this time, honourable senators, except to make one other observation which is not entirely within the ambit of this bill, but is a reference to the discussion we had earlier today.

One wonders exactly what is the authority taken when a bill such as this is brought before us. I am happy that the authority this evening is that of the honourable Deputy Leader of the Government (Hon. Mr. Deschatelets), but I could not help noticing that in respect of the matter before us earlier this evening—and I think this comment is relevant—the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) kept saying to us: "I think"; "I think you can rely on the Government"; "I think you can rely on the discretion of the Cabinet"; "I think you can rely on us over these five years

not to do things that would not be in the public interest." I thought I should perhaps rise and ask him if he was giving an assurance on behalf of the Government, but at the time I thought it might be unfair because we had an amendment to a bill before us in respect to which predictions had been made as to the possible effect of the Senate's not accepting it. But, the Leader of the Government did keep saying to us: "You can rely on us, I think." Over and over again he said, "Personally..." We have still this same general attitude with respect to the supplementary Estimates. It is said: "We need this money."

We had an extraordinary case in the guaranteed income supplement bill in respect of which we were told over and over: "Oh, you can rely on us. We need this money." We were told that, in spite of the fact that the Government had presented us with a schedule which, in effect, said it did not need the money.

I suggest with all due respect to the Leader of the Government (Hon. Mr. Connolly, Ottawa West) that it is not an adequate explanation of any bill such as this to suggest to honourable senators: "You can rely on us; we have the public interest at heart." We are dealing with legislation here, and as the sponsor of the bill (Hon. Mr. Deschatelets) said, we dealt with this particular bill in detail in the Finance Committee.

I would like to believe that the attitude we are going to take in the Senate is that we will not deal with pious hopes, but rather with facts as they are presented to us. In this particular case, honourable senators, I am very happy that we are dealing with a matter that has been thoroughly discussed in committee, and I would hope that in this house we shall never again be faced with a bill of this kind which has not been previously discussed in detail and reported to this house by the Finance Committee.

Hon. W. M. Benidickson: Honourable senators, I wish to join in a complaint advanced by Senator Grosart with respect to the increasing number of presentation of $1 items in Estimates. I sat in the other place for a long time and was associated with the Department of Finance, and I think we were influenced by criticisms from Mr. Knowles of the other place about these items. They are increasing in number. In the bill before us there are almost 20 items that are in essence legislative items; otherwise, we would require a bill which would need three readings, as well as committee study, in both Houses of Parliament.

This is an awkward time to receive a bill of this type with these items in it, each and every one of which has so much import. I am not going to hold up this bill and delay the Easter recess, but I do want to give warning that I have never been a supporter of this type of legislation by the back-door method. It is easy not to give proper deliberation to the content of items of this kind simply because they are included in one of several Supplementary Estimates, but in future, while I occupy my place in this chamber I shall continue to protest if this process continues and increases as it has been doing in recent times.

Hon. Mr. Choquette: Hear, hear.

Hon. Mr. McCutcheon: Honourable senators, I have only one comment to make. I hope Senator Benidickson on the next occasion will vote against the $1 items.

Hon. Mr. Benidickson: I might.

Hon. Mr. McCutcheon: Good.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Deschatelets: I move, with leave, that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

APPROPRIATION BILL No. 3, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-283, for granting to Her Majesty certain sums of money for the public service for the financial year ending 31st March, 1968.

Bill read first time.

SECOND READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the second time?

Hon. John J. Connolly: Honourable senators, with leave of the Senate, I move that this bill be read the second time now.

Hon. Jean-Paul Deschatelets: Honourable senators, this interim supply bill, C-283, is known as Appropriation Bill No. 3, 1967. The amounts of money requested in this bill are intended to provide for all necessary requirements of the Public Service up to April 30, 1967, or one month's supply. Though usually the first interim supply bill covers two months, this bill covers one month, or one-twelfth of the total of the amounts of all the items set forth in the main Estimates for the fiscal year ending 31st day of March, 1968.

Hon. Mr. McCutcheon: Will the honourable senator tell us why the pattern is being broken, why he said that usually two months is asked for and he is asking for only one month this evening?

Hon. Mr. Deschatelets: I would have expected the honourable senator to complain if by tradition we covered one month and now we would ask for two months. It is the reverse in this case. I do not think there is any particular reason. The Government is asking us to provide for one month's supply. Though in former years on the first supply motion two months was asked for, it happens that in this case it is for only one month.

Hon. Mr. McCutcheon: We can be sure we will be sitting a month from now?

Hon. Mr. Deschatelets: Yes.

Hon. Mr. McCutcheon: That is what I wanted to know.

Hon. Mr. Deschatelets: Since it is customary to refer the main Estimates to our Standing Committee on Finance as soon as they are tabled, it is not my intention tonight to move that this bill be referred to that committee. After approval of this bill, all the items of the main Estimates will remain subject to discussion by the committee.

The usual undertaking is therefore given that the passing of this bill will not prejudice the rights and privileges of members to criticize any of these items in the Estimates when they come up for consideration in committee. We are, therefore, only asking one-twelfth. But if honourable members will look at clause 2 for certain items which are explained in Schedules A to E, they will see that we are asking for larger proportions in some cases, and I might give very briefly some details about these special items.

I understand that financial statements have already been distributed. If honourable senators would be kind enough to refer to the last page of the statements in front of them, I would ask them first of all to make a correction. At the bottom of the last page, "Appropriation Act No. 4," should read "Appropriation Act No. 2".

The last page gives the total Estimates for 1967-68, including the budgetary expenditures and loans, but excluding the Old Age Security payments. Honourable senators will note that in the coming year there will be an increase for this item of $327 million. In other words, it goes from $1,105,000,000 for 1966-67 to $1,432,000,000 for 1967-68.

Hon. Mr. McCutcheon: What item is that?

Hon. Mr. Deschatelets: I am just dealing with the summary having to do with the payments from the Old Age Security Fund, on the last page of the financial statement that has already been distributed.

Hon. Mr. McCutcheon: Of course the Minister has admitted to us that there is no such fund.

Hon. Mr. Deschatelets: Well, I would say that this expenditure has not to be voted and the difference appears in this financial statement.

Now, if honourable senators will look at the first page of the statement that has been distributed, I think it shows very clearly the purpose of the bill. We are requesting one-twelfth of all the items and some additional proportions. I think I should now deal very briefly with them to give honourable senators at least a few details for these additional proportions.

Vote L40 at page 4, Schedule A, has to do with loans, investments and advances. The amount hereby granted is ten-twelfths of $20 million, and for all the schedules for which I am going to give some details we have to add one-twelfth. That means that for Vote L40 this ten-twelfths on Schedule A, together with the first one-twelfth of clause 2, makes eleven-twelfths for this item. I would like now to give some details about this.

This vote provides for the financing of the cost of the World Exhibition through purchase of corporation bonds.

These additional proportions are required to provide for the purchase of securities which must be issued to cover operating costs which will be incurred before revenue is received.

Now I think that as far as the World Exhibition is concerned, this will be the last request for expenditures. Of course there

might be another one after Expo is over. If there is any deficit, as honourable senators know, the federal share of such deficit will amount to 50 per cent of the whole deficit. But in due time, if there is any deficit, we will have the figures and we will also have the figures about the earnings.

Hon. Mr. McCutcheon: The Minister is very cautiously optimistic.

Hon. Mr. Deschatelets: This will come after all the accounts and earnings are in.

Vote No. 5 in Schedule B provides for grants for research projects carried out in universities. It is customary to pay 50 per cent of these grants early in the fiscal year, and that is the reason we are asking here for a larger proportion than the usual one-twelfth.

As far as Vote No. 10 is concerned, on page 5 of the bill, this provides for payment to the provinces under the agreements for construction of development roads up to a total of $75 million. There are still six provinces which are eligible for assistance under this program. Additional proportions are required to meet claims for progress payments for the provinces of New Brunswick, which amount to $628,015, Newfoundland $840,243, and Prince Edward Island $1,840.

As far as Vote No. 10 regarding the National Research Council of Canada is concerned, additional proportions are requested here to enable the council to pay out the grants, scholarships and fellowships authorized early in the fiscal year so that the recipients may begin work on studies.

If we refer now to page 6 of the bill, Vote No. 80 has to do with the Department of Energy, Mines and Resources. This vote provides for Canada's share of the cost, 37½ per cent, of certain provincial projects required for conservation and control of water. These projects are carried out in accordance with agreements between Canada and the provinces; the provinces carry out the projects. Additional proportions are required here to meet expected claims for reimbursement of approved programs as follows:

Winnipeg Floodway	$2,200,000
Metro Toronto	500,000
Upper Thames	200,000
North & West Vancouver	200,000
Alberni	100,000

Honourable senators, as to Schedule D on page 7 of the bill, Vote No. 30, for Energy, Mines and Resources Department, provides for the cost of buildings, works and the purchase of equipment, vessels and so forth required for the Marine Surveys and Research Program. Additional proportions are required to meet progress billings of $3 million under the ship construction program.

Also on page 7 of the bill, Vote 35 has to do with the External Aid Office of the External Affairs Department. This vote provides for Canada's contributions to (1) International Development Assistance; (2) International Emergency Relief; (3) International Food Aid Program; and, (4) the Indus Basin Development Fund.

As far as Vote 35 is concerned, additional proportions are requested in this vote for the purchase, as part of the International Food Aid program, of wheat during April for India and Pakistan. Payment must be made on delivery to ships in Canadian ports. It is anticipated that deliveries will be made during April to a value of $21.5 million. These requirements total more than two-twelfths of the vote.

Honourable senators, Vote L25, on page 7, having to do with Loans, Investments and Advances, provides for the payment of federal assistance on a loan basis to the Atlantic provinces for the production of power for industrial purposes.

Now, with regard to Schedule D, Vote L25, on page 7, additional proportions are required to meet anticipated claims during April from the provinces of Newfoundland, Nova Scotia and New Brunswick totalling more than two-twelfths of the vote. These projects are all under construction.

As far as the last schedule is concerned Vote 15, on page 8, having to do with the Department of Industry, provides for the payment of capital subsidies by the Canadian Government for the construction of commercial and fishing vessels in Canada. The subsidy is 25 per cent of the cost of commercial and fishing vessels and 50 per cent for fishing trawlers. Additional proportions are required here to meet subsidies which must be paid early in the new year due to the scheduling of ship completions by spring breakup and other progress payments.

Vote No. 20, legislation, House of Commons, provides for salaries and expenses of the officers and staff, including sessional assistance, the publishing of Debates, expenses of committees, stationery and supplies.

As to Vote 5, National Revenue, an additional proportion is required to cover peak expenditures incurred during each month in the first quarter due to the hiring of casual staff for the processing of tax returns.

Hon. Mr. McCutcheon: That is for the advertising to convince people they love to pay income tax.

Hon. Mr. Deschatelets: That is one explanation, honourable senators. There might be others.

Hon. Mr. Choquette: That is one good one.

Hon. Mr. Deschatelets: Honourable senators, there is another item on page 8, Vote 29, having to do with the World's Exhibition.

As honourable senators can see, we are asking the Senate tonight to agree to give to the Administration one-twelfth of all the items appearing in the Blue Book, or one month's supply. Where larger proportions are needed I have tried to give honourable senators some explanation of that need. I wish to emphasize the fact that all these items will remain entirely subject to any discussion that will take place in the Standing Committee on Finance.

Honourable senators, I do not think I need say more at the present time, but if there are any questions I shall try to deal with them.

Hon. M. Wallace McCutcheon: Honourable senators, we are very indebted to Senator Deschatelets for the detailed explanation he has given us of this, what I might call, interim supply bill. By and large, at this stage of the parliamentary session, I feel that the Government is entitled to reasonable supply without great debate.

I have glanced casually over the items in respect of which the Government is asking for more than one-twelfth, and they appear to me to be seasonal items, and I personally am not objecting to them. This does not mean that I accept the validity of the totality of the items, but in both this chamber and the other place there will be opportunities for discussing those matters at a later date.

I was particularly gratified—and Senator Deschatelets did not refer to it—to see Vote 5g on page 9 of the bill, because I would not have liked to have seen a senior ministerial portfolio go without proper recompense. However, that is taken care of, and I just want to say that I am happy about it.

I should say, honourable senators, notwithstanding the fact that we are prepared to see interim supply go through without serious debate tonight—after all, there could be no serious debate because certain persons are not available to answer questions, and such debate will follow—the Government should take cognizance of the feeling that is developing in this country that Government expenditures are rising too fast. My honourable colleague Senator Grosart, I thought, was a little too kind to the Government earlier this evening. Everything he said is true, but he started from a very low base. All I want to refer to is the recent base.

In the fiscal year 1965-66 federal Government expenditures rose by 11 per cent, which was somewhat higher than the G.N.P. In 1966-67 it rose by 15 per cent, which was much higher than the increase in the G.N.P. The Estimates we have before us are, of course, just the basic Estimates. I admit they are better Estimates than have been produced in the past in that the supplementaries should not be so great, but on the face of them they are up 13 per cent.

Obviously, we cannot go along with this sort of thing. The Governor of the Bank of Canada so stated in the report which honourable senators received last week, and it is from his report that I get these figures. If we start with a 1955 base, certainly it looks pretty good. I believe someone put such a table on the record of either this house or the other place recently. However, all these things depend on the base you start with. We have the years of 1965-66, 1966-67 and 1967-68. We are running away ahead in our increases in Government expenditures and we are not including those contributions—euphemistically called "contributions", but really taxes —which we make to the Canada Pension Plan and the Quebec Pension Plan. Nor are we including those euphemistically called "contributions" that we make to the Old Age Security Fund which, as the Minister of Finance told us last week, does not exist and, like the Canada Pension Plan, is just a bookkeeping entry. We pay as we go in under that plan, and we will pay as we go out; but that is another story.

We are going to pass this bill tonight, and I agree that we should do so. I just suggest that honourable senators look at the appendix to the Estimates for the fiscal year ending March 31, 1968, which I hold in my hand. I am looking at the appendix called "Public Service Employment", at page 595. Nobody in this chamber has a higher respect for the members of the public service than I have. I served in it for some years. It was only by an accident that I did not serve in it for a long, long period. However, I am not talking about the people who are in the public service. I am

just looking at these figures for 1965-66, including all the crown companies, excluding what I call the commercial companies, the Atomic Energy Board, Eldorado, the C.N.R. and Air Canada. Three out of the four make money, and the fourth will probably start making money one of these days. Excluding the commercial companies, the strength on October 1, 1965 was 225,000 people, and the establishment was 242,000. That means somebody decided there were 17,000 vacant slots you could put people into.

A year later, on October 1, 1966, there were on strength 235,000 people. It still was not up to the establishment of the previous year. But they had raised the establishment by 12,000 people, to 254,000.

What have they done this year? If these figures as to establishment are meaningful, and if we really need these extra 19,000 people—I do not believe we do—what have they done? They have raised the establishment by another 15,000 for the fiscal year starting on the 1st of April. That is what the Auditor General has been complaining about and that is what many people are starting to complain about.

I recognize that you cannot run a government as you run a business, but I know that you can introduce a lot more business principles into government than we have in it today.

I used to be a director of a number of companies, and one of the most significant figures that we asked for every month was the number of people on the payroll, the total wage and the average wage. We wanted that for the current month, for the preceding month and for a year before. That gave us an indication as to what was happening to productivity and whether we were maintaining our competitive position.

Honourable senators, I am going to say no more, but I am saying the Government will hear a great deal more about this in the next few months. We are passing this interim supply bill tonight but, as Senator Deschatelets has said in the traditional fashion, that will not prevent us from dealing with the details later on.

Hon. W. M. Benidickson: Honourable senators, I realize that I may have risen at an inappropriate time, but two items we have before us refer to the World Exposition and I wish briefly to say something about this in the public interest.

The Premier of Quebec spoke in Toronto yesterday, I think—

Hon. Mr. Choquette: On Monday, and a very good speech.

Hon. Mr. Benidickson: I commend him for saying he would do everything he possibly could to make sure that with respect to accommodation there would be no discrimination as to race or colour. On one other point he rather shrugged his shoulders and indicated that perhaps it was beyond him to prevent something happening with respect to this legislation in the matter of the cost of accommodation.

Briefly, on behalf of the public, I want to say that I have some personal information which gives me some apprehension. I with my wife went to one of the newer hotel-motels in downtown Montreal, in early fall of last year. I am quite a canny fellow and I looked at the rate card on the door. I think it was $28, a little more than I normally would have expected. I said nothing about it, but the next day when I paid my account I was charged $10 less than what was on the rate card. This was autumn 1966.

In western Canada just before Christmas I heard from another friend that, having attended a wedding in Montreal, he had stayed in an old established hotel that he had patronized for many years. In this case I believe two parties were occupying what would be called a suite. Again they looked at the rate chart, but in this instance they decided that it was not what they had ever paid on any previous occasion, of which there had been many, and was beyond their pocketbook. Consequently, they went down to ask for other accommodation in this very well-established and well-known hotel, but were informed that they need not worry about the cost, that it would be all right.

Hon. Mr. McCutcheon: It is like the interest ceiling in the Bank Act.

Hon. Mr. Benidickson: So when he paid his account, he found it was much less than indicated on the door card, and was the amount he was accustomed to paying.

The third instance relates again to a western Canadian, a single woman who, at a rather late date, asked for accommodation in a good hotel in Montreal and got it. She was not of the type who normally look at the price on the wall, but she happened to look at it and, even though she could afford perhaps any price for a room and was grateful to get a room at all on that particular night, she found that the price tag was extraordinarily high. However, she made no complaint. She

just paid her bill. However, she found when she paid it that it was at least $12 less than the figure on the door card.

Now, I am suggesting that the law in Quebec is not protecting the tourists who will be coming to see Expo 67. The rate cards in a lot of establishments in 1966 were fictitious and unrealistic, but maybe those are the prices that are going to be frozen under the law for 1967.

Hon. Mr. McCutcheon: Is the honourable senator suggesting that this Parliament introduce rent control again?

Hon. Mr. Benidickson: No. I am simply suggesting that it might be the duty of the Department of Trade and Commerce, over which my honourable friend presided for awhile, to use their influence to see that there is success for Expo 67 to the extent that people attending these hotels, under the law of Quebec, will get something that is realistic in the way of rates per night.

Hon. Allister Grosart: Honourable senators, we have heard from honourable Senator Deschatelets for the second time tonight, and I am sure honourable senators agree with me that we are most fortunate that the Leader of the Government has assigned to his deputy the task of introducing these money bills, because as a member of the Finance Committee he is giving us very detailed explanations which are most useful to our consideration of bills such as the one before us.

I would say, however, it is my belief that we should never have a bill such as this. We should never have main Estimates, never have interim supply or supplementary Estimates before this chamber unless we have a report from the Finance Committee. I know the difficulties that we are faced with here, but I am quite sure that the Leader of the Government could, if he wished, insist that these matters come before us in time to be brought before the Finance Committee and reported to the Senate.

Hon. Mr. Connolly (Ottawa West): Not for interim supply.

Hon. Mr. Grosart: With all due respect to the Leader of the Government who says "Not for interim supply"—I presume he bases this on the fact that interim supply is normally one-twelfth, if the bill requests a month's supply, or one-sixth if it requests two months' supply. He bases his interjection on the basic fact that the main Estimates have already been before the committee, but the fact of the matter is that we are faced with requests at this time for one-twelfth of a year or a request two-twelfths or three-twelfths. This is understandable, but I may say that whether it is supplementary Estimates or interim supply or the main Estimates, this house is entitled to a report from its Finance Committee as to why any particular amount is requested at this time. There is no other way in which we can have any kind of assurance that the detailed Estimates before us have been examined and that we are doing our duty in passing them.

The Leader of the Government may not agree, but I say to him that I am sure that all honourable senators would feel much happier in passing these Estimates if they knew they had been before the committee. I say this, because although I have to agree with the Deputy Leader on this side in the criticism he made of my friends opposite in their collective capacity, this does not prevent me paying tribute to one of my friends opposite as chairman of the committee, and saying that if these Estimates come before that committee, I am thoroughly satisfied as a member of the Senate to pass them on the basis of the report of Senator Leonard's committee. I am not in conscience prepared to pass them on any other basis, without in any way detracting from my confidence in the information placed before us by the Government Deputy Leader.

For example, the Deputy Leader said in passing, in a very casual way, that of course these estimates do not include the Old Age Security Fund. In the Old Age Security Fund we are faced with the extraordinary increase from $1,105 million to $1,432 million.

Hon. Mr. Deschatelets: In 1967-68.

Hon. Mr. Grosart: An increase of over $400 million, which you pass over with a casual reference. I think I understand why that is so. We dealt with the Old Age Security Fund a little while ago. We were faced with the extraordinary position which has not yet been explained, that we had a schedule placed before us saying "Here is the whole cash flow, inflow and outflow, until 1972, which says if we put this money—$135 million a year, rising to something like $183 million—into this fund we will be able to pay out." Yet we have the Minister of Finance saying that if he had not raised the sales tax he would have had to borrow money. I say there is not the least substance or support for that statement. We are dealing with these estimates, yet all we have before us is a casual statement, "We are

terribly sorry that the Old Age Security Fund's estimates are up from $1,105 million to $1,432 million." I am not sure it has any relation to this interim supply bill because it is not in our schedule; it was just a casual remark.

I merely say that if these Estimates had come before us in the form of reports from our Finance Committee, we would be in a much better position to deal with them.

Hon. Mr. Connolly (Ottawa West): Surely, the honourable senator will admit that once you get the main Estimates before the Finance Committee, as they are now, you have ample opportunity in that committee to ask any questions on any item of the main Estimates. Then having done so and being familiar with the item in the Estimates, when the Government representatives come here and ask for a certain percentage plus, perhaps, additional percentages, as Senator Deschatelets has already explained, surely the opportunity to examine all the items coming before this house in bills for interim supply is available to deal with them in committee as completely as need be.

Hon. Mr. Grosart: I thank the honourable Leader of the Government for his vigorous interjection, but I have to say that I do not agree with him for one moment. If I tell someone that I will extend to him credit for so many dollars over the next year, and then he comes to me and says, this month he wants so many dollars, then I want to know why. I do not think it is sufficient answer to say, "We have considered the main Estimates; we have agreed on the main principle." Otherwise, why do we have interim supply? What is the purpose of it, if we are not here expected to examine it?

Hon. Mr. Connolly (Ottawa West): Well—

Hon. Mr. Grosart: Allow me to finish, if you will. I will be glad to hear the Leader of the Government's answer, but I should be allowed to enlarge on my answer to the interjection of the honourable Leader of the Government.

If the position taken by the Leader of the Government is that, having examined in our Finance Committee the main Estimates, we are now excluded from considering the interim supply bill which is asking us in one area to vote one-twelfth and in another area three-twelfths, why are not we entitled to ask "Why do you need three-twelfths? Why do you need four-twelfths? Why do you need one-twelfth at this particular time?" I think we are perfectly entitled to ask this.

Hon. Mr. Connolly (Ottawa West): This is what the sponsor is here for—

Hon. Mr. Grosart: I would again suggest to the honourable Leader of the Government that unless he rises to interrrupt—in which case I will immediately take my seat and allow him to speak—with respect, he should not make interjections.

I am sorry to have to say that because we seem to have developed a custom of these casual interruptions. I am perfectly prepared to debate this matter, or any other matter. If he, as Leader of the Government, wishes to rise, I will immediately sit down and will be glad to listen to him; but I would suggest that if I am developing a point I should be allowed to do so, unless he makes his interjection within the rules as I understand them. If I am wrong on that, I would be glad to be corrected by His Honour or the Leader of the Government.

I am saying that I would like to see every supply bill—whether main Estimates, interim or supplementary—come before the Senate after consideration by the Finance Committee, because over and over again we are asked to pass these Estimates at the last minute. If they come before us as a recommendation from the Finance Committee and we had before us at this particular time a statement that the Finance Committee had considered this particular bill—and this is a bill; this is not just the schedule we are given here; this is a bill we are asked to pass—I suggest that we would follow the procedure that we have set up in referring the Estimates to the Standing Committee on Finance. Senator Leonard, the chairman of the committee, has done a magnificent job. Let us have him say to the Senate: "You have referred these Estimates to the Standing Committee on Finance. The committee has looked at them, and has approved them." The honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) now says: "Oh, no, it is quite sufficient for the sponsor of the bill to explain it." I have the greatest of respect for the sponsor of the bill (Hon. Mr. Deschatelets), but as long as we have the Standing Committee on Finance I suggest it makes no sense whatever to bypass it and say: "Well, we are in a great rush. We have not much time. It is now after midnight, so we should not raise this difficult question."

I say again to the honourable Leader of the Government that it would be in the interests of the prestige of this house if such matters came before us only after having been examined by the Standing Committee on Finance. This is the procedure followed in the other place.

Motion agreed to and bill read second time.

THIRD READING

The Hon. The Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Deschatelets: I move, with leave of the Senate, that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

Thursday, March 23, 1967

12.15 a.m.

ROYAL ASSENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE
OTTAWA

22 March 1967

Sir,

I have the honour to inform you that The Hon. J. R. Cartwright, M.C., Puisne Judge of the Supreme Court of Canada, acting as Deputy to His Excellency the Administrator of the Government, will proceed to the Senate Chamber today, the 22nd March, at 11.50 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate

ADJOURNMENT

Leave having been given to revert to Motions.

Hon. John J. Connolly: Honourable senators, I move with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, April 18, at 8 o'clock in the evening.

This motion, honourable senators, is made on the understanding that we are always subject to recall when required.

Motion agreed to.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable J. R. Cartwright, M. C., Deputy of His Excellency the Administrator of the Government of Canada, having come and being seated at the foot of the Throne, and the House of Commons having been summoned and being come with their Speaker, the Honourable the Deputy of His Excellency the Administrator was pleased to give Royal Assent to the following bills:

An act to authorize the making of certain fiscal payments to provinces, to authorize the entry into tax collection agreements with provinces, and to amend the Established Programs (Interim Arrangements) Act.

An act to make provision for appeals to an Immigration Appeal Board in respect of certain matters relating to immigration.

An act respecting pension plans organized and administered for the benefit of persons employed in connection with certain federal works, undertakings and businesses.

An act to amend the Income Tax Act and to repeal the Canadian Vessel Construction Assistance Act.

An act to amend the Bank of Canada Act.

An act respecting Banks and Banking.

An act respecting Savings Banks in the Province of Quebec.

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Administrator as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bills:

An act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1967.

An act for granting to Her Majesty certain sums of money for the public

service for the financial year ending the 31st March, 1968.

To which bills I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Administrator was pleased to give the Royal Assent to the said bills.

The House of Commons withdrew.

The Honourable the Deputy of His Excellency the Administrator was pleased to retire.

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, April 18, 1967, at 8. p.m.

THE SENATE

Tuesday, April 18, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

NEW SENATORS

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk has received certificates from the Registrar General of Canada showing that the following persons, respectively, have been summoned to the Senate:

Hon. Maurice Lamontagne, P.C.
Andrew Ernest Thompson, Esquire
Keith Laird, Esquire, Q.C.
Mrs. Mary Elizabeth Kinnear.

NEW SENATORS INTRODUCED

The Hon. the Speaker having informed the Senate that there were senators without, waiting to be introduced:

The following honourable senators were introduced; presented Her Majesty's writs of summons, which were read by the Clerk; took the legally prescribed oath, which was administered by the Clerk, and were seated:

Hon. Maurice Lamontagne, P.C., of Montreal, Quebec, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Bourque.

Hon. Andrew Ernest Thompson, of Kendal, Ontario, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Davey.

Hon. Keith Laird, of Windsor, Ontario, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Croll.

Hon. Mary Elizabeth Kinnear, of Port Colborne, Ontario, introduced between Hon. Mr. Connolly (Ottawa West) and Hon. Mr. Roebuck.

The Hon. the Speaker informed the Senate that each of the honourable senators named above had made and subscribed the declaration of qualification required by the British North America Act, 1867, in the presence of the Clerk of the Senate, the Commissioner appointed to receive and witness the said declaration.

Hon. John J. Connolly: I am sure all honourable senators expect me to say to Senator Lamontagne from Quebec, and Senators Thompson, Laird and Kinnear from Ontario, that they are welcome in this house.

My own experience here is not as long as that of many distinguished parliamentarians present, but I can tell the new senators that over the years during which I have been a senator I have discovered that this chamber can be one of the most interesting and fruitful places in which to work.

We look forward to a continued and long association with you, and to your close collaboration with all of us in the work we are called upon to do on behalf of the Parliament and people of Canada.

CONSUMER CREDIT (COST OF LIVING)

JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Irvine had been substituted for that of Mr. Watson (Assiniboia) on the list of members appointed to serve on the Special Joint Committee on Consumer Credit and Cost of Living.

NATIONAL AND ROYAL ANTHEMS

JOINT COMMITTEE—MESSAGE FROM COMMONS

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following message has been received from the House of Commons:

> Ordered: That a message be sent to the Senate to inform Their Honours that the Special Joint Committee of the Senate and the House Commons on the National and Royal Anthems be authorized to call for persons, papers and records and examine witnesses; to print such papers and evidence from day to day as may be deemed advisable and that Standing Order 66 be suspended in relation thereto; and that it be empowered to retain such experts as may be required from time to time.
>
> Attest.
>
> Alistair Fraser
>
> for The Clerk of the House of Commons

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of Expenditures and Administration in connection with the Unemployment Assistance Act for the fiscal year ended March 31, 1966, pursu-

ant to section 9 of the said Act, chapter 26, Statutes of Canada, 1956. (English and French texts.

Report of the Eldorado Mining and Refining Limited and its subsidiary, Eldorado Aviation Limited, including their Accounts and Financial Statements certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Report of the Department of Trade and Commerce intituled: "Private and Public Investment in Canada—Outlook 1967—and Regional Estimates". (English and French texts).

Report of the Northern Transportation Company Limited, including its Accounts and Financial Statements certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952 (English and French texts).

Report of the National Energy Board for the year ended December 31, 1966, pursuant to section 91 of the National Energy Board Act, chapter 46, Statutes of Canada, 1959. (English and French texts).

Report of the Department of Citizenship and Immigration for the fiscal year ended March 31, 1966, pursuant to section 7 of the Department of Citizenship and Immigration Act., chapter 67, R.S.C., 1952. (English and French texts).

Report by the Tariff Board, dated February 1, 1967, relative to the Inquiry ordered by the Minister of Finance respecting Cotton Yarns and Rovings, for Use in the Manufacture of Certain Products, Reference No. 135 (English and French texts) together with a copy of the transcript of the evidence presented at public hearings (English text), pursuant to section 6 to the Tariff Board Act, chapter 261, R.S.C., 1952.

Exchange of Notes, dated April 3, 1967, between the Government of Canada and the Government of the Socialist Republic of Roumania concerning the establishment of diplomatic relations between the two countries. (English and French texts).

Capital Budget of the Export Credits Insurance Corporation for the year ending December 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952, together with a copy of Order in Council P.C. 1967-412, dated March 2, 1967, approving same. (English text).

Report on the Operations of The Canadian Wheat Board for the Crop Year ended July 31, 1966, certified by the Auditors, pursuant to section 7(2) of the Canadian Wheat Board Act, chapter 44, R.S.C., 1952. (English and French texts).

Report of the Department of Defence Production for the year ended December 31, 1966, pursuant to section 34 of the Defence Production Act, chapter 62, R.S.C., 1952. (English and French texts).

Copy of amendments made March 23, 1966, by the President and Puisne Judges of the Exchequer Court of Canada to the General Rules and Orders of the Exchequer Court of Canada, pursuant to section 88(2) of the Exchequer Court Act, chapter 98, R.S.C., 1952. (English and French texts).

Report on Operations under Part II of the Export Credits Insurance Act for the fiscal year ended March 31, 1967 pursuant to section 27 of the said Act, chapter 105, R.S.C., 1952. (English and French texts).

Report on the Administration of the Canada Student Loans Act for the loan year ended June 30, 1965, pursuant to section 18 of the said Act, chapter 24, Statutes of Canada, 1964-65. (English and French texts).

Statutory Orders and Regulations published in the *Canada Gazette*, Part II, of Wednesday, April 12, 1967, pursuant to section 7 of the Regulations Act, chapter 235, R.S.C., 1952. (English and French texts).

Report of the Canadian Corporation for the 1967 World Exhibition, including its Statements of Accounts and the Report of the Auditor General of Canada and the Quebec Provincial Auditor thereon, for the year ended December 31, 1966, pursuant to section 18 of the Canadian Corporation for the 1967 World Exhibition Act, chapter 12, Statutes of Canada, 1962-63, as amended 1963. (English and French texts).

Report of the Board of Trustees of the Maritime Transportation Unions for the year ended December 31, 1966, pursuant to section 16 of the Maritime Transportation Unions Trustees Act, chapter 17,

Statutes of Canada, 1963. (English and French texts).

Report of the National Harbours Board, including its Accounts and Financial Statements certified by the Auditor General, for the year ended December 31, 1966, pursuant to section 32 of the National Harbours Board Act, chapter 187, and sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952 (English and French texts).

Annual Report to the Governments of the United States and Canada by the Columbia River Treaty Permanent Engineering Board for the period October 1, 1965 to September 30, 1966. (English text).

Report of the Northern Ontario Pipe Line Crown Corporation, including its Accounts and Financial Statement certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

Revised Capital Budget of the National Capital Commission for the fiscal year ending March 31, 1967, pursuant to section 80(2) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

FOOD AND DRUGS ACT

BILL TO AMEND—FIRST READING

Hon. John J. Connolly presented Bill S-60, to amend the Food and Drugs Act.

Bill read first time.

Hon. Mr. Connolly (Ottawa West) moved, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DIVORCE

REPORTS OF COMMITTEE PRESENTED

Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, presented the committee's reports Nos. 1291 to 1333, inclusive, and moved that the said reports be taken into consideration at the next sitting.

Motion agreed to.

THE GOVERNOR GENERAL

ADDRESSES AT INSTALLATION PRINTED IN SENATE RECORDS

Hon. John J. Connolly: Honourable senators, with leave of the Senate, I move seconded by Honourable A. J. Brooks, Leader of the Opposition, as follows:

> That the address of the Prime Minister, the Right Honourable Lester B. Pearson, P.C., at the Installation of the Right Honourable Roland Michener, P.C., Q.C., as Governor General of Canada on April 17, 1967, together with the reply of His Excellency the Governor General thereto, be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate,* and form part of the permanent records of this house.

Hon. A. J. Brooks: Honourable senators, I take great pleasure in seconding the motion of the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West). Yesterday was a grand day for Canada, and we had a wonderful installation ceremony. All those who took part, from the highest to the lowest, deserve great commendation and praise.

Mr. Speaker and honourable senators, may I also take this opportunity to congratualte the new senators sworn in this evening. I know that the honourable Leader of the Government has congratulated them already on behalf of all members, but I should like to do so also and to wish them many years of happiness here.

Hon. Mr. Connolly (Ottawa West): Honourable senators, first of all, I thank honourable Senator Brooks for having been good enough to second this motion. We are following a precedent set by the Administration of which he was a member, when the late General Vanier was inducted as Governor General in this chamber.

I should like to re-echo Senator Brooks' remarks about the significance and the solemnity of the ceremony which took place here yesterday. It was a most significant day for Canada. I am sure members from all parts of both houses agree that the ceremony was conducted in a manner befitting the great occasion which it was.

Furthermore, I am particularly proud of the part played by the officials and staff of various branches of the Senate. That we were able to sit here in our normal places this evening is a tribute to the efficiency which they display on occasions of this kind, and I take this opportunity to mention it.

Motion agreed to.

For addresses see Appendix to today's Hansard, pp. 1783-5.

CANADIAN CITIZENSHIP ACT

BILL TO AMEND—SECOND READING
—DEBATE ADJOURNED

Hon. Keith Davey moved the second reading of Bill S-59, to amend the Canadian Citizenship Act.

He said: Honourable senators, before dealing with Bill S-59, I should like to add my word of welcome to the new senators. All the new senators are friends of mine; one, Senator Thompson, is one of my oldest political colleagues. They are all welcome here for many reasons, not the least of which is that recently appointed senators like myself can now cease regarding ourselves as "new senators." I can assure the new senators that they will receive, just as I have and still do, the unfailing courtesy and co-operation of the members on both sides of the house.

In that spirit, honourable senators, I would like to make a brief reference to my recently-terminated career in Canadian professional football. Both prior to, during and since my departure, I have been most grateful for the friendly support I have received from many senators, again on both sides of the Senate. Incidentally, I think that perhaps the honourable Leader of the Government may have taken my retirement from professional sport much too literally, because certainly I would prefer tonight to be using my red tickets in the Maple Leaf Gardens. Alas, that is not to be, but I may inform the honourable senator that at the end of the first period the score is Chicago 1, Toronto 1.

I am glad to be here for several reasons tonight and to be able to sponsor Bill S-59, an act to amend the Canadian Citizenship Act. This, I believe, is the twenty-fourth bill to receive its first introduction in the Senate in the current session. Indeed, as the honourable Leader pointed out on national television the other evening, almost 25 per cent of all the legislation to pass through Parliament in this session originated in the Senate. The public, however, has absolutely no idea what it is we do here, let alone how much it is that we do here. This sad state of affairs, of course, is not the public's fault. It is ours. That, honourable senators, is another speech for another occasion.

I am also privileged to sponsor this bill because I believe it contains such intrinsically worthwhile legislation. The 15 clauses represent a series of further amendments to the Canadian Citizenship Act, passed in 1947 and amended several times since. The general effect of these particular amendments seems to me to be twofold: first, to make the act more flexible in its application, particularly so far as new citizens are concerned; and secondly, to remove certain discriminatory aspects which pertain particularly to Canadians who are not Canadian born.

It might be useful to begin by briefly outlining the structure of the Canadian Citizenship Act itself. After a brief introduction, the act is divided into seven parts, as follows:

Part I, Natural-Born Canadian Citizens.

Part II, Canadian Citizens other than Natural-Born.

Part III, Loss of Canadian Citizenship.

Part IV, Status of Canadians and Recognition of British Subjects.

Part V, Status of Aliens.

Part VI, Procedure and Evidence.

Part VII, General.

The 13 clauses of Bill S-59 constitute a series of amendments involving four of these seven parts. Three parts of the Act, Part I, Natural-Born Canadian Citizens, Part IV, the Status of Canadian Citizens and the Recognition of British Subjects, and Part V, the Status of Aliens, are not amended by Bill S-59.

I shall deal first with the first three clauses of Bill S-59, which effect amendments in Part II of the act, which as you will recall is the part dealing with Canadian citizens other than natural-born. The basic purpose of the amendments in the first three clauses is to build some flexibility into the methods of obtaining Canadian citizenship.

Clause 1 is simply a straight housekeeping amendment consequent upon subsequent amendments in the act. Clause 2, however, effects four significant changes to Section 10 of the act. Section 10 deals with the requirements for becoming a citizen.

I should like to point out to honourable senators, in the case of the four changes, what the present arrangement is, what the proposed change is, and what I understand to be the purpose of the proposed change.

At present an applicant must reside in Canada for at least two years immediately preceding application. This is now to be changed so that he must reside in Canada at least 12 of the 18 months immediately preceding application. The purpose of this particular change is to add a degree of flexibility and to make it possible for an applicant to spend some time out of the country during this period. As I say, this is intended to add a

degree of flexibility which I suggest is essential in the fast-moving world of today.

The second change in this particular clause also has to do with residence requirements. At the present time an applicant is required to be Canadian domiciled. This is defined in the Immigration Act as meaning that the applicant must have spent five consecutive years after becoming a landed immigrant in Canada before he is able to apply. The change which is proposed under this act is to increase that period to eight years. Now, instead of spending five consecutive years he must spend five of eight years in Canada after becoming a landed immigrant.

That also is what I would describe as adding a degree of flexibility in a world which I suggest is moving ever faster.

Then there is the clause, which remains in the act, whereby an applicant must indicate that it is his intention to become a permanent resident of Canada. Under the existing legislation the applicant must be of good character, and now the phrase is added "and not under order of deportation;". This is a rather obvious amendment which I understand is needed to plug certain loopholes in the existing legislation.

The fourth amendment has to do with language requirements. At the present time an applicant must have adequate knowledge of either French or English, or he must have been a resident of Canada for more than 20 years. An adequate knowledge of French or English is still a requirement, but there is a change proposed for people who do not have this knowledge. The proposal is that if the applicant is over 40 years of age at the time he arrived in Canada, the residence requirement is reduced to 10 years. However, if the applicant becomes a landed immigrant when he is under 40, then the 20-year requirement remains. In other words the language requirements are being somewhat reduced for older applicants who might find it more difficult to master a new language later in life. There is also a slight easing of the language requirement so far as the spouse of the applicant is concerned. This is in the interests of holding families together, since it is felt that it will be satisfactory if the head of the family is conversant with the language.

Clause 3 refers to this general part of the act dealing with Canadian citizens other than those natural-born. This clause simply clarifies certain procedures concerning the oath of allegiance. More specifically, British subjects and minors over the age of 14 years become citizens when their certificate is granted or when they take the oath of allegiance, whichever occurs first. This is a housekeeping amendment which has a retroactive element.

Clauses 4, 5 and 6 of Bill S-59 deal with Part III of the act, having to do with loss of citizenship. The basic purpose of the amendments contained in clauses 4, 5 and 6 would seem to be to remove any trace of discrimination which may be felt to remain against Canadian citizens who are other than natural born.

Clause 4 repeals section 18 of the act —again in Part III dealing with loss of citizenship—which presently would take citizenship away from Canadian citizens other than natural born if they have been residing outside Canada for ten years. This particular clause does not pertain to Canadians who are natural born and, obviously, this is a type of distinction which is discriminatory and which for that particular purpose has been removed.

Similarly, in clause 5, which deals with the revocation of citizenship, presently the citizenship of a non-natural-born Canadian, a citizen born outside Canada, can be taken away for three of four reasons, including treason, breach of the Official Secrets Act and false pretences—particular requirements which do not pertain to Canadians who are native born. So, again this is a discriminatory distinction which is being removed.

Clause 6, also dealing with loss of citizenship, is simply a housekeeping amendment consequential upon other amendments to the act.

Bill S-59 effects some amendments to Part VI of the act, which deals with procedure and evidence, and more specifically with the procedure to be followed by applicants for citizenship.

Sections 30 and 31 of the act have been rewritten, and it is interesting to note in passing that at the present time citizenship is recommended to the minister out of 13 federal courts across the country which apparently deal with about 75 per cent of the applications, the remaining applications being dealt with in various courts in specific provinces in more remote areas.

The effect of these particular amendments is to set up a Citizenship Appeal Court. All decisions made by the Citizenship courts or by the courts where applications have been made are relayed to the minister, and under this particular amendment the minister must

inform all applicants of the decision of the court, not only applicants who are successful but as well those applicants who for one reason or another are turned down. In the latter case the minister must inform the applicant that his application has been turned down, and also that he has the right of appeal.

This particular amendment also sets up the Citizenship Appeal Court, reference to which is made in section 30A on page 4 of the bill. More specifically, it states:

> (1) There shall be a Citizenship Appeal Court, consisting of one or more judges of the Exchequer Court of Canada to be designated by the President of the Exchequer Court of Canada from time to time.

Section 30A(3) states:

> Every appeal to the Citizenship Appeal Court shall be brought within thirty days from the day notice is given to the applicant in accordance with subsection (2) of section 30, by Notice of Appeal filed with the Registrar of the Citizenship Appeal Court.

In other words, an applicant has 30 days to file notice in regard to this particular kind of appeal. This court will simply confirm or reverse the other court's decision. The final decision as to whether or not citizenship shall be granted rests not with the court but remains with the minister.

I was anxious to find out how much work there would be for this particular court, and I was informed that for the past six years there have been some 360,000 applications for citizenship, only 1,200 of which have been turned down. Thus, a fraction of one per cent of all applications have been turned down. Here is an attempt to broaden the act to make it possible for such persons to have some type of appeal.

Clauses 8, 9, 10, 11 and 12 all deal with sections coming under Part VII of the act, which is the General part. It is possible to divide clauses 8, 9, 10, 11 and 12 into three groups.

Clause 8 deals with certain regulatory powers of the minister. Clauses 9 and 10 deal with housekeeping for a specifically vital area. Clauses 11 and 12 deal with penalties and offences under the act.

Reverting to the particular clauses, clause 8 effects amendments to section 34, which is the first section under this general part of the Citizenship Act, a section which enables the Governor in Council to make certain regulations in connection with the administration of the act. These six changes in the subsections under section 34 simply clarify the minister's position in connection with certain regulatory powers, dealing with such matters as oaths, the misuse of certificates, and fees.

Clauses 9 and 10—which, as I say, are forms of housekeeping, albeit in a most vital area—extend the complete provisions of the act to Newfoundland. It was thought this had been done before. However, a number of specific points were affected, involving foundlings, war brides, and so on. It is my understanding that the amendments contained in clauses 9 and 10 will completely remedy the situation and make the act fully operative in every respect in the Province of Newfoundland.

Clauses 11 and 12 deal with offences under the act and amend sections 41 and 42 of the act, again in this seventh and final part of the act entitled "General." The effect is to broaden the category of offences under the act. For example, not only is it an offence for a person to use another's certificate, but there are also certain additional offences such as obtaining certificates, trafficking in certificates, and allowing one's certificate to be used. Under this bill these are now offences under the act. The penalty is no longer simply imprisonment, but imprisonment and/or a fine. Offences committed outside of Canada will now come under this act.

The amendment to section 42A deals with the time limit for institution of proceedings in regard to an offence committed under the act. Up to the time of this particular amendment, summary conviction proceedings have had to be brought within six months. It is my understanding that as a result of this particular amendment the time limit is extended to three years.

Clause 13 is just what it indicates, an amendment to the French version. Its basic purpose is to correct some minor discrepancies between the English and French versions.

This is a worthwhile piece of legislation which I commend to you, honourable senators, as having the generally beneficial effect of broadening the benefits under the Citizenship Act.

It is my understanding that it is the intention to refer this bill to the Standing Committee on Immigration and Labour, where it can be examined in considerably more detail.

Hon. Harry A. Willis: Honourable senators the fact of my rising to speak on this measure

will not cause you to miss the score in the hockey game because I promise you I shall take only five minutes of your time.

There are not many things in which I can compete with the honourable Leader of the Government in the Senate (Hon. Mr. Connolly, Ottawa West), but there is one. I was present outside the chamber this evening when the honourable Leader of the Government met the charming new lady senator, Senator Kinnear, and instead of giving her a good buss he just pecked her on the cheek. Had I had his opportunity I would have done a much better job.

Hon. Mr. Connolly (Ottawa West): You have had more experience.

Hon. Mr. Willis: Honourable senators, I find it rather ironical to note that the honourable sponsor of this bill (Hon. Mr. Davey) was a fellow company director of mine, and he resigned his directorship shortly after being appointed to the Senate. I assure him that neither I nor the company had anything to do with that.

Senator Davey has explained this bill very well, and I can say, speaking on behalf of all honourable senators on this side of the house, that we approve the bill completely. The bill amends some sections of the act that might have been debatable in the past, and I congratulate the law officers who drafted this bill on the good and thorough job they did. It must have taken them a long time.

One of the important features of this bill is that it provides for a Citizenship Appeal Court, which will consist of one or more judges of the Exchequer Court of Canada, to which a person who has been refused the right of citizenship can appeal.

I want to say to the honourable Leader of the Government—of course, I have not read the regulations that will be promulgated after this measure is passed—that those persons who are appointed to hear citizenship applications in this country must be gentle, patient, and understanding. They must understand that the applicant for citizenship before them is new to this country. He has been here only five years, and has probably never been in a court before. A judge may appear to him to be the Almighty. I have heard county court judges—and I could name two or three in particular—blast applicants for not properly answering the questions. I think that this is despicable. The Government, in my opinion, should consider setting up a school in which these special examiners, and county court judges too, can learn how to handle these cases.

I attended at one application, and the proceedings sounded like a geography lesson. The applicant was asked how many provinces there are in Canada; who is the Prime Minister of Canada; who is the Premier of Ontario, and matters like that. To me this is absolute nonsense. What the examiner or the county court judge has to find out is what the applicant intends to do in Canada. The applicant should be encouraged in his occupation, and encouraged to go to school in order to further his education. The examiners and county court judges, just because they have an official appointment—which some of them probably did not earn—should not treat these applicants as people over whom they can ride roughshod.

Honourable senators, that is all I have to say about this bill. It contains some clauses which affect Newfoundland in particular, and perhaps my honourable colleague, Senator Hollett, will have something to say about them. I should like to point out in conclusion that the author of this legislation, and the man who started it on its way, was the former Minister of Citizenship and Immigration, the Honourable R. A. Bell.

Hon. Malcolm Hollett: Honourable senators, I shall not keep you one second longer than I am compelled to, but apparently somebody wishes me to say a few words in connection with this bill because it mentions Newfoundland specifically.

At the outset of my remarks I should like to say "Welcome" to the four new senators introduced this evening. I hope their stay here will be long and happy, and useful not only to themselves but to the country as well.

I was appointed to this chamber in 1961, and since that time 45 new senators have come along. Some honourable senators have passed on to their great reward, and others have left us to enjoy the quietude of retirement. I mention this only to show how quickly our names ascend the list, particularly having regard to the ages of some of us when we were appointed.

As I looked around the chamber tonight at the very large number of senators present I could tell at a glance who had been down to Florida, and I wondered why they came back. I know now that they came back in order to retain their citizenship, and I extend a word of welcome to them as well.

Senator Davey has given a splendid explanation of this bill, and there is no need for me

to say much about it. I want only to comment on one or two points.

Section 4, which is found on page 2, concerns the resumption of citizenship lost through residence outside Canada. I know a good many Newfoundlanders who, after Newfoundland came into Confederation, worked for a while in Canada. Some of them worked in the great airplane industry, and when that was phased out they had to go somewhere else to seek a job. A good many of them went to the United States of America. I am pleased to see that section in this bill, because I believe it allows such persons to retain their citizenship for a certain number of years.

I turn now to section 9, which is on page 6. Honourable senators will remember that section 39 of the act, as was pointed out, provided that a person who was a British subject on April 1, 1949—that is April Fools' Day—and who was born in Newfoundland, became a Canadian citizen. This amendment takes care of a person who was born on a ship registered in Newfoundland. I have yet to know or hear of any person in Newfoundland who was born on a ship. No doubt it has happened, but only to a very few. I did not want honourable senators to get the impression that most of us Newfoundlanders were born on a schooner, steamer, or fishing raft. If there is any person who did come into the world at such a place then I should like to welcome him as a citizen of Canada.

Honourable senators, even though I was accused of fighting against Confederation, I am proud to be a Canadian citizen. I never did fight against Confederation. What I fought against was the method and procedure adopted for bringing Newfoundland into Confederation. I think I have told you that story before, and I do not need to go into it now. All I will say in that respect is that I am very proud to be a Canadian.

Hon. Senators: Hear, hear.

Hon. Mr. Hollett: There are one on two other things I should like to mention. Section 39a on page 7—

Hon. Mr. Croll: Before the honourable senator proceeds may I draw his attention to the subsection at the bottom of page 6, and ask him to tell us what that means?

Hon. Mr. Hollett: Yes, I was coming to that. I have heard talk of found-ins, and, of course, I have heard talk also of foundlings. It will be noted that there is an amendment to section 39 of the act having to do with the poor Canadian born on a ship registered in Newfoundland.

The explanatory note to subclause (1) of clause 9 states:

> The purpose of this amendment is to make it clear that persons born on a ship registered in Newfoundland are Canadian citizens.

Subclause (2) of clause 9 is in respect to wives. The explanatory note states in part:

> The purpose of this amendment is to provide that the wives of those persons who, by virtue of section 39, became Canadian citizens on the first day of April, 1949, are also Canadian citizens if they were British subjects on that date and had been admitted to Newfoundland for permanent residence.

At this date that is not of great importance. Subclause (6) reads as follows:

> Every foundling who was first found as a deserted infant in Newfoundland shall, until the contrary is proven, be deemed to have been born in Newfoundland.

Newfoundland is not the only place where one finds a deserted infant. I am sure that deserted infants can be found in Ottawa, Montreal, or indeed anywhere. I dare say a few can be found in Newfoundland. Is it a fact that a deserted child or a foundling can have Canadian citizenship? I shall have to look up the act to see if it applies to all deserted children.

Hon. Mr. Hayden: I was wondering when an infant ceases to be an infant. Of course, in law it applies to any child under 21.

Hon. Mr. Connolly (Ottawa West): That law applies in Ontario.

Hon. Mr. Choquette: How old is a foundling?

Hon. Mr. Willis: What is a foundling?

Hon. Mr. Hollett: Subclause (6) states "who was first found as a deserted infant". I think that is the answer.

I do not think that that subclause should apply just to Newfoundland. That is all I object to; otherwise, I am in favour of this bill, because I feel it has straightened out the whole matter so far as citizenship is concerned. I do not know why they should have picked out Newfoundland. Newfoundlanders are good people. The impression seems to be given that we were all deserted, born on

ships, and were foundlings. We were not. Our people originated from England, Ireland, Scotland and Wales, and also France. I think we have the same kind of blood in our veins as do all those conceited people in the other provinces. I am sorry Newfoundland is mentioned specifically; I see no necessity for it. However, it is there. If any other explanations are necessary I will try to get them from the Leader of the Government.

Hon. Mr. Connolly (Ottawa West): Or in committee.

Hon. Mr. Hollett: Yes, in committee. Clause 10 of the bill amends the act by adding immediately after section 39, sections 39A and 39B. The explanatory note states:

> The new section 39a provides for the acquisition of Canadian citizenship by persons born in Newfoundland or outside Newfoundland to Newfoundland parents and who ceased to be British subjects, for any reason other than marriage, before the first day of April, 1949.

I promised that I would not detain the house. I will merely conclude by saying that I find nothing wrong with the bill except for some of the wording, which I think should be amended. The bill gives a black eye to Newfoundland. We have already received too many of these and do not want any more.

Hon. Mr. Connolly (Ottawa West): There will not be any more.

On motion of Hon. Mr. Pearson, debate adjourned.

NATIONAL AND ROYAL ANTHEMS

SECOND REPORT OF JOINT COMMITTEE—DEBATE ADJOURNED

The Senate proceeded to consideration of the second report of the Special Joint Committee of the Senate and the House of Commons on the National Anthem and the Royal Anthem.

Hon. Maurice Bourget: Honourable senators, before saying a few words only on the report under study, I should like to join those of my colleagues who have already spoken in extending to the four new senators my sincere congratulations on their appointment. I am sure that this evening the Senate has grown richer by admitting them to its ranks and that, as they have already done in the past, they will share for the greater good of our country their varied knowledge as well as their great competence.

Honourable senators, as I have just said, I do not intend to speak at length on the report now under study; it is clear enough for honourable senators to grasp its significance with ease.

After a few meetings of the joint committee of the Senate and the House of Commons, it was agreed that the committee should recommend unanimously that the Government be authorized to adopt without delay the music of "O Canada" by the composer Calixa Lavallée for Canada's national anthem. In addition, the committee has also recommended unanimously that the Government adopt without delay the traditional air of "God Save the Queen" now in the public domain as the music for Canada's royal anthem. These are the two main recommendations in this report.

All the members of the committee agreed that these two airs have undergone the test of time and that they were generally accepted in the country.

As for the words of the national anthem and the royal anthem, the committee did not have the power to give the question comprehensive consideration; that is why the committee requests in the report that its terms of reference be extended to permit the questioning of the greatest possible number of witnesses, to require the production of documents, and reports, and to retain services of experts in order to make definite recommendations on this matter.

The question of copyright of the music has also been considered by the members of the committee. It has been agreed to recommend that the government take the necessary measures to obtain the copyright of the music, and to provide that it will always remain the property of Her Majesty in right of Canada.

I thank the honourable senators who sat on the committee for their excellent co-operation, as well as the three witnesses, Mr. Erik J. Spicer, Parliamentary Librarian, Mr. J. Guy Sylvestre, Associate Librarian, and Mr. Lewis Levy, counsellor from the Justice Department. The information they have supplied in their testimony before the committee was most useful.

Honourable senators, that is all I have to say on this report. I hope it will be adopted by the Senate as unanimously as it was in the committee taking into account meanwhile that it was accepted by the House of Commons without debate.

On motion of Hon. Mr. Yuzyk, debate adjourned.

NATO PARLIAMENTARIANS

TWELFTH ANNUAL CONFERENCE AT PARIS, FRANCE—DEBATE CONTINUED

The Senate resumed from Friday, February 17, the adjourned debate on the notice of the Honourable Senator Aird that he will call the attention of the Senate to the Twelfth Annual Conference of NATO Parliamentarians held at Paris, France, 9th November to 14th November, 1966, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

Hon. Douglas D. Everett: Honourable senators, in resuming the debate on the report of Senator Aird on the Twelfth Annual Conference of NATO Parliamentarians, I should like to congratulate Senator O'Leary (Carleton) on an articulate presentation, the brilliance of which was enhanced by the fact that it was extemporaneous.

In that speech, Senator O'Leary made four points. First, he criticized the selection and briefing of delegates to meetings of international associations. I do not propose to comment on his criticism, except to note that he seems to have received the general agreement of this house on that point.

Secondly, he suggested that NATO should be reassessed and, in particular, that Canada should reassess her position vis-à-vis NATO.

His third point was that we in this house should receive substantive information regarding the foreign policy of this country.

In answer to those two points which Senator O'Leary raised, the Secretary of State for External Affairs appeared before the Senate External Affairs Committee and gave a full statement of Canada's foreign policy as it relates to NATO.

I might comment further on Canada's NATO military commitment. Each year, the heads of the various NATO governments meet with the military chiefs of NATO and indicate the forces that their particular country can provide to NATO. At the December ministerial meeting, the countries provide those forces that they have indicated they will provide. I can state with assurance that Canada is living up to the commitment it made at the last December ministerial meeting.

As to Senator O'Leary's fourth point, I should like to examine it in some detail. He stated as follows, as reported at page 1465 of *Hansard*:

> Does any honourable senator believe that this country, alone almost in the world, has some obligation to keep the peace between Turkey and Greece? Honourable senators, these are two NATO powers; they are on one of the flanks of NATO. If it was the obligation of any nation or any number of nations to keep Greece and Turkey apart, that obligation was with the NATO nations themselves.

Honourable senators, the Cyprus force is a United Nations force. It was established by unanimous resolution of the Security Council on March 4, 1964. Its mandate was extended by a unanimous resolution of the Security Council on December 15, 1966, to June 26, 1967.

It is not true to say that Canada is almost alone in that force. On December 5, 1966, the force was composed of 4,436 military personnel: Britain was contributing 1,092; Canada, 876; Denmark, 673; Sweden, 618; Finland, 608; Ireland, 520; Austria, 49.

That did not include a civilian police force of 174 provided by Australia, Austria, Denmark, Sweden and New Zealand.

Honourable senators, the United Nations force in Cyprus is financed by voluntary contribution. Over 40 countries are contributing to this fund. Canada is responsible for the pay and allowances of its force that it would pay if that force were within Canadian shores. As far as the extra costs of being in Cyprus are concerned, Canada is paying less than 50 per cent of those costs attributable to its own force.

Senator O'Leary says that it should be a NATO responsibility. Unfortunately, I cannot agree. Surely one of the main purposes of the United Nations is to keep peace among the nations of the world.

In doing what the United Nations is doing in Cyprus, it is carrying out its function and its obligations. NATO, on the other hand, is an alliance. It is not set up to keep peace among its member countries, and I think that if it attempted to do what is being done in Cyprus, we might endanger the whole viability of the alliance itself.

Senator O'Leary (Carleton) goes on to say, as reported at page 1466 of *Hansard*:

> I say it is not the role of Canada, it is not the duty of Canada, to go to this far-off island and keep peace between Turkey and Greece.

We might infer from that, that Senator O'Leary is confining himself to the dispute on Cyprus between Turkey and Greece. But Senator O'Leary goes on to quote from Senator Fulbright's writings, as follows:

> ...Americans today are acting, as if they were God's agents on earth, to see over all human behaviour.

I can only infer from that that Senator O'Leary's concern extends to all Canadian international obligations. I suggest to you, honourable senators, that this is a valid concern, and it is a crucial concern, because before we can decide on Canada's role vis-à-vis NATO we must decide whether we as a nation want to become involved, whether in fact we do have international obligations or whether in fact we should concentrate on our own problems at home.

It is not an easy decision to make. I suggest to you that the United States of America has made that decision, but it is easier for them than for us. They have world-wide interests, and they have the power, both military and economic, to be effective throughout the world. Despite the fact that they have made the decision, there is an enormous division amongst Americans as to whether or not that decision was correct.

Canada's choice is far more difficult. It is costly—it costs in money, it costs in effort, it even costs in blood. It would be far easier to depend on the United States of America, especially when one considers how little Canada can contribute, in relation to the United States. How much nicer it would be to concentrate on our own problems. Then, we could not be accused of imposing our morality on the rest of the world.

Honourable senators, before we decide, I suggest that we look at what is happening. Look at France. France is dealing with its international obligations today as though it were involved in an eighteenth century balance of power. England is talking of removing its forces on the Rhine in order to protect its foreign exchange balance. Germany is balking at paying the costs of troops provided by other nations to defend German soil. And the African states cannot even come together for their own economic development.

Now, I suggest to you that this is not isolationism; it is a form of selfish nationalism. And so long as we permit that selfish nationalism to grow, then we can be sure that western unity is in danger. If western unity is in danger, then our whole way of life is in danger, and I suggest to you that this country cannot afford to let that happen.

Canada must be concerned with the environment of the world in which it lives. Just as in any neighbourhood in which I live I must be concerned with the environment and what goes on around me, so a nation like Canada has to be concerned with its environment. Therefore, I suggest to you that we must be involved in international obligations.

To return to Senator O'Leary's point: should we be involved in this far-off island? Should we have been involved in the Congo, in the Gaza Strip, in the Colombo Plan; should we be involved in NATO, in the United Nations, and in far-off islands?

Neville Chamberlain referred to Czechoslovakia as "a country we know so little about," and that was part of the overture to a world war.

Honourable senators, we must be involved. We must do our part to prevent a breakdown in western unity. We must do our part to prevent the rise of selfish nationalism. We must contribute to international economic development; we must contribute to the peaceful settlement of disputes, and we must seek an environment in which Canada can prosper.

If I am told that the contribution that Canada can make is not worth while, then in defence I invoke the lines of a young English poet who agonized over whether his contribution in the First World War as a sailor would be worth while, and he resolved it for himself with these lines:

> If I should die, think only this of me:
> That there's some corner of a foreign field
> That is for ever England.

Honourable senators, Canada must do more than contribute to world peace and prosperity, if only to set an example to the rest of the world.

Hon. Mr. Belisle: Honourable senators, it was not my intention to speak on this subject, but seeing that Senator Everett has given us a challenge and has said that Senator O'Leary was partly wrong, I would like to accept that challenge and adjourn the debate.

On motion of Hon. Mr. Belisle, debate adjourned.

THE LATE SIR DONALD SANGSTER

PRIME MINISTER OF JAMAICA—TRIBUTE

Hon. John J. Connolly: Honourable senators, before moving the adjournment of the

Senate, I think it appropriate to pay a tribute of respect to the late Sir Donald Sangster, Prime Minister of Jamaica, who died in Montreal on the 11th day of April of this year.

Sir Donald—and he held his title for only a few days before he died—was known personally to many members of this chamber primarily because of his connection with the Commonwealth Parliamentary Association. He was in the Parliament of Jamaica for some 18 years. In the course of his parliamentary career he had been Minister of Social Welfare, Minister of Finance, and acting Prime Minister. On February 21, 1967, he became Prime Minister in his own right. His fatal illness came within a month of his election to office and he died at the early age of 55.

There are few men who have meant so much to Jamaica, emerging from its colonial status, as did Donald Sangster, but his career was not only illustrious there. It was illustrious abroad too.

He had been a governor of the World Bank and of the International Monetary Fund since 1963. He attended the Prime Ministers Conferences in 1964, 1965 and 1966. He had a broad outlook on world problems and on Commonwealth problems, and this vast and broad experience inured greatly to the benefit of Jamaica.

He was elected to Parliament first in 1949. He became associated with the work of the Commonwealth Parliamentary Association the following year. He attended innumerable meetings and was chairman of the General Council in 1963-64 when a very successful meeting was held on the Island of Jamaica.

To say that he was respected and admired by all who knew him is rather to understate the case.

I frankly considered Donald Sangster to be a catalyst of the Commonwealth. He enjoyed the confidence of the older members of the Commonwealth, the developed countries. But he enjoyed, too, the confidence and respect of the undeveloped, the new countries, the emerging countries. At Commonwealth Prime Ministers Conferences as well as at C.P.A. meetings, he was able to reconcile diverging points of view which might otherwise have led to crises.

He was to be in Malta this coming May for a special meeting of a working party appointed by the General Council, and his absence from that meeting will indeed be a loss to the people who attend and for the work that is to be done.

I should say to the Senate that I had the honour to represent the Government of Canada in Montreal on April 12. On that occasion I attended first of all a very moving private ceremony which was held in a funeral home. This ceremony was conducted by the Reverend Robert Brown of the Anglican Church, chaplain at the Montreal Neurological Institute.

That service was attended by those officials from Jamaica who were in Montreal, by some of his political associates and by those of his relatives who were in Montreal. I was particularly touched by the fact that the doctors, nurses and other people from the Neurological Institute came to that service dressed in the clothing that they wear in their work at that great institution.

He had been there for some two or three weeks, perhaps a little longer, but in that time they had become very devoted to him, and it was a most moving experience to see them on that occasion.

I was greatly impressed, as I am sure all honourable senators would have been, at the lying-in-state in Christ Church Cathedral from six o'clock that afternoon until the body was removed to be taken to Jamaica. The dignity of the Very Reverend Dean Bothwell of the cathedral in Montreal and the collaboration of the Roman Catholic Bishop Carter of Jamaica in the ceremony late that night when the body was being removed, was also an experience one will not soon forget.

A guard of honour was mounted by the Canadian forces. It performed superbly and indeed it was a most appropriate part of the tribute.

Above and beyond all these impressions, I could not help but be moved by the deep sorrow which was evident in the demeanour and upon the faces of his relatives as well as his associates from his native country. Their names I need not mention, but the genuine grief which afflicted them all I shall not soon forget. I was particularly impressed by the fact that for the five hours during which the body lay in state in that beautiful cathedral there were groups of young Jamaicans there constantly. These were young people, gentle people, who had left their country to live in Canada. To them he was Donald, their leader,

sprung like them from their Island in the Sun, but snatched by death so soon after his great electoral victory hardly a month before, snatched at the height of his power, snatched before he could realize the achievement of his dreams for the new Jamaica that will surely emerge.

I pay tribute to him not only as a great Jamaican, as a great Commonwealth statesman, but indeed as a great world statesman.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*see p. 1772*)

ADDRESS BY THE PRIME MINISTER, THE RIGHT HONOURABLE LESTER B. PEARSON, P.C., AT THE INSTALLATION OF THE RIGHT HONOURABLE ROLAND MICHENER, P.C., Q.C., AS GOVERNOR GENERAL OF CANADA
THE SENATE CHAMBER, MONDAY, APRIL 17, 1967

Your Excellency,

It is my privilege as Prime Minister to extend to you on behalf of the government and people of Canada our warmest good wishes as you assume the high and honourable position of Governor General of Canada.

May I respectfully request, Your Excellency, as your first official duty as the Queen's representative in Canada, that you convey to Her Majesty a message of loyalty and devotion from the Canadian people. Please assure Her Majesty how delighted we are that our Queen and the Duke of Edinburgh will be with us on the 1st of July, to celebrate the centennial of Confederation.

You begin your term of office, sir, at an historic moment. Throughout the one hundred years of our history as a Confederation, the post of Governor General has been filled by men of distinction who have all contributed significantly to the development of Canada and to the achievement of the proud position which we are celebrating throughout this centennial year.

We have been made more aware of the opportunities and the burden of your great office by the unexcelled contribution which your immediate predecessor made to the lasting benefit of all the people of this land. His memory will be treasured and his service to Canada will never be forgotten and I am sure that his life and work will be an inspiration to you as you take up your heavy duties.

We all realize how especially heavy these duties are in our centennial year. It is indeed another evidence of your willingness to serve your country that you readily consented to become Her Majesty's representative in Canada knowing that you and your wife would immediately be faced with a most demanding program of engagements. We, sir, have no doubt that you will meet the challenges of this office with the same skill and wisdom that you have met the others that you have faced throughout your varied career.

We remember well your distinguished performance when you occupied the chair in that other place and "never sold the truth to serve the hour". Although tradition will now bar you from attending there, your reputation is secure as one of the very best of our "first commoners".

You were, of course, no stranger to public service. It has been in the tradition of your family. Your father is remembered as a member of this very chamber where we are now gathered. You yourself, until a few days ago when you received the Queen's summons to represent Her Majesty in Canada, were serving half way around the world as the High Commissioner of Canada to India. There you have been able to test the strength and texture of the fabric of the Commonwealth. At the same time you were the Canadian Ambassador to Nepal and in the clear light of the far Himalayas you may have seen your country, its problems and its future in a new and different perspective.

Tennysons' lines fit well your career,

"Much has he seen and known; cities of men,

And manners, climates, councils, governments

Himself not least, but honoured of them all."

Through all this you have been accompanied and aided by your wife whose qualities of heart and mind have earned her an enviable reputation with all who know her.

Your Excellency, you begin your term of office as Her Majesty's representative in Canada with the best wishes of us all. We welcome you with great good will. Que Dieu vous garde. May God's grace and help be with you.

REPLY OF HIS EXCELLENCY THE RIGHT HONOURABLE ROLAND MICHENER TO THE ADDRESS OF THE PRIME MINISTER IN THE SENATE CHAMBER ON THE DAY OF HIS EXCELLENCY'S INSTALLATION AS GOVERNOR GENERAL OF CANADA, MONDAY, APRIL 17, 1967

Prime Minister,

So quick has been my transition from New Delhi to Ottawa that I have the sensation of having run all the way, and arrived here amongst you, somewhat out of breath—but as you can see, that does not leave me speechless. On the contrary I am full of ideas and emotions some of which I hope to be able to express to you at least in a preliminary way.

First, I am filled with gratitude for the generous words with which you have welcomed me and my wife and with appreciation for your earlier words, even more consequential, in which you gave to Her Majesty the advice upon which she acted in naming me as her representative in Canada. The honour is great and greatly valued, however awesome the responsibility.

Notwithstanding your encouraging expression of confidence that my wife and I will be equal to the task, I am all too well aware, and here I speak for myself alone, of the gap between my qualifications and the potentialities of the office of Governor General. These potentialities have been amply demonstrated by my predecessors. The Right Honourable Vincent Massey, the first Canadian Governor General, gave the office a new significance for Canadians. Their Excellencies the late Georges Vanier and Madame Vanier in the last seven years have so fully represented all that is good in the whole Canadian community, that they have justly won the respect and affection of everyone. His courageous efforts to complete his task in failing health confirm his place among the noblest of our public men.

With other Canadians we have mourned his loss and offered our sympathies to Madame Vanier with a full realization that no other couple would be able to begin at the high level of excellence and esteem to which they had elevated their public responsibilities.

However, we are greatly heartened in entering upon our term of office by the thought that the Governor General has come to represent the Canadian people as a whole and that in addition to his necessary and important constitutional functions he now symbolizes for Canadians the stability and continuity of their national life and institutions. In consequence all Canadians have a personal interest in the office and in helping the incumbent to reflect their hopes and aspirations for the future. Already we have been encouraged by the good wishes of many of those whom we shall serve, and we hope to earn and deserve such encouragement from all. It will make our task possible and our lives happy. In any event, Prime Minister, I shall not fail through lack of effort nor of will to serve.

I gladly undertake to assure at once to Her Majesty Queen Elizabeth of Canada, as you have requested, the loyalty and devotion of the Canadian people and our delight that she and The Duke of Edinburgh will soon be with us to join in our Centennial celebrations. May I add to this message my own humble duty to our Queen and my profound gratitude for the trust which she has entrusted in me.

Canadians look forward as well to welcoming other royal and distinguished visitors from Commonwealth and friendly nations who will be honouring us with their presence during this momentous year. We are grateful for their esteem and respect which will remind us that our birthday celebrations have significance beyond our own boundaries. 1967 is a time to assess our past achievements in the society of nations and to seek means of extending our contributions to the peace and happiness of the whole family of man.

To my friends in Quebec I should like to say that we look forward very much to the pleasure of living amongst them for a time each year at The Citadel. From there my wife and I shall be able to look down the river to the Ile d'Orleans where we have spent many happy days.

We now see in French Canada a renaissance of that creative vigour and intellectual brilliance which have long been a mark of

French civilization. All Canadians may well take pride in the achievements which are taking place in Quebec for they will stimulate and strengthen Canada as a whole. We are fortunate to possess two mighty currents of civilization: French and British. To these first mainstreams of our national existence have been added the diverse and notable contribution of settlers from other lands and races who have ventured to our shores. They have provided Canada with additional sources of strength and richness.

We look forward, in due course, to visiting all of Canada from the Atlantic to the Pacific and Arctic, not forgetting Alberta, where I was born and raised, Manitoba my wife's birth-place, and British Columbia, her former home, as well as Ontario, the centre of my public and professional activities.

Having set ourselves the goal of representing what one Canadian has called "la collectivité entière qu'on appelle le Canada", we shall seek to meet and know Canadians in their home communities. In Government House we hope to welcome Canadians of all walks of life, to provide a neutral and friendly environment for the discussion of differing points of view, and a centre for the encouragement of excellence in all worthy fields of Canadian endeavour.

In concluding, may I add my prayer to that of the Prime Minister that God's grace and help may direct us all in our common efforts to sustain and strengthen Canada, our Home.

23031—132

THE SENATE

Wednesday, April 19, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

CENTENNIAL OF CONFEDERATION

CONGRATULATORY RESOLUTIONS IN U.S. SENATE AND HOUSE OF REPRESENTATIVES—EXTRACTS FROM CONGRESSIONAL RECORD PRINTED AS APPENDIX

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that on March 14, 1967, concurrent resolutions were submitted to the United States Senate by Senator George D. Aiken of Vermont, and to the House of Representatives by Congressman Cornelius J. Gallagher of New Jersey, extending congratulations to the Parliament of Canada on the occasion of the 100th Anniversary of Confederation.

These two prominent parliamentarians of our great neighbouring country who have sponsored these resolutions are very well known in Canada by reason of the active part they have always taken in the Canada-United States Interparliamentary Group, and the great contributions they have made to establish and perpetuate friendly relations between our two countries.

The resolution introduced in the Senate of the United States reads as follows:

> Whereas the year 1967 marks the centennial of the Confederation of Canada; and
>
> Whereas the century of Canadian Confederation has been marked by close ties of friendship and association between Canada and the United States; and
>
> Whereas relations have been strengthened through the annual meetings of the legislators of Canada and of the United States: Now, therefore, be it
>
> Resolved by the Senate (the House of Representatives concurring), That the Congress of the United States extends its congratulations and its best wishes to the Parliament of Canada on the occasion of the centennial of the Confederation of Canada and in affirmation of the affection and friendship of the people of the United States for the people of Canada.

Honourable senators, the resolutions have been referred to committees—by the Senate to the Committee on Foreign Relations, and by the House of Representatives to the Committee on Foreign Affairs. They now have been reported back and adopted unanimously by both houses.

I know that honourable senators would like me to thank the Members of Congress, through the Speakers of both chambers, for the good wishes that they have extended our country on this historic event.

Honourable senators, may I now be permitted to table certain extracts from the Congressional Record of the United States containing the remarks made by the two sponsors in support of the passage of the aforementioned concurrent resolutions. I would ask, with leave, that these extracts be printed as an appendix to the *Debates of the Senate* of this day. Is it agreed?

Hon. Senators: Agreed.

(For text of extracts see appendix, pp. 1805-7.)

Hon. A. J. Brooks: Honourable senators, may I ask a question? I am sure we are all delighted to receive the expression of good wishes from the United States. However, I would like to ask if any Commonwealth countries, for example, or any other countries, have passed resolutions of this kind, and if and when they do is it our intention to have them all published in our records here?

Hon. John J. Connolly: Honourable senators, so far as I am advised, this is the first congratulatory message sent to Canada by any legislative group in the world. I think it is highly appropriate that our nearest neighbours should be thinking of us at this time and that our opposite number in terms of parliamentary establishments, namely, the Senate of the United States, should be so generous and thoughtful in doing this at this time. In saying this I am sure I speak for all honourable senators.

In reference to Senator Brooks' question, Canada will be receiving some sixty or more Heads of State this year, including representatives of the highest level from probably all Commonwealth countries. Whether parliamentary action will be taken or not, I do not know. In other countries if this happens it would seem to me that, for the purpose of the historic records of Parliament, it would be highly appropriate to have such messages placed on our records. I assume that

is why the honourable Leader of the Opposition asked the question.

Hon. Mr. Brooks: Honourable senators, I wish to make it abundantly clear that I am not objecting to this procedure. I appreciate it very much, as I am sure all members of the Senate do. However, it occurs to me that there were references in the press, though I may be wrong, to certain other countries having congratulated Canada on her centennial; and I do not wish it to appear that we are playing any favourites in that connection.

Hon. Mr. Connolly (Ottawa West): On the contrary, I would hope not. However, I will take it upon myself to make inquiries on this point. Such messages are more likely to come about the first of July than at any other time. I will inquire, and if there are such messages in existence I will notify the Senate. Then we may deal with them as we are dealing with this one.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copy of a Report, dated March 23, 1967, to the Minister of Labour by the Honourable Mr. Justice C. Rhodes Smith, Industrial Inquiry Commissioner, with respect to the causes of the stoppage of operations at British Columbia Ports, pursuant to the Industrial Relations and Disputes Investigation Act, chapter 152, R.S.C., 1952. (English text).

Report of the Fisheries Research Board of Canada for the year ended December 31, 1965. (English and French texts).

Report and Financial Statements of the Export Credits Insurance Corporation, certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 17(3) and 18 of the Export Credits Insurance Act, chapter 105, and sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

HON. SENATORS POULIOT AND WALKER

WELCOME ON RETURN TO CHAMBER AFTER ILLNESS

Hon. John J. Connolly: Honourable senators, I am sure I bespeak the views of all when I say how pleased we are to see two of our colleagues return to us in good health, namely, Senator Pouliot and Senator Walker. We missed both of them while they were away and we welcome them back.

HON. M. GRATTAN O'LEARY

FELICITATIONS ON BEING NAMED TO THE CANADIAN NEWS HALL OF FAME

Hon. John J. Connolly: Honourable senators, I am sure we should take judicial notice of the fact that our colleague, the honourable Senator M. Grattan O'Leary, was elected to the Canadian News Hall of Fame, during the recess of the Senate.

There were two others elected with him, both very distinguished journalists and great Canadians, the Honourable Joseph Howe of Nova Scotia and Mr. Ralph Allen of Toronto.

Sometimes I wonder about Senator O'Leary, for he even occupies a niche in stone in the Hall of Fame in this building. But I can say that it gives us great pleasure to live with the immortals.

THE LATE KONRAD ADENAUER

FORMER CHANCELLOR OF THE FEDERAL REPUBLIC OF GERMANY—TRIBUTE

On the Orders of the Day:

Hon. John J. Connolly: Honourable senators, before the Orders of the Day are called, I think it would be appropriate in this chamber to mark the regretted death at 91 years of age of Konrad Adenauer, the late Chancellor of the Federal Republic of Germany.

I wish to point out that in the remarks I make here I am associated with Senator Brooks in the views I express.

The New York *Times* summarized what Adenauer meant to the world, particularly to the West, when it wrote:

> Unbowed by the years and unspoiled by success as he was undaunted by adversity, he has become an almost legendary figure in his own day.

Honourable senators will know that in 1933 Adenauer, who was then in public life in Germany, was shorn of his official positions when the Nazis came to power, and that he was twice imprisoned during the Hitler regime.

He resumed office after the war effectively in 1949, and at that time he took on the task in such a way as to heal the wounds that war had inflicted upon West Germany. The work he did led to the economic prosperity and political stability of the institutions of Germany.

He was one of the great people in the Christian Democratic Party, or Christian Democratic Union, and he won resounding

success at the polls as the leader of that party in 1949, 1953 and 1957.

Perhaps it is needless to add that he was by training a lawyer as well as an economist. He was Mayor of Cologne for 16 years, and during his tenure he transformed that whole city into a modern model.

I cannot think of Cologne without picturing it in its marvellous setting on the Rhine or without seeing in my mind's eye its magnificent twin-spired cathedral and its Shrine of the Three Kings. According to the legend, after the three kings had left Bethlehem they returned to their own countries by way of Cologne, but one of them died there. Whether there is any basis in fact for the legend, I do not know.

The work that Konrad Adenauer did in changing the character and climate of Western Europe after the devastating war of 1939-45 can never be adequately acknowledged. The leadership which he gave as chancellor was one of dignity and self discipline, both in the conduct of the internal policies of his country and in that of its foreign affairs.

It is significant to say that the new attitude of Germany was demonstrated when the Bundestag made a symbolic payment to Israel of $750 million to make up in part for what had been done under another regime in that country to a minority and a persecuted people.

Adenauer has led West Germany into membership in the Council of Europe, European Coal and Steel Community, European Payments Union, European Economic Community, European Atomic Community, Western European Union, and the North Atlantic Treaty Organization. West Germany has become an influential member of all these organizations.

He was instrumental in 1957 in reaching agreements in principle for further negotiations on East-West tensions with the Soviet Union, and for further emphasis on the political and economic aspects of the NATO Alliance. Among the many honours he received I am proud to say one was an honorary doctorate from the university of the city in which we are now sitting, the University of Ottawa.

The world, and particularly the Western World, mourns the passing of a distinguished and great statesman.

CANADIAN CITIZENSHIP ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. Davey for the second reading of Bill S-59, to amend the Canadian Citizenship Act.

Hon. Arthur M. Pearson: Honourable senators, I do not expect to prolong the debate on Bill S-59, but there are one or two points I wish to put forward.

Before doing so, I would like to congratulate the sponsor of the bill for the very fine explanation he gave of the various points contained therein, the purpose of which is to clear up some of the problems that have arisen in the application of our present Citizenship Act. No doubt in the future we will have occasion to correct some other problems.

A word of appreciation should be said of those who drew up this bill. It is one of the best bills I have seen for some time. The explanatory notes throughout the bill make abundantly clear the reasons for the particular changes that are made, and I hope others in drawing up future bills will take this to heart and follow the same practice, especially with respect to those bills which come from the other place.

Senator Willis last evening made a vital point in regard to our treatment of prospective citizens. I agree that our judges and the officers of the department should be asked to treat these people with every consideration and respect. As he said, they are strangers entering a strange country whose ways are completely different, travelling as we do at a much faster pace than those countries from which these people have come. I have no doubt they feel at a loss and are nervous as to where to start.

We have a great and vast country, with a wonderful and virile people. We are as rich a country as any in the world in the bountiful supply of natural resources. Furthermore, ours is a great democratic nation where freedom is extended to all and where there is room for many more millions of people.

We must show respect to these newcomers by granting them every courtesy, by making them welcome and providing temporary stopping places for them until they can go to their new jobs or get in contact with their sponsors or relatives. A welcoming party should meet the boats and planes as they bring these people to our lands. By that I do not mean officers from the department; I mean various

societies such as the churches and the Salvation Army and groups of that nature.

From a number of briefs submitted to the Joint Committee of the Senate and House of Commons on Immigration by the various ethnic groups, I know they are trying hard to set these people on the road to becoming citizens of this country. They do a great deal, at their own expense and in their own time, trying to assist these individuals to adjust. I am sure that the ordinary citizens of our country could be of valuable assistance to these immigrants in adjusting to new conditions.

One of the things that puzzles me is why so many immigrants do not take the trouble to become fully-fledged citizens of Canada. I understand from the department that many immigrants never bother to apply for citizenship. It seems to me that we need to do a job of "selling" our loyalty, our traditions and our freedom to these people. We do not take enough trouble to indoctrinate these potential citizens, in impressing upon them the great advantages to be had by becoming a Canadian citizen. We should be proud to tell of our history and material progress. We should be proud to tell of our heritage, and of the service in both world wars and the Korean war by not only those of the two founding races but also by representatives of all nationalities who have come to this country; and that they are proud to stand shoulder to shoulder with other citizens in their fight for freedom.

If I might digress a little, as a rule those who have come to this country have been of a very aggressive type; they must have been, otherwise they would never have left their home countries. A large area of that part of Saskatchewan from which I come was abandoned during the thirties, but second generation Germans, Russians, Poles, Hungarians and Austrians stepped into that country during the mid-thirties, and today that area is one of the most prosperous and wonderful one can drive through.

It seems to me we do not even begin to do enough to train newcomers and the children in our schools to respect this country and to help to build a more unified Canada.

Speaking of Germans, I was sorry to hear the Leader of the Government announce that that great man who was Chancellor of West Germany, Konrad Adenauer, has died. When in Germany a short while ago, I had the privilege of meeting him and talking with him. He spoke through an interpreter, but I could see by the twinkle in his eye that he knew what my question was before it had been interpreted to him. I felt he used an interpreter because he wanted a little time before answering questions to make sure he made no mistakes. He did a tremendous job for West Germany. The people of Europe, in general, have his characteristics and if we could only bring more of them to Canada we could make it a more wonderful country than it already is.

I want to say just a word about the bill itself. I am not sure I agree with clause 2(3)(e)(i), which states:

> ...he was forty years of age or more at the time of his lawful admission to Canada for permanent residence and has resided continuously in Canada for more than ten years,

In other words, he could apply for Canadian citizenship at the age of 50, 51 or 52. But, on the other hand, if he was less than 40 years of age—say, 38 or 39—he would have to spend 20 years in this country before he achieved the age of 58 or 59. This is the way I read this clause, and it seems to me unjust. I would be happy to hear the honourable Leader of the Government explain it.

Hon. Salter A. Hayden: Honourable senators, I should like to add just a few words of explanation, and I want to relieve Senator Hollett of the worry and anxiety he expressed last night at the inclusion of the new subsection 6 in section 39 of the act. This new subsection is found in section 9 of the bill, at the bottom of page 6, and it reads as follows:

> Every foundling who was first found as a deserted infant in Newfoundland shall, until the contrary is proved, be deemed to have been born in Newfoundland.

Newfoundland has not been singled out, because section 7 of the Citizenship Act, which became law in 1946, provides as follows:

> Every foundling, who is or was first found as a deserted infant in Canada, shall, until the contrary is proved, be deemed to have been born in Canada.

It is only because Newfoundland came into Confederation after the Citizenship Act came into force that we now find a number of tidying-up provisions which ensure that the law which applied generally in Canada up until the time Newfoundland came into Confederation now applies with equal force to Newfoundland.

It seemed to me that the honourable senator was a little concerned about what a foundling is. I have tried to do some research on this. I suppose the best place to find out anything about foundlings is the works of Charles Dickens. However, it would appear that a foundling is a child who does not seem to have any family connections of any sort, and who is completely deserted and on his or her own. As I suspected last evening when I put a question to Senator Hollett, a foundling could be a person of any age up to 21 years. I have heard of a case of a man of 72 years who applied for citizenship on the basis that he was a foundling at the age of 10 when he came to Canada. It was only after a tremendous amount of research that the authorities were able to discover that while it was true that he had come to Canada at the age of 10 years, he had come as part of a settlement of children of that age group in foster homes in Canada. He did not recall anything of those circumstances, but this was something contrary to the law and, therefore, he was not deemed to be a Canadian.

There have been persons of other ages—of the age of 18 and 19 years—who have applied for citizenship on the basis of this section with respect to foundlings. I would say that the only limitation is age 21.

The only other remark I should like to make is that in my opinion these amendments are good. When I referred back to the debate in the Senate on the original bill in 1946 my recollection was refreshed, and I remembered that I was the one who explained it at that time. I must say that that does not seem as long ago as it does when I subtract 1946 from 1967.

Hon. John J. Connolly: Honourable senators, if no other senator wishes to speak in this debate, perhaps you will consent to my closing the debate on behalf of Senator Davey, who is unavoidably absent this afternoon.

Hon. Senators: Agreed.

Hon. Mr. Connolly (Ottawa West): Honourable senators, I need not compliment Senator Davey, but I do desire to thank him for taking on the work of sponsoring this measure. He has been complimented already by other speakers who have taken part in the debate. This was the second occasion upon which Senator Davey has sponsored a bill in this chamber, and he acquitted himself in a way that pleased all of us.

I thank Senator Willis also for the contribution he made last night. I am advised that while it is true that county court judges and district court judges in many areas do, in fact, deal with citizenship applications, in many other areas there are special federally appointed judges who do this work.

Senator Willis discussed the kind of questions that were put to applicants by the judges before whom they came. Section 10 of the Act requires that a person who is applying for Canadian citizenship must satisfy the court that he or she has an adequate knowledge of the responsibilities and privileges of Canadian citizenship. This might be the reason why an applicant is asked who is the Prime Minister of Canada, or who is the Premier of Ontario or of Nova Scotia, or of any other province. However, I do want to say to Senator Willis that the officials of the department heard his comments last night about the kind of reception these people should be given by the citizenship courts and the citizenship judges. Not only do they agree with his views, but they are going to circulate his speech to all of those men and women before whom these citizenship applications go. Senator Pearson made the same point this afternoon. This is one of the useful things that can be accomplished in a chamber such as this.

Senator Hayden has already dealt adequately with the points raised by Senator Hollett, who also made a valuable contribution to the debate. The reason why these special provisions in respect of Newfoundland are in this bill is as stated by Senator Hayden. If further information is required on that point then I am sure Senator Hollett will be able to obtain it when the bill is before the committee.

I am afraid that Senator Hayden has rather upstaged me on the point of the foundling infant. The definition of an infant in law, as I remember it, is that an infant is a person under the age of 21 years. I am sure there are many young ladies under the age of 21 years in Newfoundland whom a good many of us would like to find as foundlings, if you will, and see what we can do with them and for them!

I was very pleased to hear Senator Pearson commend the draftsmen on the very full notes that appear on the right-hand pages of the bill. This bill is exceptionally well drafted, and I wish the same could be said of other pieces of legislation that we receive here. Commendations of this kind are encouraging

to the draftsmen of legislation in the Department of Justice.

I cannot say very much at this time with respect to the welcoming of immigrants to this country, other than to suggest that perhaps Senator Pearson would make inquiries of the officials who will attend before the committee. I do know from my own experience that in the great ports, both water and air, there are organizations who make the extending of a warm welcome to newcomers to this country a special aspect of their work, and who do a great deal in providing amenities and services to these people.

That to me, however, is only the beginning of the process. I think it is proper to say that all Canadians have a continuing responsibility in respect of our treatment of new citizens who come to join us to help build this great half of the continent. I believe our social organizations in many communities recognize this fact, and that our legislators are well aware of the importance of doing all in their power to integrate people in an economic as well as a social sense in the life not only of the individual community but of Canada herself. This is a continuing responsibility. One of the reasons for it is that basically we are all immigrants, but some of us have been here a little longer than others.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

Hon. Mr. Connolly (Ottawa West): Honourable senators, under normal circumstances I would suggest that this bill be referred to the Standing Committee on Immigration and Labour. However, the Chairman, Senator Hnatyshyn is unavoidably absent by reason of illness. Since the Chairman of the Banking and Commerce Committee is here today and will also be here tomorrow, I would ask that the bill be refered to the Standing Committee on Banking and Commerce, if that is agreeable.

Hon. Senators: Agreed.

On motion of Hon. Mr. Connolly (Ottawa West) bill referred to the Standing Committee on Banking and Commerce.

NATIONAL AND ROYAL ANTHEMS

SECOND REPORT OF JOINT COMMITTEE ADOPTED

The Senate resumed from yesterday consideration of the second report of the Special Joint Committee of the Senate and the House of Commons on the National Anthem and the Royal Anthem.

Hon. Paul Yuzyk: Honourable senators, the second report of the Special Joint Committee of the Senate and the House of Commons on the National Anthem and the Royal Anthem, as presented in this chamber by the Joint Chairman, Senator Bourget, should, and I have no doubt will, receive the unanimous approval of the Senate.

Canadians from coast to coast and from the 49th parallel to the Arctic, who are now in the midst of celebrating their centennial, will be happy to know that at least the traditional music of "O Canada" and "God Save the Queen" will be made official. We now have the music, but not the words—wordless anthems.

For several years the Government and the people of our country have been preparing for the joyful celebration of the centennial. To give Canada a better image of our nationhood, a new flag was adopted and made official by Parliament two years ago. The Liberal Government employed every means of persuasion and pressure to get the endorsement of a new design for the Canadian flag, and only time will tell how acceptable it will be to the Canadian people.

It would have been expected that the same Government would have been just as zealous in regard to adoption of the Canadian National Anthem and the Royal Anthem. Certainly the intention was made known in the Speech from the Throne at the opening of the third session of the Twenty-Sixth Parliament on April 5, 1965, which stated:

> You will be asked to authorize my Government to provide that 'O Canada' shall be the National Anthem of Canada and that 'God Save the Queen' shall be recognized as the Royal Anthem of Canada.

Nothing was done in this respect during the Twenty-Sixth Parliament, even though this matter was much less controversial. The Speech from the Throne, at the opening of the first session of the Twenty-Sixth Parliament of January 18, 1966, repeated the same statement. Yet action was not taken until recently, two years after the original announcement and when we are already celebrating our centennial.

In the meantime, the Government has gone ahead on the assumption that the Special Joint Committee would approve the lyrics with the words and poetry of "O Canada" and "God Save the Queen" and has issued, under the authority of the Secretary of State of Canada, a *Centennial Guide Book for*

Teachers, which was edited and published by the Centennial Commission. All honourable senators must have received this bookbinder with the illustration of an old-fashioned school slate having a drawing of the centennial symbol on it. I hope all honourable senators have read the Guide Book.

The first page of the Guide Book contains "O Canada" with an introduction stating that Calixa Lavalée was the composer of the melody, which has universal acceptance, that Judge A. R. Routhier wrote the French words and that Sir Stanley Weir wrote the English version. There is no mention that this is the National Anthem of Canada.

The second page contains "God Save the Queen" and "Dieu Sauve la Reine" with an introduction stating that:

> The composer of the music and lyrics for this hymn has never been definitely identified.

There is no mention that this is the Royal Anthem of Canada.

The Guide Book is excellent in providing suggestions to teachers, both in French and English. A wide variety of activities are proposed for children at the elementary school level and students at the high school level. For example, on page 7, under Flag Day, in February, it is suggested that elementary school pupils do an exercise in penmanship and memorization and write in English and French two verses of "O Canada" and "God Save the Queen" and memorize them. There is Citizenship Day in May, when new citizens are to be welcomed, and appreciation shown for the contributions of the various ethnic groups to Canada.

During the centennial celebrations the Canadian people are urged to be enthusiastic about their country. Yet, the plain fact remains that we do not have an official anthem. This is the responsibility of the present Government. Most people will sing the two anthems found in the Guide Book.

I would like to bring to the attention of honourable senators that the Special Joint Committee, of which I am a member, could reach no agreement as to the lyrics and words of the National Anthem and the Royal Anthem. All agreed that more suitable words and lyrics should be found.

The members felt that the order of reference was much too restrictive to make possible a thorough study of our anthems. Consequently, the Special Joint Committee recommends that it:

> be empowered to call for persons, papers, and records and examine witnesses; to print such papers and evidence from day to day as may be deemed advisable and to retain such experts as may be required from time to time.

Just as a national flag is a symbol of our nationhood and sovereignty, so is the national anthem. We should have had our national and royal anthems officially approved by this time so that they would have been sung during the centennial celebrations. At this late date, let us see to it that these anthems be officially adopted at least within the centennial year in order to avoid the censure of future generations.

Report adopted.

FOOD AND DRUGS ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. A. Hamilton McDonald moved second reading of Bill S-60, to amend the Food and Drugs Act.

He said: Honourable senators, the bill which it is my privilege to introduce at this time will add a new Part to the Food and Drugs Act, to provide special controls for what are to be called "restricted drugs".

This bill is necessitated by the abuse which is developing in Canada of the drug lysergic acid diethylamide, which is popularly known as LSD.

When the honourable Leader of the Government in the Senate asked me if I would be prepared to move second reading at this time, I was not sure whether he asked me because he thought I had had some experience with the drug. However, since then I have got a new title, "Hippy Hammy". I can assure honourable senators that I have had no experience with the drug and, after the research I have attempted to do in preparing my remarks this afternoon, I do not think I ever will.

Honourable senators, the bill itself is brief; it consists of but four pages. The amendments are simple and straightforward, but are of tremendous significance to Canadians and to young people throughout the world.

Owing to the widespread publicity which has been given to this drug, all honourable senators are undoubtedly aware of the problem created by its abuse. It may be useful at this point if I trace briefly the background

respecting the drug and say something about the reasons why special controls for it have become necessary now in the public interest.

The drug LSD was first developed some twenty-eight years ago. It did not progress beyond the stage of an experimental drug, the medical value of which has never been demonstrated, nor the dangers associated with its use.

In 1962, when the Food and Drugs Act was amended to deal more particularly with new drugs, a special schedule was added covering what may be referred to as "prohibited drugs"—those are drugs the sale of which is prohibited in Canada.

Because of the status of LSD and its lack of demonstrated medical value, this drug was added to the schedule in 1962. Regulations were devised, however, which permitted the sale of the drug to institutions approved by the minister, for the purpose of clinical and laboratory research in those institutions by qualified investigators, for the purpose of determining the hazards and efficiency of this drug. This was intended to provide for the legal distribution of the drug, for research purposes in approved institutions, where strict supervision could be maintained over patients using the drug. I am advised that this arrangement was endorsed by the Canadian Medical Association.

Honourable senators, this drug, which is classed as an hallucinogenic drug, is extremely powerful. A patient receiving an administration of it may have physiological effects lasting even for twenty-four hours. It was considered, therefore, that the use of the drug must be confined to research and experimental purposes, and that only in an institution, under careful supervision, where the patient could be controlled, guarded and observed as the drug was being used. In other words, the drug is not one that has any general employment in the practice of medicine, as far as the present knowledge of the drug is concerned, nor is it one that should be used by general practitioners in the course of their day-to-day practice.

Honourable senators, this is the background of the situation and of the legislation now covering the circumstances under which research into the use of this drug may be carried out.

In view of the fact that the drug had never been popularly used, either in the medical field or for any other purpose, it was considered that the prohibition of its sale, including its distribution, would be sufficient safeguard and would still permit facilities to institutions for experimental purposes under proper supervision.

However, within the last year or more, this particular drug has attained, for non-medical use by lay people, a popularity which is not confined to Canada but is virtually global.

The problems presented by the abuse of this drug have been of such major concern to so many countries that only last year the use of the drug was the subject of a study by a special committee of the United Nations Narcotics Commission. The commission unanimously adopted a report condemning the non-medical use of the drug and recommending that measures be taken to confine its use wholly to medical research proposals in institutions where adequate supervision could be exercised. This supervision was strongly supported by the Canadian Drug Advisory Committee. I am sure all honourable senators are aware that this committee is composed of specialists charged with the responsibility of advising the government of the day on the use or abuse of drugs.

Honourable senators, notwithstanding the reported dangers of the non-medical use of this drug, it has found an unfortunate popularity in Canada and the United States by high school and university students, as well as a class of anti-social persons commonly known as the beatniks. Indeed, there have been some deaths and mental disabilities which can be attributed directly to the improper use of the drug LSD.

In the controls which have been exercised, under the authority I have described, possession of the drug itself is not an offence. The Royal Canadian Mounted Police are very concerned with the growing abuse of LSD and feel that the situation will continue to deteriorate unless unauthorized possession is made an offence. This change would enable the police to deal more effectively with trafficking in the drug and possession for the purpose of trafficking, as well as with illegal possession. It is hoped that the offence of illegal possession will discourage young people from using it and will help to control trafficking in it. This, coupled with better education and understanding on the part of not only young people but all of us, may lead to the reduction and eventual elimination of the improper use of this highly dangerous substance.

Honourable senators, I think that what I have said sufficiently outlines the background which necessitated this proposed amendment

to our present legislation. However, honourable senators may be interested in a brief outline of the various controls which the Food and Drugs Act now provides and which will be supplemented by the addition of Part IV, which is contained in the amending bill before us.

The Food and Drugs Act provides authority to control the sale and conditions of sale for drugs generally throughout Canada. Many drugs available in Canada are not subject to any special measure of control and can be freely purchased in any drug store in Canada. These are called over-the-counter drugs. There is, however, a class of drugs which possess some special dangers and which should only be used under medical advice and under a prescription. These are commonly called the prescription drugs, and the regulations under the Food and Drugs Act contain a list of such drugs which may only be dispensed on a medical prescription by a qualified physician.

A third group of drugs is classed as controlled drugs. These drugs may only be dispensed on a medical prescription, but in addition there are special control measures with respect to their importation, manufacture and commercial distribution throughout Canada.

The drugs in this list are the barbiturates and the amphetamines. Because of the evidence of a growing traffic in these drugs, it was considered back in 1961 necessary to develop a special control for these particular drugs. I am advised that the control measures that were adopted at that time have generally speaking been effective. I should, however, point out that the possession of a controlled drug is not in itself an offence, although trafficking and possession for trafficking are offences.

The next group of drugs listed in a special schedule to the present act, of which the sale is prohibited, are thalidomide and LSD. I have already outlined the exceptions to the prohibition with respect to the legislation concerning LSD and its availability to institutions for experimental work.

The next class of drugs is the narcotics, which are subject to special legislation and which need no elaboration for our present purposes. Perhaps I should point out that our control of narcotic drugs is in conformity with our international obligations under various narcotic conventions and treaties to which Canada is a party. These are the categories and controls which are presently provided under existing legislation.

With the increasing popularity of LSD for non-scientific or medical purposes, it has become necessary to introduce an additional control which will recognize this and similar substances for the dangers which they possess and which will prohibit both unauthorized possession of them and trafficking in them.

The purpose, therefore, of the bill before us is to establish a new class of controls for what is called restricted drugs. The essential difference between a restricted drug and a controlled drug will lie in the offence of unauthorized possession, in addition to more rigid controls with respect to the legal distribution, which will be limited to medical and scientific research. The drug which is of medical concern is LSD, but the legislation is wide enough to permit other drugs to be added by regulation.

It may be appropriate in this connection to refer to a recent press article attributing to one of the proponents in the United States of LSD a statement to the effect that a more potent substance is available to replace LSD. This amendment would therefore permit appropriate action being taken, if any such substance should become available in Canada. In other words, it can be added to the new Part IV by regulation.

It is not contemplated that drugs will be added to this schedule provided by Part IV, unless they possess some very special dangers and ought to be restricted by rigid controls to scientific or experimental use only. Such drugs would, generally speaking, be of a type which would not be used by general practitioners in their medical practice, except under strictly controlled conditions and supervision in institutions. Under no circumstances would these drugs be legally available for sale in Canada for self use.

In the opinion of the enforcement authorities, the addition of Part IV to the Food and Drugs Act will be of material assistance in controlling and reducing the present non-medical use of LSD. As new drugs possessing danger of abuse or similar hazards are developed, the legislation will permit adequate controls being imposed with respect to them.

Honourable senators may wonder why LSD could not merely have been added to the narcotics schedule and thus been brought under narcotic control. I should say that this step was carefully considered by the appropriate authorities. It was rejected essentially for the reason that LSD and drugs of similar

character are neither traditionally nor medically regarded as narcotics. They are not under international control as narcotics. It has, therefore, been thought wise that we ought to develop a pattern of control which could parallel in some respects the type of control exercised over narcotic substances but which would recognize the medical difference between these experimental drugs and those which are subject to the Narcotics Control Act.

I have already mentioned that as the possession of a controlled drug is not an offence, it would have been insufficient to have classed LSD as a controlled drug. I should perhaps go on to explain briefly that, under the regulations which are proposed, all dealings in LSD will be strictly controlled; only a licensed dealer will be empowered to deal in this drug, and his licence will control strictly the circumstances of his dealings. This at the present time will be limited to the sale to authorized institutions for particular research activities that have proper supervision and qualified investigators. The possession of the drug will therefore be limited to licensed dealers and to approved institutions, and by personnel employed whose duties require them to be in possession of the drug.

In conclusion, it is considered by the competent authorities that these measures will go a long way in helping to control the growing abuse of LSD. It is hoped that with better public understanding and education we will eventually be able to eliminate the non-medical use of LSD in our country.

Perhaps before I conclude my remarks I should refer honourable senators to page 1 of the bill at the bottom of the page where the new Part IV appears and where we have the definition section dealing with possession, regulations, restricted drugs, trafficking and so on, followed by the proposed penalties for possession or trafficking or both.

One other fact that I should acquaint you with is what facilities there are available in Canada today for the legal distribution of LSD. There is only one firm in Canada legally authorized to import LSD. That is the firm of Sandoz in Montreal, a subsidiary of Sandoz, Switzerland, the firm which originally invented and developed LSD. By agreement Sandoz distributes LSD exclusively to Connaught Medical Research Laboratories in Willowdale, Ontario, which firm is the sole distributing agent for this drug in Canada. In addition to the controls set up in our regulations, Connaught has worked out a form of application and certain conditions which must be met by an institution which applies for a quantity of LSD. The information required by Connaught includes the name of the investigators who will be responsible for its use in their institution. There is no suggestion of any diversion of LSD in Canada from legal sources, and all of the LSD which has been encountered to date in this country for illegal use has been smuggled into the country. It may have been legally purchased in the first instance in Europe, or illegally manufactured somewhere on the North American Continent. It is my understanding that the police in fact have seized LSD that they know is the result of illicit manufacture somewhere in North America, but which has been smuggled into Canada.

It is my hope that those senators with medical training and some of those with legal training will take part in the discussion of this piece of legislation at this time. I expect it would be the wish of honourable senators to have this bill go to committee, and it would be my intention to move that it be referred to committee, provided you are prepared to give it second reading.

Hon. F. W. Gershaw: Honourable senators, Senator McDonald has explained this bill very fairly, and my remarks on seconding it will be very brief.

We are faced with great danger as a result of this drug. LSD, or lysergic acid diethylamide, which is the proper name, is indeed a very dangerous drug. What is it? It is an Ergot drug that derives from a fungus which goes normally with a cactus, or other plants, but which has very deadly effects. What effect does it have? Well, it is understood that the cells of the brain require certain food, a certain stimulus—Scrotinen is the name given to it—and for some reason when this drug is administered that precious substance does not reach the cells of the brain and as a result its action is very much confused.

What does it do? It brings depression, hot flushes, sweats, and it brings convulsions and mental breakdown which result in certain delusions and false beliefs that cannot be corrected. It brings hallucinations and panics and the whole character of the person is usually changed. The pupils are dilated. Sometimes the effects pass over in two or three hours, sometimes they last for weeks and sometimes they last forever and the person is a mental cripple for the rest of his life. Sometimes it brings on convulsions and death.

What use is it? As has been explained, it is of some use. Sometimes it can be given under proper supervision to people who are very

badly depressed because it brings a certain amount of ecstasy. Sometimes in certain stages of alcoholism it is of value. It can possibly be given to a person who is greatly depressed because of dying of cancer or something of that nature. It always brings a feeling of unreality, resulting in split personality, schizophrenia, and, as I said, it banishes reality. It brings on a false impression in that it gives people the belief that they are something that they are not; sometimes it makes them think that they are supermen. For instance, one drop in a cup of coffee has caused a woman to jump out of a window and kill herself. Just one very, very small dose caused a man driving his car to feel that he was driving into the river just at Niagara Falls. Fortunately when he stopped at the red light he had sense enough to follow the other cars. But he thought he was going right into Niagara Falls.

So, honourable senators, you will understand that it is a very dangerous drug. The Province of Alberta has banished it completely except in certain institutions. The Province of Saskatchewan and many states are doing the same. It is quite appropriate, since this is a criminal matter, that the Government should prohibit the use of this drug except in very special circumstances.

Hon. Joseph A. Sullivan: Honourable senators, I welcome the opportunity to speak on this particular subject today, and without seeming to be perfunctory I wish to congratulate the sponsor of this legislation. He has certainly learned his lesson well, particularly his explanation of hallucinogenic aberrations. I like to get one of those terms in once in a while to get back at my legal friends.

I want to congratulate my esteemed medical colleague, Dr. Gershaw, on the remarks he made.

Some honourable senators may recall that when I spoke on the amendments to the Food and Drugs Act in 1962, when discussing the drug thalidomide, I stressed the importance and the dangers of LSD. At that time we did not enforce it in the way that we should have, and we are probably doing so now as a result of the undue propaganda which this matter has received from the C.B.C.

Associated with me in these remarks is my colleague of St. Michael's Hospital, our neuropsychiatric research man, Dr. Henry Berry. This presentation is based on the latest scientific research that has been done in this particular field right up to the present time, and it has been my good fortune to serve on the Medical Committee of the Board of Governors of the University of Toronto and to have sat on the Connaught Committee in dealing with this drug and its circulation through Sandoz, as Senator McDonald stated.

Today I am going to speak mainly from a medical point of view. I think this is probably one of the most important pieces of legislation that has come into this chamber. I support it in full, but I do not think that the penalty is drastic enough. There is a fine differentiation, Senator McDonald, between what is a narcotic and what is not a narcotic. The medical dictionary describes a narcotic as one who is in a state of stupor. Well, I have seen many of these people, and they are certainly in a state of stupor. From a medical point of view the question whether this should be termed and used under the heading of a narcotic has still to be decided. It is my opinion that it should be.

Now, lysergic diethylamide is one of the alkaloids which can be derived from lysergic acid. The two main sources of LSD are ergot, which has been known as a poison for many centuries, and the Morning Glory plant. I believe that is one of the most important sources of its manufacture before being smuggled into this country.

The Swiss chemist Hoffman accidentally discovered the hallucinogenic properties of this drug in 1943, as mentioned by Senator McDonald. At that time it was tested for its oxytocic effects. By that we mean the speeding up of a pregnancy; and it was used in that particuler capacity at that time.

The effects of this drug are divided into various headings, and I feel this is important enough, Senator Connolly, that we should put this on the record, seeing that you were good enough to have the bill introduced in the Senate. I am sure we shall get speedy action on it.

When used for therapeutic effects, a dosage of 50 to 400 micrograms—a microgram being one millionth of a gram—produces the following changes: During the first thirty minutes to two hours there are visual distortions, increased vividness of colour, a shifting of objects about the room and shimmering distortions of outlines and surfaces. Autonomic effects of tremor, perspiration, dilatation of the pupils, palpitation as well as nausea and vomiting, are seen. It must be a very unstable individual who wants to take this flight of fancy! The visual patterns become more ordered with the appearance of geometric figures, swirling images with a great rapidity

of movement and intensity of colour. However, when asked to do a drawing, here are some of the things they draw—a good example of modern art, that is about what it is! The senses of touch, smell and hearing are similarly intensified, and cross-over effects between senses may occur.

During the second to fifth hour the patterns and images become more meaningful, emotions tend to be labile with laughing, deep depression and weeping. Early memories may be recalled with violent emotional outbursts, and the person may act out his emotions towards people whom he misidentifies. Acts of dangerous violence occur. Experiences of a religious mystical quality and a sense of communion with God also occur—as under the "Arch Priest" Timothy Leary, the psychedelic exponent of the North American continent. He should be locked up!

The third phase lasts from the fifth to the tenth hour, during which the patient returns to reality but with a recollection of the experience he has just had.

Examination of patients under the influence—and I have seen them with my colleagues—and in the above stages reveals a loss of logical thought and capacity for reasoning, flight of associations, preoccupation with the intense images and an inability to speak or communicate in a normal manner. Problem solving, capacity for learning and motor performance are impaired. Anyone who saw the show Sunday afternoon on "Heritage" saw two good examples of these individuals.

What is its usefulness in psychiatry? The usefulness of this drug in psychiatric treatment is not yet established. It has been used in a variety of psychiatric conditions, and has now been applied to most forms of psychiatric abnormality. These conditions include alcoholism, drug addiction, personality disorder, schizophrenic illness—by that we mean a division of the mind, distortions, cleavages —involutional depression, chronic neurosis, adolescent behavioural problems, childhood schizophrenia; and it has also been used in group therapy.

In Senator McDonald's own province is an outstanding research man in this particular field, Dr. Abraham Hoffer, who has reviewed the clinical studies with this drug and has had a very extensive experience in its use—and I wish to congratulate him. Dr. Berry of St. Michael's in Toronto has also been engaged in this work; and Dr. Baker at the Toronto Western Hospital and the University of Toronto published his experience with this drug in 150 psychiatric patients in the Canadian Medical Association Journal in 1964.

Although many reports are optimistic in tone, it is generally held that the use of LSD in psychiatric treatment is at an early and exploratory stage. There is some indication that it is of value in the neurotic disorders, alcoholism, some forms of personality disturbance, and of little or no value in paranoid states—that is a tragedy—acute psychosis and the organic psychoses.

What are the contra-indications to this drug? They vary, and include pregnancy, epilepsy and organic brain disease.

The dangerous effects are the important ones I wish to put on the record. They are three. The first is a panic reaction with violent or destructive emotional outbursts; the second, prolonged psychosis; and the third, recurring perceptual distortions or feelings of depersonalization up to a year after last taking the drug.

Panic reactions, acute, and at times violent emotional outbursts occur—and this is important—in the experienced drug user as well as the novice, with terror and excitement. These patients may require hospital care, and recovery is usually rapid under proper supervision. At times the experience may lead to tragic results—like the young man who committed suicide in Toronto a couple of weeks ago. Hallucinations may appear, and in one published instance voices forbade a man who was preparing for an examination to continue with his studies. E. Geert-Jorgensen reported that of 129 patients treated with LSD, one committed suicide a few hours after the treatment session, another shot himself six months later, four attempted suicide during their course of treatment, and months after treatment had ended several had shown a spontaneous revival of the effects the drug had originally produced. Cohen, in his book *Drug of Hallucinations*, 1964, London, has gathered information systematically on these side effects of the drug.

I now turn to the problem of ever-widening distribution. The drug has been widely publicized in the press and by other media—I have already referred to Leary—and at university seminars, and there is considerable evidence that its use in the style of self-experimentation has also increased. It has been extolled by the leader of this North American cult as a sacramental agent, opening the path to new

and spiritual experience—complete balderdash!

There is an evident need for absolute control of distribution of such a medication—hence the urgency of this legislation being passed—and no consistent argument can be offered against such control. Its indiscriminate use by "thrill-seekers," adolescent groups, students and searchers for the "aesthetic experience" can too often end in tragedy and in permanent emotional brain damage and disability, as Senator Gershaw stated.

There has been general agreement that LSD in itself is not a drug of addiction, but the people who go after it are those of emotional instability. It should be noted, however, that certain patients, usually with psychiatric abnormalities of the character disorder type, who have repeatedly taken the drug for the emotional experience that if offers, have difficulty in stopping its use.

Distribution of this drug should be restricted to qualified investigators and physicians performing psychiatric research in a university setting or conducting properly designed and controlled studies of the therapeutic effect of the drug, as the sponsor has stated.

The sale of LSD has been prohibited for several years under the federal Food and Drug Act, except to legitimate scientific and medical institutions doing laboratory or clinical research with it.

This bill will outlaw possession of the drug and possession for trafficking of LSD, by establishing a schedule of hallucinatory drugs under the Food and Drug Act and setting out conditions for their sale. This would make it possible for the Government, by administrative order, to add new hallucinatory drugs to the list as they become known.

The use of LSD for "kicks" by untrained thrill-seekers has been the cause of growing concern. Alberta, Saskatchewan and British Columbia have outlawed it.

Before I close, I would like to make a few brief remarks on one of the outstanding men in this field in America, William A. Frosch of the Bellevue Psychiatric Hospital in New York. He recently published a work which was given to me by Dr. Berry. I put this extract on the record for the benefit of the Department of National Health and Welfare:

> Although the dangers associated with the taking of LSD are mentioned in the popular literature about the drug, someone intent on obtaining the more highly publicized positive effects can readily dismiss them especially since any resultant psychosis is pictured as readily reversible and a step toward health, which in a series of hospital patients has shown it most certainly is not.
>
> In the uncontrolled setting in which LSD frequently is used in the community, the danger of bodily injury also exists, since a person under the influence of the drug believes himself invulnerable, and may take unwarranted risks. Another danger of the use of LSD, in our sample, was the rationalized purpose of selfhelp that enabled some people to avoid seeking more constructive ways of dealing with their problems until their life situation became such as to make meaningful change very difficult.
>
> Our continuing evaluation of the results of taking LSD bears out the early impression that it is a dangerous drug when self-administered. Nevertheless, the danger of adverse reactions does not appear to be limited only to those who take the drug without supervision. Psychotic reactions have occurred when the individual was carefully selected and took the drug in a controlled environment, or in settings considered optimal by advocates of its widespread use.
>
> These preliminary findings suggest the need for further research into the adverse—as well as the beneficial—effects of LSD, with particular emphasis on the recurrence of symptoms.

Honourable senators, it is my considered opinion that anyone who will peddle LSD will peddle morphine, will peddle heroin, will peddle cocaine, and the penalty to be imposed cannot be too severe.

Hon. David A. Croll: Honourable senators, I confess at the outset that I am not as knowledgeable on this subject as are Senators Gershaw and Sullivan, but then, on the other hand, who is? We are extremely fortunate in having among our number two such eminent physicians who know what they are talking about, and who can talk to us in a fashion we understand. However, I gave myself a cram course on LSD this morning.

Last night I was listening to the radio and watching television, and I heard a few sniggering announcers—

Hon. Mr. Sullivan: It was the hockey game.

Hon. Mr. Croll: No—on the C.B.C. and other stations talking about this bill now before us being the biggest happening in the Senate in a long time. I did not know about that. I

thought we conducted public business here in our usual responsible manner, but at that moment I made up my mind that if this was going to be a great event, then I was going to participate in it.

So, I read up on as much of this subject as I could this morning, and it will be clearly understood that my contribution at the present time is theoretical, and not hallucinatory. From what I read I came to this conclusion—and this much I do know—that this drug interferes with the mind of man, and makes him in certain circumstances less than a beast. That has been borne out by what has been said already. I support the bill.

I know that LSD is a valuable and powerful tool for clinical research into psychiatric disorders. Experimental tests under strict control have been carried out on people who show anti-social tendencies, mostly of the criminal kind. There has been some success in its use on alcoholics, but potentially it is a tool in the field of psychiatry, with unpredictable results.

A dosage of a very minute amount—I ask honourable senators to imagine a dose that will cover the head of a pin—will produce an hallucinatory state for from 10 to 24 hours. Misuse of it, of course, as has already been indicated, can do great physical damage, particularly to the liver.

No one can predict how a person will react to the use of this drug. Its use may lead even to suicidal tendencies, and certainly to very profound psychiatric upsets. It is used very often by the misguided as a psychic energizer to produce interesting and attractive sensations—or so they say. On the other hand, from what we have heard here, and from the honourable senator who introduced the bill, it is quite clear that its use invites disaster. I was told this morning by a man in our Government who had seen a film of a person under the drug, that that person was in a state of absolute terror.

Sometimes we ask ourselves: Who uses these drugs? I am told, and the literature indicates, that they are students at universities seeking kicks, to use their expression; they are young professional people experimenting; they are self-proclaimed creative types who use it, I suppose, to justify themselves. Then, there are the fringe people of all kinds who will do anything for attention.

The drug is difficult to detect. It is odourless, colourless and tasteless. It is not of an addicting kind, but it is powerful.

How do these people obtain it? Some of the speakers this afternoon have already indicated that. The drug is bootlegged from countries outside the American hemisphere, and sold on campuses and on the streets in many places. It is obtained sometimes from manufacturers abroad, and is misused. It can be home-brewed by someone who knows something of chemistry. I am told that you drop a tiny bit of it on a cube of sugar which you eat, and away you go! Sometimes it will be rubbed on the glue on the flap of an envelope, so that it may be licked off. These are not my thoughts on the matter. I obtained this information from the literature I read, and I believe this to be so.

I will do as my honourable friend suggested, and approach this subject in a legal fashion by calling some experts as witnesses, because I do not have the knowledge that Senator Gershaw and Senator Sullivan have. We have in this country what is now called a psychedelic cult—a dangerous fad—which is led by a former professor of Harvard, Timothy Leary, who calls this drug a cerebral vitamin.

Hon. Mr. Sullivan: He is from Yale.

Hon. Mr. Croll: I am told he is from Harvard, but that does not make any difference. He says it is a cerebral vitamin, and he refers to it as "psychedelic," which comes from the Greek and means, "mind manifesting." I quote him as saying:

> I get revelations from my cells which are wiser and older than my mind.

I cannot add anything to what has been said, that is, that the drug should be used for research and experimental purposes under strict supervision, controlled, guarded and observed.

This morning I was startled when I found a full page advertisement in the Vancouver *Sun* of March 11, 1967, which reads in part as follows:

> Published by the Vancouver School Board—A message to young people and parents regarding the dangers of LSD (Lysergic Acid Diethylamide).
>
> As the Vancouver City Medical Health Officer, I wish to make it very clear to all citizens that LSD is an extremely dangerous drug.

He goes on to urge them to read most carefully what he terms as five major dangers associated with LSD:

> First, the Individual: Persons who use LSD are often young. They cannot cope with the overpowering effects of the drug.
>
> Second, Psychological and Physical Reactions: LSD can result in bodily harm to the users and to others. It can create a panic state of mind. It can cause distortions of shape, size, colours, distances, sounds and time. A second may seem an hour; an hour, a second. A person on the fourth story of a building may believe he is two feet from the ground and jump to his death.
>
> Contrary to what some users say, LSD is not a psychedelic drug. It produces hallucinations. LSD does not expand the mind; the drug shrinks it.
>
> The effects are not temporary. Repeat of these hallucinations can occur later at the most unexpected times with great danger to everyone around. Therefore, the brain damage may be permanent even after one single experience with LSD.
>
> Third, Impurities and Unknown Dosage: The impurities and the impossibility of controlling the dosage in the commonly obtained form of LSD add to the dangers of this drug. The regular medical dosage is so small that one ounce of LSD would be sufficient to treat 300,000 patients.
>
> Fourth, the Legal Consequences: The sale of LSD in Canada is prohibited. It is even illegal to give or transfer LSD to any person. The only exception is for use at approved research centres, on the approval of the Minister of National Health and Welfare.
>
> The penalty for any violation can be up to a $500 fine and/or six months' imprisonment if the conviction is by summary court procedure. The penalty on conviction by indictment procedure can be up to $5000 fine and/or three years' imprisonment.
>
> If prosecution proceeds by indictment and there is conviction, the offender then has a criminal record across Canada. This record will prevent him from emigrating in the future to a number of countries in the world. It will also prevent him from holding public office and other important positions in industry, business and the professions.
>
> Fifth, the Social Consequences: The possible social consequences are serious. Case histories show a slipping in achievement in every phase of life. Secrecy that surrounds the use of LSD and all illicit drugs tends to drive young people into groups separated from the rest of society.
>
> The overwhelming evidence shows LSD to be an extremely dangerous drug. No one should allow it to enter his or her body. The only exception would be under the highly skilled control of a medical specialist at an approved research centre.

Now may I take you back to February 4, to an article by Sydney Katz, a Toronto *Star* staff writer of considerable repute. I am quoting from the Toronto *Star*:

> The dangerous mind-changing drug LSD is being bootlegged into Toronto in increasing quantities, Metro police and RCMP report.
>
> Doctors and other health authorities worried by this influx warn persons using the drug that when taken in uncontrolled surroundings it can have extremely dangerous effects.
>
> To find out what these effects are, I attended an LSD party in a comfortable apartment in downtown Toronto at which four people consumed sugar cubes containing 450 milligrams of LSD.
>
> For three of them it was the second LSD party in as many evenings.
>
> Chemically known as lysergic acid diethyalamide, LSD is one of the most powerful and weird drugs known. Odorless, colorless and tasteless, a miniscule quantity can cause a normal person to experience hallucinations, delusions and a variety of indescribable physical and phychological sensations.
>
> The strange manner in which the drug causes the senses to run amok was well illustrated at the party I attended.
>
> A 31-year old actress, Valerie, gazed at a thick red, orange and yellow rug in terror. "I've got to keep fighting it...It wants to haul me in. I'm in despair. I've got to hang on."
>
> An attractive 19-year old salesgirl, Jill, sobbed bitterly for over an hour. "I'm afraid...I see ugliness, coldness and dishonesty. It comes at me...it's all around me. I'm having a bad trip."
>
> Phil, a 26-year old musician, sat quietly in a corner absorbed by the strange changes taking place in his body. "My

head feels big and I feel pressure points building up in different places around my body."

Bruce, a handsome 27-year old man who has been addicted to heroin for eight years, says: "This is beautiful stuff. I hear rapturous music. I see trees burst into flame. Compared to LSD, heroin is death."

Federal health authorities regard LSD not as "a beautiful drug" but as a deadly chemical. It is not even available to doctors.

Then, from the Toronto *Star* of February 10, 1967:

LSD is "easily available to anyone who takes the trouble to look for it" at prices from $2.50 to $10, three experts in psychedelic drugs agreed last night.

On the eve of the first in-depth look at the drug experience ever staged on a North American university campus, a University of Toronto audience heard that:

There are at least 80 substances capable of producing psychedelic experiences and hallucinations; three-quarters of these substances are derived from plants that can be grown in North America.

Under LSD, people have learned German in a week, been cured of alcoholism and psychosis, killed themselves attempting to fly and collapsed in mental hospitals unable to face themselves or reality.

Young people are using the drugs "in the worst possible way—joy-riding" in order to "get where the action is."

"Perception 67"—the weekend University College festival to investigate the delicate and deadly mind-expanding drugs—has taken elaborate steps to present all sides and not act as a show case for the drug experience.

As a matter of fact, I rather thought they had taken such steps:

In last night's preview Hart House debate, three guest experts blazed away from all sides, stealing the show from a student argument on whether people should have a right to "tune in, turn on, drop out."

Here again we have the *Star* columnist, Sidney Katz quoted a little later:

...that much of the values of the drug are "fantasy and self-hypnosis" used by youngsters searching for instant psychoanalysis and trying to avoid decisions.

And Senator Sullivan referred to a report in the Toronto *Telegram* of March 20, 1967, reading as follows:

Exponents of the controversial drug LSD contributed to the death of a 20-year old Metro boy, his father charged last night.

John Stern, a talented piano student from Strathearn Road, plunged 120 feet to his death from the Bloor St. East viaduct Saturday night after experimenting with the drug.

"There's not the slightest doubt that disciples of LSD contributed to his death, his murder," the father, Milton Stern, said. "So does every publication that in any way glorifies this drug as a magic gift that can broaden and enlighten anyone."

The dead youth attended the psychedelic festival, Perception 67, at the University of Toronto recently in which the feature speaker was Dr. Richard Alpert, associate of Dr. Timothy Leary, driver of the LSD bandwagon in the U.S.

Dr. Alpert urged the use of LSD as a creative boon to artists in all fields.

I want to close with a somewhat lengthy article by the most eminent authority in Canada on the subject. It is well worth while putting it on the record. Since this bill has originated in this house, I think we owe special duty in having the record complete so that others may be informed by what has been said. This is by J. Robertson Unwin, Director of Adolescent Service, Allan Memorial Institute, McGill University, Montreal:

The death of a twenty-year old Toronto student last weekend isn't the first to be connected with the unsupervised experimentation with the drug LSD. Each year deaths are reported as occurring during or following the state of abnormal consciousness induced by this substance; many of these deaths are unpredictable suicides, a rare one is due to homicide, and a few are accidental, the result of acts of daring carried out in a state of excitement during which judgement is seriously impaired; the intoxicated and deluded person is convinced that he is capable of superhuman feats, such as flying off high buildings.

If you still don't know what LSD is, or what its effects are, you must have been isolated from the mass media for years. Magazine articles and television programs have glamorised this drug to the point where it is a serious, and seemingly reasonable, temptation to a very large number of our young people. This irresponsible journalism, presenting as it does the seductive promise of self-discovery, unbounded creativity, orgastic feelings and splendid visions, usually underplays, negates or ignores the very real dangers. It is left to psychiatrists, parents and educators to witness and regret the damage, sometimes irreversible, which LSD can do to developing personalities. Deaths are only one aspect of the other side of the coin; a percentage of LSD users will suffer from passing but serious mental disturbances which will require psychiatric attention and probably hospitalisation; others, already vulnerable, will develop long-lasting psychoses which will require psychiatric treatment for many years; quite a few people will experience acute terror, some will develop such a depth of depression during the LSD experience that suicide becomes a distinct possibility; some depressions will occur only some time after the immediate effects seem to have worn off, so that a suicide may go unexplained. Rarely a state of extreme rage induced by LSD will lead to murder. Psychiatrists have observed a type of "echo" phenomenon in which some time after the actual LSD "trip," students re-experience visions and changes in their awareness of their body, without taking further LSD; this understandably panics them. Lastly, a few young people, lacking the self-confidence to meet the ambiguities of every-day life and doubting their ability or worthiness to form satisfying relationships, will become habitual LSD users, welcoming escape into a world of lotus eaters, into which the reality around them can intrude only vaguely and transiently. Their intellectual and personality development stagnates, they find themselves even more alienated from the world outside the drug cult, and retreat to the periphery of society into a parasitic group composed of misfits, smouldering psychotics and unfulfilled messiahs. Proposed laws banning the possession of LSD will possibly place the distribution into the hands of narcotic syndicates which will try to introduce the LSD user to heroin so as to produce a drug addict and thus a steady market.

There is reason to expect that, in responsible professional hands, LSD may be of definite use as part of the treatment of psychiatric conditions which have proved difficult to relieve by our present techniques. Encouraging results have been reported but the technique is still in the experimental stage and much research remains to be done. It is ironic that, as a result of the public hysteria surrounding the biased publicity given to LSD, research workers sometimes find it difficult to obtain adequate legitimate supplies of this drug which virtually any youth can pick it up on campus or in coffee houses. And make no mistake about the easy access which young people have to this substance at every major university or high school and in every large city in Canada—nearly every student must decide whether or not he wants to try LSD—for he most certainly will have the chance.

I plead with you not to try this drug unless you are under medical supervision. The effects on any given person are still largely unpredictable, and only a doctor will know how to correct the undesirable or dangerous side effects. To take LSD without medical surveillance is to play Russian roulette with your identity and potential: You may sabotage your mental health and prostitute your future. Don't be seduced by petulant prophets of the new morality who have themselves flamed out in their own quest for a place in society and would drag you down in the whirlpool of their own temper tantrums. Don't let them turn the cool generation into the fool generation.

Honourable senators, he is the expert and there is not much that I can add to what he has had to say. From everything I have read and everything you have heard today, this drug seems to be very popular among those "nuts" who are looking for "kicks".

Those who try LSD sometimes look upon themselves as courageous, pioneering individuals. I think they should be reminded that an LSD trip is not always a round trip and most likely can lead to a trip to an asylum, a prison or grave. What we are doing here today needs very urgently to be done.

On motion of Hon. Mr. Walker, debate adjourned.

DIVORCE

REPORTS OF COMMITTEE ADOPTED

The Senate proceeded to consideration of reports of the Standing Committee on Divorce numbers 1291 to 1333, inclusive, which were presented yesterday.

On motion of Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, reports adopted, on division.

Leave having been granted to revert to Presentation of Petitions:

RESOLUTIONS PRESENTED

Hon. Mr. Roebuck, Chairman of the Standing Committee on Divorce, presented the following resolutions:

Resolution 1264, for the relief of Doreen Katherine Pegler Zieroth.

Resolution 1265, for the relief of Leslie Gordon Lloyd.

Resolution 1266, for the relief of Irene Bofilios Meisel.

Resolution 1267, for the relief of Kathleen Agnes Smith McDonnell.

Resolution 1268, for the relief of Gabriella Pozner Kamel.

Resolution 1269, for the relief of Marlene Alice Fortin Kelly.

Resolution 1270, for the relief of Joan Elizabeth James Piercey.

Resolution 1271, for the relief of Adolf Alfred Kehle.

Resolution 1272, for the relief of Lise Lafond Prud'homme.

Resolution 1273, for the relief of Joan Irene Evestaff Forward.

Resolution 1274, for the relief of Dulcie Forde Rea.

Resolution 1275, for the relief of Carol Joan Robinson Moneypenny.

Resolution 1276, for the relief of Patricia Ruth Edgar Jotkus.

Resolution 1277, for the relief of Agapit Mathieu.

Resolution 1278, for the relief of Edouard Georges Oscar Beltrami.

Resolution 1279, for the relief of Agnes Vickers Driver.

Resolution 1280, for the relief of Roger Bisaillon.

Resolution 1281, for the relief of Alice Elizabeth Butler Tsubota.

Resolution 1282, for the relief of Shirley Marie Burns Palmer.

Resolution 1283, for the relief of Mary Helen Maher Gilfillan.

Resolution 1284, for the relief of Granville Hubert Nickerson.

Resolution 1285, for the relief of Mary Louise Lockett Reid.

Resolution 1286, for the relief of Jan Alexander Mygind Barynin.

Resolution 1287, for the relief of Georges Lauda.

Resolution 1288, for the relief of Jocelyne Mallette Ladouceur.

Resolution 1289, for the relief of Rita Genereux Marquis.

Resolution 1290, for the relief of Sylvia Mary Dennis Gough.

Resolution 1291, for the relief of Jean Marjorie McNally Haymond.

Resolution 1292, for the relief of Evangelia Mavrogianni Saleh.

Resolution 1293, for the relief of Monica Solange Perdriel Clayton.

Resolution 1294, for the relief of Marion Elizabeth Forsyth Bowers.

Resolution 1295, for the relief of Irmgard Durmann Gollnik.

Resolution 1296, for the relief of Patricia Anne Fletcher Astwood.

Resolution 1297, for the relief of Dorothy Gloria Fellows McCarthy.

Resolution 1298, for the relief of Lilian (Lily) Last Haynes, otherwise known as Lilian (Lily) Lastova Hanak.

Resolution 1299, for the relief of Aline Bourassa Fregeau.

Resolution 1300, for the relief of Barbara Simota Francescone.

Resolution 1301, for the relief of Joseph Michel Charles Arthur Charlemagne Bedard.

Resolution 1302, for the relief of Joseph Victor Amedee Mercier.

Resolution 1303, for the relief of Lise Suzanne Hebert Lépine.

Resolution 1304, for the relief of Paul Lecavalier.

The Hon. the Speaker: Honourable senators, when shall these resolutions be taken into consideration?

Hon. Mr. Roebuck: Honourable senators, I move, with leave of the Senate, that these resolutions be considered at the next sitting.

Motion agreed to.

LABOUR CONDITIONS

STRIKES AFFECTING THE PUBLIC WELFARE—ORDER STANDS

On the order:

Resuming the debate on the inquiry of the Honourable Senator Cameron calling the attention of the Senate to the disruptive and costly effects of strikes in services affecting the public welfare.—(Honourable Senator Farris).

Hon. J. W. de B. Farris: Honourable senators, I do not intend to discuss this matter at this time. I want to do considerable study on this matter before I am ready to speak to it.

Order stands.

The Senate adjourned until tomorrow at 3 p.m.

APPENDIX

(*See p. 1786.*)

CENTENNIAL OF CONFEDERATION

CONGRATULATORY RESOLUTIONS IN U.S. SENATE AND HOUSE OF REPRESENTATIVES—EXTRACTS FROM CONGRESSIONAL RECORD

CONGRATULATIONS ON CENTENNIAL OF THE CONFEDERATION OF CANADA

Mr. Aiken: Mr. President, I send to the desk a Senate concurrent resolution extending the congratulations of the U.S. Congress to the Parliament of Canada on the occasion of the centennial of the confederation of Canada.

For some years now, I have served as chairman of the Senate delegation which participates in annual Canada-United States Interparliamentary meetings. In cooperation with Representative Cornelius E. Gallagher, who serves in a similar capacity in the House of Representatives, I am today introducing this resolution.

It may seem like a small thing for the Congress to extend its congratulations to the Parliament of Canada on this occasion. I must note, however, that it is usually the good things that go unnoticed. One of the good things in our foreign relations has been the close and understanding relationship between Canada and the United States. Certainly, when one thinks of states throughout the world with long borders, there are few who have had such friendly relations as have existed between Canada and the United States. Indeed, close association often breeds quarrels and disrespect. This has not been the case between our two countries.

I know the Senate will approve this concurrent resolution unanimously and I hope that members of this body may find occasion to speak of our close relationship.

Mr. President, I ask unanimous consent to have a copy of the concurrent resolution printed in the Record.

The Presiding Officer: The concurrent resolution will be received and appropriately referred; and, without objection, the concurrent resolution will be printed in the Record.

The concurrent resolution (S. Con. Res. 16) was referred to the Committee on Foreign Relations, as follows:

S. CON. RES. 16

Whereas the year 1967 marks the centennial of the confederation of Canada; and

Whereas the century of Canadian confederation has been marked by close ties of friendship and association between Canada and the United States; and

Whereas relations have been strengthened through the annual meetings of the legislators of Canada and of the United States: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress of the United States extends its congratulations and its best wishes to the Parliament of Canada on the occasion of the centennial of the confederation of Canada and in affirmation of the affection and friendship of the people of the United States for the people of Canada.

—Senate
March 14, 1967
p. S3690

By Mr. Aiken, from the Committee on Foreign Relations, without amendment:

S. Con. Res. 16. Concurrent resolution to extend the congratulations of Congress to the Parliament of Canada on the occasion of the Centennial of the Confederation of Canada (Rept. No. 77).

Mr. Aiken subsequently said: Mr. President, today the Senate Committee on Foreign Relations reported favorably and unanimously on Senate Concurrent Resolution 16 which extends the congratulations and best wishes of the Congress to the Parliament of Canada on the occasion of the Centennial of the Confederation of Canada.

Mr. President, this favorable report sets forth the reasons for the resolution.

I ask unanimous consent to have an excerpt from the report and the resolution (S. Con. Res. 16) printed at this point in the Record.

There being no objection, the excerpt from the report and the concurrent resolution were ordered to be printed in the Record, as follows:

EXCERPT FROM REPORT ON SENATE CONCURRENT RESOLUTION 16

Senate Concurrent Resolution 16, to extend the congratulations and best wishes of the Congress to the Parliament of Canada on the occasion of the centennial of the confederation of Canada.

PURPOSE OF THE RESOLUTION

The purpose of Senate Concurrent Resolution 16 is to extend congratulations and best wishes of the Congress to the Parliament of Canada as a gesture of goodwill and friendship in marking the 100th anniversary of the confederation of Canada.

COMMITTEE ACTION

Senate Concurrent Resolution 16 was introduced by Senator Aiken, Chairman of the Subcommittee on Canadian Affairs of the Committee on Foreign Relations, on March 14, 1967.

DISCUSSION

July 1, 1967 will mark the 100th birthday of Canada, our friend and neighbor to the North. On that day one hundred years ago, four British colonies banded together in the Confederation of the Dominion of Canada. These former colonies, Nova Scotia, New Brunswick, Ontario, and Quebec, have grown to a federal state of ten provinces and two northern territories sprawling in beauty and grandeur from the Atlantic to the Pacific and from midcontinent to the North Pole.

The relationship between the United States and Canada is unique in the world community. There are probably no two countries in the world more similar in character and national values, the products of a common heritage and mutual interests spanning the entire spectrum of international association. The relationship between the Congress and the Canadian Parliament is in keeping with this tradition. Delegations from the Congress and the Canadian Parliament meet annually to discuss matters of mutual interest through the Canada-United States Interparliamentary Group. These meetings have resulted in strengthening further the strong bonds between our respective legislative bodies.

It is fitting and proper that the Congress should take action to formally extend its greetings and best wishes to Canada's Parliament to mark this centennial year. The passage of this resolution will be but a small token in affirmation of the respect and affection of the people of the United States for the people of that great land.

S. CON. RES. 16

Whereas the year 1967 marks the centennial of the confederation of Canada; and

Whereas the century of Canadian confederation has been marked by close ties of friendship and association between Canada and the United States; and

Whereas relations have been strengthened through the annual meetings of the legislators of Canada and of the United States: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress of the United States extends its congratulations and its best wishes to the Parliament of Canada on the occasion of the centennial of the confederation of Canada and in affirmation of the affection and friendship of the people of the United States for the people of Canada.

—Senate
March 20, 1967
p. S4013

Mr. Gallagher: Mr. Speaker, I am introducing this resolution to extend the congratulations of this body to the Canadian Parliament on the occasion of the Canadian Centennial.

As chairman of the House delegation to the annual Canada-United States Interparliamentary Group, I can unhesitatingly attest to the numerous and close ties between the United States and Canada. The many official and unofficial relations between our two countries are evident on the national as well as individual level. The more than 5,000 miles of undefended frontier between the two countries is as much an example of mutual trust as it is of mutual understanding. And while this may sound like a well-worn cliché, how many other countries in the world can make a similar claim?

Moreover, the unity that is exemplified by the Canada-United States Interparliamentary Group is not only a symbol, but a manifestation of the growing harmony that defines our

relationship. This is to be seen in our mutually beneficial trade patterns as well as the obligation we share in the defense of North America through the combined command known as NORAD.

So, it is well that we should take time out of our busy days—days when every decision made seems to be a decision which will bring us closer to peace in the world—to recognize the peaceful and harmonious relations that have existed between the United States and Canada since 1867 when the four provinces of Ontario, Quebec, Nova Scotia, and New Brunswick were united and formed the nucleus for present day Canada.

I would hope that everyone in the House will vote for this resolution, and that our Canadian counterparts to the north will be reminded of the esteem and respect in which we hold them and their beautiful country.

—House of Representatives
March 14, 1967
p. H2647

EXPRESSING THE SENSE OF THE CONGRESS ON THE OCCASION OF THE CENTENNIAL OF THE CONFEDERATION OF CANADA

Mr. Gallagher: Mr. Speaker, I ask unanimous consent for the immediate consideration of House Concurrent Resolution No. 28, expressing the sense of the Congress on the occasion of the Centennial of the Confederation of Canada.

The Clerk read the resolution, as follows:

H. CON. RES. 280

Whereas the year 1967 marks the centennial of the confederation of Canada; and

Whereas the century of Canadian confederation has been marked by close ties of friendship and association between Canada and the United States; and

Whereas relations have been strengthened through the annual meetings of the legislators of Canada and of the United States: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That the Congress of the United States extends its congratulations and its best wishes to the Parliament of Canada on the occasion of the centennial of the confederation of Canada and in affirmation of the affection and friendship of the people of the United States for the people of Canada.

Mr. Gallagher: Mr. Speaker, it is a rare occasion for this House to have the privilege of expressing its sentiments on the centennial of another nation. We have such an opportunity today. This year marks the 100th anniversary of the confederation of Canada.

We date our start as a nation from a revolution. Canada dates its start from an evolution. In 1867 the British Parliament enacted the British North America Act which brought together four provinces—Upper and Lower Canada—now Ontario and Quebec—Nova Scotia and New Brunswick in a governmental structure similar to that of England. Since that date the geographic growth of Canada has been much like that of the United States in the 19th century and early 20th century—the inclusion of the western and central provinces—until today its ten provinces and its territories span the continent and stretch beyond the Arctic Circle.

As a nation Canada has conducted its international affairs with dignity and with understanding. In a world of extremism it has followed a course of moderation and of tolerance that mirrors the temperament of its people. We in the United States should count among our blessings the presence on our border of Canada.

It is easy to become lyrical about our northern neighbor—its unbounded natural beauty, the warmth of its people, the ease with which we can communicate with each other. It is probably the only country where a visiting American has a sense of being abroad yet completely at home.

This House salutes Canada in its centennial year and wishes for it another century of peace, progress, and prosperity.

The resolution was agreed to.

A motion to reconsider was laid on the table.

—House of Representatives
March 20, 1967
p H2960

THE SENATE

Thursday, April 20, 1967

The Senate met at 3 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Copy of a list of recommendations of the Royal Commission on Government Organization, approved by the Government on March 9, 1967 (English and French texts).

Copy of a letter, dated February 2, 1967, addressed by the Minister of Energy, Mines and Resources to the President of Trans-Canada Pipe Lines Limited with reference to the supply of natural gas to Eastern Canada. (English text).

Minutes of Proceedings and Evidence of the Special Joint Committee of the Senate and House of Commons respecting Mr. Justice Leo Landreville referred to in the Second Report of the said Committee, tabled in the Senate on March 17, 1967 (Issues numbered 1 to 7, both inclusive). (English and French texts).

CANADIAN CITIZENSHIP ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-59, to amend the Canadian Citizenship Act:

Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

REPORT OF COMMITTEE ADOPTED

Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-59, to amend the Citizenship Act, and had directed that the bill be reported with the following amendment:

Page 2: Immediately after line 20, add the following as new subclause (4):

"(4) Subsection (8) of section 10 of the said act is repealed and the following substituted therefor:

'(8) Subparagraph (i) of paragraph (c) of subsection (1) does not apply to a person who

(a) has resided continuously in Canada for a period of one year immediately preceding the 1st day of June, 1956, and has been admitted to Canada for permanent residence prior to the 31st day of December, 1956 and, in addition, has also resided in Canada for a further period of not less than four years during the six years immediately preceding the 1st day of June, 1953; or

(b) acquired Canadian domicile before the coming into force of this paragraph'."

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that this report be taken into consideration now.

Honourable senators, the amendment which was made in committee this morning was one which was requested by the department. While in the reading of it, it sounded quite lengthy, the amendment as to subparagraph (a) is simply the re-enactment of subsection (8) of Section 10 in the exact language as it now appears in the act. But subparagraph (b) contains the new part. It simply preserves any rights which up until this bill becomes law are enjoyed by any individual in Canada by virtue of his having acquired what is called immigration domicile.

May I explain that under the Citizenship Act as it now stands, domicile for purposes of citizenship is defined as being domicile under the provisions of the Immigration Act. Now, under the provisions of the Immigration Act, in order to acquire domicile, the conditions that you have to establish are: lawful admission to Canada; the establishment of a residence in Canada, and the specific intention to remain permanently in Canada. After five years have elapsed from the date when that occurs, then you have acquired, under the Immigration Act, what is called immigration domicile.

Now, immigration domicile does not necessitate physical residence in Canada for every day of that five years. For instance, you could at the end of five years acquire immigration domicile, if you had lawfully landed, had established your residence and had expressed the intention of remaining permanently. You may have then gone out of Canada for several years in connection with some project or enterprise, working in another country, but while you are away that time is running, and if when you return five years have elapsed from the date on which you were legally landed, and you had met these other requirements, you are then said to have had immigration domicile and, under the Citizenship Act at this moment, you would have domicile for citizenship purposes.

But in this bill before us we have changed the provision in relation to domicile and have provided that for citizenship domicile you must spend in Canada five years out of the eight years immediately preceding your application for citizenship. The thinking behind this is that people who are going to acquire Canadian citizenship should have a longer period in Canada in order to soak up and become familiar with the attitude and spirit of Canadianism and to get to know the country, the people and their living habits.

So you have this marked difference now under the amendments of the Citizenship Act contained in this bill. There is the requirement of physical residence for a period of five years within the eight years immediately preceding the application. Because of that there could be some people in Canada now who have acquired immigration domicile because they have met the requirements, and if so it is not the intention that when this bill becomes law they should be deprived of those rights. If they have acquired those rights, subparagraph (b) of the amendment today saves those rights for them, and they do have the necessary domicile to apply for Canadian citizenship.

Hon. A. J. Brooks: I think we all agree with the amendment; it is very appropriate. We also appreciate the explanation given by the honourable chairman of the committee.

I am sorry I had to leave the committee this morning before this matter came up, because I had intended to have something to say about it. May I say that there were a few things about the committee which were a little disappointing, and in saying that I do not mean the explanations given by the minister, because she gave the explanations as pertaining to her department, which has to do with citizenship. Now Citizenship and Immigration have been divided, and in my humble opinion that was a great mistake; no two subjects are more interlocked. It did occur to me at the meeting of the committee this morning that there should have been information available from the two departments as they apply to citizenship and to immigration. This information should have been known by the department concerned with citizenship, and they should have been able to answer the questions that were asked. Frankly, it would appear from today's meeting of the committee that in the administration of this department and in the administration of the department concerned with immigration you could not find a better example of the right hand not knowing what the left hand was doing. They deal with the same people and the same subject matter.

Hon. Mr. Hayden: You mean behaving like strangers?

Hon. Mr. Brooks: Yes, they were strangers. They did not know the answers to the questions asked. I really think those two departments are so closely connected that it should still be the Department of Citizenship and Immigration instead of as we now have it, the Department of Manpower and Immigration. Manpower is a very important matter, but to my mind it comes under the Department of Labour rather than under the present department. I hope the Government will take into consideration the question of uniting these departments and putting them on a commonsense, logical basis, the same as they were before.

Hon. Mr. Roebuck: If they were in the same building where rapid communications could take place, it would serve the same purpose.

Hon. Mr. Brooks: No, it would not. We asked questions this morning that the department of citizenship were unable to answer. I think the chairman will agree with me—and I do not wish to give the impression of speaking for him—that there was information asked for this morning which should have been known by the officials of the department of citizenship, because, as I have said, immigration and citizenship are very much interlocked, and their work is very much the same in some matters.

Hon. Mr. Connolly (Ottawa West): On behalf of the Government I would say that the remarks that have been made this afternoon

by the Leader of the Opposition (Hon. Mr. Brooks) bear more than casual scrutiny, and I will undertake to see that the views which he has expressed here are placed before all the ministers concerned. I think that would include the minister in charge of citizenship, the minister in charge of immigration and manpower, and also the Minister of Labour. I will do that at the first opportunity.

Hon. Mr. Hayden: May I add a word? I was concerned this morning because in seeking some information it appeared that certain statistics were in a straitjacket. By that I do not mean that the citizenship department did not want to furnish the information, but they just did not have it. I cannot conceive of a situation where you should not have two departments working more closely together than in this field, because actually the citizenship department takes over after the immigration department has done a certain amount of its work, and I would think that from the earliest time, when a person becomes a potential candidate for citizenship, this information should be building up in Citizenship as well as in Immigration.

Hon. Jean-François Pouliot: Honourable senators, I wish to join with my colleagues who have welcomed the four new senators to this great hall of fame, the chamber of the Senate.

We have a fifth great lady as one of our colleagues. We have a former cabinet minister, a Privy Councillor, who is known for the brilliancy of his mind and the kindness of his heart—and I say that in spite of the fact that I may often disagree with him. Besides that, we have a gifted former leader of the Liberal party in the Province of Ontario, and a very dear friend who was the right arm of the Honourable Paul Martin and our colleague Senator Croll, in Windsor.

Honourable senators, I want to ask a question of you, a question that I have asked myself. It is this. We are all grateful to the party that appointed us to the Senate, and it is a legitimate feeling. However, how long is the period during which that gratitude to the appointing party will preclude us from expressing freely our opinion on any matter?

I wonder what would be the reaction of my colleagues to that question, because on one occasion when I was leaving this building, I met at the Senate door a leading member of the Opposition who asked me what kind of trouble I would make for the Leader that afternoon. What happened was that I fell on the stone and could not put my question. I was very much surprised that anyone was under the impression that when any member of the Senate asks a question he means to make trouble for someone. I replied that I had never made any trouble for my Leader in the Senate, and that I would never do so.

With regard to the bill that is before us, I regret to disagree with my Leader. I find it is an awful piece of legislation. I do not blame the present minister for that, but it has been from the very beginning, because the word "citizenship" is all wrong. We are not in a republic; we are in a kingdom and we have a Queen, and the Queen is the head of our state; and we do not see the Queen of Canada without the Kingdom of Canada.

Therefore, although I was born a British subject—as most, if not all of you were —afterwards, when the citizenship legislation was passed, I became a citizen of Canada automatically and also a citizen of the Commonwealth, because the Commonwealth is an organization. I do not mean the British Commonwealth; I mean the Commonwealth without the adjective "British", which includes in its membership countries like India and Pakistan, whose heads of state are elected presidents. Each one of us now, after having been born a British subject, is also a citizen of Canada and a citizen of the Commonwealth.

I understand that those who reside in a real republic can be called citizens. Those who live to the south of us are called citizens of the United States, and that is the right way to designate them. But, when we have a Queen as the head of state then those who live in the kingdom are subjects of the Queen and not citizens. Therefore, the use of the word "citizen" is improper. I do not know why it was used in the first place.

This morning the Minister told me that she had seen signs in Great Britain mentioning "British citizens." Well, Englishmen have the same right as Canadians to make mistakes, and to change the meaning of words from that given in the dictionary. My contention is that that inscription was wrong. It was wrong in the same way as the title of this citizenship bill for Canada is wrong.

When legislation similar to this is discussed in England they do not speak of citizenship; they speak of nationality. They talk of the British nationality of the British subjects, who are subjects of the Queen of Great Britain and her other possessions.

This is the first point that I wish to make. In due course I may try, with your help, to

have this word changed in order that we may have better legislation on the Canadian nationality.

Honourable senators, there is something else I want to say. I agree entirely with what the honourable Leader of the Opposition (Hon. Mr. Brooks) has said, and I am very glad that the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) has said that he will submit that suggestion to the Department of Manpower and Immigration. It would be a very good move to place immigration and the so-called citizenship in the same department.

I have only one other thing to say. I should like to refer to what was said in the Mother of Parliaments at Westminster Hall on May 8, 1937 about migration to Canada. It is only one paragraph, and I ask you to permit me to read it:

> Assisted migration means more relief to the unemployed. What we need in our country is experienced farmers. The "Back to the Land" policy has been a failure during these last years...The Dominions are not supposed to be clearing houses for any part of the Empire.

The expression that was used was "dumping ground." The autonomous countries of the Commonwealth should not be the dumping grounds for the unqualified.

I should like to qualify what I have just said by mentioning that some friends of mine who are just back from the British Isles told me that a very large number of residents of the West Indies have gone to London to get the dole—not to work, but to get the dole which is available there in considerable amounts. There were some articles in the press about it.

Before I sit down, I want to warn the Government to be very careful in bringing to this country immigrants that are not qualified; they should all be screened. It should not be considered a matter of race, because there are bad French immigrants as there are good ones; there are bad English immigrants, as there are good ones, and there are good and bad people of every race. To discuss immigration from the racial point of view is a great mistake; it must be discussed according to the personal worth of each immigrant.

Honourable senators, the quotation I have given is from a speech by Jean-François Pouliot, M.P., Temiscouata.

Report adopted.

23031—133½

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Earl W. Urquhart, for Hon. Mr. Davey, moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

DIVORCE

JOINT COMMITTEE—NOTICE OF MEETING

Hon. Arthur W. Roebuck: Honourable senators, may I have the indulgence of the house merely to state that the Joint Committee of both Houses of Parliament on Divorce was called to meet at the half hour, which is now five minutes late, and that a number of us must withdraw for that purpose. I wish my fellow members to be so advised.

NORTHUMBERLAND CAUSEWAY

NEWS REPORT—INQUIRY

Hon. Orville H. Phillips: Honourable senators, yesterday Canadian Press and C.B.C. news items indicated that as a result of the bids received on the first portion of the Northumberland Causeway being higher than the departmental estimates, the contract would not be awarded, or as an alternative the design would be altered to eliminate the railway crossing. I would ask the honourable Leader of the Government in the Senate (Hon. Mr. Connolly, Ottawa West) if he can assure the Senate that there has been no change in Government policy in regard to the Northumberland Causeway and that the contract will be awarded as scheduled.

Hon. John J. Connolly: Honourable senators, I think I should take this question as notice, since I am advised that there is no change in Government policy in respect of the causeway. I also have heard some discussion to the effect that part of the newspaper report arose from certain calculations that were made, which I understand were ill-founded in fact. Beyond that, I think I should not go this afternoon, because I do not have adequate information. However, at the next sitting I will bring whatever is available and give it to the Senate at that time.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until Tuesday, April 25, at 8 o'clock in the evening.

Motion agreed to.

QUESTION OF PRIVILEGE

NEWSPAPER REPORT

On the Orders of the Day:

Hon. Joseph A. Sullivan: Mr. Speaker and honourable senators, before the orders of the day are called, may I rise on a question of privilege.

I would like to comment briefly on a remark made in the Montreal *Gazette* this morning by a Dr. Morton Shulman of Toronto. Dr. Shulman says that our LSD proposal on legislation is the wrong approach.

This man thinks he speaks with a degree of infallible authority on every subject. He pontificates as though he is the last word.

As a medical man, may I say that when Dr. Shulman establishes himself as an authority in some field of medicine, I may accept him.

EXPO

INQUIRY RE TRAVEL ARRANGEMENTS FOR SENATORS ATTENDING OFFICIAL OPENING

Hon. Norman McL. Paterson: Honourable senators, may I take this opportunity of asking the Leader what are the arrangements for transportation to Montreal on the day of the official opening of Expo 67? Will it interfere with some of the Senate meetings?

Hon. Mr. Connolly (Ottawa West): The official opening is to take place on Thursday of next week. The travel arrangements will probably be similar to those made on the occasion of the visit by Commonwealth Parliamentarians.

I do not wish to become dogmatic and have the last word on this, but I expect that due notice of the arrangements will be sent to all honourable senators in ample time for them to take advantage of them.

I believe it would be the desire of all honourable senators, assuming that the other place does not sit—and I think this is a fair assumption—that the Senate should not sit on that day.

Hon. Senators: Agreed.

FOOD AND DRUGS ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the adjourned debate on the motion of Hon. Mr. McDonald for the second reading of Bill S-60, to amend the Food and Drugs Act.

Hon. David Walker: Honourable senators, had I known we were going to hear such eloquence and common sense yesterday, I would not have allowed my name to be put down here. I wish to congratulate Senators Gershaw, Croll and McDonald on their very able presentations; but I am sure that everyone will excuse me if I cite for special attention the masterly address of one who in this house is in a better position to talk on this subject than anyone else, my friend and your friend, Senator O'Leary.

An Hon. Senator: Senator Sullivan.

Hon. Mr. Walker: Yes, I should have said Senator Sullivan.

Hon. Mr. Connolly (Ottawa West): One Irishman is as good as another.

Hon. Mr. Walker: It is all the same, they are all great men. The trouble is that the name O'Leary is getting quite close to that of Dr. Tim Leary, a great proponent of LSD. Some people get it mixed up at times with N.D.P., but the mixing is purely coincidental. They have only one thing in common, they have—

Hon. Mr. Lamontagne: Hallucinations.

Hon. Mr. Walker: A new senator has supplied the word—they have hallucinations. So that he may get credit for this, may I say that such word has been supplied by our new and able Senator Lamontagne.

When I listened to Senator Sullivan on St. Patrick's Day, I wanted to make a contribution. My ancestry goes back to the Battle of the Boyne. But when he got through, everything was said and I could do nothing but quietly slip away.

On medicare I had a speech already prepared. I worked nine hours on it. I prepared it myself and I wrote it myself. But when Senator O'Leary—excuse me, Senator Sullivan, the other great Irishman—got through his discourse, he had said everything. I said nothing and I quietly slipped away.

Today I was tempted again to do the same thing because, like Alpha and Omega, it was

the beginning and the end of this mighty debate on LSD. Perhaps for the first time in this debate, however, we can deal with the bill itself and find out what the sections of it refer to.

Before doing so, however, I want to set my friend Senator Sullivan correct. In the *Journal* today, the headline states that Senator Sullivan urges "Lock Leary Up". Well, he may not be locked up today, but he has been convicted and sentenced to thirty years' imprisonment—this great proponent of LSD in the United States—not under any Act pertaining to LSD, because there is not a national Act there, but because of his participation in the use and propagation of marijuana. This is something in the right direction.

I find it very difficult to account for the tremendous increase in recent months in the use of LSD across Canada. I can think of three good reasons. One is the C.B.C. which, in four shocking programs, shocking to the point of being beneath contempt, glorified the use of this drug and made it attractive to young people. This is one of the most shameful things the C.B.C. has ever done. Widespread has been its influence, and it has become smart now for the young people to use this drug.

Today I was handed last night's *Telegram*, with pictures of eight authorities to say that the LSD bill before the House is not deterrent. As you look at them, one cannot tell who is male and who is female, unless the editor has the names mixed up. Those who have masculine names seem to be women, and vice versa.

Looking at them all, somebody said—it was my son who said it—"Aren't they a sleazy looking bunch of kooks?"

If this is the effect of LSD, all we should do is publish pictures, not of what they see in hallucinations but of what we see when we look at them.

The second tremendously harmful influence was the article which glorified the use of this drug, in *Life* magazine, the magazine with ten million circulation.

When you speak to young people about it, they say: "What about *Life*, did you see what *Life* says?" I am not going to devote any more time to it, because that magazine is published in the United States, though it is widely circulated in Canada.

The third reason—around Toronto, anyway—is that the Board of Governors—and my friend, Senator Sullivan, is one of them —allowed a symposium on the use of LSD at the University of Toronto, attended by hundreds of young people. The symposium has become the thing to attend, and it is becoming immensely popular. It would appear to be, although it is not, under university auspices.

Thirty-five years ago I was one of the Crown prosecutors for the Dominion Government. As you can imagine, the Liberal Government was not in power in those days. I used to prosecute, through the Royal Canadian Mounted Police, those who trafficked in opium and heroin. There was a commissioner of police who used to sign his telegrams to me: "General Sir James MacBrien." As a young prosecutor, I felt very important, in getting these letters of instruction from General MacBrien. As prosecutor, I knew how difficult it was for those very able-bodied and dedicated police—as they were then and as they are today—to get the evidence to sustain a prosecution.

Therefore, although I do not agree with the principle involved, in how far this bill has gone, I am going to study with you, very briefly, the clauses of this bill and point out the need for them.

Here is a drug which is colourless, odourless, tasteless, can be carried around in blotting paper or in cubes of sugar as well as in a bottle in its original liquid form. The required dose is one thousandth (1/1,000) rather than one hundredth (1/100) of a gram. Prohibition, therefore, whether desirable or not, is very, very difficult thing to enforce, as you can see.

Somebody has said that because of the minimal amount necessary for a person to "take a trip" into the land of hallucination —just a minute speck of it is sufficient for that—if you took a pound of LSD and put it in the water supply of a city, it would be a very effective way in time of war of putting the whole city out of commission. Whether or not that will ever be tried, I do not know.

The effects of LSD have been gone into by Dr. Gershaw and Dr. Sullivan in great detail, and I shall not attempt to repeat all of its effects, including the final result of suicide. In fact, that is possibly what happened to that young, talented Toronto student who apparently committed suicide. I am sure, however, that suicide is a misnomer there. It was an accident in his case because, like so many other people under the inflence of this drug, he no doubt thought he could stand on the viaduct and fly. They believe they can fly, and that is one of the strange effects of this drug.

As a result of it they feel capable of almost anything, including flying.

Now, shall we study the bill just for a moment? It is very brief and, after all, it is the bill that you are going to pass, not the effects of LSD. We have here Bill S-60, an amendment to the Food and Drugs Act. As you know so well, the Food and Drugs Act has rather a simple name but, nevertheless, it provides authority to control the sale and conditions of sale for drugs generally throughout Canada.

In clause 1, which substitutes a new Section 30 for the old one, we see, in addition to what it already does, that it now controls "goof balls" and barbiturates. It now proposes not only to control drugs such as those, but it is going to restrict the use of certain drugs.

Hon. Mr. Connolly (Ottawa West): And possession of them.

Hon. Mr. Walker: And also possession, yes, and that is very important. The terms of this bill, so far as many parts of it are concerned, parallel the control of narcotics as in the Narcotics Control Act. The penalties are not as severe, but they should not be as severe because we are dealing with people who know not what they do; they are young people—just as with our own children and grandchildren as we watch them grow up until they learn through experience—and at the present time there are tens of thousands of these young people using this drug who really are doing so with innocent intentions. Nevertheless, the matter has gone so far that a halt must be called.

If you go over to page 1 of the bill, you will see that the restricted drug as used means any drug or other substance included in Schedule J. In Schedule J, at the back of the bill, we find the only drug which comes yet under this act is LSD.

You will notice, though, that Schedule J is left open, and I am sure, as this excellent department which controls these matters finds and experiments with other drugs, including mescalin, they will be added to this schedule. Some day that and other drugs will perhaps be added to it, but not until these matters have been completely investigated.

Now, on page 2 section 40 in the amended bill recites that no person shall have a restricted drug in his possession, except as authorized by this Part.

Since LSD is the restricted drug, you cannot have it in your possession. Subsection 2 says:

> Every person who violates subsection (1) is guilty of an offence and is liable
>
> (a) upon summary conviction for a first offence to a fine not exceeding one thousand dollars or to imprisonment for a term not exceeding six months or to both fine and imprisonment, and for a subsequent offence to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year or to both fine and imprisonment.

Now, that is a good thing. It is not as tough as the penalty for peddling, using or having in possession heroin or other such drugs, but it is sufficient to get started, because with young people, whether it is $1,000 or less, or whether it is imprisonment, it is to them a very serious penalty, and until they are brought to their senses something has to be done to protect them from themselves.

Hon. Mr. Sullivan: And to get the peddler.

Hon. Mr. Walker: And, as we also used to do with the police, we tried to get the boss peddler. He was so smart, however, that he always had stooges acting for him, distributing the opium or heroin, and I am sure it will be even more difficult to get the peddler of LSD. Upon conviction of an indictable offence—and I am referring to subsection (b) of subsection (2),—a person is subject to a fine of $5,000 or to imprisonment for a term not exceeding three years. In other words, where the prosecuting authorities feel that the accused is really in possession of this drug to use it for peddling in a big way, they can lay an indictable charge. And for people who are convicted of such offences, the fine can be as high as $5,000 and there can be a term of imprisonment not exceeding three years, or there can be both fine and imprisonment.

Students I am sure would not come under that subsection, but nevertheless it is necessary to include it so that the top people who are really responsible for this thing can be properly punished.

Now, in Yorkville in Toronto you can see the effects of this drug. All you have to do, as I often do, is walk up Avenue Road around Yorkville. You can see by the faces of the people you meet that they are either taking goof balls or LSD. They are certainly taking something. You can see the same look over in England on Carnaby Street, London, where I

have watched them, and even on King's Row. I went to a bazaar on King's Row last September and found that this wonderfully historic street is now desecrated by beatnik people who have subjected themselves to the use of drugs. They were there in states of stupor, carrying on bazaars, but so far as I could see everybody was too stupid to sell anything. Everybody seemed to be under the effects of some narcotic.

Section 40, honourable senators, deals only with the possession of the drug. Section 41 is a very important section which says that no person shall traffic in a restricted drug or any substance represented or held out by him to be a restricted drug. In other words, no one shall sell LSD or peddle it.

Then, in subsection 2 it states that no person shall have in his possession any restricted drug for the purpose of trafficking. Even if he is not trafficking but has the drug in his possession for that purpose, he is guilty.

Subsection 3 states that:

> Every person who violates subsection (1) or (2) is guilty of an offence and is liable
>
> (a) upon summary conviction, to imprisonment for eighteen months; or
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> Upon conviction on indictment, to imprisonment for ten years.

There is no question of a fine here but simply imprisonment. There is no alternative. There is mandatory imprisonment. Fines are no good. We found that out years ago. These traffickers in drugs can afford to pay the fines and go scot free. Putting them in jail is the only way to get them out of the trade, and even then you will only get them out of the trade until their conviction has expired and they get back at it again.

Then if one of the big kingpins is caught we find that he is liable, under subclause 3

> (b) upon conviction on indictment, to imprisonment for ten years.

That is about what they did to Dr. Timothy Leary in the United States because of marijuana. In other words, if the Attorney General through the Crown Attorney presents an indictment, it is up to the judge and the crown attorney to see that accused is properly tried, and if he is convicted he can be put in jail for a period of ten years. This will not apply to a student, but it will apply to the real masters behind the running of this iniquitous drug.

Clause 42 is simple enough, but I must admit that on first reading I could not understand it. It reads as follows:

> 42. (1) In any prosecution for a violation of subsection (2) of section 41, if the accused does not plead guilty, the trial shall proceed as if the issue to be tried is whether the accused was in possession of a restricted drug contrary to subsection (1) of section 40.
>
> (2) If, pursuant to subsection (1), the court finds that the accused was not in possession of a restricted drug contrary to subsection (1) of section 40, he shall be acquitted,. . .

In other words he may be charged with having it in his possession, and, secondly, he may be charged with trafficking in it. But if he is acquitted on the charge of trafficking, then the court may go ahead and find that the accused was at least in possession of a restricted drug under subsection 1. Then, having found that, and if he has pleaded "not guilty," and if found in possession, he shall be given an opportunity of establishing that he was not in possession of a restricted drug for the purpose of trafficking. In other words, once he is found in possession and it appears that he was trafficking as well, he shall have an opportunity of proving that he was not trafficking in the drug, and thereafter the prosecutor shall be given an opportunity of adducing evidence to the contrary.

Subclause 3 reads:

> (3) If, pursuant to subsection (2), the accused
>
> (a) establishes that he was not in possession of the restricted drug for the purpose of trafficking, he shall be acquitted of the offence as charged but he shall be convicted of an offence under subsection (1) of section 40 and sentenced accordingly; or
>
> (b) fails to establish that he was not in possession of the restricted drug for the purpose of trafficking, he shall be convicted of the offence as charged and sentenced accordingly.

In other words, he shall be sentenced for trafficking.

This is a different situation from that which existed in the law when I was a criminal lawyer thirty or thirty-five years ago. At that time we always followed the old British tradition that an accused was innocent until proven guilty, and that he was at all times entitled to the benefit of the doubt. Here the onus has

somewhat shifted, because here there is almost a presumption of guilt to be rebutted by the accused himself. This is something that we do not like; I do not like it; I am sure my learned friend Senator Hayden does not like it, and I know most of us do not like it, but instead of being as rigid as we used to be, we have to apply common sense. In those days we did not have anything of such anonymous quality as LSD to deal with, a substance that you could hide almost anywhere.

Hon. Mr. Sullivan: We did not have common sense either.

Hon. Mr. Walker: I don't agree that we did not have common sense either, because we always went on the basis that the accused was innocent unless proved to be guilty beyond a reasonable doubt. Here he still has to be proved guilty, but the onus has shifted to him and he must show that he was not trafficking.

Let us suppose a man is apprehended, and is found to have in his possession a large quantity of LSD. Is it not obvious that he has not that large supply for his own use? What is he going to do with it? He could not use a large supply in a hundred years. Therefore the element of proof of trafficking comes in. This is an element of proof; this is evidence as such, and the Crown can use this evidence, provided it does so properly. It is then up to the accused to show that he was not in fact peddling the drug, despite the presumption that he in fact was. Now, this is very difficult to swallow.

Hon. Mr. Choquette: May I ask a question? While you are dealing with the very question of onus, this clause has struck me as putting a very heavy onus on the accused, and I do not see in this clause or any subclause any wording to the effect that the accused would also have the occasion or the opportunity to prove how he came into possession. It seems very onerous on an accused, if he cannot prove that he was trafficking, that he is still guilty of being in possession. Supposing somebody just throws the drug into the accused's car or deposits it in the latter's apartment for the purpose of getting rid of it. What is the case then? There is no provision here, as I see it, for giving the accused an opportunity to explain how he came into possession of it.

Hon. Mr. Walker: But again the Crown always should be fair and should listen to any reasonable argument, and it would not be considered as constructive possession if in fact the accused had an adequate excuse such as the instance you mention, if the Crown believed him.

Let me give you an example. I remember prosecuting the Foster brothers, two famous bootleggers who kept a still in North York. In that case we had the R.C.M.P. go out at five o'clock one morning, before dawn. They heard the tin cans rattling, the still was operating and they could smell the fumes of good whisky being manufactured. The sergeant cried "Police!" and they put on their lights. The brothers were old pros at manufacturing the illicit whisky and when the lights came on they were just looking at their handiwork. They were out in a swamp and they claimed they were in possession of nothing, and were acquitted. That is how far the Crown will go under certain circumstances.

I think we must admit that we have no alternative in Bill S-60, and may I say that this shift of burden of proof is not new. In the Narcotic Control Act there are the same provisions; they were incorporated in 1961, and they seem to be working well without any evidence of any injustice resulting.

Clause 43 gets rid of much of the red tape which we used to experience as crown prosecutors. It reads as follows:

> 43. (1) No exception, exemption, excuse or qualification prescribed by law is required to be set out or negatived, as the case may be, in an information or indictment for an offence under this Part or under section 406, 407 or 408 of the Criminal Code in respect of an offence under this Part.

In the old days unless you had the indictment drawn up perfectly and put in everything that you had in mind, you could find a clever lawyer getting up and picking holes in it. They are getting away from all this nonsense, and they are trying to see that justice is done rather than that there should be an opportunity for two clever lawyers to have a competition to see which one is the smarter.

Subclause 2 of clause 43 reads as follows:

> (2) In any prosecution under this Part the burden of proving that an exception, exemption, excuse or qualification prescribed by law operates in favour of the accused is on the accused, and the prosecutor is not required, except by way of rebuttal, to prove that the exception, exemption, excuse or qualification does not operate in favour of the accused, whether or not it is set out in the information or indictment.

This too is taken from the Narcotics Control Act.

The next clause is a sensible one, and it was even there in my day—section 44—which allows the certificate of an analyst to be entered as an exhibit of proof that the object seized and found in the possession of a person is in fact LSD.

Then it goes on to remedy other sections by reason of the new changes, and there is nothing else of any importance to us here except the schedule at the end, to which I trust will be added, in due course, drugs other than LSD.

May I say that Canada leads the world in the manner in which it has dealt with LSD. England is terribly upset and worried, and they are formulating legislation at the present time. However, they take so long to do things over there, even with a new government, and they do not seem to be able to come up with any proper formula at the present time.

The United States has no federal law at the moment, but several states are so exasperated by the effects of the use of LSD that they have incorporated their own laws. However, the United States is now framing a special act over and above the Drug Abuses Act they now have. At the present time LSD is under special control in the United States, but it is not yet an offence under the federal law to have LSD in one's possession.

My concluding remarks are that we have to give credit where credit is due. The Department of Justice, in which I served for two years as parliamentary assistant to the minister, is a splendid one. Whoever drafted this legislation has done an excellent job; and I honestly trust that through this legislation we may contribute our part to stamping out this evil which is now leaving so many of our young people derelict. They do not know any better; they cannot help it; they are not responsible, and, therefore, we have to take the law in our own hands and protect them from themselves.

I earnestly hope that at some time the C.B.C.—which was instituted by the Government of Canada for the benefit of all Canadians and to enlarge the vision of Canada as a great country—will devote if not an hour, if not two hours, if not four programs, at least half an hour to showing the evils of LSD.

Hon. Senators: Hear, hear.

Hon. Mr. Walker: I suppose they will refuse, because it would not attract an enthusiastic audience.

I trust that the University of Toronto will not allow—and I will ask my friend the Governor, Senator Sullivan, to go back and see that no more of this nonsense is perpetrated—symposiums on the effects of this drug, one of which symposiums turned out to be an effort to magnify and glorify the use of the drug.

On the whole, our press has been rather good. There have been some unscrupulous articles, but not emanating from the regular press.

This is a terrible problem. I see it every day as I walk the three miles to my home. I did not realize at first what was the matter with these people, but obviously they are under the influence of drugs. These beatniks in the Yorkville area, as in England, have this haunted, goofy look. They seem almost to be depraved, and one thing they have in common: to look at them you cannot tell who is a man and who is a woman.

Hon. John M. Macdonald: Honourable senators, it is not my intention to speak at any length on this bill. I think we all agree that it is a necessary measure. Certainly after hearing the able and impressive presentation of Senator Sullivan yesterday, we now know that legislation of this kind is imperative.

However, I do want to follow up what Senator Walker has been saying on the penalty clauses, because you know that there is an old saying in law that hard cases make bad law, and I think part of this is bad law.

As was mentioned, section 40 provides the penalty for persons found in possession of this drug:

> (2) Every person who violates subsection (1) is guilty of an offence and is liable
>
> (a) upon summary conviction for a first offence to a fine not exceeding one thousand dollars or to imprisonment for a term not exceeding six months or to both fine and imprisonment, and for a subsequent offence to a fine not exceeding two thousand dollars or to imprisonment for a term not exceeding one year or to both fine and imprisonment; or
>
> (b) upon conviction on indictment to a fine not exceeding five thousand dollars or to imprisonment for a term not exceeding three years or to both fine and imprisonment.

Upon conviction on indictment there is no provision, for example, for a heavier penalty for a second or subsequent offences.

Then, when we look at section 41, which is the section providing the penalty for trafficking in this drug, we find that a person who has it in his possession for the purpose of trafficking, upon summary conviction is subject to imprisonment for 18 months—and that is not "up to 18 months" or "liable to 18 months"; this is a mandatory term of 18 months' imprisonment. Upon conviction on indictment for the same offence the mandatory term of imprisonment is 10 years. To me it does not make good sense that there should be this vast difference in the penalty upon summary conviction and upon indictment.

If you look at the Narcotic Control Act you will find that the penalty for a person having any narcotic in his possession for the purpose of trafficking, which is an indictable offence, is imprisonment for life. He is liable to that imprisonment, but it is not mandatory that he be given life, but any term up to that. So, this is a more severe penalty.

I do not like section 42. As Senator Walker pointed out, this is not new; it is taken practically word for word from section 8 of the Narcotic Control Act. What it means is this: if a person is charged under section 41 for having this drug in his possession for the purpose of trafficking in it, then the prosecution is like a two-way affair. First of all, the Crown must prove that the accused had it in his possession; and once the Crown proves that, then the whole burden of proof changes and the accused must prove that he is innocent of having it in his possession for the purpose of trafficking in it.

I may be an old-fashioned lawyer, but I still believe that the Crown should prove a person guilty beyond reasonable doubt. I have no use for any type of legislation under which a person must prove his innocence. It is wholly foreign to our system of law, and it certainly should not be encouraged.

I can understand the problem when the Crown argues that the accused must have had the drug in his possession for the purpose of trafficking in it, but it is very hard to prove this. But you will note that this clause provides that if a person proceeds to prove his innocence, the Crown can then bring in evidence to offset that. So, if the Crown can bring in evidence after the accused has given his evidence to show that he is innocent, then certainly it could have done it before.

In my opinion this type of legislation is not good so far as penalty provisions are concerned. In our anxiety and determination to control this drug I do not think we should allow ourselves to put on the statute books something that is bad law, something which provides that an accused person must prove his innocence, even though this is such a vicious type of crime. It may be said that the Crown must be given every assistance because this is a terrible type of crime, but we must be particular in not allowing this to be an excuse for doing away with the ordinary rights of the individual under our law.

It is my hope that when this bill goes to committee a good hard look will be given to section 42, and an endeavour made to improve it.

Hon. Malcolm Hollett: Honourable senators, I have not the experience of the learned speakers who have preceded me, and who have spoken from the heart from the point of view of the lawyer and of the doctor. I should like to speak on this bill from the humane point of view.

My only criticism of this legislation is that it seems to forget the fact that 99 per cent of the young men and women who are becoming accustomed to using this drug are sick people, and that the jail or penitentiary is no place for sick persons. It would have been much wiser to have included in this bill a provision making it possible for the court to place these people under medical care in some institution in order to see if something could be done for them.

I was a magistrate for some 25 years, and I had a good many sick young people before me because of certain offences that they had committed, and I tried always to keep them from going to jail or penitentiary. I do not believe we have the right to send a person who is either mentally or physically sick to prison for an extended term.

I have no sympathy for the trafficker in this drug or any other drug, and I would be happy if this bill provided that such persons be confined in the penitentiary for life. They are the devils who are destroying the lives of these young persons in various parts of our country.

I would hope, honourable senators, that when the committee considers this bill some provision will be inserted making it possible for the court to decide whether the convicted person is sick, and if so to order that he be given proper medical attention. I could not but help say these few words, because I feel that it will be possible under this measure to send a young man or young woman, who is really sick and who needs medical treatment,

to prison. I hope that the committee will take note of what I have said.

On motion of Hon. Mr. Choquette, for Hon. Mr. Thorvaldson, debate adjourned.

DIVORCE

RESOLUTIONS ADOPTED

The Senate proceeded to consideration of Resolutions numbered 1264 to 1304, inclusive which were presented yesterday.

Hon. A. Hamilton McDonald for Hon. Arthur W. Roebuck, Chairman of the Standing Committee on Divorce, moved the adoption of the following resolutions:

Resolution 1264, for the relief of Doreen Katherine Pegler Zieroth.

Resolution 1265, for the relief of Leslie Gordon Lloyd.

Resolution 1266, for the relief of Irene Bofilios Meisel.

Resolution 1267, for the relief of Kathleen Agnes Smith McDonnell.

Resolution 1268, for the relief of Gabriella Pozner Kamel.

Resolution 1269, for the relief of Marlene Alice Fortin Kelly.

Resolution 1270, for the relief of Joan Elizabeth James Piercey.

Resolution 1271, for the relief of Adolf Alfred Kehle.

Resolution 1272, for the relief of Lise Lafond Prud'homme.

Resolution 1273, for the relief of Joan Irene Evestaff Forward.

Resolution 1274, for the relief of Dulcie Forde Rea.

Resolution 1275, for the relief of Carol Joan Robinson Moneypenny.

Resolution 1276, for the relief of Patricia Ruth Edgar Jotkus.

Resolution 1277, for the relief of Agapit Mathieu.

Resolution 1278, for the relief of Edouard Georges Oscard Beltrami.

Resolution 1279, for the relief of Agnes Vickers Driver.

Resolution 1280, for the relief of Roger Bisaillon.

Resolution 1281, for the relief of Alice Elizabeth Butler Tsubota.

Resolution 1282, for the relief of Shirley Marie Burns Palmer.

Resolution 1283, for the relief of Mary Helen Maher Gilfillan.

Resolution 1284, for the relief of Granville Hubert Nickerson.

Resolution 1285, for the relief of Mary Louise Lockett Reid.

Resolution 1286, for the relief of Jan Alexander Mygind Barynin.

Resolution 1287, for the relief of Georges Lauda.

Resolution 1288, for the relief of Jocelyne Mallette Ladouceur.

Resolution 1289, for the relief of Rita Genereux Marquis.

Resolution 1290, for the relief of Sylvia Mary Dennis Gough.

Resolution 1291, for the relief of Jean Marjorie McNally Haymond.

Resolution 1292, for the relief of Evangelia Mavrogianni Saleh.

Resolution 1293, for the relief of Monica Solange Perdriel Clayton.

Resolution 1294, for the relief of Marion Elizabeth Forsyth Bowers.

Resolution 1295, for the relief of Irmgard Durmann Gollnik.

Resolution 1296, for the relief of Patricia Anne Fletcher Astwood.

Resolution 1297, for the relief of Dorothy Gloria Fellows McCarthy.

Resolution 1298, for the relief of Lilian (Lily) Last Haynes, otherwise known as Lilian (Lily) Lastova Hanak.

Resolution 1299, for the relief of Aline Bourassa Fregeau.

Resolution 1300, for the relief of Barbara Simota Francescone.

Resolution 1301, for the relief of Joseph Michel Charles Arthur Charlemagne Bedard.

Resolution 1302, for the relief of Joseph Victor Amedee Mercier.

Resolution 1303, for the relief of Lise Suzanne Hebert Lépine.

Resolution 1304, for the relief of Paul Lecavalier.

Resolutions adopted, on division.

The Senate adjourned until Tuesday, April 25, at 8 p.m.

THE SENATE

Tuesday, April 25, 1967

The Senate met at 8 p.m., the Speaker in the Chair.

Prayers.

CANADIAN FORCES REORGANIZATION BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-243, to amend the National Defence Act and other acts in consequence thereof.

Bill read first time.

Hon. John J. Connolly moved, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DOCUMENT TABLED

Hon. John J. Connolly tabled:

Report of the Commissioner of Penitentiaries for the fiscal year ended March 31, 1966, pursuant to section 30 of the Penitentiary Act, chapter 53, Statutes of Canada, 1960-61. (English and French texts).

HON. PAUL YUZYK

FELICITATIONS ON PUBLICATION OF HISTORY OF UKRAINIAN CANADIANS

Hon. John J. Connolly: May I take this opportunity to draw the attention of honourable senators to a publication by one of our colleagues, Senator Paul Yuzyk, entitled *Ukrainian Canadians: Their Place and Role in Canadian Life*. It is a study of the history and achievements of the Ukrainians in Canada. This scholarly work is timely and useful, and I commend it to all honourable senators.

I congratulate Senator Yuzyk on joining our corps of authors, which includes Senator Power and Senator Gershaw.

DIVORCE

BIEGA APPEAL—REPORT OF SPECIAL COMMITTEE ADOPTED

Hon. J. Campbell Haig: Honourable senators, I wish to table a report of the Special Committee of the Senate appointed to examine and report upon the petition of Joyce Regina Nagine Biega:

The Special Committee of the Senate appointed to examine and report upon the petition of Joyce Regina Nagine Biega, of the Village of Vaudreuil, in the District of Montreal, in the Province of Quebec, has in obedience to the order of reference of Monday, 14th November, 1966, examined the said petition, and now reports as follows:

1. The Committee recommends that the prayer of the petition be not granted.

2. The Committee further recommends that the draft bill based thereon filed with the Clerk of the Parliaments on 5th August, 1966, in accordance with subsection (2) of section 2 of "An Act authorizing the Senate of Canada to Dissolve and Annul Marriages", 1963, chapter 10, be not proceeded with, and that the said bill be thus disposed of within the meaning of subsection (3) of section (2) of the said Act.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Haig: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today it do stand adjourned until tomorrow, Wednesday, April 26, at 11 o'clock in the morning.

Motion agreed to.

TABLE OF PRECEDENCE FOR CANADA

SUGGESTED AMENDMENT

Hon. Jean-François Pouliot: Honourable senators, I wish to refer to a resolution passed unanimously by this house six years ago, in February 1961. The effect of it was to give proper place to the former Prime Minister of Canada in the Table of Precedence. It was the wish of the Senate that it should be done at that time because Mr. St. Laurent was then eightieth on the Table of Precedence, whereas he should have been immediately after the then Prime Minister. I was very glad to learn that after such a long time the Government early this month agreed to give proper rank

to the two former Prime Ministers of Canada, Mr. St. Laurent and Mr. Diefenbaker, who had, after all, been the first citizens of this country.

I now have a further suggestion to make, and I make it at this time because I feel it to be urgent since the material for the next edition of the *Guide to Relative Precedence at Ottawa* is now in the hands of the printers. In that material the first in order of precedence is the Governor General. Then come the Prime Minister, the Chief Justice of Canada and only one of the two surviving Governors General, Mr. Massey. I cannot understand why the Earl Alexander of Tunis, who was the immediate predecessor of Mr. Massey, has been overlooked. It has been said to me in certain quarters that it was because he is not a resident of Canada. That is no reason at all, in my view, for not having his name before that of Mr. Massey in the order of precedence.

Honourable senators, I make this suggestion now because the book, the *Guide to Relative Precedence at Ottawa*, is at the printers and the new edition will come out shortly. Now is the time to see to it that the correction is made. I expect that the good sense and the fair mindedness of the Secretary of State will solve the problem in all fairness and to the satisfaction of all.

Hon. Mr. Connolly (Ottawa West): As the Acting Secretary of State, I will draw this matter to the attention of the authorities forthwith. Perhaps I should inform the honourable senator that Earl Alexander is in Canada tonight.

Hon. Mr. Pouliot: Yes; he is a resident of Canada today.

CANADIAN CITIZENSHIP ACT

BILL TO AMEND—THIRD READING

Hon. John J. Connolly, for Hon. Keith Davey, moved the third reading of Bill S-59, to amend the Canadian Citizenship Act.

Motion agreed to and bill read third time and passed.

FOOD AND DRUGS ACT

BILL TO AMEND—SECOND READING

The Senate resumed from Thursday, April 20, the adjourned debate on the motion of Hon. Mr. McDonald for the second reading of Bill S-60, to amend the Food and Drugs Act.

Hon. Gunnar S. Thorvaldson: Honourable senators, I can assure you that I have anticipated the great national event that is occurring in Toronto tonight. Consequently, I have applied the pruning knife to the full in preparing my remarks, and I hope that as a result everyone will have the opportunity of taking some part in this event—probably the last two periods.

Honourable senators, I think it is a fair commentary to say in regard to Bill S-60, which came to the Senate in the first instance, that in a couple of days of debate we have collected together in *Hansard* an abundance of real knowledge on this subject matter, namely, lysergic acid diethylamide, commonly known as LSD. We have had the advantage of having the statements of medical men as well as lawyers concerning the important matters dealt with in the bill, and it has become clear that there is substantial agreement in this house on the need for legislation to apply stricter controls to this dangerous, indeed ghastly, drug and also to impose penalties for contravention in keeping with the known danger in its use.

There exists a considerable volume of literature on the drug, both in medical journals and elsewhere, and practically without exception the drug is declared to be dangerous and, in fact, a terrible menace, especially in the case of young people seeking thrills. Amazingly, however, as is always the case, some persons appear to champion its use; and in Canada what is to be most deplored is the sensational and ghoulish character of recent C.B.C. television broadcasts regarding LSD. There has been also much irresponsible journalism on the subject of this drug, particularly in magazines.

These actions of the C.B.C. and the writings of journalists have no doubt popularized this drug out of all proportion, and are to a large extent responsible for its widespread use in Canada by students and other people, including especially the beatnik crowd.

The C.B.C., over the years, has shown an ability to provide much very fine programming, but to my mind it is a crying shame that this medium can be so much influenced by what seems to be a small group of sensation seekers who appear to revel in producing programs that outrage the sensibilities of most decent Canadians. Everywhere one hears the cry: "Is there not a way of amputating this cancer from an otherwise fine institution?" Perhaps the Senate should try to represent the conscience of the Canadian peo-

ple with a view to the fumigation of these indecent and damaging C.B.C. programs.

One of the most tragic problems gnawing at our civilization today is that of mental health. Perhaps I should say that the problem is one of mental disorder rather than of mental health, for such it is. This condition in Canada is serious enough at the present time without the use of dangerous drugs to augment it. A few days ago the Canadian Mental Health Association, a very responsible organization which has existed in this country for half a century, presented a brief to the Government of Canada concerning the subject matter of mental health. Some of the statements made by the spokesmen of this organization were shocking, and I should like to quote from the brief that was presented to the Cabinet a few days ago.

> A medical and social disaster is developing in Canada. It has been developing for many generations. It is a disaster of which the Government has been aware for at least as long as the Canadian Mental Health Association has been in existence—a period of fifty years.
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> —up to 3 per cent of the population now suffer incapacity from mental illnesses;
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> —up to 30 per cent of the population suffer now from partially disabling emotional disorders;
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> —suicide is causing increasing concern. It has become a leading cause of death. It is commonly associated with mental depression and has become prevalent in young people and even children.

I quote further:

> Official statistics released by the federal Government reveal a constant number of more than 75,000 patients under the care of Canadian mental hospitals. Mental illnesses account for 41.6 per cent of hospital-patient days per year. Scientific studies carried out in Canada and the United States indicate the high probability that up to half a million Canadians are seriously incapacitated through mental illnesses of various kinds.

Apart from the known effects upon the human brain of the use of LSD, the above statements, which I believe to be factual, indicate the need for doing everything possible by legislation to ban the use of this and like drugs, because we are informed there are many drugs that have a similar effect to that of LSD, either present on the market today or that will be coming on the market in due time. Surely there is too much mental disorder now; it need not be artificially induced. The fact is, of course, that the drug is now subject to the present control provisions of the Food and Drugs Act. However, in the light of recent events, this is not sufficient protection against its irresponsible use, and the basic change presented by this bill is to make possession of the drug by the public at large illegal.

I understand from remarks made by the sponsor of the bill (Hon. Mr. McDonald) that much thought was given to whether or not this drug should be added to the schedule of prohibited drugs in the Narcotic Control Act, and the reason given for not doing so is that LSD and drugs of similar character are neither traditionally nor medically regarded as narcotics.

The sponsor proceeded to say that they are not under international control as narcotics, and it has therefore been thought wise that we ought to develop a pattern of control which should parallel in some respects the type of control exercised over narcotic substances, but which would recognize the medical difference between these experimental drugs and those which are subject to the Narcotic Control Act.

However, as we are aware, the subject of the control of narcotics is not only national in scale, but international. For this reason it occurs to me that if LSD had been brought under the scheme of the Narcotic Control Act this might have given us the benefit of the international controls which are available only in regard to narcotics.

I will not proceed further with this point of view now, but I am sure that we will be interested in hearing a full explanation in committee as to why this drug was not included in the schedules of the Narcotic Control Act where we have developed very expert legal and police machinery for regulating the traffic in narcotic drugs.

Despite what I have just said in regard to the control of narcotic drugs, I was somewhat shocked to read in the *Globe and Mail* this morning the following headline:

> Narcotics offences rise 80 per cent in year, DBS report says.

I am sure that everyone must deplore the difficulties of controlling the narcotics traffic as well as the traffic in other drugs.

I now wish to make some reference to the penalty sections of the bill. These were discussed here most ably by Senator Walker and Senator Macdonald (Cape Breton). Both speeches were an excellent contribution to the debate on the bill. Indeed, it was most useful to have views of a person like Senator Walker, who has had a practical experience in prosecutions under the Narcotic Control Act. On the other hand, Senator Macdonald (Cape Breton) quite rightly brought to our attention the natural aversion of defence counsel, and in fact of most lawyers, to shifting the onus of proof at any time to an accused person. I will comment briefly on their combined remarks.

Undoubtedly tremendous difficulties will face the authorities in the enforcement of this act. Think of the problems involved in restricting possession of a substance which is colourless, odourless and tasteless. In addition, one application of it is so small that it could rest on the point of a needle. An article written by a medical doctor, an expert on the drug, stated that an ounce of pure lysergide could hallucinate more that 500,000 men. Take a practical example: A person could have possession in an inside jacket of enough of the stuff to supply a fantastic number of possible customers; nevertheless, it would be impossible to prove that the accused was selling, that is, trafficking, in the drug unless he was caught in the actual act of delivery to another for money. In the case of a drug such as LSD this would usually be a most difficult, if not impossible, task.

It may be true that we should hold fast to most of the legal and constitutional precepts which were developed in a very simple age, when there were few safeguards for an accused person. Nevertheless, in a complicated society such as we have today, new procedures must be adopted to cope with problems such as this, where society cannot be protected without some onus of proof being thrown on the accused. However, one must observe that the onus under section 42 is not shifted onto the accused until the offence of possession has already been proven. This procedure is not new in this country; many federal and provincial statutes, including the Criminal Code, provide for shifting the onus of proof under various circumstances. The job of Parliament is to ensure that the well-established principles of the liberty of the person shall not be diminished by legislative acts except for reasons based on good common sense.

It is my belief that, generally, when statutes creating criminal offences have presumed to place an onus of proof on the accused, it has been done only after the application of ample safeguards to protect the known principles regarding the liberty of the subject. To me, it is not an application of common sense to presume that a person who is found in possession of a quantity of a forbidden drug, far in excess of personal requirements, should not have to show that he was not engaged in trafficking in it. Consequently, I am quite in agreement with the provisions of section 42 in this regard.

As for the penalties provided in the bill, these are obviously severe, but I understand from my reading on this subject that the dangers in the promiscuous use of this drug are every bit as great, or worse in some instances, than those resulting from the use of narcotics. For instance, the worst feature in the use of LSD appears to be the creation of suicidal tendencies in the user. What could be more menacing than that?

Honourable senators, this bill has had excellent and detailed treatment from former speakers. No doubt we will learn much more about the subject when we listen to officials from the Department of National Health who I presume will appear before us in committee.

Hon. Orville H. Phillips: Honourable senators, when one rises to make a speech in Parliament, one does so at times with the feeling of being engaged in an exercise in futility. That is my feeling this evening, because of the rumours prevalent that the present session will end tomorrow evening. If that should be the case, this bill, S-60, may not be dealt with in the other place or, if it is, I will enjoy the spectacle of the other place being left in the kind of situation in which senators are so often left, being forced to deal with legislation in a hurry.

The amendments to the Food and Drugs Act proposed in this bill are clearly necessary. We cannot permit the widespread non-medical use of drugs such as LSD.

Senator McDonald (Moosomin) in his excellent introduction, set forth ample reasons to support the bill. Other senators have adopted the viewpoint of the sponsor and have added their own viewpoints. The effects and dangers of LSD have been described vividly by two medical men, Senator Sullivan and Senator Gershaw. Honourable senators are well aware of these effects, so I need not go into detail.

One of our first tasks is to discuss who should control this drug. We must leave it to those best qualified, to the psychiatrists and psychologists. In Canada these people must get permission for their projects and must work under supervision of the Food and Drug advisory committee.

Secondly, we must ask ourselves why it is necessary to pass legislation in this respect. We can see that this is an effort to counter the widespread and indiscriminate use of the drug.

The sponsor of the bill, Senator McDonald (Moosomin), mentioned that LSD had gone through three periods—the first, about 20 years ago, when it was used in only a limited way in Europe to assist in psychiatric treatment; the second period, where it was to be the answer to all the problems of mankind; and now, the third period, its widespread use in what is commonly known as the "Cubehead Revolution." This occurs largely among university students who appear to be searching for new experiences. Sometimes they seem to be either more brilliant than we were when we were in universities or they appear to have much more free time. We had to study during university life, but students now seem to be free to look for more varied experiences. As Senator Thorvaldson has said, it has become fashionable in the press and on television to glamorize the life of an LSD addict as one of leisure and as the ideal life to follow.

Honourable senators, it is not only the university students who are taking LSD. I was surprised to read in an article that it is estimated that this year in the United States 100,000 professional people will take the so-called "trip". I mentioned this over the weekend to an American professor who is engaged in some research, and he told me that this is the "cocktail group". I find it difficult to believe that so many highly trained professional people would take the "trip".

I am impressed by the trend in behaviour in the last few years. The young people have gone through various phases—"goofballs," an increase in the use of marijuana, and now LSD. This leaves me wondering if there is not some professional group pushing these drugs to make them fashionable. If this is the case, the penalties outlined in the bill are not severe enough.

We must consider, thirdly, the effect of the amendments we are making by this bill. It will be difficult to control the possession and sale of LSD, because of the nature of the substance. I am reminded of the story of a drug peddler who went through the customs, carefully guarding his little phial of LSD. It fell and broke, and the LSD spilled all over his suit. However, this peddler showed his initiative by saving the suit, and telling those who wanted a "trip" to lick the suit, to get the same effect as if they had taken the drug directly.

I think this story illustrates that it is going to be extremely difficult to administer these amendments. Of course, in this I am in no way criticizing the amendments. They are all we can do at the moment.

Two years ago a university in the eastern part of the United States conducted a survey among its freshman students to determine how many had taken LSD. Apparently 15 per cent of the freshmen admitted taking LSD. Then the state passed a law very similar to the one before us. This year the same university conducted a further survey of the same type. It found that approximately 35 per cent of its students admitted taking LSD, despite the state law outlawing the possession and distribution of the drug.

This fact, together with the fact that the drugs now available to the student group contain a very high percentage of impurities, greatly concerns the American authorities. The impurities that are left in a drug such as LSD are usually very poisonous. This has caused a number of American authorities to suggest that the federal Government set up a centre at which those people who feel they must "take the trip" can get the drug under proper supervision.

I do not think that Canada is ready to go that far; I am certainly not so advocating. I am merely attempting to point out that there is a danger that is perhaps not fully realized, in that the impurities left in the drug, shall we say by amateur manufacturers, are going to be most harmful to those who buy LSD on the so-called black market.

One further point I wish to raise is that I would like to see greater emphasis placed on research into this particular drug. Four or five years ago in the United States there were underway a number of projects studying the possible benefits of LSD. Then various states began to pass laws prohibiting the possession of the drug, and the research program in the United States dropped drastically as a result. I can think in particular of two excellent projects in the Boston area. One dealt with

the use of LSD in terminal cancer and the other concerned its use among retarded children. These studies were being conducted by outstanding research scientists, but, when LSD fell into disrepute, these projects were abandoned. In my opinion this is most unfortunate. We should still be carrying out research; we should still be assisting and encouraging those who are engaged in research.

The Senate has very wisely avoided the attitude that the research worker falls into the same category as the addict. I would hate to see the research people so maligned. Fortunately, the Senate has avoided that pitfall.

I was pleased that the sponsor of the bill made reference to education stamping out the use of this drug. It is very important that, in addition to these amendments, we establish an educational program to counteract the use of LSD; but, if I may go back to the research aspect again, we must have further research into the motivation for taking LSD and research into its effects, before we can begin an educational program.

When we have a greater understanding of the whole subject, I hope that we can then set up an educational program to convince both young and old of the dangers of using LSD.

Hon. Fred A. McGrand: Honourable senators, almost everything has been said that can be said on this bill. Its purpose is to suppress the sale of LSD. Little has been said, here or elsewhere, on the place that LSD and the other 25 or 30 similar drugs are going to have in society as we know it today. Some of these drugs are much more dangerous than LSD—especially one known as DMT.

This is the age of technology, where people depend on technological advances to meet their physical and emotional needs. It is a period of transition. The absolutes of yesterday are disappearing. Old truths have died and the new ones have not yet been born. For this reason no one can say what place these drugs or other wonder drugs will have after the new truths have been born.

The use of LSD has been described as a means of enabling one to visit the past or visit the future. Under the influence of LSD, some have described their "visit" to ancient Egypt: they saw it as it was thousands of years ago. Others say they have seen future cities with all the technical advances dreamed of for the future.

Those who know most about this drug are convinced that it does not give a creativity that is not already present. The only single evidence supporting the drug was the case of an architect who, while under its influence, with the aid of a psychiatrist was able to plan a better environment for mental patients in an institution. It is most likely that he already had the idea of what he wanted to present and was aided by the psychiatrist in defining it.

It is certain that at this stage LSD does not carry with it the moment of truth. It does accentuate already existing feelings. A strongly religious person develops a deep religious experience while under the influence of the drug. The same could be said for other tendencies. Its danger lies in its effect on the psychopath and the schizophrenic. Those on the border line could become actively insane.

Its influence depends on three things: first, the setting with its surroundings; second, the personality, and that includes the control factor—the reaction is different according to the personality; and the third is what the indoctrinated expects to get out of his experience.

LSD is not a habit-forming drug but it is dependency-producing. Partial insanity of a permanent nature can follow. It is not an expensive drug to manufacture. While the drug in pure form is manufactured by a reputable drug company, much of the drug used is manufactured in the western United States. It reaches the illicit market not in pure form. It is about 10 per cent LSD and 90 per cent impurities, or contaminants which add to its dangers.

Most of the young people who use LSD are not criminally inclined; they are only seeking an experience. They want to take a risk. They want to experiment with the unknown. They do not buy this drug on the black market from a narcotic pusher—they are induced by their friends to explore the world of fantasy with what they believe is a mind-expanding drug.

A generation ago young people put an aspirin tablet into a glass of ginger ale or Coca-cola; others dropped cigarette ashes into their beer for the same purpose—the experience of a thrill.

When a C.B.C. program portrayed the use of LSD and its mind-expanding properties, young people wanted to get in on the act. They are searching for something to identify with and this is one way to find identification.

The young people who walked for OXFAM two weeks ago did it for a constructive and

productive purpose. They have already established their identity. Many of them did it to register their objection to the neglect of the poor in India by the rich nations of the West. They wanted to do something in a positive way. Many of the beatnik types, as they are described, are less fortunate; they register their protest in a negative manner. They have no confidence in the present order of things; they want to defy establishment for what they believe is its smugness, its greed, its pride and its hypocrisy. Many of them are struggling with a school curriculum which is beyond them; some of them are drop-outs.

I watched a program on TV recently about a school in Ottawa for slow learners, some slightly subnormal. These pupils were trained to do useful work in stores, restaurants and in offices but they have not passed Grade 10. For these people there is only one thing in the future—frustration.

High school students who make low averages are bewildered at the prospect of making a living in a world where they must be trained and retrained at least four times in order to hold a job in the future. Can you blame them for trying to read the future and their place in it by the use of mind-expanding drugs?

People with a positive or negative approach to their problems seek others with similar ideas and become a segment of society. Protesters with a negative approach seek out other protesters; they form a sub-culture that leads to delinquency and crime.

The conscientious draft dodger who protests against the dropping of Napalm or anti-personnel bombs on unprotected people find something in common with the protesters who cannot make a grade in high school. They are forced to find identity in what may be a sub-culture. There is no other place to go.

If there is an explosion in the beatnik population—who is responsible?

Some years ago an educator wrote a book on the school curriculum entitled *So Little for the Mind.*

It would be hard to say how many of these bewildered people are mentally ill; some of them are, but many of them are socially maladjusted. The recent submission of the Canadian Mental Health Association says;

> It is now believed that the commonly used prevalence rate for mental illness of 10 per cent of the population is an understatement.

The opening paragraph in a recent article on psychiatric care in Canada reads:

> If psychiatric hospital admissions continue to climb at the present rate, every eighth Canadian child will spend part of his life in a mental institution.

This may come as a surprise to some, but not to those who have observed the tendencies at work that will send some to mental institutions and others to penal institutions.

There is a mental illness component in industrial absenteeism and marital discord.

This submission suggests that mental illness costs the Canadian economy between $500 million and $600 million annually. The amount of money allocated to medical research in Canada is about $21 million. Some of this comes from sources other than government. This amount has doubled since 1962 but the amount allocated for investigation in mental health has dropped from 8.1 per cent in 1962 to 5.7 per cent in 1966.

There is plenty of money for medical research in physical diseases. The United States spends $2 billion a year in medical research, much of it is spent in basic research—science for the sake of science—and is lost as far as human needs are concerned. But there is a scarcity of money to do research into mental illness and for the study of the problems which afflict those bewildered people on the fringe of illness with a personality problem.

Some time ago I read a press report from Baltimore, Maryland, entitled "Superstitious woman scared to death." It described a woman who believed her life was doomed by a hex. She told the doctors when she was admitted to the hospital that she was to die within three days. Two days later she was dead.

The woman described her past life; she had been born on Friday the 13th in an area of Florida, one of three children delivered by a midwife. According to the woman's story, the midwife told the mother that her three children were hexed and the first would die before her 16th birthday, the second before her 21st birthday and the third before her 23rd birthday. The first two died according to prediction and the third was convinced she would die before her 23rd birthday. She did die the day before her birthday. Doctors said the autopsy showed several serious physiological disorders but they believed that terror may have hastened her death. The im-

mediate cause of death was cited as primary pulmonary hypertension.

Dr. John Harvey, a Professor of Medicine at Johns Hopkins Medical School, presented the case to some 200 medical students at a clinical pathlogy conference. He pointed out that eminent physicians have demonstrated that a patient's state of mind can be translated by the body into physiological disorders. He said the woman's case had all the elements of Voodoo deaths in Africa. This appears as an isolated case but we are surrounded by maladjusted persons with different degrees and at different stages of maladjustment.

About a year ago I read of a psychiatrist who had spent some time in Africa where he had observed the treatment of mental patients by witch doctors. He was so impressed that after he returned to this continent he decided to go back to Africa for closer examination of the methods used by the witch doctors.

While the allotment of money for medical research goes up, the percentage for psychological research goes down.

LSD and similar drugs did not appear suddenly and without purpose. For years some psychiatrists have believed that insanity is caused by some biochemical and biological change taking place within the body. It was logical to explore the mind with drugs that would cause a temporary change in the person's thoughts and produce a temporary insanity during the action of the drug. As a result many such drugs were produced and tried.

There seems no doubt that at some time in the future the use of experimental drugs will reveal some of the causes of insanity and other drugs will help to relieve them. Every advance carries its own problems with it. When this day comes, there will be a rash of personality drugs. Thousands of people will seek a change in their personality. There will be investigations and treatments because it will be considered an essential freedom to possess a suitable personality.

Few people who undergo plastic surgery for facial disfigurements are ever satisfied with their new nose, and few people will be happy with their new personality.

It will take many days in hospital and laboratory tests to make minor or major adjustments and, of course, it will all be paid for by medicare. And why not, under those circumstances? It would be considered every person's undeniable right to possess a suitable personality in order to experience happiness. The use of personality expanding drugs will be a "must." Right now there are drugs on the market that are supposed to prolong youth for some 50 years.

The people who tampered with LSD are the forerunners of the advocates of drugs for the expansion of the personality, and the drug produced to expand the personality will be as effective as LSD in the expansion of the mind. They will be here, and someone will pay for them.

The C.B.C. has been criticized for making too much of LSD. The C.B.C. is concerned with entertainment for 20 million Canadians, and the customer usually gets what he wants and is willing to pay for.

What are people going to do with their spare time as the work day shortens? What will they do to escape boredom? They cannot spend all their time on entertainment.

One thing made evident by the Committee on Aging and the Aged was the emotional strain on workers when they retired and were not trained to use their surplus time. They had been trained to work, but not how to live.

Civilization made slow progress in the Stone Age and in climates where people toiled all year in order to eat. The advances of civilization were made in areas where some people had spare time to study their problems and record them in a written language.

In the future, it will not be the long hours of work but the long hours of idleness. Now is the time to lay down the blueprint of a plan that will enable people to work and at the same time to study the demands and needs of their environment, their responsibilities as well as their rights and freedoms. The greatest freedom man can ask for is freedom from the poisonous by-products of a society which calls itself affluent. So much for the body; so little for the mind! This plan must start with the young, must help those who have already found their identity, and assist those who do not know where to find it.

This is the first time we have legislated on LSD or similar drugs, but it is not the last time that we shall be engaged in the problems of people who wish to use them.

Hon. J. Harper Prowse: Honourable senators, it is not my intention to waste your time by repeating everything you have already

heard from the medical men and experts who are far better qualified to tell you about the kind of drug LSD is and the effects it has on the individuals who take it.

However, I am of the opinion that this is most important legislation. It is legislation which we have a responsibility to press through to a conclusion, in order that unsuspecting young people may not become the victims of things they do not understand.

The reason I believe the legislation is important is simply this, that by attaching to its manufacture, its possession and its use the type of strictures and penalties this legislation proposes, we tell them, in a way that no amount of logic can, that we are serious about this and that what they are playing with is nothing short of their lives. A statement to people that this thing is dangerous, that it can be damaging, that it can do thus and so to you, might have the same effect upon them as the strictures they used to hear on the use of alcohol, because most young people soon discovered this was a way in which they could safely indulge their sense of adventure without losing their immortal souls. Hence the very prohibitions became a reason for indulgence.

It would seem to me, from all I have been able to read, that that is the very reason there is this interest in LSD today. I suspect that the man who suggests seriously in a magazine article that 100,000 or 200,000, or whatever the figure may be, professional people in the United States will go on an LSD "trip" this year for the experience, is making a guess in the realm of the spectacular in order to be sure to sell his story or to establish himself as a serious thinker or writer. It is inconceivable to me that people mature enough to be able to establish themselves as professional people would be prepared to play with something as dangerous as LSD appears to be. I think it would be impossible for this to happen, except for one other very important example we have had before us now for some years. Perhaps I may speak because I am one of those who were unimpressed by the logic of the arguments.

For some years now members of the medical profession have been screaming their heads off and blasting our ears with arguments to show that if I smoke cigarettes the probability is that I am taking years off my life every time I light my lighter. Obviously, a great many people remain unimpressed by the arguments. I am sure that if I were weighing the pleasure I get out of cigarettes against so many years of my life, the argument would be easy to believe, but because there is controversy I am yet to be convinced that this matter has been settled.

I say this is happening in the area of LSD and, for that matter, marijuana. We kick the C.B.C. because they are large, they are everywhere, they are able to reach out, and it seems to be popular to slap at them; but let us not, in fairness, get the idea they are the only villains of the piece. Everybody who regards himself as a thinker seems to feel it is his responsibility to stand up to defend and explain that the use of marijuana, or LSD, or the so-called psychedelic or mind-expanding drugs, add something to the human being because they permit him some kind of experience he cannot have by himself. If he is a writer, a musician, or an artist the suggestion is that under the influence of these drugs he can become something he is not. In other words, he becomes an instrument of the drug.

Now, whether this be true or not, my opinion is that every time we tell people they can safely play with these things, and that by so doing they can become a little better than other men who suffer from a sense of inferiority, then every boy and girl in this modern, electronic world who feels they have been cheated out of the opportunity of adventure must get the idea that here is an area in which they can seek the adventures that were available to everybody three centuries ago.

Let us look at this, honourable senators. As long as there is no penalty other than a fine of $25 or $50, such as is meted out for the abuse of alcohol, or no penalty at all except the possibility that the public might explode—and they have not seen anybody explode yet—the lure to adventure is going to be greater than anything else.

We do not really have in this country a tremendous problem in respect of narcotics. I can tell this house that in the City of Edmonton we have an absolutely minimal problem with narcotics because we have an excellent group of R.C.M.P. officers who work on the control of them, and who give their complete co-operation in treating the dealing in them as a serious matter. Those who think they want to be in the narcotics business have long since decided that Edmonton is a mighty poor place in which to ply their trade or to get a supply. When we come along and say that we are not going to argue about whether LSD is safe or unsafe, or about whether

there should be a fine or something else, but that if you are caught with it you will go to jail, let us not be told by anybody that because it might be a little difficult to obtain a conviction we should not have this legislation. Believe me, honourable senators, anybody who has seen the R.C.M.P. work on drug matters will know that once they have clear instructions as to what is expected of them they will take care of the situation.

I remember an occasion upon which I was prosecuting one of these cases. I looked around the court room and saw a bearded beatnik, as hopeless a looking character as I ever saw in my life, sitting a short distance away. I asked the R.C.M.P. corporal who was with me, "Is that one of the prisoners?" He replied, "No, that is our witness." He was the undercover man. This fellow had lived with the people who were suspected of wrongdoing, and I can tell you that they took him to their bosom. He could out-talk them and outlook them, and act more like a beatnik than any one of them. Once the R.C.M.P. know that they have the go-ahead and the duty to do something, you can depend on their doing it.

We do not need to make LSD a narcotic and thus have to worry about international control such as we have when dealing with drugs like cocaine and heroin that come into the country from outside. The reason we have international control in respect of those drugs is because trafficking in them calls for transfer between different countries. This is not necessary with LSD because, if my information is correct, the average intelligent Grade 12 chemistry student can produce his own LSD. It may be a little impure but it will be good enough to give him all the kicks he wants. With just a little ingenuity it is a simple substance to manufacture. It might be manufactured just for some of the gang if we do not have, and do not emphasize, the new section 39(d) which provides that "traffic" means to manufacture, sell, export from or import into Canada, and everything else. I hope that there will be some way of making it clear that anybody who makes this stuff—any smart kid who is prevailed upon to make it—puts himself in a position where he is not just in possession and subject to the lighter penalties which can mean up to three years' imprisonment, but is into the area of trafficking, the penalty for which can be up to ten years' imprisonment, because trafficking means, among other things, "to manufacture".

When we tell the young people of Canada that the result of our considered opinions, based on experience and the best advice available to us, is that to have anything to do with this kind of a drug puts them in the position of having committed a crime for which society is going to put them away for a period up to ten years, we will have made the point more effectively and more usefully than the use of all the logic from old men to young men ever could.

Hon. A. Hamilton McDonald: Honourable senators—

The Hon. the Speaker: Honourable senators, if the honourable senator speaks now it will have the effect of closing the debate.

Hon. Mr. McDonald: Honourable senators, it is not my intention to take more than a few minutes to close this debate. It was Senator Thorvaldson, I think, who said he had taken a pruning-knife to his remarks. When I slipped out for a moment to listen to another debate that was taking place in another room I took a pick-axe to mine.

There are three areas I want to touch on in closing this debate, and I do so only because of the arguments put forward by honourable senators.

I should first say a word of thanks to all honourable senators on both sides of the house who have taken part in this debate. I think they have added much to the debate, and my congratulations go out to every one of them.

A few days ago we heard some remarks to the effect that it was not good enough to take persons who had become users of LSD, or people who were manufacturing or distributing this drug, and simply place them in jail and lock the door. The methods used in our penal institutions have improved a great deal over the years. It is my understanding that certain medical and educational treatment is available in them today, and it is my sincere hope, as I know it is the hope of all honourable senators, that this treatment end and educational end will increase so that we can look forward to the day when they will be part of the total penal system. So, I am not unduly concerned about the thought that we may be placing some of these people behind bars and forgetting them, because I do not think that will be the case.

There was some criticism made of the penalties under this measure. Some honoura-

ble senators considered the penalties too severe, while others thought they were not severe enough. This is a matter of personal opinion, to which we are all entitled, but I would ask honourable senators to compare the penalty section of this measure to that of the Narcotic Control Act. If they do they will discover that the wording of the two sections is virtually identical. Section 3 of the Narcotic Control Act provides:

> (1) Except as authorized by this Act or the regulations, no person shall have a narcotic in his possession.
>
> (2) Every person who violates subsection (1) is guilty of an indictable offence and is liable to imprisonment for seven years.

Some criticism has been made of the bill now before us because it provides that any person found guilty of trafficking is liable to imprisonment for certain periods of time. However, it is my understanding that under the Narcotic Control Act, the judiciary of this country have not interpreted "liable to imprisonment for seven years", in the sense that seven years is the minimum and maximum penalty. There has been discretion used, and I have no doubt that the judiciary will use the same discretion under the legislation that is now before us.

My third point is about the onus of proof, and here some honourable senators have thought that we had a reversal of a principle of British justice. There are two examples I can cite. First, in *Regina v. Guertin* heard by the Court of Appeal of the Province of Ontario, Chief Justice Porter, in a judgment handed down on March 9, 1961, points out that the onus is on the Crown to prove possession.

The second reference I would like to make, if I may be permitted to refer to the other place, is in the debates of that house in the session 1960-61. On June 6, 1961, the Minister of Justice, at that time the Honourable Davie Fulton, made some remarks during the debate on the Food and Drugs Act. At page 9540 he said:

> The Crown, under section 33 of the new act, if this bill passes, will have to prove the facts upon which it relies to establish the guilt of the accused. It is not until the Crown has proven its case that the accused is under any obligation to enter a defence. It is a well understood principle of criminal justice that criminal statutes themselves may provide that certain inferences will be drawn from certain facts; that is all that is being done here. In every one of these cases, just as here, the Crown has to establish the facts from which the statute then says that the inferences may be drawn.

That is the identical argument which ought to be used with regard to the penalty sections of this act. I can only repeat that the Crown must prove possession, and the individual who is being charged must have some excuse for having it in his possession. He must have a reasonable excuse for possession, sufficient to convince the judge before whom he is appearing.

That is all I want to say with respect to these three facts.

In conclusion, some reference has been made to television and radio programs and to the press. It seems to me that the news media—whether radio, television or the newspaper—has some responsibilities to the general public. I am one of those who sometimes wonder today if they have accepted the responsibilities in the light of some of the problems that we are faced with in Canada and in other parts of the world. It seems to me that television programs would have done a much better service to the people of Canada if rather than glorifying a drug such as LSD in the minds of our people they had presented a program to be reviewed by the Canadian people indicating the dangers associated with the use of this drug. Surely this is a responsibility of the public press. I sometimes doubt if our public press accepts this responsibility. I hope it will take a leading part in the educational programs that are necessary to acquaint our people with the dangerous use of this and other drugs and commodities that are now or may be available in the future.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. McDonald, bill referred to the Standing Committee on Banking and Commerce.

BANKING AND COMMERCE COMMITTEE

NOTICE OF MEETING

On the motion to adjourn:

Hon. Mr. Connolly (Ottawa West): Honourable senators, I understand it is the intention to stand all other items on the Order Paper.

May I draw to the attention of the Senate that the Chairman of the Standing Committee on Banking and Commerce has indicated that the meeting on the bill which has just received second reading will be held tomorrow at 9.30 a.m.

The Senate adjourned until tomorrow at 11 a.m.

THE SENATE

Wednesday, April 26, 1967

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

PRIVATE BILL

INTERPROVINCIAL PIPE LINE COMPANY—COMMONS AMENDMENT CONCURRED IN

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons returning Bill S-10, respecting Interprovincial Pipe Line Company, and acquainting the Senate that they have passed this bill with the following amendment to which they desire the concurrence of the Senate:

1. Page 1, Line 7. Clause 1 is deleted and the following substituted therefor:

"1. Notwithstanding anything contained in section 3 of chapter 34 of the statutes of 1949 (1st session), as amended by chapter 66 of the statutes of 1952-53,

(a) the capitalization of the Company is hereby reduced to one hundred million dollars by cancelling twenty million of its unissued shares, and

(b) each of the issued and remaining unissued shares of the capital stock of the Company of the par value of five dollars is hereby subdivided into five shares of the par value of one dollar each, so that the capital stock of the Company shall be one hundred million dollars divided into one hundred million shares of the par value of one dollar each."

The Hon. the Speaker: Honourable senators, when shall this amendment be taken into consideration?

Hon. Hartland de M. Molson: Honourable senators, I move, with leave of the Senate, that this amendment be considered now.

I am sure, honourable senators will remember this bill because it was passed by the Senate under different bill numbers on three separate occasions. On each of those occasions it went to the other place, where it was talked out.

The bill has finally passed the other place with one amendment which is, in fact, extremely simple. The company had 40 million shares authorized, and a fear was expressed in some places that the authorized but unissued shares would somehow or other be issued for a consideration that would benefit certain insiders. This, of course, has never been the case. As there were an unnecessary number of authorized but unissued shares in the treasury this amendment proposes to eliminate 20 million of them. The company is not in any sense embarrassed by this amendment. Those unissued shares are not necessary, and the company is quite happy to accept the amendment. This amendment does not affect the performance of the company in the carrying out of its functions.

Amendment concurred in.

DOCUMENTS TABLED

Hon. John J. Connolly tabled:

Report of Permits issued under the authority of section 8 of the Immigration Act for the year ended December 31, 1966, pursuant to section 8(5) of the said Act, chapter 325, R.S.C., 1952. (English and French texts).

Report of the Canadian National Railways for the year ended December 31, 1966, pursuant to section 40 of the Canadian National Railways Act, chapter 29, Statutes of Canada, 1955. (English and French texts).

Capital and Operating Budgets of the Canadian National Railways for the year ending December 31, 1967, pursuant to section 37 of the Canadian National Railways Act, chapter 29, Statutes of Canada, 1955, together with a copy of Order in Council P.C. 1967-795, dated April 20, 1967, approving same. (English text).

Report of the Canadian National Railways Securities Trust for the year ended December 31, 1966, pursuant to section 17 of the Canadian National Railways Capital Revision Act, chapter 311, R.S.C., 1952. (English and French text).

Report of The St. Lawrence Seaway Authority, including its Accounts and Financial Statements certified by the Auditor General, for the year ended December 31, 1966, pursuant to sections 85(3) and 87(3) of the Financial Administration Act, chapter 116, R.S.C., 1952. (English and French texts).

FOOD AND DRUGS ACT

BILL TO AMEND—AUTHORITY TO PRINT COMMITTEE PROCEEDINGS

Hon. Salter A. Hayden, Chairman of the Standing Committee on Banking and Commerce, presented the following report of the committee on Bill S-60, to amend the Food and Drugs Act:

> Your committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said bill.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Hayden: I move, with leave of the Senate, that the report be adopted now.

Report adopted.

PENITENTIARIES

THIRD REPORT OF JOINT COMMITTEE PRESENTED

Hon. W. M. Benidickson, Joint Chairman of the Standing Committee of the Senate and the House of Commons on Penitentiaries presented the third report of the committee.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Benidickson moved that the report be taken into consideration at the next sitting.

Motion agreed to.

REPORT OF JOINT COMMITTEE PRINTED AS APPENDIX TO DEBATES OF THE SENATE AND MINUTES OF PROCEEDINGS

Hon. Mr. Benidickson: Honourable senators, I move, with leave of the Senate, that the third report of the Special Joint Committee of the Senate and House of Commons on Penitentiaries, presented today, be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

Motion agreed to.

(*For text of report see Appendix, pp. 1863-8*)

THE ESTIMATES

FINANCE COMMITTEE EMPOWERED TO EXAMINE AND REPORT

Hon. John J. Connolly moved, with leave of the Senate:

> That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1968; and that the committee be empowered to send for persons, papers and records, to print its proceedings upon the said Estimates and to sit during sittings and adjournments of the Senate.

Hon. A. J. Brooks: Honourable senators, in connection with the Estimates, there may have been some confusion in the minds of some senators as to the situation regarding the 1966-67 Estimates and the 1967-68 Estimates. As honourable senators know, the 1966-67 Estimates have been before us for a long time. Would the Chairman of the Standing Committee on Finance be good enough to bring us up to date on the present situation?

Hon. T. D'Arcy Leonard: Honourable senators, the main Estimates for 1966-67 were referred to the Standing Committee on Finance about a year ago, in March 1966. Sittings of the committee took place throughout the year. As the various supplementary Estimates came along, those supplementaries were also referred to the committee.

On March 6, 1967, the Finance Committee made its final report, not only on the main Estimates but also on those supplementary Estimates which had been referred to it during the year, bringing them together *in toto* and dealing with them on a total basis.

Subsequently, two supplementary Estimates were tabled and also referred to the committee. The Finance Committee, at its last meeting, which took place on the Thursday before our Easter recess, dealt specifically with the final supplementary estimates of 1966-67.

As I understand it, there are no further estimates in connection with 1966-67. The committee has reported on all matters referred to it in that connection.

In the week before the Easter recess the 1967-68 Estimates were tabled, but no order was made specifically referring them to the

Finance Committee. The motion now before us refers them specifically to the committee.

In the meantime, anticipating this reference, a meeting of the Standing Committee on Finance has been called for 2 o'clock this afternoon. The witness will be Dr. George Davidson, the Secretary of the Treasury Board, who is our usual witness to commence the study of the Estimates for the year.

Honourable senators, may I say that while the 1967-68 Estimates were not specifically referred to the committee, there has already been one interim supply bill which came in at about the time the committee was having its last meeting before the Easter recess. Some reference was made to that supply bill at that time but the Estimates had not been specifically referred to the committee.

Therefore, this afternoon at 2 o'clock we start the study of the Estimates for the 1967-68 year. That study will continue for months, at any rate, giving us an opportunity, week by week, to consider both the main Estimates and whatever other supplementaries may come from time to time. This will include, presumably, the interim supply bill which one may expect in the next day or so, if not today.

Hon. Mr. Brooks: Then we may take it definitely that we are through with the 1966-67 Estimates and that any bills which come up for interim supply or supplementaries are dealing entirely with 1967-68?

Hon. Mr. Leonard: That is my understanding. Dr. Davidson said there would be no further supplementary estimates, and we have dealt with the matter on the basis that the 1966-67 business is a completed performance.

Motion agreed to.

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today, it do stand adjourned until Friday, April 28, at 11 o'clock in the morning.

Hon. Jacques Flynn: Would the honourable leader explain what the program is?

Hon. Mr. Connolly (Ottawa West): For today?

Hon. Mr. Flynn: What is anticipated for Friday?

Hon. Mr. Connolly (Ottawa West): I thought I explained that thoroughly last evening. Generally, we plan to deal today with the National Defence Act amendments —today and on Friday.

Hon. Mr. Flynn: Is it understood that the other place wants to finish its work tonight?

Hon. Mr. Connolly (Ottawa West): I hear rumours to that effect.

Motion agreed to.

PRECEDENCE AND PROTOCOL

INQUIRY

On the Orders of the Day:

Hon. Jean-François Pouliot: Honourable senators, may I direct your attention to a matter which you will realize in due course to be of personal interest to each one of us. I refer to precedence and protocol.

According to the dictionary, "precedence" is rank, ceremonial priority order; the order observed by persons of different rank on ceremonial occasions. "Protocol" is the rules prescribing the etiquette in ceremonies of state; the code prescribing deference to rank and strict adherence to due order of preference and correct procedure, as in diplomatic exchange and ceremonies.

To complete the information, "precedence" comes under the Secretariat Branch of the Department of the Secretary of State; and "protocol" belongs to the Department of External Affairs.

What I want to know is if the guidelines of precedence apply to protocol and if the guidelines of protocol apply to precedence.

It may be difficult to answer the question in that form, but it would be much easier if the honourable Leader of the Government, in his usual obliging manner, would get us the orders in council actually in force which have been passed for both precedence and protocol, in order that we may know the rules of each and if there are some rules which apply to both. I may ask a formal question at the next sitting of the Senate.

CANADIAN FORCES REORGANIZATION BILL

SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly moved the second reading of Bill C-243, to amend the National Defence Act and other acts.

He said: Honourable senators, Bill C-243, which is an act to amend the National Defence Act and other acts, is known as the Canadian Forces Reorganization Act. This bill raises important questions of policy in respect of the armed forces of Canada. These questions include first of all the matter of the defence of the nation, having regard to the problems that exist today in the field of defence in respect of conventional warfare and nuclear warfare. It is bound to raise also questions of Canada's treaty obligations in the field of defence, and more particularly our position under the NATO Alliance and the NORAD agreement.

It is bound to raise questions about our role in the peacekeeping operations in which our forces are engaged under the aegis of the United Nations. It is, of course, bound to raise questions about the matter of efficiency and effectiveness within the armed forces, not only now in the existing circumstances but in circumstances which might develop in the foreseeable future. It is bound to raise questions about financial involvement of the Canadian people for defence and the capacity of the economy of this country to support an adequate and appropriate defence budget. It is bound, moreover, to raise questions about the problem of morale within the forces.

These are all issues which will be dealt with in the course of an enlightened, informed and reasonable debate which I anticipate will take place in this house.

I would like to deal first with the legislation. It is based primarily upon the White Paper on Defence which was issued in March 1964. It is based also on, and is a consequence of, the act for the integration of the forces which was passed in the session of 1964-65 as chapter 21. This act replaced the former chiefs of staff of the three services by a Chairman of the Chiefs of Staff Committee, and a single Chief of Defence Staff in charge of that committee. The measure before us takes the process which has been a long process—and I will deal with that history a little later—and pursues it by proposing the unification of the three armed services of Canada into one service to be known as the Canadian Armed Forces, under a single minister, perhaps with an associate, and under a single Chief of Defence Staff.

I would point out to honourable senators first of all that this measure is enabling legislation. It does not require unification to take place here and now. It will be a process in which the authorities and the department will be engaged for some time. Indeed, the work they have been doing since 1963 is all basic to the further development which will ultimately result in unification and which will probably not be completed before 1971 at the earliest.

The bill proposes that the components of the Canadian Armed Forces shall consist of the regular forces, as they are understood, and people who are engaged there are on active service for the period of their engagement; the reserve forces, which need not be defined in this house because every honourable senator knows what they are and what their roles are; and also for the organization of special forces to deal with special situations which emergencies in the field of defence might create.

The bill provides that the elements of the unified force will be organized in traditional groupings and will be assigned to duties on a functional basis as required by the missions to be undertaken. The anti-submarine air forces will be part of the Maritime Command. The tactical air squadrons will be part of the Mobile Command. The naval units will be part of the Maritime Command. In case of need of combined operations, all three elements of the forces, land, sea and air, can be involved and mobilized for the purpose at hand.

I would emphasize at this stage that the traditional groupings within this force will remain. The sea components, for example, will still include ships, squadrons of ships, fleets, and they will be able to work either alone or in conjunction with associated fleets under treaties or, in emergency, with allied units of a similar character. The land components will include after unification companies, battalions, regiments, brigades, and the other units to which land forces heretofore have been accustomed.

The air components will still include squadrons, wings and groups.

The bill provides that the ranks for officers and men for administrative purposes shall carry army designations, but where appropriate and guided by the wishes of persons involved, provision may be made for the use of traditional rank designations. For example, if a naval designation of rank is desired, this can be authorized by order in council. The

same provision applies to ranks in what has heretofore been known as the Royal Canadian Air Force.

The bill provides that the three services shall continue in existence, but as a unified force. The existing units and other elements will continue. The commissions and ranks that have been attained by members of the forces will continue at the same level as before, without any disturbance arising out of the provisions of this bill.

After unification, officers and men now in the three services will not be forced to perform duties they could not have been required to perform before unification.

I think these will be the areas and the points around which the greater part of the debate here will revolve. But, as Senator Walker pointed out the other day, we have a piece of legislation before us and we should look at it as a whole. So, I propose to deal briefly now with some of what I consider to be the consequential amendments which flow from the basic proposition laid down in the bill.

The remaining clauses, from 8 to 60, are principally changes in wording. They result from changes which flow from the fact that heretofore we have had three separate services and hereafter we shall have a single unified force.

The regulations which will govern this force and which have been evolving over the years, by reason of integration will have to be re-amended and re-adopted. They are to be approved by the Governor in Council, as they have been heretofore, or by the Treasury Board. I would point out that they preclude the minister, on his own authority from making these orders and regulations.

The bill provides that the members of the reserve forces cannot be forced to transfer to the regular force. It is provided that the officers and men of the Canadian Armed Forces may be seconded to the forces of other countries, and vice versa, subject to the act and the regulations. This represents no change from what has been done with the forces divided into three groups.

The bill provides that the Canadian Armed Forces may be placed on active service by order in council in an emergency for the defence of Canada, or pursuant to international agreements—for example, arising out of some emergency, say, under the NATO or NORAD agreements. I may say that the regular forces are, in fact, now on active service, and have been since the Korean War. However, in this modern day and age, when serious emergencies arise quickly, it is necessary for the Executive to have the authority to place the forces on active service almost within minutes. However, it is provided that when such an order in council is passed placing the forces on active service, Parliament must be summoned within 10 days to give its approval.

In the event of a national disaster, either existing or imminent, the regular unified force is immediately liable for duty upon the proclamation being issued. The reserve forces will be liable for call-out for the duty which is prescribed for the reserve forces.

Pay and allowance matters will be controlled by the Treasury Board. The non-public property of units or elements in the forces when they are disbanded—and this occurs from time to time, in any event—will be vested in the Chief of the Defence Staff as trustee for former officers and men and their dependents. A good example of this is the situation that developed so frequently after the last war when, for example, ships were paid off and put into mothballs. There were canteen and other funds which had been accumulated by the crews of the ships. Provision is made for the safeguarding of such funds in this way.

There are consequential changes and other changes in respect of the disciplinary provisions of the National Defence Act respecting offences and punishment, and the questions of courts martial and of appeals. There is provision too for the exemption from jury duty of members of the reserve forces on active service, for members of the regular force and for members of any special forces which might be organized.

There is provision in the bill for assistance to the civil power when it is required, and the conditions under which assistance can be given to the civil power are set out. Payment for these services is also provided.

Hon. Mr. Brooks: May I ask the honourable leader: Are not all these matters or duties he has catalogued provided for at the present time?

Hon. Mr. Connolly (Ottawa West): Yes. Senator Brooks is quite right about this; they are provided for. All I am saying now is that heretofore the provisions of the act in respect of these matters have dealt specifically with the Royal Canadian Navy, the Royal

Canadian Air Force and the Canadian Army. These are consequential changes only, and they are designed only to make it clear that in place of these three different services these provisions will apply to the unified force. These are purely consequential changes.

There are provisions too for fines and offences. I may say in this respect that in some cases the fines have been increased, depending upon the nature of the crime for which the fine is to be levied.

Clause 65 provides that the act will come into force by proclamation.

I should draw the attention of honourable senators to the two schedules to the act. Schedule A, on page 28, gives a comparison of ranks between the three existing services, and the situation that would obtain for the Canadian Armed Forces when they are unified. Schedule B sets out the consequential changes in some 27 various federal statutes which are necessary as a result of the changes made by this bill—for example, the Pensions Act, veterans' legislation, superannuation, income tax. Again, I say these are all consequential amendments made necessary because of the different wording in the mother act.

I should like to take a few moments in which to indicate very briefly some of the steps that have been taken over the years, and which lead now to this eventual step of unification. In 1946 provision was made for a single Minister of National Defence. In 1947, when the Defence Research Board was set up, it was a single Defence Research Board designed to serve the needs of all of the services.

Hon. Mr. Brooks: That was also after the war and there was no need for more than one.

Hon. Mr. Connolly (Ottawa West): Yes; it was set up in 1947.

In 1950 the National Defence Act was amended. A uniform military law was established, as was a single appeal board which would be available to members of any force. A full-time independent chairman of the Chiefs of Staff Committee was set up in 1951. There was also set up a Defence Council consisting of the Minister and his associate, the chairman of the Chiefs of Staff Committee, the chiefs of the three staffs, the chief of the Defence Research Board, and the deputy minister on the civilian side.

A tri-service approach in the service colleges has been followed. These colleges are, the R.M.C. in Kingston, Royal Roads near Victoria, and le Collège Militaire Royal de Saint-Jean, Quebec. They have operated under a tri-service approach since their establishment.

Subsequently, the legal, medical and chaplain services were integrated. Later, under the army, the dental, food procurement, and postal services were unified. There was coordination attempted and carried out very extensively in the field of supply.

In 1962 the Glassco Commission proposed a unified approach to the management of the business of the forces. In 1964, as I have already indicated, the White Paper on Defence was tabled and studied. It dealt with reductions in costs, and the problems of reducing costs, and manpower for operations and maintenance. I might say that good progress has been made in those fields.

Let me give an example of the kind of problem that arises in respect of cost. In the Estimates of 1962-63, some five or six years ago, and in the Estimates of 1966-67, the amounts for National Defence were approximately the same, namely, a little over $1.5 billion. In 1966-67, the fiscal year just ended, if the pay, allowances, salaries and other upkeep were paid out on the establishment that existed in 1962-63 the cost would have been $1.4 billion. Had this happened, having regard to the fact that it was prudent to put a ceiling on the defence expenditures of this country—and the Government had to take a decision on this—the funds available in 1966-67 for equipment, construction, and development would have been $97 million. There would have been a 70 per cent reduction in the amount of money available for the purchase of the weaponry and other equipment that was required for the forces to operate. The fact of the matter is that in 1966-67 the amount of money that was made available under the ceiling already prescribed for defence expenditures was not $97 million but $327 million.

In matters of defence it is a foregone conclusion, I think, that every parliamentarian will say that civilian judgment must prevail. This judgment, in the last analysis, must be exercised by the Executive, by Government, but it has to have the support of Parliament in getting its programs approved. This civilian judgment has to be exercised while seriously considering the national interest and

the nation's ability to pay, with full consideration being given to the prudent uses of public funds, and with serious regard to our defence policy in relation to other national problems. I say this without in any way detracting from the sincere and earnest efforts of the senior officers, whether they be navy, air force, or army, to do as much as they can for their individual service, to get the best equipment and to make as effective a force as possible. However, it is a fact that these men are well aware that ultimately the civilian judgment must prevail in respect of how far we can go and how much we can do.

Honourable senators, in our lifetime Canadians have fought in two world wars and in Korea. Our service units have had NATO assignments and NORAD assignments, and they have been engaged in every peacekeeping operation the United Nations has proposed. One of the most glorious parts of the history of this country, which is now celebrating its Centennial, has been written by the men and women who served so valiantly in these forces. I am aware, as we all are, that for these people who have survived a very deep personal involvement persists. This involvement is both rational and emotional. The men who have served in the forces have been witnesses to the death of their comrades in arms. They have been witnesses to the physical incapacity, both partial and total, of young men like themselves who volunteered in the fullness and freshness of youth to defend their country. It is a source of deep concern to them personally to see their companions dependent upon the state. They have been witnesses to cases of mental incapacity, both psychological and psychiatric. These pitiable situations affect them particularly, but they affect the civilian population at large.

As with families so indeed it is with comrades in arms: the fact that men together have confronted death, disaster, danger, and capture is bound to promote a core of surviving loyalty to each other, and in many cases gratitude, for often a man feels that he would not be alive today except for some exceptional act a comrade had performed to save his life. Because of involvement in a national effort like a war, a great *esprit de corps* is bound to develop. Such *esprit de corps,* spirit of loyalty, and affiliation applies not only to individuals but to units; it applies also to services and to insignia.

Nothing that Parliament or any other body can do will erase this great achievement which is written in the history books, on monuments, in cemeteries, in hospitals and in homes. It is revived in reunions, in meetings of the legion, and of veterans organizations such as the recent Vimy celebrations.

However, honourable senators, as in civilian society, changes—economic, political, social and religious—are going on all the time, and scientific, technical and social change promote evolution and sometimes virtual revolution. It is also abundantly true that similar changes occur in respect of the military requirements of a nation as well. The methods of training and fighting in World War II were vastly different from those of World War I. In World War I the general theory was that the navy put the army ashore and let them fight there. In World War II the three elements of the services united in important combined operations. There are many examples, but perhaps the landings in Normandy are as good as any.

In times described as peace times there have been tremendous advances, developments and changes in the thermo-nuclear capabilities of nations. Scientific discoveries have changed the concepts of military capacity and requirements. In an age of giants in this nuclear era such powers as Russia, the United States and China, Canada—although it plays an important role, looking at it realistically—lacks the population, the wealth and the facilities to compete in this field. The role of Canada's forces, confronted with the military situation that exists in the world today, without downgrading it, is bound to be a supplementary role. Even so, until only a few years ago 25 per cent of the budget of this nation was devoted to the provision required for the armed forces. The percentage now is 15. Not that it has come down, but other expenditures have increased. But we must bear in mind that the cost of effective military establishment is escalating constantly. This is of national concern. The Spitfire, which was such an important weapon in World War II, cost $25,000. Today the cheapest, the lowest-priced fighter to be used effectively, costs $1 million. There are others that cost up to $3 million and $4 million, and it could very well be that in the future the cost of such equipment will be many times higher. These are facts of life. People are crying for lower taxes. They are also crying for peace. The fact of the matter is that the

faster rate of obsolescence of weapons leads to inefficiencies in the forces, and unless we re-equip we are going to be far behind, not only in the defence of our country but in our obligations to the other nations to which we are bound by treaties. It therefore seems to be a logical step, the culmination of a logical process, for Canada to embark upon this unification program, which, as I have already stated, has been in process for some time.

Our forces are relatively smaller than the forces of larger powers. We have relatively fewer permanent professional persons in them. Our forces in wartime were largely civilian volunteers. We have relatively less "service first" or "unit first" attitudes in this country, and we have relatively less vested interests in a military establishment. What is proposed will permit a more adaptable, more realistic approach to reorganization.

Let me emphasize that unification will not downgrade our treaty obligations with our allies. They know the processes which we plan and there is no complaint. Let me also emphasize that unification will increase the efficiency and effectiveness of our forces, because we shall have relatively more money to spend on efficient and effective weaponry, and to watch for future developments in this field.

Unification will eliminate so much duplication and waste that has gone on in the past. Everybody knows about such duplication and waste, even persons within the services. I think it can be said both in the field of conventional warfare and that of nuclear warfare, under the obligations we have through the NATO and NORAD treaties, and in our peacekeeping operations, that as a result of the proposals contained in this bill Canada's force will be a more useful one. We must continue to adapt to constant change, to changes which involve both strategy and tactics in training and in operations. This has been going on for some time.

The land forces use missiles now and other weaponry against aircraft and against missiles. Aircraft today attack ships and submarines and other aircraft and land installations, other ships, aircraft and underwater vessels.

Combined forces have become the order of the day more and more. I believe that the effectiveness, the adaptability, the economy, and morale, will all be promoted as a result of the passage of this legislation.

I wonder whether there is a country where adaptability has been proved any more abundantly than it has been in Canada. For example, there was the tremendous achievement which resulted from the work of my friend on my right, the honourable senator from Gulf (Hon. Mr. Power) when he was the Minister for Air during the last war. Think what great achievement for the western cause resulted from his not only sponsoring and establishing but running the air training scheme, as well as keeping the fighting forces of Canada in the air. No higher tribute can be paid to any man than the work done by our colleague during those terrifying and troublesome years.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I can give another example. When I went with the Honourable Angus Macdonald, as his assistant, to the navy, the navy had 1,500 men and 15 ships, and I think, although I am not sure, the majority of the ships were harbour craft. The naval college had been disbanded. The only place where training could be given for the officers was abroad, particularly in England. Morale, if it existed at all, could scarcely have been lower than it was in the navy in 1939. By 1945, the Canadian Navy in terms of ships and personnel was as big as the Royal Navy was in 1939—and in 1939 the Royal Navy was the greatest navy in the world.

At the beginning, the morale was virtually absent, but the adaptability of the Canadians to develop, not only these three services—and I speak only about two at the moment—and to conduct the war effort at home for the supply of ourselves and our allies, is something that nobody ever can erase from the history of our peoples.

Honourable senators, by this unification bill we are blazing a new trail, a trail which I venture to say many of the bigger and older countries would love to embark upon. Frankly, it would have been easier for the Government to go along with the status quo. To stir up this kind of debate and excitement, and a good deal of misrepresentation too, was not something that any government enjoys doing; and as a member of the Government, I speak not only personally but for my colleagues in the cabinet.

I believe sincerely that if we had not started to take a realistic look at the defence situation in which we find ourselves today, if

we had not started to provide efficient, modern equipment, always having regard to the taxpayer's pocket and to the capacity of the country to hold up its head with honour in the face of its international commitments, if we had not done all these things, the Government would have been justifiably subject to the most stringent of criticism.

Hon. Mr. Farris: What does my honourable friend mean by the word "misrepresentation?"

Hon. Mr. Connolly (Ottawa West): I think there has been a good deal of unreasonable, irresponsible talk about the effect that is proposed by this bill.

Hon. Mr. Farris: Who is doing that?

Hon. Mr. Connolly (Ottawa West): I say it appears in the press; it appears in many places.

Hon. Mr. Phillips: Including the minister's statement.

Hon. Mr. Brooks: Is the honourable leader referring to the retired admirals?

Hon. Mr. Connolly (Ottawa West): No, no.

Hon. Mr. Brooks: They made statements about it.

Hon. Mr. Connolly (Ottawa West): I am not talking about these men at all.

Hon. Mr. Brooks: No?

Hon. Mr. Connolly (Ottawa West): I am not talking about those men at all, because I know them personally and I know that they have given service.

Hon. Mr. Brooks: So do I.

Hon. Mr. Connolly (Ottawa West): They are dedicated men, and I give them full credit for the great service they have given to this country.

Hon. Mr. Brooks: And they know what they are saying.

Hon. Mr. McDonald (Moosomin): Some of them.

Hon. Mr. Connolly (Ottawa West): They know what they are talking about at this time, but the problem of civilian control is an important factor in this matter. It is not the military duty or responsibility to look ahead to see what the problem will be for the Canadian people, for this nation of ours, and to say how much we can support in the way of defence and still maintain our international commitments, our commitments to look after the defence of our country, to manage our economy.

Some Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): This is a responsibility which lies on the shoulders of civilians—primarily on the Government, but indeed upon the shoulders of every Member of Parliament. If the Government did not take the kind of steps it has been taking, as poposed in the bill, it would have been criticized severely and rightly so.

To meet our national and international commitments, if we are to do our duty by ourselves and by our allies we have two choices—either we increase our spending or we reorganize. We have chosen the way of reorganization.

I commend the bill to the Senate.

Hon. George S. White: Honourable senators, we are all indebted to the honourable Leader of the Government for the manner in which he has explained this contentious bill; but listening to him, I wondered if he really believed and approved of what he was saying.

Hon. Mr. Roebuck: Oh, that is not fair.

Hon. Mr. White: If the honourable senator wishes to ask a question—

Hon. Mr. Roebuck: I say it is not fair to ascribe motives, as to whether he believes what he says in this chamber.

Hon. Mr. Brooks: Anyone who does not agree with him is not fair.

Hon. Mr. White: Everyone agrees that if this bill is passed, and no doubt it will be passed, it will affect the direction in which our forces will go for decades to come. The importance of the bill makes it all the more imperative that we proceed with caution in that we do not make so sweeping a change in our established military system that it will be impossible to change back to the present set-up.

The average Canadian, reading in the press of the daily reports of the Defence Committee, which has been conducted in more than marked contrast to the manner in which other committees are conducted, must feel that the Defence Committee's operations were effectively scuttled and undermined before the very first meeting of the committee. The

Defence Minister produced his integration-unification plans with loud trumpets, and announced that they were the be-all and end-all in defence planning. He adopted a hard, inflexible and uncompromising position which he has not changed.

I do not in the slightest degree presume to be an expert on integration and unification. Frankly, I do not think there are any experts on unification. Expert witnesses before the committee have favoured integration; I do not think there is any doubt about that. Many have cautioned us to go slow on unification; others have given evidence that unification of our armed forces cannot succeed. True, certain officials still on the staff of the Department of National Defence have given evidence in favour of unification. In listening to the honourable leader of the Government, I wondered if at times he did not confuse integration with unification, because in various parts of his speech he mentioned many branches of the services which had been integrated and, as I said before, I doubt if there is very much objection to integration of many of these services.

In my opinion, the honourable leader failed to touch on the one most important point pertaining to this bill. I refer to the future role of our armed forces. The minister, with all his ballyhoo, has also failed to outline and give a picture of the future role of our forces. I suggest that the minister should tell Canada first, then the rest of the world, what the future position of our forces is; what are our interests, what are our commitments, and how we intend to meet these commitments. What are Canadians trying to be to the world?

Hon. Mr. Roebuck: You want a prophet rather than a minister.

Hon. Mr. White: What are we trying to be to ourselves? Certainly, I think the first question we want answered is what is the role of our armed forces for the future. The Government and the minister have failed to provide a satisfactory answer. Are Canadians to accept a future course based on a child-like faith that the Government is necessarily right, wise and just?

The honourable leader has pointed out that at the present time Canada has certain military commitments around the world, in addition to NATO and NORAD, and of course the defence of Canada. At the present time Canadian forces are carrying out peacekeeping duties in several countries, and performing other duties in various parts of the world. Only a few days ago I read in the press that the Honourable Paul Martin stated that if required Canada would send troops for peacekeeping in North and South Vietnam. Only a day ago I read further that Canadian forces are now being readied for this task.

I think the time is long past due when Canada should stop offering to send troops around the world to keep the peace. There are well over one hundred member nations of the United Nations, and if the peacekeeping troops are to be under the direction of the UN, then that organization should have complete charge and should allot the proportion of troops among all member nations. More important still, the cost of such peacekeeping forces should be borne in proper proportion by all UN members, which I understand is not the case today. Canadian troops have been in the Gaza Strip for many years. Why are they not rotated with troops from other countries?

I well remember the short debate in this chamber when troops were to be sent to Cyprus, the immediate urgency as stated by the Leader of the Government. The troops were going for a period of three months—now extending into years, with no end in sight. I hope the United Nations is paying the cost of this operation and that Canada is only paying her share.

What is to be the future role of our armed forces? Is Canada to maintain present air and ground forces in Europe under NATO, carry on with NORAD and continue our present naval operations, and build a mobile force, as recently stated by the Chief of Staff in press reports? Is this not spreading our forces too thin over too many projects? If Canada maintains its present commitments and builds the proposed mobile force on top of them, then Canada will have a much larger defence bill. The estimates for the current year are $1.7 billion. Does the Government intend to increase the defence budget?

There is another reason why the Government should announce its plans for NATO and NORAD, and Canada's anti-submarine role: some changes and reductions will have to be made if the new mobile force is to be financed without an increase in the defence budget. It is a very interesting question as to

whether or not the Canadian people would accept a vast increase in the defence budget.

Can our present commitments be reduced? The basic one is the defence of our own territory as carried out through NORAD and our anti-submarine role. Canadians know they cannot defend their country alone and, for this reason, agreed to a part in the United States dominated umbrella erected over the whole continent. Canadians have a duty to provide their share; moreover, sovereignty is involved. We realize in Canada that the United States will not leave this continent vulnerable in any area.

I hope no one will suggest that we buy our way out of our anti-submarine role. Our commitments to NATO are in a different class. Many people have felt for a long time that our forces in Europe should be withdrawn or reduced. With the easing of the cold war, the risk of conflict has subsided. It is more or less repugnant—and even more for those countries that must accept them than for us—to maintain troops on another country's soil. Also, we would be in a much better position to talk and deal with Russia if we were not maintaining armed forces against them.

Government supporters attempted to make much of the so-called admirals' revolt. Their views were dismissed as those of tradition-bound admirals; their arguments were stated to be a minority view—considered of little effect, confined to the navy and a few sections of the air force; but the army was reputed to be right behind the minister and his plan for unification. Later evidence before the committee showed that the army and air force were not behind the scheme; that dissatisfaction was widespread and deep. It was not an admirals' revolt; it was a revolt by many of the country's senior military advisers. It has been stated that the staff were suddenly told to unify by the centennial year. The whole issue is one of common sense. The evidence against unification by two top ranking generals before the Defence Committee contained a great deal of common sense.

It appears to be so logical, sensible and reasonable to decide on the future role of our forces before any unification of the forces takes place. One cannot dismiss the evidence before the committee which raises substantial doubts about the headlong rush to a single service concept. Many high ranking officers, with years of service, all voiced their opinion against unification—one suggested the need for a five-year period to shake down work already done on integration.

How the country's commitments to NATO and NORAD will fit in with unification is something the minister and his supporters have never satisfactorily explained. It must be very plain that unification has no place in the army brigade in Europe, or in the air division there, or in the navy's anti-submarine role. I would ask the question: What are these units to unify with?

It cannot be pointed out too strongly that with Canada's present commitments to NATO and NORAD, where the R.C.A.F. and the army play important roles is in co-operation with the armies and air forces of other nations, the plan to unify the armed service in this country would confuse planning and compound difficulties in co-operation among nations.

Evidence before the committee indicated that a great deal of reorganization has gone on, but there is still much to be done. It is a case not only of being unsure of where unification is heading, but also of being unsure of how far integration has brought the armed forces. As one witness put it, "Can the country afford to be launched on an uncharted course at very high speed toward a dim destination?" Surely this is a good time to reduce the speed and take another good look at our destination.

Many military personnel are of the opinion that there is a major error in the unification program, which lies in the confusion and lack of understanding as to how far integration is to be attempted below the level of regiments, ship's companies and other combat units. Such moves could well destroy the all-important factor of morale, pride and family spirit of these units.

It is interesting to note that every commander of note in history is on record as holding that the value of morale or team spirit is far greater than that of mere numers.

There should be no attempt to experiment with integration below the level of the regiment, or its equivalent in the naval and air services. The emphasis should lie with integrated staffs, service formations, training establishments, holding depots, hospitals, engineers, transport, dental and medical services, signals and other corps.

It is ridiculous to argue that there can be any savings in cost or gain in efficiency by having the fighting units of army, navy and

air force all wearing identically coloured uniforms.

One cannot stress too strongly the effect of unification on the forces. Up to the present, men have functioned most effectively as members of an identifiable group. The spirit of unity, of brotherhood, is enhanced by tradition, pride in one's organization and by a distinctive uniform which is a mark of membership. The value of *esprit de corps* cannot be measured with precision; no price tag can be placed on it, yet we all recognize its intrinsic contribution in the quality of our armed forces. It is the heart of the true fighting force. We should not tamper with the precious *esprit de corps*—that sense of identification—by immersing it in a vast agglomeration of a single service. Traditions, pride of service and unit identification cannot be purchased with dollars; they are built through the loyalty, gallantry, courage, sacrifice and blood under conditions of heroism and danger. Once destroyed, they cannot be quickly restored by a mere Act of Parliament. As two world wars have illustrated, Canadian servicemen are not reactionary, hidebound or old-fashioned—quite the contrary. The minister will find full support for a high degree of integration among his service personnel but not to the point where identification of combat units is sacrificed; there is neither efficiency nor economy in this—just the reverse.

During the time that this bill has been before Parliament, all honourable senators have received copies of many briefs, petitions, editorials, letters and other printed material pertaining to it. I wish to refer to two of them. The first is a small pamphlet by R. S. Malone, publisher of the Winnipeg *Free Press*, containing editorials which appeared on the editorial page of that paper. After a number of articles, it has summed up under the heading "Time to Consider," and with your indulgence I would like to read the summary.

> Speaking in defence of his policy for complete integration of the three defence services, down to and including combat units, Mr. Hellyer, Canada's minister of national defence, declares that many leading military experts advocate this development and that confidence is the key word to his program.
>
> The facts of the case do not seem to support this view, as documented by previous articles on this page. Indeed many of our service units are seriously under strength and confidence and morale in Canada's fighting services is now considered to be at an all-time low by many serving officers. This is not all due to such things as rates of pay but largely to the threat posed to the traditions and identifications of combat units and uncertainty about the future.
>
> Mr. Hellyer has chosen to interpret and term any resistance to his program, the resignations of senior officers and any qualified advice on the subject, as a challenge to civilian government by the generals, a military power play. This, of course, is quite ridiculous. Those he appears to accuse are the very persons who took up arms to back the government in the fight for democratic principles against a military dictatorship in Europe and a Communist tyranny in Asia. Mr. Hellyer would be wiser to consider seriously the expert advice that has been offered through a sincere sense of duty by many of his senior officers.
>
> Their professional views are not by the wildest stretch of the imagination any challenge to constitutional civilian control of the army, despite the hysterical screams which have recently appeared in print by ill-informed writers, who have not bothered to study the facts.
>
> The truth of the matter is that a vast majority of experienced officers fully support a high degree of integration of the defence forces in all the various supply, support, administrative and directing facilities but not to the level of combat units, where esprit de corps and efficiency would be destroyed.
>
> Senior officers are not only entitled to make their considered opinions known to the government, indeed it is their responsibility to offer their professional advice. Under the present command structure erected by Mr. Hellyer, however, they have been effectively muzzled while remaining in the service.
>
> It serves little purpose to attempt to discredit officers who have served their country well by picturing them as a pack of outdated blimps. The national interest would be better served by a serious consideration of their views and a change in the command structure to ensure that in

future the defence chiefs are free properly to tender their advice on military matters to the cabinet and government of the day.

There was another brief that everyone received from the Navy League of Canada, Naval Officers Associations of Canada, and the Royal Canadian Naval Association, in which the whole matter was reviewed. I wish only to read the last paragraph under the heading "Conclusions," which appears on page 37 of that brief.

> The navy program in recent years has resulted in a high proportion of its budget being spent on new equipment; with a high proportion of its personnel at sea, its administrative organization well within the bounds of reason, the force well equipped, effectively trained and as efficient—ship for ship—as the navy of any other nation. Yet after almost three years of integration the number of ships has been cut almost in half, difficulties in manpower are increasingly manifest, new construction of ships of a type originally planned to be laid down in 1963 have not yet been laid down and all of its seamen admirals either released or resigned well in advance of the usual retirement age. It is difficuult to characterize this as progress.

As I mentioned at the beginning of my remarks, there is no doubt that this bill is going to pass. The bill to unify the forces will be shoved down the throat of Parliament and the public of Canada in the same manner as the new flag was rammed down the throats of the Canadian people.

I have yet to read or hear any explanation as to why the word "Royal" in Royal Canadian Air Force and Royal Canadian Navy has to be abolished or as to why the uniforms have to be changed. There has always been a group in this country that seeks to destroy and abolish anything that has become a tradition or that has acquired an historical background. Out the window it goes for something new and untried—a 1967 model.

The minister will find that all military personnel have a great pride in their unit. Each unit had in the past, and has today, certain badges, flashes and other distinctive markings. For example, in the First World War each division had a different coloured beret—red, blue, grey and green. They had patches on their sleeves to denote their brigade and regiment; they also had regimental badges. Each soldier wore his beret and badges with great pride and distinction. It is pride and loyalty which prompt men to enlist. In time of war if you ask a member of the forces why he enlisted he will be embarrassed and tongue-tied, but inside he knows why he enlisted. Pride, loyalty and tradition prompt enlistment and inspire men to rise above themselves, to transcend the normal bounds of human endurance. Destroy or take away these intangibles that make soldiers win battles, that make citizens build a nation, and all you have left is a hollow reed.

The recent ceremony at Vimy Ridge is a perfect example of what I have been trying to say. The action at Vimy Ridge in April 1917 has always been described as the day on which Canada became a nation. April 9, 1917, was a day of blood; it was also a day of triumph; it was a day that will live forever in the hearts and minds of Canadians.

It may be interesting to honourable senators to note the large painting just behind me. It is of the little village of Albain St. Nazaire, which is immediately behind Vimy Ridge—anyone who was there will recognize it—and the road they are travelling along leads to the little village of Souchey.

Do you not think that the veterans of Vimy who returned to Vimy for the ceremony a few days ago, or the thousands of Vimy veterans across Canada who gathered on Vimy Day to honour the fiftieth anniversary of this memorable battle, were proud of the part they played 50 years ago? And on the fiftieth anniversary these old soldiers wore their berets, badges and medals with great pride and distinction.

Only a few days ago in this chamber and outside this building, when His Excellency was sworn in as Governor General, you had an example of the colour, pomp and ceremony of the military on parade. How dull it would have appeared if all the uniforms had been of one colour. The guard of honour, the R.C.M.P.—how would they have looked if everyone had been wearing the one drab green coloured uniform? All the glamour and the colourful spectacle of the changing of the guard in front of these buildings during the summer months will be lost if the troops are to wear a dull green uniform.

In closing, I reiterate that until this country knows the future role of its armed forces, no

further steps should be taken in the unification of the forces. If the minister answers the question as to the future role of the armed forces, then perhaps at the same time he will answer another simple question: Why the great rush in unification, when experienced officers advise that it will take several years to complete and shake down the integration of the forces?

On motion of Hon. Mr. Croll, debate adjourned.

The Senate adjourned until 3 p.m.

At 3 p.m. the sitting was resumed.

Leave having been granted to revert to reports of committees:

FOOD AND DRUGS ACT

BILL TO AMEND—REPORT OF COMMITTEE ADOPTED

Hon. Hartland de M. Molson, for Hon. Mr. Hayden, Chairman of the Standing Committee on Banking and Commerce, reported that the committee had considered Bill S-60, to amend the Food and Drugs Act, and had directed that the bill be reported with the following amendments:

1. Page 2: Strike out lines 22 to 32, both inclusive, and substitute therefor the following:

"41. (1) No person shall traffic in a restricted drug or any substance represented or held out by him to be a restricted drug.

(2) No person shall have in his possession any restricted drug for the purpose of trafficking.

(3) Except as authorized in this Part or the regulations, no person shall promote the use of or trafficking in a restricted drug.

(4) Every person who violates subsection (1), (2) or (3) is guilty of an offence and is liable

(a) upon summary conviction, to imprisonment for eighteen months; or

(b) upon conviction on indictment, to imprisonment for ten years."

2. Page 4: Strike out lines 6 to 11, both inclusive, and substitute therefor the following:

"(3) In addition to the regulations provided for by subsection (1), the Governor in Council may make regulations

(a) authorizing the possession or export of restricted drugs and prescribing the circumstances and conditions under which and the persons by whom restricted drugs may be had in possession or exported, and

(b) defining for the purposes of subsection (3) of section 41 the word 'promote' and prescribing the circumstances and conditions under which and the persons by whom the use of restricted drugs may be promoted."

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Molson: I move, with leave of the Senate, that this report be taken into consideration now.

Honourable senators, when Bill S-60 was before the Standing Committee on Banking and Commerce, in the course of discussion it was felt that in addition to the evils of trafficking in these substances and the damage of using them, there was another feature which in the course of amending this bill it would be wise to incorporate, namely, that of dealing with the matter of the promotion of the use of or trafficking in these drugs. For that reason, after considerable discussion in committee, subsections 1 and 2 of Section 41 remained the same, but a new subsection 3 was substituted. That new subsection has been read, but I would repeat it, because it deals with those who would promote the use of or trafficking in the drug.

(3) Except as authorized in this Part or the regulations, no person shall promote the use of or trafficking in a restricted drug.

It was felt that the evil of promotion was just as great or had as many implications as the other offences with which the bill tries to deal, and having then in that paragraph set out that promotion is not permitted, it became necessary to define promotion.

That is now covered in Section 45, subsection 3. In the bill subsection 3 is a single subsection, but in the amendment it is divided into paragraphs (a) and (b). Paragraph (a) remains as it was previously, and paragraph (b) is added. This now empowers regulations to be issued. Paragraph (b) reads:

defining for the purposes of subsection (3) of section 41 the word "promote" and

prescribing the circumstances and conditions under which and the persons by whom the use of restricted drugs may be promoted.

I think it was the unanimous feeling of the committee that these amendments were improvements to the bill, and for that reason I am very pleased to move concurrence.

Hon. Malcolm Hollett: I was not in committee, because I am not on the Standing Committee on Banking and Commerce. That committee is reputed to be very wise, but most of its members are concerned more with dollars and cents—more with dollars than with cents—spelled c-e-n-t-s.

I think this bill might have been sent to another committee. When I spoke on this matter the other day I was really in earnest in suggesting that something should be done to aid persons who may have in their possession this drug innocently or because they are ill. Something should be done to keep such persons out of jail at least for a while until it is determined whether something can be done. I do not know whether that question was brought up in committee, but in listening to the report of the committee I heard no reference to it.

You will note Section 40, subsection (1):

(1) Except as authorized by this Part or the regulations, no person shall have a restricted drug in his possession.

(2) Every person who violates subsection (1) is guilty of an offence and is liable

(a) upon summary conviction for a first offence to a fine not exceeding one thousand dollars or to imprisonment for a term not exceeding six months or to both fine and imprisonment.

Now, with respect to a young person—say anywhere from 17 to 20 years of age, if you like—who is a bit disturbed mentally and who has this drug in his or her possession, I think it is unfair that such a person should be sent to jail for a period of time, whether it be for six months or eighteen months. I think it also unfair to fine him $1,000. You are making a criminal out of that person without considering the fact that he or she is not a well person.

I should have thought that somebody in the Standing Committee on Banking and Commerce would have suggested some means to offset committing such an unkindness, and that is putting it very mildly. I say it is a crime to send a person that young to jail unless the person is a bona fide criminal.

Hon. Mr. Roebuck: May I ask, does the bill not say that such a person is only liable to be sent? In other words, is this not in the hands of the magistrate or judge who hears the case?

Hon. Mr. Choquette: That is right. It is not a maximum or minimum.

Hon. Mr. Leonard: That is what the departmental people have said.

Hon. Mr. Hollett: He is liable to be sent —yes, but I quite understand that a magistrate or judge could sentence that person to the full term in jail because he will be disgusted. He has sons and daughters of his own and he regards this as such a terrible thing that he may send the accused to the penitentiary. He may not bother about how sick that person is.

I feel that there should be a section in the bill to take care of such an individual, so that he will be sent to a doctor or to a hospital or some other place for proper analysis and treatment. I only bring this question up because I think that before the bill passes some consideration ought to be given to this aspect, if for no other reason than that it is in the cause of humanity.

Hon. A. Hamilton McDonald: Honourable senators, I think the honourable senator who has just taken his seat was absent yesterday afternoon when I closed the debate on second reading. For that reason, and for that reason only, I should say a word or two at this time.

The provisions of this act are similar to those contained in the Narcotic Control Act, and it is my understanding from the information I have received that the judiciary in imposing penalties under that act take into account every circumstance relating to the person involved in trafficking in drugs. I understand that in cases where a young person or a university student is being prosecuted under that act members of the judiciary have in certain instances imposed jail sentences which were never served. At all times, so far as my information goes, the judiciary have been fair in assessing penalties, and I am

convinced that that will be the case under this act.

The second point I want to make is that it is no longer true that when we sentence persons to institutions, and the door is locked and they are in institutions, and the door is locked and they have no medical or educational facilities available to them. Our penal institutions have made some progress—perhaps not enough—over the years, and they are now making greater strides than ever before to provide facilities for medical care and education and even psychiatric care. I have every confidence that that will be the case with people who are penalized under this act.

To sum up, honourable senators, the two points I want to make are that the judiciary has shown great discretion under the Narcotic Control Act, and it will do the same under this act. Furthermore, when people are sent to penal institutions today they do receive educational benefits and medical treatment, and it is hoped by all of us that these facilities will improve as time goes by.

Hon. Joseph A. Sullivan: Honourable senators, I would like to substantiate what Senator McDonald has said. There is no question, Senator Hollett, as to these people being treated as criminals. They will be given the best medical and psychiatric care possible. They will not be thrown into an institution and treated as ordinary criminals.

This is important legislation, and I hope we will pass it. All those who are interested in medical research and in psychiatry are looking forward to it.

Hon. Mr. Fournier (Madawaska-Restigouche): Honourable senators, I would like to ask what is meant by this word "promotion". Does this refer to advertising in the newspapers, to radio talks on the subject, or to television programs on the subject? What is meant by "promotion" in this sense? How far do we extend "promotion"?

Hon. Mr. Connolly (Ottawa West): Perhaps honourable senators would not mind if I answered this question or attempted to do so on behalf of the chairman and on behalf of Senator Molson.

First, the idea of using the word "promotion" originated in the mind of Senator Molson, and I think it is a very worthy amendment. Many people have asked, what we are going to do about the news media—the press, radio and television—discussing these things and perhaps glorifying their use to a certain extent? It seems to me that this wording meets the consensus that developed in the debate here, and we are very grateful to Senator Molson for making the suggestion, lawyer and all though he is not.

In the second place, let me say that the clause as already drafted has been very carefully considered by the drafting officers of the Crown, and they agree that the language in which the clause is now phrased is suitable. Moreover, there is authority now given to the minister to deal with these matters with a little more latitude perhaps than was originally intended in the bill. The Senate does this in the hope of meeting emergencies that could develop, and we do not know what these emergencies might be.

Therefore, I think the changes that are proposed are very good and far-seeing changes and deserve the commendation of all parliamentarians.

Hon. Mr. Hollett: Honourable senators, if it is in order, I would like to move an amendment to clause 40 of this bill, subclause (2) (a). After the words "one year or to both fine and imprisonment", I move that we add the words "unless it can be proven that such person is in need of hospital or psychiatric treatment;".

Hon. Mr. Leonard: On a point of order, I suggest that the amendment proposed by Senator Hollett is out of order.

Hon. Mr. Hollett: Why?

Hon. Mr. Leonard: The motion before the house is for the adoption of the report of the committee, and I think that is what the Senate now has to deal with.

The Hon. the Speaker: Honourable senators, there is a motion before the house which I will now put. I assume that the debate has now been concluded.

With leave of the Senate, it is moved by honourable Senator Molson, for honourable Senator Hayden, seconded by Senator Smith (Queens-Shelburne), that the motion be now adopted. Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yea.

An Hon. Senator: Nay.

The Hon. the Speaker: Adopted, on division.

THIRD READING—NEXT SITTING

The Hon. the Speaker: When shall this bill be read the third time?

Hon. Mr. McDonald: With leave, I move third reading now.

Hon. Mr. Hollett: Before the motion is adopted I would like to propose the amendment which I read earlier.

Hon. Mr. Aseltine: As I understand it, the honourable senator is making the motion that the bill be not now read a third time, but that it be amended according to the terms he has suggested.

Hon. Mr. Hollett: I move that the bill be amended by adding to clause 40, subclause (2) (a), the words "unless it can be proven that such person is in need of hospital or psychiatric treatment."

Hon. Mr. McDonald: May I bring to the attention of Senator Hollett Bill C-292, which has not come before us as yet but which I think will come very shortly. It seems to me that it is only a matter of time until the provisions of this bill are extended to include the type of drug we are now dealing with, and I think this bill would satisfy the desires of the honourable senator.

Hon. Mr. Hollett: But the bill we are referring to now is Bill S-60, not the one you have in your hands.

Hon. Mr. Connolly (Ottawa West): Honourable senators, since we propose to sit on Friday, it might suit the convenience of the Senate to adjourn consideration of this motion for third reading until the next sitting, and thus give Senator Hollett an opportunity to draft his amendment so that we can all see it. Would that be satisfactory to the sponsor of the bill?

Hon. Mr. McDonald (Moosomin): Yes.

Hon. Senators: Agreed.

The Hon. the Speaker: Is it agreed that the motion be withdrawn?

Hon. Senators: Agreed.

Hon. Mr. McDonald (Moosomin) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

CANADIAN FORCES REORGANIZATION BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from earlier this day the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-243, to amend the National Defence Act and other acts.

Hon. David A. Croll: Honourable senators, this is a very important bill. For this chamber it is of special significance and at the same time it offers us an opportunity which we ought not to muff. I have sat in this chamber for some years, and regularly there have come before us from the other place bills that have been flagged, "Hurray, hurray, hurray! We have to close Parliament," or, "We have to meet a deadline," and somehow or other we have always hurried and accommodated them. Despite the protests, we have never done anything about it.

Today the picture is somewhat different. Here we have a bill on which the House of Commons spent 16 days and its committee 26 days. It is a very important bill, and I think the country has the right to take a look at us and see how we handle this bill in these circumstances. The other place is adjourning tonight and will not be back for a week. I do not suggest we continue talking until the members of the other place return, but I think there should be a thorough discussion of this bill. I think our views should be heard loud and clear. Members ought to participate, with short speeches. That is all I want to say on that point.

The speech made by my leader, Senator Connolly (Ottawa West), was delivered with feeling and conviction; in my view it was an admirable presentation. He is knowledgeable on the subject and he was, as usual, markedly eloquent.

Senator White is no amateur when speaking on a subject such as this, because he, Senator Brooks and I, until we came over here, were members of the Veterans Affairs Committee in the other place. I must admit that Senator Brooks was our mentor, but they have lost their way now, our courses have diverged somewhat, as I gathered from Senator White's speech, and I anticipate that would be Senator Brooks' view expressed in his own way.

Senator White spoke about the future role of the armed forces. I do not know what that

will entail, but this much I do know, that this country has always met every commitment it has made, whether in regard to NATO, or NORAD, peacekeeping or putting out brush fires. I think it is fair to say that we have a unique and most desirable reputation in the world, in that we are associated with peacekeeping forces, and the world praises us for that.

No matter what steps are taken under this bill, I feel confident that we will continue to be helpful under those circumstances. I think this house must appreciate something the members know as well as I do, that one of the reasons we wind up in Cyprus, on the Gaza Strip and in other places is because we are acceptable. There are other nations which are prepared to offer their forces; but for political reasons their forces are unacceptable.

Hon Mr. Brooks: Other small nations do.

Hon. Mr. Croll: Of course they do, but most small nations cannot afford to participate. We can and do participate.

This is the contribution we make, and we are proud of it. And really, we can afford it; it is not that burdensome. I see no reason why we should not continue. My only hope is that we shall never have to go beyond that. We will give all the peacekeeping forces that are needed, but we hope that beyond that it will not be necessary to go, because two days of actual combat will make up for all the peacekeeping forces we can finance in a whole year.

I have thought about this bill and have come to the conclusion that I am able to support it. It has now come to the Senate for consideration. It has had long and careful consideration in the other place and in the select committee, and I believe that the Minister of National Defence should be commended rather than vilified for his determination to see this bill translated into law. I know that he has felt the heat—not an unusual experience for politicians—but ever since he accepted his present portfolio he has remained in the kitchen in full charge of the menu.

I am not going to detain the house long. This bill has been fully debated; it has been over-debated elsewhere. I do not feel I can add anything to the thinking, but I have already made the point that members ought to participate, and that is why I am participating. I may say in a little different form what has been said, but I do not think I can add an original thought.

As is usual with us, we are debating this bill on the motion for second reading, and I propose to state my reasons for supporting the principle of this bill.

As I conceive it, the main purpose of the bill is to provide for the unification of the Canadian forces. I do not consider it a mystery as to what is intended by that expression. What is contemplated is the establishment of a single service into which the previously established services—known as the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force—are to be embodied following the coming into force of the appropriate provisions of this bill.

I note also—and this fact should not be lost upon this house—that this measure will not come into effect upon its receiving Royal Assent. Clause 65, which is the final clause, makes it clear that this act or any provision thereof shall come into force on a day or days to be fixed by proclamation of the Governor in Council. In other words, the accomplishment of unification—that is, of a single service concept—will not be sudden, but will be a phased process. It will be brought about following the passage of the bill through Parliament—and I do not think there should be any doubt on that point—but gradually, and in an orderly manner so that there will be a minimum of disruption.

I came across some matters that I think are interesting, and about which I will take a moment to tell you. The problems in respect of centralizing or unifying armed forces are very old and perplexing ones. I came across a report on the formation of the British army at the time of the outbreak of the Crimean War. I am not attempting to relate one to the other, but I think this is interesting.

There were at that time six major components of the army. Operations and numbers were controlled by the Home Secretary. The Commander-in-Chief dealt with promotions of Horse and Foot. The Ordnance Board was responsible for all arms, stores, barracks, fortifications as well as the pay and discipline of the Artillery and Engineers. Provisions and fuel was controlled by the Treasury Commissariat, while the Board of Officers dealt with clothes.

These agencies, the note says, pursued their own ways, and dealt with each other as little as possible. The restoration of some reasonable semblance of command and control took some time, and there were 567 commissions

and committees worrying away at the problem. This leisurely and cumbersome process of making administrative and military sense out of organizational chaos was barely acceptable in the 19th century. The facts of military life today mean that we can no longer afford the luxury of a long drawn out evolutionary process to achieve a suitable defence posture in Canada.

Let me delve for a moment into something that all honourable senators know as much about as anyone else, namely, military history. Military organizations, like other organizations, almost invariably become rigid and more elaborate as they grow older. In wealthy countries armies become larger, and they entrench themselves behind fortifications. You and I lived in the time of the Maginot Line. Such fortifications became vulnerable, as history shows, to forces which had speed, mobility and imagination. One need only mention the achievements of a number of guerilla forces in the last few years to recognize the military virtues of daring and flexibility. Above all, we need to encourage innovation in the whole military function. We need not only innovation in equipment but we need also to sustain and achieve an innovative mind in our whole approach to military organization and costs.

It is not so long ago that warfare was dominated by land battles, sea battles and air battles. These now belong to another era. The standard pattern of military tactics today is what used to be known as combined operations in the Second World War, and those of us who were participants in that war know that it did not come about easily. It took us a very long time to learn that process and be able to obtain the co-operation that was necessary and essential. It paid off in the end. Military units, whatever their basic environment, tend to fight together as a team, and their effectiveness depends on teamwork, co-operation, and mutual understanding. I know that this is not achieved by emphasizing disparate services, loyalty to an individual service, and the specialized roles of the different services. Military people must fight as a unit, and it follows that they should be trained as a unit, and be subject to unified direction.

Some honourable senators will recall the name of Liddell Hart, who wrote very effectively on war subjects upoon which he was an authority. He wrote a book entitled *Paris, or the Future of War*, which was published in 1925. In going through it I came across this comment attributed to Field Marshal Earl Haig, who was a great soldier. I take it that he was protesting against Liddell Hart's book. This is what he said:

> Some enthusiasts today talk about the probability of the horse becoming extinct and prophesy that the aeroplane, the tank, and the motor-car will supersede the horse in future wars. I believe that the value of the horse and the opportunity for the horse in the future are likely to be as great as ever...I am all for using aeroplanes and tanks, but they are only accessories to the man and the horse, and I feel sure that as time goes on you will find just as much use for the horse—the well-bred horse—as you have ever done in the past.

Hon. Mr. Brooks: When was that written?

Hon. Mr. Croll: In 1925. That was Haig's comment made at the time the book was published.

I am not speaking disparagingly of Haig, but I think this does indicate the highest military thinking at that time.

The single service concept is not new, but certainly on the coming into force of the present bill Canada will become the first country in the world to espouse it.

The Associate Minister of National Defence, who was in Europe recently at the Vimy ceremonies, told me that he came back through the Scandinavian and other countries. He said that the only thing the defence officials of those countries were interested in was what we were doing about defence and how our bill was getting on. He told me that that was the one matter discussed, and that they envied us very, very much. Well, Canada will be out in front, and there is nothing unworthy about that.

In my opinion, as a serving soldier in World War II, Canada will provide a lead for other countries which will fall in line eventually. Nor should "Surprise!" or "Foul!" be called by those who have recently opposed the present bill. Unification was clearly foreshadowed as the end result of integration as long ago as the tabling of the Government White Paper of March 1964, issued under the signature of the present minister, following which "command integration" was begun. I should like to quote from page 19 of the White Paper:

> Following the most careful and thoughtful consideration, the Government has decided that there is only one adequate solution. It is the integration of the Armed Forces of Canada under a single Chief of Defence Staff and a single Defence Staff. This will be the first step toward a single unified defence force for Canada.

Nothing has been sprung on anyone by virtue of this bill. Over three years ago the present Government made its intentions perfectly clear, so that "one who runs may read". The creation of a unified command was to be followed by the establishment of a united force. It is as simple as that. The enactment of the present bill will make possible the implementation of an over-all policy clearly enunciated in 1964.

Much has been made of the fact that some retired admirals, generals and air vice-marshals, in giving evidence before the Commons committee, have expressed misgivings, doubts and fears about the end result of unification. I do not think it is necessary, in order to support this bill, to denigrate these distinguished former officers because of their opposition to the "single service" concept, or to dismiss their testimony as irrelevant. It would be, to my mind, less than natural for them to contemplate with equanimity the absorption into a united force the particular services with which their active military careers have been associated. Account has been taken of their points of view and the decision reached, in accordance with the view of the present defence staff under General Allard, and with the broad policy announced in 1964, that unification throughout the armed forces should logically follow integration at the top. In this decision, I entirely concur.

Hon. Mr. Brooks: May I ask the senator a question? Is it not a fact that these generals, admirals, and others he is speaking of, have all agreed that the 1964 integration policy was correct, but that what they are objecting to is unification, and objecting very strongly? Integration was accepted by all leading military men at that time, and is accepted now.

Hon. Mr. Croll: I do not disagree with what Senator Brooks has said. However, they do not agree with the very last sentence I read from the White Paper: "This will be the first step toward a single unified defence force for Canada."

Hon. Mr. Brooks: They say it should not be extended to combat forces, and that is the objection.

Hon. Mr. Croll: What I have said is that they have a right to say it. I expected them to stand up for the force, but in the end a decision had to be made by others than themselves, and there is a responsibility on the House of Commons and upon us, to make the decision. It is all very well for us to take advice and to listen, but we are responsible for carrying out policy and we are responsible to the people of Canada. After listening to them we have come to a different decision. That is what I am saying.

Hon. Mr. Brooks: I do not wish to interfere with the honourable senator's argument, but he has spoken of civilians determining military expenditure, and I also heard the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) say this morning that the civilians should decide. In 1939 and 1940, and even before that time, General de Gaulle, who is recognized as one of the great leaders on military matters in the world, told the French government that they should have tanks and other armaments of that kind. He presented his case to the government. Instead they went ahead with the Maginot Line. General de Gaulle proved to be correct, because when the Germans came the French were met with tanks and modern warfare, for which they were unprepared. The Germans came within a certain distance and just walked around the Maginot Line and destroyed France, following which many hundreds and thousands of soldiers were lost.

In my opinion, the Government should decide how much money it has to spend, and having determined that amount it should tell the defence leaders what they can spend on decided armaments. That is what de Gaulle tried to get across to the French people at that time.

Hon. Mr. Croll: After the war I was associated in Parliament with one whom I regarded as one of my mentors, a gentleman called Senator Brooks. I was always interested in what he had to say, as I am interested now in knowing what he will have to say when he closes the debate. I do not quarrel with what de Gaulle said. He was right and they were wrong. I also remember what General Eisenhower said when he vacated office as President of the United States. He

said, "Don't let the military make these decisions for you. This is a civil responsibility, and civilians ought to make it." Let us keep that in the back of our minds.

Let me now make one short observation with respect to the economics in the defence of Canada, because Senator White raised it and said they had not proved they were economies. I do not know if in this short period of time we are able to prove anything, but it was held out to us that there would be a possibility of economies, and of course we are all hopeful there will be savings as a result. The economic aspects of defence refer primarily to the way the resources devoted to defence are used. Improvements in the pattern of resource allocation naturally lead to greater efficiency, and this is the vital aim. To achieve the most economic use of defence resources, it is essential to review and adjust at reasonable intervals the disposition of forces and equipment. In countries where forces are large, the size of adjustment is usually small in relation to the total so that the changes can be made without any serious disruption of military effectiveness. However, in a country such as Canada, the substitution of one weapons system for another, or a complete change in the role of a military formation, may be very difficult. This is because the individual components of the defence organization, such as brigades, squadrons of ships or air bases, are usually indivisible and each is large compared to the total.

The transfer of military resources from one component to another may leave the reduced component uneconomic in size and incapable of functioning effectively. This is particularly true in Canada where most of the individual defence programs are conducted at or near the minimum feasible level in terms of force components.

The problem is compounded when the military forces of a country are divided into separate services. Basically this is because changes and adjustments which become necessary may be relatively so large that the viability of an individual force may be impaired—or at last this fear may exist. Thus, the retention of individual services introduces a further rigidity and impedes adjustments which may be both rational and economical. From these considerations it may be concluded that small military forces in particular should be as homogeneous and flexible as possible and subjected to unified analysis and control in order to make possible the continuous adjustments which are dictated by the changing military, technical and political environment.

The Leader of the Government said today that there was duplication, there was waste, and that money which could be saved could be used for essentials. Senator White in his remarks spoke of morale. Much has been said outside this chamber about morale. It has been said that morale in the navy, army and air force is now at a low ebb. I do not know about that. I do know that it is extremely difficult, under any circumstances, to keep morale high in any armed force in peacetime. And during a war it is difficult to keep morale in any force which is sitting and doing nothing. Some of us have had considerable knowledge of that experience.

In the case of the Canadian Armed Forces, their active participation in various peacekeeping missions has contributed to their morale but, honourable senators, nothing is more destructive of morale, whether in armed forces or elsewhere, than uncertainty. The present uncertainty about the future must be ended forthwith, if the morale of the personnel is to be maintained or raised. Once a principle is established, there is no difficulty in working out details. They fall into their natural places.

Here I agree with Air Marshal Miller, who did not declare against unification but did not believe, at any rate, that it should be rushed until command integration has shaken down. But, at least the uncertainty in principle must be ended, and ended now. Let us have the single united command, and the single united force contemplated by the White Paper, approved in principle now.

Senator White spoke also about tradition. That is very important. There are clearly customs and traditions in any institution which are very valuable and which ought to be preserved at all costs. The notion, too widely held, that unification of the Canadian Forces implies the abandonment of tradition, of pride in the regiment, and other ingredients of *esprit de corps,* can be summarily dismissed. I say this from everything I have heard in the debates outside this house and here.

The preservation of the intangible factors which support and sustain any fighting unit is an essential goal, but along with this it is important to foster innovation. It is the process of innovation and the stimulus of new

ideas and methods which inject enthusiasm and vigour into any organization. At the risk of seeming repetitious, let me say there is no intention of abandoning the regimental system.

"Integration" and "unification" may not be the most apt terms to describe what has happened or what is to happen, but let us not worry ourselves to death about semantics.

May I commend to those with doubts and hesitations the wise words of Shakespeare:

> Our doubts are traitors.
> And make us lose the good we oft' might win
> By fearing to attempt.

Hon. Rheal Belisle: Honourable senators, I do not intend to speak at length, although this matter warrants a long discussion. To get to the point regarding our military forces, I have always looked upon the defence policy as simply an extension of foreign policy.

It is my contention that the Canadian people are entitled to be informed clearly of the future role that is to govern the organization and operation of Canada's armed forces. The situation will remain confused until the Government indicates what is to be the purpose of the armed forces of Canada. We should be told clearly whether Canadian forces are to perform in the peace keeping role or are intended to have a full combat capability, not only for the direct defence of Canada but in particular within the present strategy of the NATO and NORAD alliances. I think we should be given a full reason why so many of our senior officers have been fired, released or pensioned. I must confess that I am greatly worried about the future of our forces, not so much about the uniforms or the ranks but because of the effect of unification on their morale.

The arrogance of the Minister of Defence —both in the House of Commons and before the Defence Committee—concerning his department's intentions regarding unification is but another example of the lack of courage of a government which refuses to proclaim its convictions. I regret his attitude at a time when our armed forces are placed face to face with a grave problem.

It must be regarded as unusual in Canadian politics to find a defence minister so much on the defensive as is the case with Defence Minister Paul Hellyer. He now finds fault with the use of the word "unification" as a descriptive term applied to what he now prefers to call "amalgamation" of Canada's armed forces. The fact is simply that Mr. Hellyer finds himself backed into a corner by commanders of the armed forces who have had war experience. Their opinions cannot be lightly brushed aside by speeches on economy and efficiency. There has been more than a little inefficiency at the political level in Canada's military past.

The political decisions of past Liberal governments in Ottawa have worked to the detriment of Canada's armed forces on a number of occasions. The "Hellyer plan" for unification has been riddled by the fire of experienced men with solid military backgrounds. But Mr. Hellyer shows no signs of retreat. He says that the combined services, now partly operative in the Maritime Command, is proving to be a most effective system of defence.

How can Mr. Hellyer be so sure? It has not been tested under war conditions. If he wants to play with words, what is the situation if "offence" is substituted for "defence" in his assertion on the most effective system?

The Canadian public has good reason to be concerned when the glove of challenge is thrown down by "career" military personnel. Perhaps the concern would be less if it were not for the record of past mistakes in political judgment on matters pertaining to Canada's armed forces.

Senior officers of all services have expressed a near unanimous opinion that what we are planning to do is dangerous to our democracy—that if ever a commander of a command decided to set himself up to control this country of ours, he has a ready-made organization to achieve it. If a minister of national defence and a commander, mobile command, get together, we could have a dictatorship overnight. The Members of Parliament, Rear Admiral Landymore said, "should contemplate this set-up organization with some alarm".

He said this was "an invitation to have trade unions in the armed forces since," he argued, "men could give notice to quit" in order to exert pressure. With this, "subtle silent collective bargaining is entering the armed forces."

May I ask the Government: Should we not stop, look and listen before crossing this very dangerous intersection? Surely what has happened in Quebec regarding the school teachers should give us grave concern and the

serious thought that the right to strike should be re-examined in our legislation, not encouraged.

I was amazed to read what Mr. R. S. Malone, the publisher of the Winnipeg *Free Press,* famous or infamous for its partisan support of the Liberal Party, wrote about this subject. Mr. Malone, a Second World War brigadier—not a corporal—in the Canadian army, with staff experience in Europe and the Pacific theatre, has written a number of editorials critical of the Hellyer plan and calling for stringent parliamentary review. Publisher Malone writes in the *Free Press* that:

> A conscription issue is almost inevitable within the next two years if Defence Minister Hellyer's present plan of armed forces unification becomes law in Canada.
>
> Our reserve or militia formations of army, navy and air force, as well as our various volunteer cadet services, will in the future have little if any recruiting value for any amalgamated or unified regular force where all unit and service identification have been lost.
>
> The fact is obvious that Mr. Hellyer's pending legislation will make them rather obsolete museum pieces and they will very quickly fade out of the picture.

Mr. Malone goes on to say:

> Two principles have been basic to Canada's defence for the last 50 years: compatibiity with Britain and United States military organizations on which Canadian defence has been greatly dependent, and voluntary recruitment backed up with local or regional reserves and militia units. In addition to discarding these principles, Mr. Hellyer has yet to explain how a unified Canadian force would fit in with distinctive NATO formations under Canada's treaty obligations.

If Mr. Malone is right, without militia formations and various cadet services, it will make it most difficult to find recruits for the new force. In such a case, the Minister of National Defence would be compelled to resort to conscription in order to maintain the numbers needed for the security of Canada or for outside operations. Nor will all the reviling and accusations of disloyalty made by the Defence Minister bring more recruits to his super force. And, if no recruits could be attracted, what a Hellyer of a force that would be.

Honourable senators, if this had appeared in a Quebec newspaper, people would say, "Here they are at it again. Always the same old fighting horse of conscription." But no, this is the alarm sounded by a leading Liberal paper of Winnipeg.

All Canadians should certainly be concerned about this implication. After reading this bill, one cannot help but think that there is so much guesswork in it that for the present the most sincere well-wisher is forced to assume a wait-and-see attitude.

Can the Minister of Defence find the man he needs? Can he bind the three forces behind him? Recently we read where the Right Honourable Prime Minister said at a convocation, and I quote:

> We must be strong in the conviction that the destiny of Canada is to unite not divide. We must see Canada in its progress, its magnificence, as a great country with an honourable past, an exciting present, and a future unlimited.

I hope that he was sincere, and that he will pass on this speech for Mr. Hellyer to read, because the last of our most important components, our armed forces, has been badly divided. We are living in an exciting present and if the existing policy does not change it will soon be a limited future for them—I mean the Government.

It is my thinking that Canada should recognize the diversity in the Communist world and take a second look at our defence programs. From its present policy it is obvious that this bewildered Government espouses a principle and then looks for practical ways to give it expression. And all those, military or otherwise, who do not agree, must go.

General Moncel told the Defence Committee that he retired essentially because he did not feel that under present or future conditions he could continue loyally to carry out his instructions.

General Moncel said:

> It was abundantly clear to me that to forge ahead with unification was moving on an uncharted course at very high speed toward a dim destination.

Our armed forces, having inherited the best of England's and Canada's traditions, wisdom

and confidence, should not now be sacrificed for one man's new idealogy or dream. Canadians have achieved independence and influence and can remain ahead if we continue to use the process of adaptablity and patience. These are qualities that the entire continent, if not the world beyond, is in dire need of learning. World events of recent weeks and the chaotic conditions that the world is in should give the Minister of Defence real food for thought.

It is my opinion that the extended and enlightening defence unification hearings have made it increasingly evident that a national review of Canadian foreign policy should be made by Parliament. I know this mere suggestion will make foreign policy experts in the East Block throw up their hands in horror, but the recurrent theme of the dissident generals and admirals is the uncertainty over and the fulfillment of Canada's future military commitments. Since these commitments depend on the Government's political commitments in the years ahead regarding NATO, NORAD, the UN, Vietnam, Rhodesia and disarmament, among others, a public airing of where we stand and what we should be doing in future would seem an urgent and useful exercise.

The Defence Minister, while taking the Government line that nothing is changing, except a little more peacekeeping, has been less than forthright on the subpect. He told the committee that Canada must be ready by the end of 1967 to produce a new military commitment for NATO's next five years. As we know, the NATO treaty is open to general review in early 1969. The NORAD agreement expires next year, unless renewed. The efforts of Canada to encourage a sounder-based peacekeeping role for the United Nations met rebuff last fall, at a time when Canada is establishing its first permanent peacekeeping force.

The continuing problems of the Vietnam war and Rhodesian sanctions—with the possibilities that Canadian forces may some day have a policing role to play in either area—suggest the need for public discussion before Canada becomes involved merely by default. If for no other reason than what I would call "educating the public," the views of government experts and outside consultants ought to be sought and placed before both chambers. I know that our able Secretry of State for External Affairs shows an increasing tendency to invoke the aura of high confidentially around foreign policy areas on questions widely discussed in public. He often appears to be doing what Senator Fulbright, author of a timely new book of essays called *The Arrogance of Power,* said that the United States administration has been doing:

> Narrowing the permissible bounds of public discussion by relegating an increasing number of ideas and viewpoints to the growing category of unthinkable thoughts.

Canada is coming to a historic turning point. There has to be a new ideal born in order to restore the human quality now buried in a society of affluence.

Canada has never had a military hierarchy and we have no real world military history. We have a good history, but our population is small and we shall never be a dominant military power—at least in my lifetime, and that is good.

Two major powers exist in the world, and it is foolish not to recognize it. By making the right move and choices in defence policy, Canada can become a nation with no worries about her future as a distinct and separate nation. It is my thinking that it has been too easy for too long to blame our troubles on others, namely, the Americans.

I know that Canadian Peace Corps and civic action programs would be welcomed in many countries if the signing of military assistance agreements—with its overtone of alignment—were not a prerequisite.

I am not one of those who feel that we should always conserve the *status quo* and maintain service tradition for the sake of tradition, but I am uneasy about the methods Defence Minister Hellyer has employed to carry out his plans.

Events of the past weeks in the Defence Committee have done nothing to reassure me. The spectacle of one of Her Majesty's privy councillors publicly branding a senior naval officer—and a gentleman—as guilty of "18 months of consistent disloyalty" seems to me to be going overboard in pushing what is, after all, a political concept. Nor does it help his case that Mr. Hellyer apologized. By overstating matters the minister leaves himself open to a bitterness of attack that he could easily avoid by practising a measure of restraint.

There is a touch of what might be called "C. D. Howeism" in Mr. Hellyer's makeup. He does not suffer fools gladly; he does not even countenance the legitimate concern of men of proven ability, experience and leadership throughout long and distinguished careers in the service, both in peacetime and in war.

This strikes me as a shortsighted approach. It makes me wonder how thoroughly Mr. Hellyer thought his policy through before he set out to ram it through Parliament over the opposition of all critics.

What has annoyed me most was not the way he answered the criticism of the politicians, but the way he treated the servicemen. I have the uncomfortable feeling that Mr. Hellyer may be better at making mud pies than he is at running a trim and happy ship down at defence headquarters. The services, after all, are built on loyalty—and loyalty is a fragile and precious thing which can be destroyed by a politician who shoots off his mouth, and employs a slick public relations technique to get his way against all criticism.

As one who has had some experience as a soldier during the last war, I understand how much more important it is to keep and work for peace. We have chosen peacekeeping as one of our major world roles, and this should be actively pursued. It is a valuable contribution to the maintenance of international stability, and something this country is well equipped to undertake. But it is no secret that our peacekeeping operations have suffered from one common weakness. There has been no advance planning. Everything has had to be improvised at the last minute. This was inevitable the first time, but far too little has been done to learn the lessons of the past and apply them to the next crisis.

In a sense this is not Canada's fault. These frustrations result from the inability of the United Nations to establish a permanent peace force or prepare contingency plans even of a most general nature. If the policy-makers at the UN are unable to make progress, should we not reconsider our position before embarking on a unification system that will upset our whole military forces? If after many years of debate in the UN they cannot agree on the usefulness of a police force and it is not directly wanted, why are we changing our whole setup? Why do we not suggest a stockpiling of key items of equipment? After the 1965 Kashmir fighting the United Nations observer mission was without radio sets for two months. Until the sets arrived, the mission had to rely on the Indian and Pakistani armies for communications. This is only one item where we can help.

The concept of changing our whole military systems, which have operated with dignity and satisfaction over the years, just to play a bigger role in world peacekeeping operations, does not convince me at all. If what we have done already cannot be recognized, approved and sanctioned by the United Nations, then I think we should only continue to play our present roles with the established forces that we have, with the thought of changing when the need arises.

Considering the magnitude and variety of our involvement in world affairs it is essential that the Government at least integrate its own efforts more effectively. Foreign policy can no longer be separated from domestic policy. Commerce, agriculture, labour, treasury and internal fiscal policy, too, are all doing things that influence our foreign relations.

After the events of last week, as reported in the press, that the Bonn Government has withdrawn its offer to help pay for the upkeep of Britain's Rhine Army; that the British Government served notice on West Germany that unless the costs of maintaining the British Rhine Army are offset by the Germans, the troops will be brought home; that President Johnson's administration also has been warned that West Germany has no funds to ease the foreign exchange burden of American forces in West Germany, at least until 1969, and that President De Gaulle sees no more usefulness for NATO military obligations—what are we doing there? Why are we not spending this money instead, if we have to spend it abroad, for the relief of hunger and misery in the Far East?

Unfortunately, the Canadian people, whose lives are most directly affected by our foreign policy actions—who are regularly taxed, and sometimes killed because of our world-wide diplomatic and military commitments—often seem as confused and uninformed as ever, in this age of mass communications and instant news, about the world we live in, and Canada's role in shaping the one which our children will inherit.

Perhaps the late President Roosevelt was right on April 12, 1945, an hour before his death in saying that: "The only limits to our accomplishments of tomorrow are our doubts of today."

I would like to close by quoting an anecdote by scientist-professor Albert Einstein. Mr. Einstein was once asked why it was that mankind, having been clever enough to achieve the grand scale release of nuclear energy, was apparently unable to avert its use in the destruction of mankind. "That is very simple," Einstein replied, "it is because politics is so far more complicated than physics."

Honourable senators, certainly we have seen an illustration of that in the extended debate on this bill.

Hon. J. W. deB. Farris: Honourable senators, I have not made a speech in so long that if I get mixed up this time you will forgive me.

Hon. Mr. Brooks: It will be the first time.

Hon. Mr. Farris: Well, I would not like to say that. I have been working at it for a great many years.

I was wondering just what this controversy was about at this time, and I made up my mind it was no occasion for me to speak on the contentious issue that we are considering. However I could not resist the temptation of saying a few words and, if you will pardon me, perhaps being a little frivolous.

We had an assurance from Senator White, when he spoke in a very effective, argumentative speech, that, after all, there was no doubt that this bill was going to be carried here. Then we heard my friend Senator Croll announce the same decision. Then from the interruptions of my old New Brunswick friend (Hon. Mr. Brooks)—because I came originally from New Brunswick—I gathered that he too had made up his mind that there are other things going on at this time which are more important than convincing the majority of Liberals here to turn down the Government's bill.

I decided to take a new tack at this time and, instead of listening to what was said, I began to watch the various speakers' hands. In his speech, my friend Senator Croll would have been dumb if he had not had his hands. I was surprised that Senator Brooks, in his interruptions, was working his hands too, perhaps not as I would, but I am hanging on to the desk so that I will not offend. Then the last speaker, Senator Belisle, had a new stunt in working his hands; he held them this way, clasped together.

So, watching the debate in this frivolous way—and I can assure you I would not be frivolous in this case if I thought there was the least doubt about the result—I am reminded of a story. Two Jewish friends were crossing the bridge at midnight with their fur coats on, the temperature being 40 degrees below zero. Ikey asked, "Jacob, why don't you talk?" And Jacob replied, "Freeze your own hands!"

It is very satisfactory for us all to note that the weather is getting warmer. I am told you are catching up with Vancouver. This is all I have to say.

Hon. J. Harper Prowse: Honourable senators, I believe this particular piece of legislation, which has already passed through the Commons and is now before us, provides the Canadian Parliament with an opportunity to take a step forward and to achieve for itself in history a niche which is provided by few other pieces of legislation, because I do not think there is a nation in the world today that does not wish it had it within its reach to achieve what this bill intends to achieve and what is going to be achieved, and that is the unification of the armed forces.

There is probably nothing that has added to the burden of the taxpayers of the western world to the same extent as the senseless competition—not alone in this country or as much in this country as in others—which has marked the activities of the various armed services in their attempts to achieve a priority for their own particular services. It is a case where self respect has been pushed beyond the point of virtue to the point where it has become the sin of pride. And that, I suggest to you, is what lies at the basis of the opposition which has been heard right across the country, from certain limited elements alone, to this piece of forward-looking legislation.

It has already been suggested here—and I am sure that before the debate is finished half a dozen or more speakers will suggest the same thing—that what we should do is decide, first of all, how much money we have to spend on defence, and then find out how we want to spend it. In other words, we set aside the dollars first and set up our defence force afterwards to fit the available dollars. I suggest this is not the case. I suggest that what we have to do is, first of all, decide what we want to achieve, and then find out what it will cost us. When it comes to national defence we cannot afford not to pay the bill.

We are told that until we have a study and have brought in international experts and a

whole lot of other people to tell our Department of External Affairs what they ought to be thinking, and then have it formulated into a plan, it is impossible to determine what we ought to expect from our armed forces. With respect, I submit that that is nothing but arrant nonsense. If it is put forward seriously by anyone, then I am surprised that they would think they could get away with it. You do not even have to be a corporal to figure out what we are going to require in a general way in terms of armed forces, or what the role of our defence forces in the foreseeable and immediate future is going to be. All one needs to do today is to read the newspapers and use a little bit of the ordinary common horse sense that most people, and surely every member of this chamber, have been given.

In the first place, who are our neighbours? We have one neighbour, the United States of America. I think I can assure them that the present policy of the Canadian Government is that it intends to continue to be friendly toward them. While we may resist attempts on their part to become over-friendly and over-possessive with us in a business way, we certainly do not need to set up any force for the purpose of trying to take any pieces of land away from them. Nor is it foreseeable or thinkable that we ought to set up any kind of a force to prevent them from forcibly taking away from us anything that we possess.

The only danger then that we have to face is assult from across the seas, or from across the pole. That would have to come from a nation big enough to be a threat to the United States. Any threat to us which is big enough to be a threat to the United States would be out of the realm of tactical warfare and into the realm of strategic warfare. It would not be a matter of armed forces; it would be a matter of war between weapon systems. It would be the pushbutton war that we have read about.

We may from time to time, in order to maintain our self-respect, want to co-operate with the United States by providing or sharing facilities for the defence of this continent. We achieve that today through NORAD. We have achieved it through co-operation in the construction and maintenance of the lines of radar warning stations. I have no doubt that we have achieved it by the exchange of information, and in other ways. But we are a nation of 20 million people, and certainly we have no bothersome little neighbours on our doorstep. We do not have to worry about having an army to protect ourselves from picayune raids from people across the street. So, I say, without having to sit down and draw up a long sketch of Canadian policy, that the first thing we have to do is perfectly clear, and that is to ally ourselves where we can, and as best we think we are able, with the United States in the defence of this continent against attack from somewhere else.

As I understand from my reading, such an attack can come from only two places, one of which is the Soviet Union. The possibility of attack from the Soviet Union remains, but the probability becomes less every day. The other place from which attack might come, and this I think is hardly yet possible although it may become probable at some time in the future, is Red China.

It is perfectly obvious, I think, that if we were assaulted by either of these two giants, no matter how great our resolution and no matter how complete our mobilization of men and resources, we could make no more than a few futile gestures and give our lives for that we believe to be a principle, because we would have no hope of successfully defending ourselves unless somebody else came to our defence.

Some fifteen years or so ago, with the lessons of World War II behind us, and with the fear that the Russians might decide to roll westward, it was realized that none of the nations of Europe by themselves, recovering as they were from war and occupation, possessed the capacity to stop Russia. The only thing that could possibly stop it was an association which would be immediately at its throat; not the force of wearied Europe, but the might of young America. So, we had the concept of NATO whereby a total group of nations whose populations amounted to 350 million, and whose productive capacity outclassed that of Soviet Russia, banded themselves together and said: "An attack on one of us will be an attack on all. In the meantime, to show our resolve, each of us according to our ability will make a certain commitment which we hope and expect will be sufficient to hold any attempted onrush in check until we can mobilize the might that these troops will represent." So, we had NATO.

Then, with the development of the atomic bomb and the realization that we might not be alone in the possession of such weapons, and particularly with the realization that there

was the capability of delivering these warheads by means other than that of the conventional airplane, we had the development of the American defence system, and our co-operation on a continental basis, which gave us NORAD in which we participate.

All honourable senators will remember the example of Suez, when Britain and France decided that there ought to be something done to protect their particular interests in that area. Without alerting any of their partners around the world they walked in, and then, having discovered that perhaps they had taken on more than they ought to, they got out. I do not want to start an argument over that episode, but certainly the peace of the world was maintained at that time because a suggestion that came from this country—from the man who is now the Prime Minister—was accepted and followed. We saw then, for the first time, a peacekeeping force in which we participated, and in which we were acceptable because it was known that we could not have imperialistic intentions.

We have been accepted in the role, frustrating and perhaps unsuccessful as it may have been, of a member of the Control Commission in Viet Nam.

For the same reason, we are a nation which, because of our geographic position, our size, and our industrial potential, cannot be accused credibly, or suspected incredibly, of having aggressive intentions against any other country in the world. It is this, then, that gives us a special opportunity of being acceptable to all when it comes to providing men for peacekeeping forces.

So, I say to this house that one does not have to be an expert on foreign affairs; all one has to do is read the newspapers from day to day. It is perfectly clear that the role that will be expected from our armed forces will be one of participating in attempts at peacekeeping under NATO or under the United Nations, and, of course, we prefer that it be under the United Nations. For example, if one of these days there should come a letter from Hanoi saying that they are prepared to accept the suggestion that there should be a drawback and that they would like to sit down and discuss terms on which a peaceful solution could be reached of the problem that exists there, it is generally understood that there would have to be some kind of occupying referee force put in between to take up the slack as both sides move back. As one of the members of the International Control Commission, this is a task which Canada might reasonably be expected to undertake under the auspices of the United Nations.

If this should happen, I can tell you that it will not be simple. It is not going to be small, and it is not going to be cheap, because it will be necessary not only to police the parallel which separates north and south, but to police a good section of the Cambodian border. It is not only going to necessitate substantial troops from this country, but also from each of the smaller and uncommitted nations of the world. So, when you suggest that nobody knows what our role is going to be, then I say that you are either trying to kid me or else you lack some fundmental basic understanding that is beyond my comprehension. I come to the conclusion that when people tell me we do not know what our role ought to be, all they are saying is that they want to argue and are going to start off by saying let's agree to disagree.

Now, who is going to tell us what we should do? Generals do not get elected, and admirals do not become admirals as a result of a popularity contest with their men. If this should ever happen, God help the army, the navy, the air force or any of the armed forces. It is Parliament that must answer to the public. The generals, the admirals and the air vice-marshals can get the medals and the honours; they can have all the front pages and go around in uniform and enjoy their glamour—and God bless them, they have earned it. When it comes to picking up the check and paying the bill and taking the blame for it, the Members of Parliament have to do that.

It seems to me a perfectly unarguable proposition that if I am going to have to pay the bill, or justify the bill, I ought to be able to say which menu sheet I should look at and choose from. And that is what we are talking about now.

I do not suggest for a moment that these senior officers who have said that this is a terrible thing and that it is going to wreck everything are being dishonest or saying anything but what they have believed. But I have been convinced for years that there are two places in this world where a man, if he stays long enough, can get completely out of touch with realities. One is to be a professor in a university; the other is to be a senior officer in any of the armed forces. The reason

is that they are protected in their environment from practically every kind of reality.

Let me give you an example. I sent to the library for a book which they do not have at present, entitled, *The Weapons of World War III*, by John S. Tompkins, who once wrote for the New York *Times*. In his book he writes about the weapons they are using and their trouble in determining the kind of weapons with which the forces should be equipping themselves. I recommend this book for your reading.

In Vietnam the Americans are now using the M. 16, a light automatic rifle. It does not fire the weak little bullet we are all familiar with that fires from the 22 rifle. It is a sort of high-powered 22. I had the privilege of firing one. It is a beautiful little weapon. It has a high muzzle velocity, and because of the hydrostatic effect of its projectile—the shock effect—you don't have to hit any bone of a person to break it; the shock itself will break it, and practically every casualty becomes a kill. What is more important—and those who have served as infantrymen will understand me—you don't carry just one bandoleer with 50 rounds, or two bandoleers with 100, or four bandoleers with 200, which is considered a full load of ammunition, but this has a logistic point of supply. You can load a soldier with 600 rounds, 580 to be precise, of this small ammunition which weighs a third as much and takes up half the room of the ammunition which conventional rifles require. They now have a light automatic rifle with a rate of fire of 750 rounds a minute. It has a steel barrel, and all the other parts are made of nylon, and it cannot clog or jam. Do you think if you offered that to an army they wouldn't say, "Well, what are we waiting for? Give them to us." The American armed forces had these rifles and were carrying out studies on them, but I gather that their studies are something like royal commissions in Canada, which indefinitely postpone decisions. Because, try as they might, they could not get the authority to send these rifles to Vietnam, and their armed forces were stalking around with M.15's, big and ugly things that were running out of ammunition and were practically useless in jungle type of fighting such as they were doing.

What a beautiful weapon! You can lie down on a range and get good hits up to 1,000 yards, whereas the M.15 is effective only to 500. Someone did a little research and found that most of the damage was done at ranges of less than 300 yards. Finally the Secretary of Defence, Mr. MacNamara said, "Take 5,000 of those things out there. I don't care what they do with them. If they don't like them they can bury them." This was done over the heads of the whole military establishment.

Since then they have sent 685,000 of them out to Vietnam, because everyone who got his hands on one did not want anything else.

I tell this to make the point that if you have men who have spent their whole lives doing a particular thing in a particular way, they are going to find it is unthinkable that they could perhaps accomplish the same thing in any other way. If they admit that there is some other way of doing it, then surely they must almost have to say, "I am not only unnecessary but I was never necessary."

The moment a man with experience admits that there is a new way to do things, a different way from any he has ever known, automatically it is to accept the fact that his experience is for naught. If there were some generals, if there were some admirals, if there were some air vice-marshals who served this country honourably and well, and to whom we owe a debt for that service, who suddenly found they were faced with a situation they could not comprehend, then let us give them our sympathy, for they deserve it. But that is all their reasoning deserves.

Tradition? Somebody spoke this morning about tradition, and when they did so—I am almost ashamed to repeat it—the thought came to my mind that I had read once where Wellington, looking at his troops when there was a debacle of some kind, said, "I think they joined the army for drink—damn it all, every one of them joined the army for drink."

That is not why the men are in the armed services today; that is not why they joined the army. It is not why men joined the armed services in 1940 to 1945. But they did not join because they had some sense of tradition, that they were going to join something their fathers had been in. As a matter of fact, most of the units were re-organized and on a different basis. The air force in World War I was so small that it was not its tradition that induced young men to join the air force in World War II. It was the chance to write their own history and reach out themselves and touch the face of God.

What takes men into the armed forces and into war is their sense of duty and not a sense

of obligation to people long since dead. It is not a sense that they can walk in the reflected glory of some illustrious ancestor whose lights have long since gone out. What makes a man join up is the idea that he gets, here and now, that as a man he has a responsibility to do these things, and he does them. So, if there is a lack of morale in the services at the present time, that lack of morale is the responsibility of the men who lead them.

I agree with the statement that the uncertainty which has been given to these things, by the unnecessary discussion, has contributed more to that lack of morale than anything that is contained in this piece of legislation. When we walked through Europe with flashes on our shoulders, we felt an immediate kinship, and no sense of rivalry, with the man who was in blue or navy blue and wore the same flashes. This was a face from home, this was a friend. But we found this: I can remember as an infantryman being told we were going to have tank support, and goodness knows how many men we lost unnecessarily until we found out how to use tank support and it found out how to support us—and that was all in the same service.

American marines in Vietnam today have a completely integrated force. They have their own naval unit, their own shipping, their own air transport, their own fighter planes and bombers, and they have their own men on the ground.

Let me tell you that in World War I Canada had soldiers who started off as generals, or ended up as generals, who got sent back to Canada as generals. They were illustrious soldiers in World War I but could not get "off the ground" as soldiers in World War II because they could never get it into their heads that somebody had invented the airplane, that an airplane provided a new dimension to the strategy and tactics of war.

In the infantry today, you do not have trucks running up and down as we had in World War II. The helicopter is taking over completely from the truck, and largely from the tank, and so the Americans in Vietnam have what they call the air cavalry division.

It is perfectly obvious, I suggest, to anyone who reads even a little more than his newspapers, that in the task we are going to be called upon to perform, whether it is peacekeeping or trying to put out a brush conflagration, a brush-fire war, we are going to have to send some kind of self-contained all-inclusive force—and somebody will have to command this force.

I thought it was a rather strange thing when an admiral who is so upset retired from the Eastern Command. What was his command ship? If I understand correctly, it was the *Bonaventure,* an aircraft carrier, which in my understanding is a floating aerodrome. What is there in the memory of Nelson that tells you what to do with a floating aerodrome?

The use of aircraft carriers and aircraft in naval areas requires a completely new concept and a completely new approach. I thought that it made good sense when the admiral was replaced by an air vice-marshal.

The only thing I know about that particular boat, or ship—I do not want to insult my maritime friends—is that it has been used recently to transport some equipment from Canada to our troops in Cyprus.

Speaking of transport requirements, we can move practically all our equipment by air today, and much more cheaply than we can by any other way. We can do a lot of moving of anti-submarine material by air.

Surely the decisions ought to be made by men who do not care which way the material is transported, because they are not involved in one answer more than another? That is the whole idea of the armed forces unification, that men will learn to think in terms of the three- or four-dimensional way that is thought of now when they are studying strategy. Then they will be able to go out and ask, "What is the best answer to this problem?" And not ask, "What happened in the past and what is the best answer that will insure that we get our share of the budget this year, because if we let it slip this year it will be hard to get it back next year?"

I submit to you that this is all that the argument is about now, and that this bill effectively ends it. We are going to look like a bunch of silly people if we let ourselves be jockeyed into giving up a chance to achieve what every government would like to be able to do, that is, to unify its armed forces. This is the one way we can be sure that the taxpayer's dollar that goes into national defence will be spent to the best advantage. We will be able to offer our young people, as an incentive to joining up, not just the adventure of one arm of the services but the adventures of all arms of the service. We will not limit them to having to be satisfied, if they want tradition, with the traditions of one service, but we will give them as their common heritage the wonderful tradition and honours of all our services.

Hon. Mr. Belisle: Honourable senators, may I be permitted to ask the honourable senator a question? Will you leave *Hansard* as it is and not revise your speech, because I believe it will make interesting reading.

Hon. Mr. Connolly (Ottawa West): I think that is a gross impropriety.

Hon. Mr. Prowse: I have no intention of changing the record.

Hon. Mr. Connolly (Ottawa West): I think that is quite an improper suggestion for the senator to make. I would ask him to withdraw it.

Hon. Mr. Belisle: I shall withdraw it.

Hon. Mr. Hollett: May I ask a question, please? I believe the honourable senator said that in this bill we are doing something which every nation in the world would like to do. Would the honourable senator tell me why they cannot do it it or why they do not go ahead and do it?

Hon. Mr. Prowse: For the very simple reason that in the United States they have vested interests tied in with each of the armed services. They have 250,000 men in Europe, half a million men in Vietnam and equivalent numbers elsewhere, but they have achieved integration in their marine corps. But when it comes to starting a battle in the lobbies at the level they are able to bring down there, it is just a practical impossibility.

On motion of Hon. Mr. Pearson, debate adjourned.

The Senate adjourned until Friday, April 28, at 11 o'clock in the morning.

APPENDIX

(*See p. 1833*)

PENITENTIARIES

THIRD REPORT OF SPECIAL JOINT COMMITTEE

Wednesday, April 26, 1967

The Orders of Reference appointing the Joint committee direct that it is "to consider the state of penitentiaries under the control of the Government of Canada and the plans of the Government in relation thereto..." In pursuance of these Orders of Reference, the Committee had placed before it the matter of the design of the standard maximum security institution which the Canadian Penitentiary Service proposed to build at the various locations described in a ten-year plan of institutional development produced in 1963, namely: one in the Atlantic region; two in the Quebec region, one of them at Ste. Anne des Plaines; two in the Ontario region; one in the Western region. Two maximum security institutions on this design are proposed in the first phase of a ten-year program. The contract for one of these institutions, Ste. Anne des Plaines, had already been let before the matter was referred to the committee. A final decision was pending on the second of these maximum security institutions, to be built near Kingston, at Millhaven, Ontario.

In considering the standard maximum security institution design that is proposed, the Committee held nine formal hearings over the period from June 30, 1966, to April 6, 1967. Members of the Committee also held informal meetings in Washington, D.C., with senior officials of the Bureau of Prisons of the United States Department of Justice. In addition, members of the Committee visited St. Vincent de Paul Penitentiary on October 19, 1966 and Kingston Penitentiary on November 4, 1966.

The following witnesses were heard during the formal hearings: The Honourable L. T. Pennell, Q.C., Solicitor General of Canada; Mr. A. J. MacLeod, Q.C., Commissioner of Penitentiaries; The Honourable Mr. Justice R. Ouimet, chairman of the Canadian Committee on Corrections; Mr. T. C. MacDonald, Q.C., the Deputy Solicitor General of Canada; Mr. J. C. A. LaFerriere, Regional Director (Quebec Region), Canadian Penitentiary Service; Mr. I. B. Simpson, Facilities Planning Officer, Canadian Penitentiary Service; Magistrate E. W. Kenrick, Chairman, Canadian Corrections Association; Professor Justin Ciale, Department of Criminology, University of Montreal; Professor J. V. Fornataro, School of Social Work, University of British Columbia; Mr. A. M. Kirkpatrick, Executive Director, John Howard Society of Ontario; Mr. H. B. Kohl, Architect, Toronto; Mr. W. T. McGrath, Executive Secretary, Canadian Corrections Association; Dr. G. J. S. Wilde, Department of Psychology, Queen's University, Kingston; Dr. N. L. Freedman, Department of Psychology, Queen's University, Kingston; Mr. W. A. Brister, Governor, Morton Hall, Borstal Institution, Swinderby, Lincoln, England; Mr. Clarence B. Litchfield, Architect, New York City, N. Y.

The Committee also had the benefit of certain materials that were made available for its assistance, namely: a brief submitted by the Canadian Corrections Association (printed as an Appendix to the Proceedings); an "Evaluation of the Design for Maximum Security Prisons Developed by the Canadian Penitentiary Service" prepared by the Canadian Committee on Corrections, bearing date November 10, 1966, and containing a detailed sketch of an alternative design prepared by Mr. H. B. Kohl; a memorandum to the Solicitor General from the Commissioner of Penitentiaries, bearing date November 29, 1966, replying to criticisms of the Canadian Penitentiary Service design contained in the "Evaluation" prepared by the Canadian Committee on Corrections; a model and working plans of the proposed Canadian Penitentiary Service design; certain films prepared by the Canadian Penitentiary Service; and slides demonstrating the alternative design prepared by Mr. Kohl.

The Committee wishes to emphasize the peculiar difficulty with which it is presented by this reference. Architectural design, especially as it relates to prison architecture, is a highly specialized field. The committee was informed that only a very few architects in North America are recognized as experts in

the field of prison architecture. The design for a maximum security institution that is proposed by the Canadian Penitentiary Service is strenuously opposed by representatives of both the Canadian Corrections Association and the Canadian Committee on Corrections. It is similarly opposed by one prison architect, and apparently viewed with something less than enthusiasm by another. In the latter case, the architect is a recognized expert in the field. In the circumstances, therefore, the Committee finds itself placed in the role of adjudicator.

It is common ground that opinions among architects as to what is desirable may differ. Further, we are told that a proper assessment of any prison design can only be obtained from long and intimate association between an architect and the planning authority. To this extent any "outside" expert is at a disadvantage, and assessment or criticism offered by him must be viewed with some measure of caution. At the same time, a prison design of necessity reflects—implicitly if not explicitly—the correctional philosophy that it is intended to embody. There comes a point, therefore, at which it is a particular correctional philosophy itself that is in issue. This does not mean that the difficulties are removed, for here also the questions to be resolved are in the domain of experts—experts whose opinions once again differ.

In assessing the Canadian Penitentiary Service design, it is important to bear in mind that the maximum security institution is to be one of a complex of integrated and contiguous institutions. This complex, in addition to the maximum security institution, is to consist of a regional reception centre, a medium security institution, a minimum security institution, a special correctional unit and a medical psychiatric centre. There are immediate design implications to this plan. This explains why it is considered practicable to arrange for food preparation outside the institution. It explains the absence of a reception and classification unit in the design. It is also offered as some explanation as to why the separation of the hospital from the offices of the clinical staff is not considered inherently objectionable, for under the plan as it is conceived, services that would otherwise be provided to clinical personnel by the hospital will be provided by the medical psychiatric unit outside the institution. A further implication is that the special correctional unit will remove from the maximum security institution some of the more violent inmates classed as non-psychotic, and the medical psychiatric centre will remove psychotic inmates. This in turn is reflected in the more limited space allotted for the disassociation unit and for the hospital.

The criticisms of the proposed design may be divided into two categories: those directed to the general conception of a maximum security institution as conceived by the Canadian Penitentiary Service; and those concerned with particular features of the design itself. These two categories are not, of course, entirely separate. Criticism in point of detail provides, understandably, much of the evidence that is advanced in support of the challenge to the design in its general conception. For convenience, however, we will consider the various criticisms that have been made under these two headings:

The criticisms that have been directed at the general conception of the Canadian Penitentiary Services' standard design for a maximum security institution are the following:

(1) Control of inmate movement of unnecessarily rigid and centralized, and the consequent restrictive atmosphere will result in serious loss of time and disruption of program. It is further suggested that efforts at rehabilitation will be inhibited by the manner in which inmate control is conceived in the institution.

(2) There is too great a division of staff from inmates in the proposed institution and this can give to prisoners the impression that the staff is afraid of them. Emphasis needs to be placed on increasing contact between inmates and staff, rather than on increasing separation.

(3) The space allocated for program needs is inadequate. This point is made in reference to a number of detailed features of the program design: i.e. educational facilities; provision for recreation; dining facilities; the library; etc. However, the argument also proceeds at a more fundamental level. the contention is that the design reflects no conception of "program" that the institution is planned almost exclusively by reference to custodial considerations, without any clear assessment as to the kinds of prisoners who are to be placed in the institution or the kind of program that is required if there is to be any hope of effecting behavioural change. A correctional institution, it is said, should be built around an express conception of the

program that is to be conducted in it, and such is not apparent from the present design.

(4) The design is wanting in flexibility. It cannot be modified to meet changing conditions in later years, and especially change in the prevailing philosophy of corrections.

The Committee proposes later in this interim report to return to these cirticisms of the general conception of the design. The Committee turns at this point to an assessment of criticisms of particular features of the design. The principal criticisms on matters of detail, with our comments, are as follows:

(1) There are too many control points in the present design. This contributes to an oppressive atmosphere in the institution. It accentuates the separation between inmates and staff. It results in too large an allocation of manpower into unproductive tasks, with a consequent reduction of funds available for training and rehabilitation.

Comment: It seems to the Committee that this criticism has been answered in part, but only in part. An analysis provided by the Canadian Penitentiary Service indicates that the number of 24-hour control points is only five. It appears to the Committee, however, that the total number of control points, including those operated for shorter periods, remains large—in comparison, for example, to the maximum security institution at Marion, Illinois. Moreover, as we interpret the design, an inmate would not be able to move from the cell unit to any other part of the institution without passing at least three control points. This suggests to us an atmosphere of rigid and oppressive security. The Committee notes further that the argument that there is an economy to be derived from the Canadian Penitentiary Service plan is based on the express assumption that inmates will be able to move through the institution free of escort. Expert testimony that the Committee has received suggests that this assumption may well be questionable. If inmate movement is to take place in the manner apparently contemplated by the Canadian Penitentiary Service—that is, without escort and through a series of narrowly separated control points—the Committee wonders whether this itself is not some evidence to sustain the more general criticism that an undue separation between inmates and staff is built into the design.

(2) Inadequate provision is made for an educational program. Three day rooms are specified as being for educational use. These are too small. They are dispersed, so that it is difficult to establish an integrated teaching program. They also suffer from the positioning of a control point outside the door of each room.

Comment: The Committee was informed that the workshops building is designed with sufficient flexibility that additional classrooms can be provided. Experience elsewhere has apparently been that the amount of classroom space required is usually underestimated. It is the Committee's view that the present plans for the workshop building contain inadequate provisions for classroom facilities and your Committee recommends a complete review of the educational requirements and the provision of adequate facilities therefor. The Committee was also informed that day rooms are to be designed in such a way that blinds could be installed to be pulled down to block off the view from the control point outside the door. The Committee recommends that blinds be installed and used in such a manner as to remove as far as possible the custodial atmosphere. It seems to the Committee that the criticism concerning dispersal of classrooms can only be answered if it is assumed that the main educational program is to be conducted in the workshops building. The Committee was impressed by testimony received that many foreign prison jurisdiction are increasingly utilizing manuacturing facilities as an important tool in the rehabilitative process. The Committee recommends that the prison design take into consideration the possible inclusion of this type of development.

(3) The space allocated for a library is too small. Clearly the library will not be large enough to contain many books. Nor is it large enough to permit inmates to use the library for reading purposes.

Comment: The Committee understands that the intention is that inmates will place orders for books and that the books will be brought to them at their cells. It would appear to the Committee, that, under this arrangement, any rehabilitative benefit that in inmate might obtain from being exposed to a library is lost. The Committee recommends that library space be expanded, to allow selective access by inmates to the library.

(4) Dining facilities are inadequate. As the institution is conceived, inmates will eat either in small groups in day rooms or in-

dividually in their cells. There is no provision for a large central dining hall, or for any dining room of intermediate size. This arrangement is criticized on several counts. The day rooms are small, so that as a practical matter most of the inmates will eat in their cells. The use of day rooms for dining purposes, with the consequent problems of waste and food odours, is inconsistent with the multi-purpose use that is contemplated for such rooms. There is, in any event, a need for a larger dining facility where inmates can be observed in more open surroundings in assessing whether they are ready for transfer to medium security institutions.

Comment: The Committee is convinced that dining in the day rooms is an improvement over the present cell dining arrangement in maximum security prisons; however, the Committee believes that some larger group dining facilities should be seriously considered. The Committee is further convinced, on the evidence that it has heard, that a larger dining facility does not present an unreasonable problem of control, even in a maximum security institution.

(5) The arrangement whereby food will be prepared outside the walls, in preference to an interior kitchen, is undesirable, both because the quality of the meals will suffer and because this will be a vehicle for the entry of contraband into the institution.

Comment: This criticism has been answered to the Committee's satisfaction on the basis that the kitchen is for the common use of a complex of adjoining institutions.

(6) The Canadian Penitentiary Service design provides for a small combined exercise room and auditorium, but no gymnasium. It is contended that this is inadequate.

Comment: The Committee is sympathetic to this criticism, and noted on one hand the larger space per inmate of indoor recreation facilities provided by the U.S. Federal Bureau of Prison but also noted greater use of outdoor facilities in the Canadian prison system. The Committee recommends that more consideration be given to the multipurpose use of indoor recreational facilities.

(7) The location of areas in relation to one another is badly planned. For example, the hospital is separated by substantial distances from the offices of clinical personnel and from the disassociation unit. Similarly, the chapel is placed in a location such that access to it can be obtained only by passing through the maximum number of control points. Nor are separate offices provided for chaplains in immediate proximity to the chapel.

Comment: It appears to the Committee that there would be substantial advantages to Chapels being centrally located with chaplain's offices in close proximity.

It will be evident in reviewing these criticisms of particular features of the Canadian Penitentiary Service design that some have been answered, or answered to a degree. Still others, although not all, can be met by additions or modifications to the design. The Committee thinks it important to note also that a number of features of the design have elicited favourable comment. Reference might be made in particular to the arrangement of cells into small, segregated cell units, to the provision of outside cells throughout, and to the placing of interview rooms close to the cells. While there has been some complaint that the proposed institution is too large for effective correctional procedure, we think it only fair to point out that the proposed inmate population of 432 compares favourably with other institutions of this kind.

The criticisms of the general conception of the proposed maximum security institution are more difficult to assess for the very reason that they are less specific. Nevertheless, the Committee is of the opinion that there is some merit in each of the four general criticisms that were outlined previously. The Committee makes the following observations:

(1) The manner in which the control of inmate movement is conceived in the institution is likely to have a repressive effect. The opposite view expressed to the Committee was that the width and comparative shortness of the corridors will give a feeling of spaciousness that is less oppressive than results from the longer corridors that are customary in such institutions. The Committee believes that this view fails to take into account the multiplicity of glass enclosed control points that characterizes the design. The Committee thinks also that the complexity of the corridor design can only serve to accentuate inmate awareness of omnipresence of "control".

(2) It seems evident to the Committee that the Canadian Penitentiary Service design provides for the maximum separation of staff from inmates. All of the evidence that we have heard is to the effect that the tendency in correctional development is to break down unnecessary barriers between inmates and

staff as the most hopeful means of effecting personality change. This development is documented in the correctional literature and borne out in experience with maximum security institutions such as Marion, Illinois. The committee recognizes the need to protect officers from attack. The question is whether protection is to be bought at too high a price in this design. It is relevant to note that the workshop building will apparently contain a "catwalk", presumably to permit an armed guard to preside over work activities. Our information is that no such protection has been built into a federal prison in the United States in over half a century and that "catwalks" in earlier prisons have in most cases been removed. The criticism, therefore, that the design is concerned primarily with "custodial emphasis" seems warranted.

(3) Specific criticisms concerning program space have been considered above. The Committee has been able to obtain no satisfactory comparative assessment of the overall allocation of space for program purposes, in part because of the multi-purpose use that is apparently contemplated for the workshop building. The Committee is concerned about the approach that the Canadian Penitentiary Service appear to have brought to program planning in relation to architectural design. There seems to have been little attempt made to seek out professional advice concerning the kinds of programming that might serve most effectively to meet the needs of prisoners and what, architecturally, might be desirable to facilitate such programming. It is the Committee's understanding that leading modern prison architects have come to recognize this as their most important and creative function. Put in its simplest terms, more attention should be given to program planning prior to design and construction.

(4) It is more difficult to comment on the criticism that the proposed institution lacks flexibility. In some respects the institution is designed with a particular view to flexibility. The Committee notes that the three "activities buildings" can all be extended, that the workshops building is apparently designed so as to allow considerable freedom of internal alteration, and that the design and placing of the cell units is such that space for day rooms or interview rooms can be increased by the removal of cells. It is also claimed for the design that it provides for maximum flexibility in grouping for purposes of segregation, although we think it only fair to note that this claim has been challenged. The Committee has serious doubts whether the building is adaptable to evolving program needs in accordance with developments in correctional philosophy and questions whether it would readily allow for any program that presupposes relatively free and uninterrupted inmate movement.

If this is all that there were to consider, the Committee is inclined to the view that there should be a basic and detailed re-examination of the standard design for a maximum security institution proposed by the Canadian Penitentiary Service before any further construction is allowed to proceed. There are, however, other considerations.

It has been impressed upon the Committee that there is an urgent need for an early start on another maximum security institution to relieve overcrowding at the St. Vincent de Paul and Kingston Penitentiaries. The Committee did hear evidence that the inmate population at Kingston Penitentiary has been reduced, that medium security institutions are not operating to full capacity and that the opening of the Warkworth institution will further relieve the pressure of population. There is some evidence also, that the estimated percentage of inmates requiring maximum security custody as expressed in the ten-year program on which the Canadian Penitentiary Service building plans are based is too high. Nevertheless, the Committee thinks that the case for an early start on one additional maximum security institution has been made. The Committee is informed that the preparation of a new design would take a considerable time to complete. The Committee has heard estimates that vary between one to three years.

However, we have no hesitation in recommending a basic review before any consideration is given to constructing additional maximum security institutions in accordance with this design, as is apparently contemplated under the ten-year plan of institutional development. To begin with, the Committee has serious reservations about the design itself. Secondly, the Committee is concerned that the estimated percentage of inmates requiring maximum security custody may be too high. Under the ten-year plan, this segment of the inmate population is estimated at 32 percent. The Committee notes that the *Manual of Correctional Standards* of the American Correctional Association, which lists a num-

ber of leading Canadian authorities as contributors and consultants, express doubt "if real maximum security facilities are needed for more than 15 percent of an unselected prison population". The Committee appreciates that the inmate population in the penitentiary system is in some respects unique in that the system receives only offenders sentenced to imprisonment for periods of two years or more, so that it is not "an unselected prison population". However, the Committee thinks that more evidence is required to account for a difference between 15 percent and the Canadian Penitentiary Service estimate of 32 percent. Authoritative evidence has been received by the Committee that would indicate that developments in the correctional field are moving at such a rapid rate that design should be adaptable to changing concepts. The evidence that a higher percentage of offenders are sentenced to prison in Canada than elsewhere and the likelihood that the report of the Canadian Committee on Corrections will result in a change in sentencing procedures, confirms this view. The Committee questions whether the ten-year plan of the Canadian Penitentiary Service sufficiently takes into account the increasing trend in correctional technique towards less secure custody—a trend that extends, we are informed, to many prisoners who have until recently been thought to require custody under conditions of maximum security.

In conclusion, the Committee approves the decision to construct a second maximum security institution on the standard design proposed by the Canadian Penitentiary Service, subject to the following recommendations:

(1) That the specific modifications to the Canadian Penitentiary Service standard design recommended in the text of this Committee's Report be implemented.

(2) That no additional maximum security institutions be built on this design without allowing for a period of experience with the one institution under construction and the one contemplated; and without a basic review of the standard design in the light of developing correctional philosophy.

(3) Moreover, before any further consideration is given to the construction of additional maximum security institutions, the Canadian Penitentiary Service should prepare a detailed statement of the program that it proposes to conduct in such institutions, with particular reference to programming directed to behavioural change, and that every effort be made to relate requirements, in terms of space, classification and architectural design, to the best knowledge available concerning programming for behavioural change in the correctional context.

All of which is respectfully submitted.

W. M. Benidickson
Joint Chairman

THE SENATE

Friday, April 28, 1967

The Senate met at 11 a.m., the Speaker in the Chair.

Prayers.

CANADIAN FORCES REORGANIZATION BILL

SECOND READING—DEBATE CONTINUED

Leave having been given to proceed with Order No. 2:

The Senate resumed from Wednesday, April 26 the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-243, to amend the National Defence Act and other acts.

Hon. Arthur M. Pearson: Honourable senators, I recall as a member of the R.F.C. and later the R.A.F. that in the later stages of the First World War we definitely had some co-operation between the air force and the artillery and between the air force and the infantry. This co-operation was developed very much in the Second World War, and the navy made use of the air force as soon as they could in the first war. The British navy was recruiting men in Canada for the Royal Naval Air Service in 1915. So, honourable senators, this co-operation of the services is nothing new; it has merely been developed on sound bases, established and approved by scientific means.

Let no one in this chamber go away with the idea that in my day the army, the air force and the navy did not use every device that could be brought forward to bring down the enemy. In the First World War there were new developments, such as the use of the tank, the air force and many other things. Also, honourable senators, no one should leave this chamber—especially those who were not in a combat unit—with the idea that the insignia, the flashes and the medals were not proudly worn. There was no Canadian active air force during the First World War, and many hundreds of young Canadians joined the British air force, the R.F.C., later the R.A.F., and we were very proud to be able to wear a flash on our shoulders bearing the word "Canada".

I believe that today the people of Canada suffer from mass indifference. This is a serious problem for those who have the job of running the forces of this country. On the whole, Canadians are fairly free from want; they belong to the affluent society. As a result, one could say they are interested only in money, cars, travel, games, or plain lazing watching television.

On the other hand, we have an energetic youth group in our high schools and universities. There is considerable rebellion evident among these young people; they want to do things in a hurry. We can say too that on the whole they are indifferent to tradition. They could not care less about the loss of the Canadian Ensign or the pattern of our new flag. They could not care less about our famous regiments and the traditions built up at great sacrifice by those regiments. They could not care less about the loss of traditions in our navy and air force, both built with great heroism and sacrifice in the two world wars.

Honourable senators, may I remind those of you who have not been on active service in either of the two world wars or in any other war, that battles are won by the careful cultivation of esprit de corps in each unit during peacetime. In whatever service you may serve, when the call comes for active duty all the spirit, tradition and esprit de corps come to the fore. In battle each man learns to admire his colleagues for their special help and consideration. Each unit believes it can do battle better than any other. There is a spirit of rivalry between regiments, brigades, divisions, and other units; between squadrons, between ships. How else could our Canadian forces, made up mostly of men of a peace-loving country, have won such fame in battle, fame that is world-wide?

I was surprised to read in the evidence given before the National Defence Committee of the other place a statement made by General Allard while he was being questioned by one of the members of the committee. He said:

> There is a great deal of value in traditions—and we respect them. There is no thought of eliminating worthwhile traditions.

He went on to explain this in these words:

> I used to watch the effect of tradition. I served with the British Army and in some cases tradition was a hindrance and those are the traditions that I say must disappear.

The elimination of tradition is a touchy subject in the Canadian forces today. It is being suggested, for instance, that the word

"Royal" be eliminated from the names "Royal Canadian Navy" and "Royal Canadian Air Force". This disturbs a great many men who are presently serving.

Honourable senators, tradition is a way of life in our country. We follow tradition in this chamber, as do the members of the other place. Traditions are preserved in our churches, and in fact in almost every walk of life. We must be very careful when we think about eliminating tradition.

As I said at the beginning of my remarks, we in this country are suffering from indifference, especially among our middle-aged citizens, and from rebellion by our youth.

We have made an extensive use of royal commissions and joint committees of the Senate and the House of Commons, and other means of inquiry, to explore almost every subject before proceeding to legislation in respect of it. Yet, what did the Minister of Defence do before he presented Bill C-243 in the House of Commons? He brought out what is known as the White Paper. From that time on to the present he has drifted from one program to another. I cannot say it better than that. The minister is a restless politician, and he has been trying to build up his image before the young men and women of this country. It seems that he has not much use for the brass, and this appeals to our youth.

This bill was given second reading, or approval in principle, in the other place before there was any inquiry or real discussion of it by the National Defence Committee. Of course, no matter what went on in the Defence Committee after that, very little could be amended or discussed. The committee could do little else but hear witnesses, and the other place could do little but register loudly its protests.

At the outset the White Paper of 1964 indicated that the Government was aiming at integration; and integration—as most of those who were in the know or who took the trouble to find out—meant generally the tying together of certain department and headquarters staffs to enable the whole organization to eliminate certain duplications and to function more efficiently under one Chief of Staff. However, as time went on it became clear that integration was not to be the end, but merely the beginning of the transformation of our armed forces. It became clear that unification was what the minister had in mind—the complete unification of all our armed forces—although there is still no definition forthcoming from the Department of National Defence as to what is meant by "unification." We are left to guess what the word means.

This change has been going on steadily since 1964 and has apparently created a great deal of confusion right from the top down in the armed forces. In fact, it became so bad that a great many of our senior officers retired, or were asked to leave, because they could not agree with what was taking place or agree with the minister.

My feeling is that we live in a very hard, practical, jealous world, which is full of envy. We must, in my opinion, do all we can to retain a proper balance with our fighting forces. While most people agree with integration, they are very hesitant to continue to complete integration or unification until there has been a sound base for these new changes and a chance to correct any possible errors that might take place.

In our military build-up we should conform largely to what is taking place with our neighbour to the south or with other members of the Commonwealth, who have in no wise indicated that they are going to unify their military forces; although in some cases there is considerable integration taking place, especially in the United States and Great Britain.

Our next thought, honourable senators, should be given to the defence of Canada. We have a vast land mass and many thousands of miles of coastal area. Today North America has become the centre of western civilization, or perhaps I should say the base of western civilization, from a military standpoint. The United States and Britain are involved in policing strategic points throughout the world; and since North America is the centre of defence for the western world, we should concentrate our forces in defending Canada which, to my mind, would be the greatest assistance to our neighbours to the south. Because of our large land area and vulnerable coastal lines, it seems to me that we should be concentrating on maintaining a mobile army and a sound navy which would be able to stand off any enemy vessels approaching our shores, and our air force should be concentrated at strategic points across this dominion to lend assistance to the army and the navy.

Some say we live in a new era, and that war is a matter of foreign policy, that NATO is becoming less and less necessary. They reason that the navy is now largely needed as

transport. How do they account for all the uses of a navy such as that of the United States Navy or the Royal Navy? When trouble starts in the Middle East or in Southeast Asia either of these navies will stand offshore. In many cases they have prevented a full-blown war. This happened in the case of China and Taiwan, as well as in Cyprus and Malaysia. Our navy is needed to protect our fishing rights and offshore minerals. We have agreed with NATO to help, and defend if necessary, certain areas against submarine activity.

Of what value is any international agreement without the force behind to support it? We live in a world of rebellion, fear and hate, and the tempo of each of these is growing in many areas and countries as the years go by. Strong-willed men are too numerous in our time to allow for anything less than a strong navy and air force, each prepared for immediate action until the army can take its place to defend the rights of the country.

The submarine is now a very effective weapon of attack. Nuclear power enables it to attack not only other naval vessels but the coastal cities and inland areas, by lying quietly along the coast until time for attack in force, with air and missile support. We must have an effective navy, able to counter without having to await specific orders for each move from one central authority. Wars are fought by individuals, who are given general instructions or orders, and who must then exercise a great degree of individual "savvy" as the battle progresses from day to day.

It seems that the minister feels that we should not only do this type of work of defending Canada but that we should have a special force which could be more or less under the control of the United Nations and which could be rushed to any point in the world to stop any small confrontation of the smaller nations which might lead to a larger war. With the present unrest in the world today, engendered by people of communistic outlook, it could be that there will be a great many of these small confrontations and if we continue on our present path we will be involved in so many of these that our forces will be scattered very thinly, our hope of defending our own country minimal, and we could be open to attack by anyone who had the notion of absorbing our great resources. We would be leaving the United States flank wide open to an attack with conventional arms brought in by large air transport.

General Allard says, however, that we have advanced so far in integration at the present time that we cannot stop and that we must push for unification as rapidly as possible. If we are to maintain defence forces in Canada and also peacekeeping forces for the use of the United Nations, it is going to cost this country a great deal of money. There is no question but that the capital cost of equipment will go up, and instead of a budget of $1½ billion, we could be running into a budget of something like $2 billion or $2½ billion before long. With our population of 20 million, can we afford this?

Democracy is a system built up over the years. The foundation of our democracy is built very solidly on our religion, on our law, on our education, on goodwill, on our police force and on our armed forces. There is a very fine balance maintained in each of these. No one thinks of tossing out our religion; no one would blast our laws and change them completely; nor would they suddenly alter our police system. It is hard to change our educational program, though we do find some small changes are necessary. Yet one of the principal stones in the foundation of democracy in this country—I am speaking of the armed forces—is being virtually torn apart. We are going to rebuild the armed forces, but it will take some five or six years to do so. To my way of thinking, honourable senators, that is wrong.

I think this whole affair has been a colossal mistake. It has been rushed into because the minister is one who believes in reformation, speed and action. He feels that he must have action all the time. This is an over-weening ambition that some men have when they find themselves in a position of responsibility. I feel sorry for him. If he must make this unification system work, I trust that at least he will not harm our country too much in his efforts to obtain unification, which he loudly trumpets as the most modern aspect of armed forces, as if he alone thought it all up and is the first man in the world to show those admirals and generals what a civilian can do when he decides to use his power.

Hon. L. P. Beaubien: Honourable senators, I want to say first that I am against this bill. I want to try to explain that I am against this bill because I cannot understand unification.

I was in the army for five years. Certainly that does not make me an expert, at least not for a future war, but, having seen the various services in action, I cannot see how we could achieve unification in actual practice.

The training is different for the three services. They have different weapons and their spheres of activity are different. I cannot understand, therefore, how unification could ever work.

It is a pretty poor argument to say you are against something when you do not even understand it. Perhaps I get that from my Irish mother. There is an old story of the Irishman who said, "What is it?—I am agin it." And there we are.

Our Chief of Staff said he could make it work. I have a great deal of respect for General Allard, and if he says it can work, perhaps he is right.

The majority of the elected representatives of the people have spoken in the other place, and apparently they are in favour of unification. Therefore, although I cannot personally endorse the bill, I feel that all good Canadians have to put their shoulders to the wheel if the bill is passed and make do for the best.

Hon. M. Grattan O'Leary: Honourable senators, in rising to make a few brief observations about this bill, I am deeply conscious of the fact that we cannot here change this bill, and that nothing we may do or say here at this time will make much difference to it. But we can voice—and I think it is our duty to voice—the deep concern, the grave misgivings which weigh down upon so many responsible people in this country at this time about the character and implications of this bill.

It is true, honourable senators, that with this measure we are embarking upon a voyage into the unknown, accepting an adventure which some of the most responsible and knowledgeable people in this nation have characterized as an adventure with irresponsibility. We are in fact being committed to a plan which may not fit at all, or which may only fit disastrously, into the world that may be with us two, three or five years hence.

I have read most of the evidence given before the Commons committee on this bill. I have read the speeches in the other place and I listened to the speeches given here this week by Senator Connolly (Ottawa West) and Senator Croll.

Senator Connolly in a kindly reference to me a few days ago said that there were times when he wondered about Senator O'Leary. Well, there are times when I wonder about Senator Connolly. I always listen to him with interest, with respect and often with admiration—admiration for his talents, for his dedication and for his eloquence. After he began his speech last week and had gone almost halfway through it, I said to my deskmate Senator Grosart, "If this bill had been introduced in the other place with the moderation and spirit of conciliation being shown by Senator Connolly now, we might have avoided a great deal of controversy." But, sadly, as he went on Senator Connolly seemed to remember that he was not only a member of this house, that he was not only a senator, but that he was a member of the ministry, and then he lapsed into the accents and into the lack of logic which we have heard from the Minister of National Defence in the other house.

Of the things that Senator Connolly stressed, one, for example, was that this was a matter or issue of civil control, and surely that was a vast irrelevance. The question of civil control over the military was established in this country more than 60 years ago when Sir Wilfrid Laurier dealt with Lord Dundonald, and it has been reasserted again and again by all parties and by all prime ministers. To raise it now is simply to try to provide a smoke screen which will confuse the people of this country about the real purposes of this bill.

There is no question at all and there can be no question about civil control over the military.

I have read, as I said, most of the evidence given in the other place, given in the committee of the other place, and the evidence which impressed me most, and which must impress any reasonable person most, was the evidence given by three of our leading military experts. They were Air Chief Marshal Frank Miller, former Chief of the Defence Staff; Lieutenant General Robert Moncel, former Vice-Chief of the Defence Staff, and Lieutenant General Frank Fleury, former Comptroller General of the Armed Services.

Now, it has been said that these men are speaking for vested interests. These men are retired. They have no more vested interest in the organization of our military defence. They are speaking from their experience, from their knowledge and from their dedication to this nation, which has been very great and was established long ago. And what do they say? I want to quote from these gentlemen only briefly because they have been quoted

before in the other place and perhaps in this house as well. Vice-Marshal Miller said:

> It is my feeling that the Canadian services are not yet ready for unification. I do not see any monetary return from unification, nor any significant military effectiveness.

What did General Moncel say? Moncel told the committee that to force unification is "moving on an uncharted course at very high speed toward a dim destination."

Then, there was Admiral the Earl of Mountbatten. Mountbatten was interviewed about six months or a year ago by the C.B.C., and he made certain statements to them. The C.B.C., always ready and willing to do a chore for the ministry—or for the Liberal Party for that matter—

Some Hon. Senators: Oh, oh.

Hon. Mr. O'Leary (Carleton): Well, I will debate that at any time with the honourable gentlemen opposite. The C.B.C. reproduced a television interview which they had with the Admiral which seemed to make him say that he was in favour of unification.

Well, this surprised some of our people, and a gentleman in Victoria, Commodore Harold V. W. Groos, wrote from Victoria to the Earl of Mountbatten asking for a statement: did he or did he not say what the C.B.C. tried to make him say on the TV program which they reproduced in the middle of this controversy? Why they did it, I ask honourable senators opposite to explain. This is what Mountbatten wrote back to Commodore Groos:

> Few people still oppose the integration of arrangements for pay, food, clothing, furniture, equipment, etc., since this must be a more economical way of providing them.
>
> In fact I believe the British reorganization, although much disliked and opposed by many senior officers at the beginning is now accepted as reasonable and more efficient and economical.
>
> In the British reorganization care has been taken to preserve esprit de corps and morale and those traditions which help to maintain this in the services and fighting units.
>
> It has been accepted that to achieve this the three services must retain their uniforms and ranks with an identifiable professional head of their service. The idea of a single uniform and rank structure was also rejected as undesirable and unnecessary.

In other words, what is now proposed by this bill and by the Minister of National Defence, was rejected as undesirable and unnecessary by the British Government.

Admiral Mountbatten goes on to say this:

> Unified command at the appropriate level is exercised by an officer from any one service, wearing his own uniform and using his own service rank (assisted by an integrated staff) who commands all units of the three services placed under his command.
>
> These were the views I expressed or intended to convey when I was asked to explain them to the Canadian press, radio and television. Nothing has happened to change those views.

These, honourable senators, are the views of experts. Now it has been said, and it was said in the other place, that this is not a task for experts; it is a task, the Minister of Transport said—and it was seized upon by the Minister of National Defence—for politicians. Now, let there be no doubt about it; the politicians must control the decisions that are made rightly or wrongly, but the question is, are they making it in the right way and with the right advice? If you were reconditioning an aircraft carrier would you go to the politicians to be told how it should be done or what changes and alterations should be made, or would you go to the engineers and officers who had been operating the ship?

Honourable senators, it is as simple as that. These military officers have not said that you must do such and such a thing, but they have given their honest advice, and that is what government is about. Democratic government is built up in that way; parliamentary government is built up in that way. We have to have advisers. Last session, for example, we created in this country a science council. What did we create it for? We created it to secure advice from experts, from scientists, regarding legislation having to do with the application of science. Is it logical then to say that we must take the advice of politicians or civilians against the advice and experienced views of men who have been at the head and who have been intimately concerned with the organization and operation of our defence forces?

Having read as much of the evidence as I could—and I think I have read most of it —given before the committee of the House of Commons on this question, I say to you in all sincerity that I do not believe there have been answers given to completely relevant questions about the implications of the possible consequences of this measure. Again and again the question was asked, what will this measure mean to our international commitments? And although we had statements from the Secretary of State for External Affairs and from others, no satisfactory answer was given.

I put this to honourable senators: Within a year or two we may be embarking in connection with our defence on what is known as ABM—anti-ballistic missiles. If it should come that under our obligations and commitments to NORAD we should be compelled—and we would be compelled unless we accepted some desperate alternative—to have in this country ten or twelve of our largest cities ringed by anti-ballistic missiles, then this country would be committed to an expenditure estimated at $3 billion a year. How can anyone say how this measure will relate to a situation like that?

At the present time the Ambassador of the United States, Mr. Thompson, is negotiating in Moscow with the Russians about whether they should embark on anti-ballistic missiles. We know from reliable sources that no progress has been made, and in fact there is some belief in authoritative quarters that already the Russians have gone ahead with anti-ballistic missiles ringed around Moscow. I repeat, if the United States Government cannot induce the Russians to withhold these measures, to back away from anti-ballistic missiles, then the United States will be compelled to go along; and, if the United States is compelled to go along, if it is compelled to ring its cities with anti-ballistic missiles, then what will be the effect upon Canada? That, I suggest, is a question which should have been engaging the attention and thought of the Canadian Government during the past year and not this tinkering with our defence setup. Mr. McNamara has estimated that anti-ballistic missiles for the United States will cost $30 billion. For Canada, we can reduce that to $3 billion, which is just about double our military budget at the present time.

I have not heard a single answer to the question as to what this is going to mean in the way of costs. I listened, as I said, to Senator Connolly (Ottawa West) make a very skilful defence regarding improvements and changes that have been made in our military defence setup, but the trouble with that is that he was arguing about integration. Everything he said had been done or would be done, could be done under integration. It is unification we are talking about, the loss of identity of various military and naval units. This is what is causing concern among Canadian people at the present time.

I would hope that if this measure passes —which it will—I hope that it succeeds, because to wish it well is only to wish well for Canada. I also hope that Senator Connolly's almost lyrical defence of this measure, his pleas, his assumptions and his prophecies, are better grounded than the fears of people in this nation who know a great deal about defence, and are deeply disturbed about this bill.

Hon. Frank C. Welch: Honourable senators, this bill has already been pretty well talked out in the other place and also has been discussed here for several days, but coming as I do from an area in Canada where we have so many of the armed forces personnel, I feel I should express myself regarding the bill now under discussion.

We have in Nova Scotia, only sixty-five miles east of my town, the cities of Halifax and Dartmouth, where much of the economy depends on the armed forces, especially the navy. Then in Greenwood we have one of the largest, if not the largest air force base in the Commonwealth. We also have the Cornwallis navy base, *the base* where millions of dollars have been spent. This is a small city within itself. On this base the Minister of National Defence has the guillotine lifted and ready to drop. However, Mr. Hellyer says he will decide its fate by 1968. Should he decide to drop the axe and close Cornwallis, the whole economy of western Nova Scotia will suffer greatly, and the millions of dollars worth of equipment will be reduced to nil, and probably sold by Crown Assets for next to nothing.

Honourable senators, you cannot move swimming pools, skating rinks, tennis courts, baseball fields and school grounds. Neither can the civilian population move the places of business set up outside the base to accommodate the trade created by the naval service. I mention this just as one of Mr. Hellyer's wild schemes.

I, however, express the opinion shared by many people that the Honourable Paul Hellyer, Minister of National Defence, has moved too far, too fast and too soon in his plans for

unification of the three services of Canada, without giving the necessary explanations not only to the public but to the servicemen in general.

It is my personal estimation that the honourable minister has not made his intentions clear until the second reading of Bill C-243 in the Commons on December 7, 1966, and even then his deductions left much to the imagination, and many questions unanswered, unanswered especially for those who have had some experience with the military backgrounds of the three services.

In the original White Paper on Defence (1964), considerable stress was placed on the reduction of manpower costs associated with headquarters, training, operations and maintenance expenses that would be cut by unification. It was further suggested unification would eliminate duplication and triplication of staff and administration expenses, but to my knowledge no figures were given except perhaps rather vague ones.

As I have said, the public and services were tired of generalities and wanted facts not words, and possibly during the second reading of Bill C-243 we were given something to really think about. In the Commons on December 7, 1966 the honourable minister said:

> I wish to put this in more concrete terms by comparing expenditures in the fiscal year 1962-63 with estimates for the fiscal year 1966-67, both years being close to the same level of approximately $1,575,000. The conclusion is sometimes reached, because the figures are approximately the same, that there have been no reductions in costs in the Defence Department. If I apply to the actual strengths of military and civilian personnel employed in the Department in 1962-63 the pay, allowance and salary rates applicable in 1966-67, the costs for personnel would now be $1,141,000,000. Adding to this the the costs of approximately $335 million applicable in both years for other upkeep costs such as maintenance of aircraft, vehicles, buildings, etc., I have a total figure of $1,476,000,000. If this had been allowed to happen provision for all of the capital costs, including military equipment, construction and development would have had to be reduced to $97 million in 1966-67; compare this to the $327,000,000 available in the budget. In other words a reduction in the capital program of about 70 per cent from that provided in the 1966-67 estimates would have been necessary.

This was in December of last year, yet the figures tabled in the House of Commons some weeks ago in spending Estimates had a figure of $1,572,690,001. This figure is still considerably above that of $1,476,000,000 which the honourable minister had said he did not want to happen. Somewhere along the line, in those billions and millions of dollars, I lost track of the honourable minister.

To return for a moment to the minister's speech of December 7, 1966, apparently Mr. Charles Lynch, writing in the Ottawa *Citizen* on the following day, December 8, had doubts also. I would like to quote a few remarks from his article. He wrote:

> But in terms of content, it left something to be desired, at least for those who wonder what the role of our unified armed force is going to be, and what it will be able to do that could not have been accomplished by the three existing armed forces operating on an integrated basis.
>
> Many of Mr. Hellyer's arguments in support of unification—and the speech contained little else—have an improvised air about them, as though he had dreamed up unification first and then devised the evidence in support of it afterwards.

Later Mr. Lynch wrote:

> Mr. Hellyer leaves us in no doubt about his own belief in unification —which is not surprising since the program is his own personal obsession.
>
> But the doubts that have been expressed by some of our senior professional military men remain unanswered.
>
> Nor has Mr. Hellyer faced up to the apparent discontent on the part of serving soldiers, sailors and airmen.
>
> He assures us that they are content, or that they will be when the full advantages of the program are made clear to them.

Honourable senators, I do not like the idea of rehashing old statements. I am well aware of the fact that many of you have read these statements before, but I would like to touch briefly on remarks made by Lieutenant-General Fleury, who retired three years before the end of his term of service. Lieutenant-General Fleury, as Comptroller General, testifying before the Standing

Committee on National Defence as to the activities under an integrated headquarters, spoke at page 1491 of the report as follows:

> I began to have considerable misgivings about the direction and speed of integration some weeks at least, if not months, before my retirement. ...I came to realize, or I thought I came to realize, that things were being done under the cloak of integration which really were not part of the integration process at all. I discovered to my surprise, because this was not my first tour in Ottawa—it was my fourth—that communications were very bad within the headquarters, and between the headquarters and the commanders in the field. I found that the tried and true channels of communication which had been the warp and woof of navy, army and air force procedures in chain of command for decades had largely been discarded. I found that officers working for me knew more, or said they knew more, or thought they knew more, about what was in the mind of the minister than I did. I found that security information as I knew it, was practically non-existent. The whole headquarters reminded me of a giant sieve. I saw evidence of disloyalty, and near disloyalty, in some people to the point literally that on one, two or three occasions a week, I would sit at my desk and feel like vomiting. I decided after all these years that this was an atmosphere, that these were conditions under which I could no longer conscientiously serve, and I asked for my retirement.

I wonder, honourable senators, how many men like Lieutenant-General Fleury have not expressed these opinions.

Much water has passed under the bridge since last summer, when we experienced the now famous revolt of the admirals, and in a great many incidents the sympathies of the public rested with such gentlemen as Admirals Landymore and Brock.

It is my personal opinion that these gentlemen were treated like bad boys by the Minister of National Defence. Admiral Landymore is reputed to have said that Mr. Hellyer deleted a section concerning personnel from the brief he presented to the Standing Committee on Defence of the other place. The Minister is reputed to have done this because, as he said, "personnel information dealing with the state of naval morale was not within Admiral Landymore's responsibilities."

I shall not go into the background of the minister's record of wartime service—enough has been said on previous occasions about that without my placing my thoughts on record; nor will I dwell on his divorcing himself from realities or abilities, because abilities he must possess otherwise the Prime Minister would not have appointed him to his present position, unless perhaps he is stuck with him.

I do question, however, his sense of responsibility. As an officer, regardless of how junior, would he not be aware of what makes a fighting unit tick? Morale is one of the most important things in a fighting unit, as any honourable senator who has served will vouch for.

Perhaps, though, morale is something that is hard to determine, as was evident by figures published in the issue of the Halifax *Herald* of March 28, showing that enlistment figures for the army were down, while recuitment figures for the navy and air force were up. Are the men enlisting today aware of what is about to happen in the future—one force, one command, one uniform?

If I am permitted to break for a moment from party affiliation, and my party's stand on integration, and speak as I think I do speak for the large majority of Canadians, I will say that I am not wholly opposed to the integration of some of the functions of the services. It is felt by some people that partial integration might work, and that such departments of the navy as the medical, dental, nursing, chaplain, music, food, education, legal, physical education, supply, meteorological, and other departments might be combined with those of the other services. But, before I or anyone else can pass an opinion, either for or against, the following questions must be answered.

What are the future commitments of Canada's armed forces? What is their role as a fighting force destined to be? Is it to remain as we have known it in the past? Or, is it the intention of the Department of National Defence to maintain our services as a sort of police force?

If the Minister of National Defence would give the people of Canada some idea of what the role of the Canadian armed forces will be, then we might not be so emotionally concerned, and it would do much to promote goodwill among the service personnel and to boost morale, which is so badly needed.

Hon. Orville H. Phillips: Honourable senators, normally I like to congratulate an honourable senator on his presentation of a certain viewpoint, and to thank him for his contribution, even though it is not in complete agreement with my own. Therefore, I am very happy to thank and to congratulate the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) for his introduction of this bill in this chamber. He gave us a lucid explanation, one that I appreciated very much. I thank him for that. My only criticism is that he white-washed the bill a little bit too much, and I take nothing away from him when I say that.

It will be no surprise to the honourable Leader of the Government when I tell him that I oppose this bill. He knew when he introduced it that we on this side of the house were not in agreement with it. However, it is his right to introduce the bill, and it is my right to oppose it, and that, honourable senators, is what I intend to do. I intend to oppose this bill to the best of my ability.

The bill is entitled: "An Act to amend the National Defence Act and other Acts in consequence thereof". When we think of amendments we think of minor changes, but in reading this bill I came to the conclusion that it is not an amendment but a complete change.

In this connection I thought of a ship going into a drydock for a refit. Normally, when a ship goes into drydock for refit certain repairs are made to it. Probably there is a replacement or an improvement of the engines, and various other kinds of work performed, so that the vessel comes out of drydock in far better condition than when it entered. But, honourable senators, the Department of National Defence went into drydock for refit, and it came out completely unfit. In fact, I would say that it came out of drydock in the form of "Hellyer's Ark"—not Noah's Ark but Hellyer's Ark—a sort of mongrel vessel containing a little bit of everything, structurally unsound, and built to remain in one place and one place only, namely, the drydock. So, honourable senators, let us leave it there.

We have in Canada at the present time armed forces constituted in the same way as the armed forces of almost every nation in the world. Every leading military nation in the world maintains three services. Every leading nation in the world has considered unification, but not one of them has adopted it. In fact the leading military nation of the world, the United States, has not only rejected unification but it is now moving more and more towards the British tradition of regiments, brigades and fleets. They are instilling in the members of their army a pride in being a member of a regiment. To a large extent they are adopting our uniforms. At Expo yesterday, when I saw the men in kilts lined up, I thought of the fact that the United States, for their ceremonial occasions, are clothing their men in the kilt.

We must not overlook the fact that our experts in military defence advised against unification. We must not overlook the other fact that their advice was unheeded. I use the word "experts," despite Mr. Pickersgill's statement that there are no experts but only advisers. I ask: "How can one advise a person when he refuses to listen and continues on in his own arrogant way?" The Minister of National Defence, in my opinion—and it is a humble opinion; I do not profess to be an authority—refused to listen to advice except that from one person and one person only, his public relations officer. He was interested in nothing but publicity in order to build up his campaign for the leadership of the Liberal party. Let us not forget that his aim was publicity, and this is the underlying motive behind this bill. I ask the Senate to remember that.

Admiral Rayner, in discussing the action of the Minister of National Defence and in explaining the reasons for his retirement, stated that the minister refused to listen to the advice of his senior military advisers. I ask honourable senators to note that he used the plural—advisers. This causes one to wonder about and consider the qualifications of the minister. He is apparently so qualified that he can completely disregard the advice of his own expert advisers.

Speaking frankly, I do not think the minister has any qualifications that entitle him to disregard the advice of the experts. In fact, I do not think he has even one favourable entry in his ledger. I ask you to consider the minister's actions shortly after he became the Minister of National Defence.

Honourable senators will recall that some time ago in Montreal four people broke into an armoury one morning and stole certain small arms, rifles, etc., and the question arose, "What are we going to do about this?" Under such circumstances, normally the Minister of National Defence would make sure that our weapons were properly guarded and protected, and carry on according to the tradition of

our armed forces in Canada. But what did our present Minister of Defence do? He acted in the most horrible way. He went around to various stations of the armed forces in Canada, withdrew their weapons—and it makes me laugh when I hear all these grandiose speeches on weaponry—gathered them up in the middle of the night and they were taken into secret hiding places so that no one could steal them.

Honourable senators, is that in our tradition? It is not. We have had our moments of glory, and at times we have had occasion to stack our weapons, but they were always stacked in honour; they were never taken away and put into a secret hiding place. In my opinion, the minister acted most cowardly on that occasion. I think it was the most cowardly act in history, and that he should have been removed from office at that time.

Hon. Mr. Smith (Queens-Shelburne): Don't go too far.

Hon. Mr. Phillips: I say it was cowardly that he was afraid to act as a Minister of National Defence should do, and I do not retract it for anyone.

Some Hon. Senators: Shame, shame.

Hon. Mr. Smith (Queens-Shelburne): You ought to be ashamed of yourself.

Hon. Mr. Phillips: Maybe, but I am entitled to my viewpoint, just as Senator Smith is entitled to his. I ask him not to adopt the policy of the opposite side, and to sit down without speeches. If he wants to make a speech he can make it when I am through.

The sponsor of the bill (Hon. Mr. Connolly, Ottawa West)—and I give him credit for his introduction—mentioned that there were certain points in the bill that were bound to raise discussion. I am in perfect agreement with him on that. The only disagreement I have with him, and it is really a matter of regret, is that I would have liked him to give a little more attention to these facts in his speech and attempt to answer them. When he closes the debate, as I assume he will, I hope he will give us an explanation in this regard. I like to be fair, even to a Grit. I realize it is difficult for him to do this because the minister has not given him any explanation, but I hope he will take the initiative and give us the information that he has been denied. Perhaps in all fairness I should not say he has been denied the information, but rather that he avoided giving the information.

We need a complete outline of Canada's defence role. Where do we fit in NORAD and NATO? Are we preparing for nuclear war or are we preparing for a so-called bush war?

Hon. Mr. Connolly (Ottawa West): Is the honourable senator suggesting that I should have delivered a longer speech than the one I made?

Hon. Mr. Phillips: I would not say a longer speech, Senator Connolly, I would say a more informative, more lucid speech.

Hon. Mr. Connolly (Ottawa West): If you say my speech should have been more clear, you must mean that it should have been longer.

Hon. Mr. Phillips: I mean "clear" in your sense of the word, but not necessarily in my sense of the word.

The Minister of National Defence handed over Canada's defence role to the Secretary of State for External Affairs—it was too hot a potato for him to handle—and this expert made the usual vague, lengthy speeches one would expect from the Secretary of State for External Affairs. He emphasized Canada's peacekeeping role. However, I would point out we are not a Senate of the United Nations. It is not a United Nations bill that is now before us. It is Canada's National Defence Act that is before us. It is our own national defence that is at stake, and I think we should look at this bill from that point of view. In fact, I feel rather badly that this bill, making such a drastic change and destroying so many of our traditions, should come up in the centennial year, because I feel that if this bill passes, if we adopt this defence policy, we are going to have to depend more and more upon the United States and be in the position of many smaller underdeveloped nations of the world who depend on the United States for defence and financial assistance, but who are very quick to shout, "Yankee, go home." I have a great deal of sympathy for the Americans in this regard. I am afraid that we have joined the "Yankee, go home" chorus from a financial standpoint, and I fear that after a short while, say within five years, we may be attempting to do the same thing from a military standpoint.

Earlier I asked the Leader of the Government (Hon. Mr. Connolly, Ottawa West) for a clear outline of Canada's defence role—our function in NORAD and NATO. While Senator White was addressing the house at one point he asked what Canada's

future role should be, and Senator Roebuck interjected, "You want a prophet not a minister." Well, honourable senators, I do not think our minister is humble enough to be content with the role of a prophet; he would rather be a Messiah. Quite frankly, I would forfeit a prophet or Messiah and just ask for a Minister of National Defence who seems to know what he is doing.

The third point raised by the Leader of the Government in the Senate was the fact that the bill is bound to bring up Canada's peacekeeping role. I am just as proud as any Canadian that Canada is invited to participate in a peacekeeping role. I think I am being fair to the honourable senator from Carleton (Hon. Mr. O'Leary) when I say that I echo his sentiments and would be more pleased if the United Nations footed the bill. While we in Canada tend to think of Canada as being the peacekeeper, the United Nations has not shown the same interest in peacekeeping activities as Canada has.

Last year Ireland—and this should appeal to the Leader of the Government in the Senate—introduced a motion in the United Nations to have some procedure established for so-called peacekeeping operations and the procedure to be followed. That attempt on the part of Ireland was a complete failure; the United Nations showed no interest in it whatsoever. This leads me to wonder why Canada should go on talking about peacekeeping and deploying our forces for a peacekeeping role, when we have received very little encouragement from the rest of the world.

Hon. Mr. Connolly (Ottawa West): Would the honourable senator mind if I interjected for a moment?

Hon. Mr. Phillips: I always enjoy the interjections and interruptions of the leader.

Hon. Mr. Connolly (Ottawa West): He described the frustration experienced by Ireland before the United Nations. Would he not agree that this frustration came not from the people who had urged Canada to adopt these peacekeeping roles, but rather from the people who would like to see the trouble continue to develop in the places where the peacekeeping operations are taking place?

Hon. Mr. Phillips: The honourable leader may be quite right in saying that certain nations urged Canada to do this, but again I would point out to him this is a National Defence Act we are considering. The larger nations, the military powers in the United Nations, were not interested in the resolution, and that is why it failed. That is why we must still keep our Department of National Defence up to a certain peak, to a certain level where they are prepared to deal with any emergency, whether peacekeeping or an act of war.

Hon. Mr. Connolly (Ottawa West): When Canada embarked upon the peacekeeping role, and particularly the peacekeeping role in Cyprus, the pressure upon this country to do this came from the bigger countries of the Western world. I think I said so at that time. The more powerful nations said: "You people have no imperialistic ambitions and have the capacity to do this kind of thing and must do it. We are mistrusted: you are not."

Hon. Mr. Phillips: Again I come back to my earlier reply to the Leader of the Government in the Senate. It is fine to say that certain nations urge this, but this means overlooking the fact that we are not keeping our defence forces against the people who are urging us. We are keeping our defence forces to counter the communist nations. We are not attempting to counteract the coming nations of Africa or any one of that nature: it is the communist nations that we must be on guard against. Certainly, the communist nations did not urge Canada to proceed in this manner.

Hon. Mr. Connolly (Ottawa West): Oh, no. That is the point I made.

Hon. Mr. Phillips: Honourable senators, may I refer again to the introductory remarks of the honourable Leader of the Government in the Senate. Somehow, I like to flatter him. There is a little Irish in my ancestry, too, and it may be that this accounts for it. He emphasized at one time that our defence consumed 22 or 25 per cent of our national budget. This brought forth the idea that we had to reduce this amount in the national budget. I cannot share the concern of the Leader of the Government in this regard. Perhaps I would have been more impressed by the statement, had our federal expenditures decreased. But they did not decrease; they have gone up steadily. The only difference I can see is that, while we have reduced our percentage of the tax dollar spent on the Department of National Defence, that percentage has been taken over by the Department of National Welfare. If we must reduce defence, then let us take a sincere look at the Department of National Welfare, which is now the largest spender of our tax dollar.

Honourable senators, the matter of morale was raised also. I ask you if anyone thinks that Admiral Landymore spoke up to gain publicity. Admiral Landymore, through his wartime exploits, his career in the Royal Canadian Navy, has received all the publicity that any one man could possibly want. It was all favourable. He was in an atmosphere in which he received no criticism; he did not have to go looking for publicity. He spoke out against unification, because he was concerned not only with the future of the Department of National Defence but with the future of the Royal Canadian Navy and its role in Canada's defence. He was also concerned with the low morale in the navy; he was merely showing in this regard an interest in his men's welfare. This is one aspect of Admiral Landymore's career which cannot be taken away from him, that he appreciated and understood his men.

If honourable senators think that morale has not been affected, let me remind you that when the Minister of National Defence went to Halifax he had to speak behind closed doors. It is rather a shocking situation; that the Minister of National Defence should have to go behind closed doors—there is something wrong with the morale. This measure is not being accepted by dedicated career men in the services.

Honourable senators, I am also impressed by the difference in treatment accorded those officers who opposed unification and those who supported unification. We had the rather ridiculous situation of certain officers with certain viewpoints—I should say in all sincerity they professed to possess those viewpoints—being promoted, giving speeches in favour of unification, and being sent out to make such speeches.

I was annoyed very much by one thing which occurred before the last federal election. Air Vice-Marshal Reyno made a trip to the Maritimes. He also was speaking behind closed doors. The men were called in for an address by the air vice-marshal. He urged them to support unification, and his favourite expression was that Mr. Hellyer was the best defence minister Canada ever had.

Some Hon. Senators: Hear, hear.

Hon. Mr. Phillips: Honourable senators, having been a member of the R.C.A.F. in wartime, I still look upon our colleague, Senator Power, with a great deal of respect. I am sure that he will have second thoughts on Air Vice-Marshal Reyno's remarks.

On the other hand, those who opposed the viewpoint of the minister have been released from the service, and attempts have been made to disgrace them and to belittle their viewpoints. Apparently, this is the situation in the Department of National Defence today: "Do not give advice; the minister has already made up his mind, and do not confuse him with the facts."

During the introduction of the bill, emphasis was placed on the suggestion that this is merely enabling legislation. I am fed up to the teeth with "enabling legislation." We always receive "enabling legislation." I could spend half an hour reciting instances of enabling legislation. When you try to find out what the Government has done, with their orders in council, as I mentioned quite recently in the Senate, you cannot find out. I become more and more suspicious of this form of legislation as the days go by.

If we are going to destroy the Royal Canadian Air Force and the Royal Canadian Navy—as the bill clearly sets out to do—why should we term it "enabling legislation?" Why should we not do this right away, instead of having all this nonsense said about its being only enabling legislation?

The evidence before the National Defence Committee shows that the minister issued instructions for one service and one uniform by July 1, 1967. Since that evidence was tendered, a rather pious attitude has crept in: "Do not worry about that, we will take a certain amount of time to bring in unification." However, the order has not been rescinded; it is still in effect in the Department of National Defence, calling for one uniform and one service by July 1, 1967.

I urge the Senate to give very serious consideration to the pleas of Air Marshal Miller. This man has probably had more military experience than any other Canadian. He has a knowledge of the defence department, a knowledge of our military requirements, which I do not think can be equalled anywhere in Canada. Later on I will read some of his remarks to you.

Normally I do not quote remarks, because I take the view that if I cannot give my own opinion I should not quote someone else's. However, I am going to draw your attention to the proceedings of the Defence Committee at page 2296. There the Honourable Mr. Harkness, a former Minister of National

Defence, asked Air Marshal Miller this question:

> Did you or the other chiefs of staff advise that unification should be proceeded with? I make a distinction here between unification and integration.
>
> Air Marshal Miller: I do not think there was any advice of that sort given.

Honourable senators, if the chiefs of staff did not give the advice for unification, who did? Was it the public relations officer who has replaced all our senior officers in the Department of National Defence?

I am also intrigued by the fact that this matter must have come before the cabinet, and surely the cabinet must have given some consideration to the fact that the military experts opposed unification. And did all members of the Cabinet support unification? Surely, honourable senators, not all the members of the Cabinet can be as arrogant and determined as the Minister of National Defence?

Again, on page 2297 of the National Defence proceedings, Air Marshal Miller stated:

> Again, there are no significant military advantages.

No significant military advantages. If there are no military advantages, what are the advantages? One can only conclude that they are political—

Hon. Mr. McDonald: Oh, oh.

Hon. Mr. Phillips: And God help us, honourable senators, if in the Department of National Defence political considerations surpass and are considered to be of greater importance than military considerations. I am quite accustomed to there being political considerations in the welfare measures—

Hon. Mr. McDonald: We are sure getting them now.

Hon. Mr. Phillips: We are certainly getting the welfare, honourable Senator McDonald.

Hon. Mr. McDonald: Politics too.

Hon. Mr. Phillips: As I say, I am accustomed to this in welfare, but I do not think it is necessary to have it in the Department of National Defence. Surely we can put this on a logical basis without it becoming a political consideration.

Honourable senators, I want to read to you Air Marshal Miller's final statement before the Defence Committee, I quote:

> Gentlemen, could I say thank you for your courtesy and understanding. I would like, because of the difficulty I have encountered with impressions other witnesses have left with you, to say that I have been honoured and proud to serve with the Canadian Forces. I think they are outstanding national representatives of Canada. I think only of making them better and I am convinced that they have embarked upon a very imaginative and, I think, proper development in this matter of integration providing a single management and a single planning and a single financing operation.
>
> I feel the next step that was forecast in the White Paper, that of doing way with the services, will cause the loss, against this business we have been discussing recently, of a lot of people we cannot afford to lose and that we will not get very much of a benefit from this single service proposal. Maybe after the lessons of integration have been learned and the team has worked out—and they are not through the integration learning process—the follow-on then of a single service will be a natural and non-argumentative course. But I make a plea for you to interpret my position as being in favour of integration as we have it now, as it is developing. I am not closing the book at all on some future unification but because of the need to get the integration machinery oiled up and working I would not want a disruptive influence such as unification to be thrown into the machinery at this time. That is my personal view and I want to make it and leave it very clearly with you.

Then Mr. Foy interrupts and says:

> It is going to be done very slowly, air marshal, with the assurance that it will take at least five years.

Mr. Foy may have a blind political faith, he may have a certain faith in this Government and in this minister that I do not have, but I am afraid I cannot accept that assurance. In fact, I think even the Prime Minister showed some concern after this statement was made, because he indicated that he was impressed by this plea, which is one of the reasons I have read it to you. Apparently someone got to him, however, and told him to change his

mind, and we now have the bill proceeded with.

The bill also contains a gesture of understanding of the feelings of the servicemen. It is rather unusual throughout the bill, but it does contain one gesture towards the feelings of servicemen in that members of the R.C.A.F. and the Royal Canadian Navy may maintain their present rank designations, if they desire. This raises an interesting question: What happens to a member of the service today who retains his present rank designation? Can you imagine a wing commander in the air force today insisting on maintaining that appointment and looking for his promotion under the new rank of colonel? It is just not going to happen. In fact, I think life would be made very miserable for anyone who attempted to keep his present rank designation.

The bill then goes on to state that the officers and men presently in the service will not be required to perform different duties. That is, someone who is in the air force now will not be transferred to an infantry regiment. However, it also provides a different form of service for those coming into the service. This to me seems rather odd. We are going to have a unified service—why have the two designations, what I would call an ante-Hellyer force and a post-Hellyer force? Certainly, the chap who is presently in the service is going to be very different from the new recruit coming in three months after this bill has come into effect.

Honourable senators, by virtue of this very fact you are creating two new services which I describe as ante-Hellyer and post-Hellyer.

The bill also raises a problem in recruiting, and we all know that recruiting has been a great difficulty for the minister. Normally, when a recruit joins the service he is attracted by some particular aspect or atmosphere of the service which appeals to him as an individual. Now when a recruit comes in he comes into this unified service, and what does he have? He has nothing to attract him but green: he has a green policy, a green service and a not-so-green future.

During my remarks, I emphasized that we needed an explanation of our future defence role. I was impressed by the fact that this was missing in the debate in the other place, but I was also impressed with the fact that there was no explanation given as to how a new recruit would be better off.

What sort of serviceman would he be, and in what way would he be better?

Here again I ask the leader of the Senate to explain these things to us. Give me some facts to show me how our serviceman is going to be better after unification than he is today. Show me that when you take a recruit and train him—and many honourable senators have gone through the procedure of being recruited and trained, as I have—show me or give me some facts and figures as to how you are going to make this man a better serviceman than he is today. I cannot see it, and no one has taken the interest and no one has bothered to attempt to explain this aspect to me. Then after his training what is his future in the service? Is he going to be in a submarine this time this year and in a tank this time next year? I would like an explanation of that. Are we going to train him for one task, make him an expert in that, and then move him to another and go through the costly procedures of retraining him? I am sure the minister has this information available and would be only too happy to give it.

I want to emphasize again that we have not had the facts on unification. I join with Senator Welch in saying that I as a Maritimer am naturally concerned with the future of our anti-submarine warfare. Here let me bring up the fact that while it was emphasized that we were going to save money on equipment, no one has stated what type of equipment was going to be bought. Could we not have at this stage of the debate some information as to the type of equipment we will have? Anti-submarine units both on the Atlantic coast and the Pacific coast contain a large number of Neptune aircraft. These are now obsolete and must be replaced. What consideration has the department given to replacing these aircraft?

In addition, it would not be a bad idea to have an accurate, factual description of unification. The White Paper has used these terms interchangeably, and it has caused a great deal of confusion not only in the public mind but also in the minds of senior officers of the defence department. No one to my knowledge in either political party has opposed integration, and I do not think any senior officer of any department has opposed it. But the people actively involved in making integration work have realized the fact that there are still many problems to be solved, and they must be solved. I would point out, honourable senators, and I am sure you all read the evidence in the National Defence Committee, that it is estimated that the materiel command will take three to five

years to be complete. They are planning for integration within that command, and yet we are now adding more problems to them in giving them unification.

The sponsor of the bill emphasized that unification will give a great deal more adaptability and efficiency to the services. I do not wish to be unfair to the Leader of the Government in the Senate and state that he was implying that the forces are presently inefficient. I do not want to create that impression at all because I am sure that that was not his intention. But the leader completely nullified his arguments by referring to the adaptability and the wonderful response of Canadian forces in two world wars. Certainly our forces responded but they did so as three separate services without unification, and I think that has completely destroyed his argument that adaptability and efficiency are going to be increased under this bill.

Hon. Mr. Connolly (Ottawa West): Why?

Hon. Mr. Phillips: Because there is no nation among the allied forces that has a greater record for response and efficiency than Canada has.

Hon. Mr. Connolly (Ottawa West): And we can do it again.

Hon. Mr. Phillips: Not under this bill. You have not shown one instance in this bill where it can be more efficient or more adaptable. I'm from Missouri; I want to be shown.

Another aspect to be considered is that in the introduction of the bill the minister made vague reference to the fact that it was Parliament's function to assume the final responsibility for our defence planning. I cannot disagree entirely with that remark, but I want to point out that our senior military officers were also concerned with this. We have had senior military officers who have participated in the planning of NATO and NORAD, and their advice was received and respected in both NATO and NORAD and in all the organizations of the Western world. Is it not only fair and logical that we in the Senate should consider their advice and give it the same respect, the same high esteem that Canadian officers have in military organizations such as I have just mentioned? Let us not fool ourselves. They are concerned with the changing pattern of defence and the changing needs; they are just as concerned as Tommy Douglas, Grégoire and Caouette. Let us not turn around to these people who have given a lifetime career to this and say, "Mind your own business. We will make the final decision."

As honourable senators will by now have guessed, I am opposed to the loss of designation, or whatever you would like to term it, of the Royal Canadian Navy and the Royal Canadian Air Force. Surely our Government can recognize that there are many individuals presently serving in these forces who take pride in the accomplishments of the Canadian services. In addition to this there are hundreds of thousands of ex-servicemen who share that pride. I was greatly impressed by the remarks made by the Honourable Angus MacLean, senior member in the other place for Queens, Prince Edward Island, my province, in which he brought out the value of these traditions and how much they mean to so many people, particularly in the Atlantic provinces. It was not a long address; it was an off-the-cuff address, but it was sincere, and I ask you before you vote to take the time to read this speech of an outstanding Canadian of whom we need not be ashamed. I am not going to attempt to destroy those remarks by quoting from them; I am going to ask you to read them.

Honourable senators, in closing may I remind you of the list of senior officers who oppose unification? Perhaps you will bear with me while I read them to you: General Charles Foulkes; Lieutenant General Moncel—and we have heard various remarks about "the admirals' revolt," but it was not merely an admirals' revolt, because here we have senior men in the Army also opposing unification; Vice-Admiral Rayner; Air Vice-Marshal Hendrick; Admiral Brock; Admiral Pullen; Admiral Stirling; Lieutenant General Fleury; Air Marshal Curtis; Air Marshal Annis; Lieutenant General Simonds; Air Chief Marshal Miller; and, of course, Rear Admiral Landymore.

In addition, Lord Mountbatten, who probably commanded the greatest body of combined forces of any man in World War II, has described the idea of unification as being ludicrous. General Eisenhower has emphasized the benefits and need of different uniforms and services, their pride and traditions.

Honourable senators, as I said earlier, Mr. Pickersgill says that there are no experts, no advisers; and the Minister of National Defence comes along and says that you should use your God-given sense. The distinguished officers whose names I have just read possess their fair share of ability and, in fact, more than their fair share of God-given sense.

That is exactly what I am going to do, honourable senators: I am going to ask you to use your God-given sense, to respect the advice given by these military men, and reject this bill.

Hon. Malcolm Hollett: Honourable senators, I do not intend to take more than a minute of your time, but I do want to say a few words because I am worried. I do not know exactly what is going to happen; it has not been described to us. However, as I look around me, particularly as so many honourable senators are here, I see quite a number of men who served in the first or second world war, and I ask: Why did you enlist? Why did so many of your comrades give their lives? Was it not for the defence of traditions and freedom?

I will ask another question: Why did these men enlist in the army, or the navy, or the air force? Was it not because they felt they could be of most service to their country in the particular branch they chose?

Now your sons and your grandsons will have to enlist in the Canadian Armed Forces. They will immediately be conscripted; in my view, it is conscription. After they have joined the Canadian Armed Forces they can be put in the navy, or the army, or the air force, just as the head of the forces decides. These young men will have no say in the matter. That I take as unfortunate, because I believe an individual can give of his best in the particular arm of the forces with which he wishes to associate himself.

I come now to a particular clause I wish to speak on and this is the only reason I am addressing you.

Clause 13 of the bill repeals Section 28 of the act, and a new Section 28 is substituted which reads:

> (1) An officer or man

—a sailor, a soldier, or an air force man—

> (1) An officer or man may be attached or seconded to the armed forces of any state,...

—any state in the world. In other words, if your son or grandson enlists in this unified force he can be seconded to serve in a Russian brigade, a Chinese brigade, in Viet Nam, if you like—wherever the head of the forces wishes to send him. I say this is a disguised form of conscription. In other words, they enlist in the armed forces and are sent to the army, navy or air force—not where they would like to be sent but according to the wishes of the head of the forces. Then, after that man is inducted into the forces he can be sent to any state in the world to serve in a foreign service branch.

I do not like that. Perhaps because I am old-fashioned. Heretofore, we have fought in wars only because we wanted to defend ourselves and our traditions. These were the only reasons we enlisted. We wanted to protect that which had been handed down to us by our forefathers. Henceforward our sons and grandsons will not have that opportunity. They are to join the armed forces and will be told, "All right, you go here. You go here. You go there. I want to send you to Russia"—or somewhere else.

Hon. Mr. Connolly (Ottawa West): When you are on active service. There is no change in the legislation with respect to that point.

Hon. Mr. Hollett: There is in that section.

Hon. Mr. Connolly (Ottawa West): No.

Hon. Mr. Hollett: Oh, it is there. All right, I will take up more of your time than I intended to.

The old section 28 reads:

> An officer or man may be attached or seconded to another component of the Service of the Canadian Forces in which he is enrolled or to any component of any Service of the Canadian Forces...

There is no mention of any other state. That is the section we have wiped out and which has been replaced by this new one.

Hon. Mr. McDonald (Moosomin): It is in the following section.

Hon. Mr. Hollett: Now we put in this section:

> An officer or man may be attached or seconded to the armed forces of any state,...

There is a difference there.

Hon. Mr. Connolly (Ottawa West): Would the honourable gentleman mind telling us whether he is reading from Bill C-243 as passed by the House of Commons?

Hon. Mr. Hollett: I have "Bill C-243, An Act to Amend the National Defence Act and other Acts in consequence thereof."

Hon. Mr. Connolly (Ottawa West): "As passed by the House of Commons," or for first reading?

Hon. Mr. Hollett: They may have made an amendment to that.

Hon. Mr. Connolly (Ottawa West): That is what I have been trying to say to the honourable gentleman. I understand this clause was removed from the bill before it was passed.

Hon. Mr. Hollett: This particular section?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Hollett: Then I am glad to hear it, and my remarks are irrelevant. I was worried when I saw it, and that is the only reason I rose in my place. I hope it has been taken out, and I take the honourable leader's word on that.

I do not think we should make this a political question; it is too serious for that. I do not agree with certain things in this bill. That is one clause I thought remained in the bill as passed; and, as I say, that is the only reason I rose in my place.

On motion of Hon. Mr. Brooks, debate adjourned.

ADULT OCCUPATIONAL TRAINING BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-278, respecting the occupational training of adults.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

INCOME TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-280, to amend the Income Tax Act.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

APPROPRIATION BILL NO. 4, 1967

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-293, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1968.

Bill read first time.

Hon. John J. Connolly moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DOCUMENT TABLED

Leave having been given to revert to Presentation of Petitions.

Hon. John J. Connolly tabled:

Report of Operations under the Bretton Woods Agreements Act and the International Development Association Act for the year ended December 31, 1966, pursuant to section 2 of the first-mentioned Act, chapter 13, R.S.C., 1966-67, and section 5 of the latter Act, chapter 32, Statutes of Canada, 1960. (English and French texts).

PENITENTIARIES

THIRD REPORT OF JOINT COMMITTEE ADOPTED

The Senate proceeded to consideration of the third report of the Special Joint Committee of the Senate and the House of Commons on Penitentiaries.

Hon. W. M. Benidickson moved the adoption of the report.

He said: Honourable senators, I want to take merely two minutes in which to tell the house that this Special Joint Committee has done excellent work. On this occasion it is not appropriate for me to give details of what resulted from the inquiries and deliberations of the committee, inasmuch as it has been announced that a new session is to commence immediately following the prorogation of this session. At some time during the next session I can promote a debate on this subject by way of inquiry.

All I need say at this time is that Senator Fergusson, who seconds my motion, and I agree that the rather lengthy report of the special joint committee which was made an

appendix to the *Debates of the Senate* of Wednesday last is an indication of the effort made by the committee in its deliberations, and also of its recommendations.

Report adopted.

The Senate adjourned until the call of the bell at approximately 3 p.m.

At 3 p.m. the sitting was resumed.

DISTINGUISHED VISITOR IN SENATE GALLERY

Hon. John J. Connolly: Honourable senators, before we commence our proceedings this afternoon, will you allow me to announce the presence in the gallery of the Honourable J. E. Snedker, Speaker of the Legislative Assembly of Saskatchewan. Mr. Snedker is a very active member of the Commonwealth Parliamentary Association, and was at the New Zealand meeting. We are very pleased to see him here today.

Hon. A. J. Brooks: Honourable senators, I wish to join the Leader of the Government (Hon. Mr. Connolly, Ottawa West) in welcoming the Speaker of the Saskatchewan Legislature.

CANADIAN FORCES REORGANIZATION BILL

SECOND READING

The Senate resumed from earlier this day the adjourned debate on the motion of Hon. Mr. Connolly (Ottawa West) for the second reading of Bill C-243, to amend the National Defence Act and other acts.

Hon. A. J. Brooks: Honourable senators, before entering into the debate on this bill, I do not think it would be out of place for me to say how pleased I was about the opening of the Canadian World Exposition yesterday. I am not saying that as one who attended at the opening, because I did not. However, I have watched with great pleasure and approval the work that has been done by the commissioners and others who have been responsible for this great event for Canada. I was a member of the Government which had something to do with the laying of the keel. They were confronted with considerable anxiety at that time, for they were concerned about the terrific work that would be connected with an exhibition of this kind.

I wish to congratulate the Mayor of Montreal on the good job he has done. I wish also to congratulate the Province of Quebec. Finally, I congratulate the Dominion of Canada on having opened what I hope and believe will be one of the greatest expositions the world has ever seen.

Hon. Mr. Connolly (Ottawa West): Hear, hear.

Hon. Mr. Brooks: Honourable senators, this debate has been going on for a long time. Anyone who happens to be the last speaker on his side, following a multitude of speakers, has a difficult task, because while one does not like to be repetitious, it is extremely difficult to speak without saying something which has already been said, not only once but many times.

I wish to congratulate the honourable members from this side of the house who have spoken. Their speeches have been logical, and I am sure were well prepared. If I hesitate as I go through my notes, it is because I am trying to leave out a good deal of what has already been said better than I can say it.

Hon. Mr. Farris: I object that I have not been congratulated for my speech.

Hon. Mr. Brooks: You can always take the congratulations for granted, Senator Farris. The honourable senator and I, years before he went to British Columbia, lived in a little county called Queenstown in the Province of New Brunswick. May I say, without flattering him, that the name of Farris stands very high down there. We are very proud of the men we have sent to British Columbia.

I say to the sponsor of this bill (Hon. Mr. Connolly, Ottawa West) that I think he did a very good job. By that I do not imply that I approve of the bill but I do believe that had Senator Connolly been the Minister of National Defence in the present Government we would never have had a bill such as this before us at the present time. If we pass it, Canada, in the truest sense of the phrase, in my opinion will be buying a pig in a poke.

We have heard many times that the Govemnent should have explained unification to Parliament and the Canadian people. It has not been done. Neither Parliament nor the Canadian people understand today what is meant by this unification bill. It should have been shown that it is in reality legislation for the defence of Canada, and I do not think that even my honourable friend, the Leader of the Government, can assist in that.

My remarks on this bill will be brief, first, because the subject has been dealt with fully both by those in opposition and those who approve. It has been discussed from practically every conceivable angle by members in the other place, by active and retired military experts, by the press, radio and television, and is now being discussed by the Senate of Canada.

After listening to the excellent speech by my good friend Senator White the other day, and since then to other good speeches from this side of the house, there is little more that can be added.

My second reason for being brief—one that has been mentioned quite often—is that it is apparent that the intention of the Government, from the debates and votes in the other place, is to force the measure on the people of Canada, whether they wish it or not. In spite of the strongest arguments which can be advanced in opposition to the bill, both in Parliament and out of it, they are determined that the measure shall be passed.

Honourable senators, I do not think that in the more than 30 years I have been in Parliament I have ever heard stronger, more logical or convincing reasons why a bill of this kind should not be passed. I do not think any committee has ever had such expert advice before it as did the Committee on National Defence, and most of the advice was against the bill.

I sometimes wonder why, when we have spent many millions of dollars to educate our military, when we have such expert colleges as the Royal Military College at Kingston, the Royal Military College at St.-Jean, Québec, and Royal Roads in British Columbia for the training of our soldiers and sailors, all of which are costing us many hundreds of thousands of dollars, the advice which is given is not accepted by those in the Department of National Defence at the present time.

This morning, the honourable Senator Phillips from Prince Edward Island gave a list of the senior officers in Canada who were opposed to this bill. I know most of those officers and they are known to honourable senators. It was like a roll of the outstanding military men of this country for the past 25 years. With very few exceptions, those men, who should know what they are talking about, and in my opinion do, were opposed to this bill. I need not read their names, but I know them. There were men such as Admiral Brock, Admiral Dillon, and Lieutenant General Moncel. They are not old fogies, as some people would try to have us believe. Most of them are in their forties, some in their early forties; and most of them retired two or three years earlier than they had intended, because they were absolutely opposed to the bill before us now.

Reading their speeches and their evidence, we can realise there are some things which they simply could not understand. For example, they could not understand how the Canadian armed forces was going to operate with a one-rank structure. As one of them said, it is difficult to imagine a lieutenant-colonel commanding a ship or an admiral being a lieutenant-general. It is not so difficult for the air force to conform to the new rank structure, because its present rank structure goes by army ranks and army units. I shall have something more to say about this.

Honourable senators, it is platitudinous to say we are interested in the defence of Canada. We are anxious that our country should play its full part in the preservation of peace in the world, because by that means we will have peace also in Canada. It is not easy for us to determine just what our defence should be in peacetime. That is a difficult assessment to make in any country and it is becoming increasingly more difficult.

Honourable senators, we were given reasons for changing the organization of the armed forces; but we were confronted with this situation, and so was the House of Commons, that the principle of this bill was determined by second reading before ever it went to a committee.

There appeared before that committee the most outstanding men we have had, possibly, in the history of the defence of Canada. Without waiting for their advice, the principle in this bill was approved. The advice those men gave was not considered at all. They were all practical soldiers, well trained, and they had served in war as well as in peace.

Honourable senators, it was difficult to understand how the Minister of National Defence, having heard their evidence, could continue to be so stubborn and so arrogant. He has not deviated one iota from the ideas set out in his original bill, in spite of all the expert advice he has received.

The honourable Leader of the Government says it is the duty of the Government to determine the defence policy. That was well answered this morning by my good friend Senator O'Leary (Carleton).

The Government decides how much money should be spent, but surely the expenditure should be made on expert advice. Similarly, in the case of the Department of Public Works and in nearly every other department, the Government decides how much money may be spent but takes the advice of those in the respective departments as to how the expenditures shall be made.

Honourable senators, it is obvious that the first consideration of the defence force in any country is the sovereignty and security of the country. This has been true ever since organized countries have existed in the world. It holds good today everywhere. If certain things have been suggested which seem too expensive for a department, it is up to the Government to decide priorities. This is done in every department, particularly in the Department of Defence.

The first priority is the security and sovereignty of the country. In my humble opinion, the second priority should be our association and our alliance with other countries which will help in the defence of our own country, namely, with NATO and with NORAD. The third priority is the peacekeeping tasks.

If Canada cannot afford all three of these, I believe the one which we should do without is the peacekeeping task. I do not think we can afford all of them.

We are proud of the part Canada has taken in peacekeeping tasks in the world in the past. She has played a leading part and has done a splendid job, as Canadian soldiers always do, no matter what the task, whether it be in the United Nations, NATO, in actual war, or otherwise. We never have had any reason to be other than proud of our Canadian soldiers. However, we seem to have become very international in our thinking. The thinking of our prime minister seems to be almost exclusively along this line of peacekeeping tasks.

Mention has been made of Cyprus. We have a small force there, but ours are not the only troops in Cyprus. We had about 800, out of over 5,000—about one-sixth. We have troops on the Gaza Strip—also only a fraction of the force there—who have been there for some years, although we were told when they went there they would be there but a few months. We had troops in the Congo. We had and have some men in Kashmir.

All of these put together do not amount to a very large number of troops. It is said that the reason Canada is asked to send peacekeeping troops is that the powerful nations would not prove acceptable.

Canada has never been a colonial power, but it seems a bit ludicrous for us always to be selected for peacekeeping duties when you consider the size of our country, our population, and our tremendous resources, for Canada is one of the great countries in the world. I might say, however, that I noticed the other day that we were twenty-seventh on the list at the funeral of Adenauer. Of course, that might be explained more on the basis of personal diplomacy concerning the representatives than on anything else.

But coming back to what I was saying, the countries selected for this particular peacekeeping work are not great countries, and it is not altogether a compliment to Canada for it to be said that she has been selected for peacekeeping service.

To draw another parallel, in large scale wars such as the Korean War, the troops comprising our side come from the larger countries: the United States, Great Britain, Canada, Australia and the like. That applies to Vietnam, for example. But in the confrontation between Malaysia and Indonesia, a short time ago there were no peacekeeping troops involved at all. Great Britain sent part of her fleet, together with 40,000 troops. If she had not done so, there would have been a war. There is no question about that.

As I mentioned, the United Nations Emergency Force in Israel and the United Arab Republic consists of 4,580 officers and men, of which 810 officers and men are Canadians. The rest are comprised of troops from small, albeit great, countries. They come from Ireland, for example, and the Irish troops are good and made a splendid record in the Congo in helping to keep the peace. Other countries involved at this level are Finland, Holland and Sweden, but you do not find any of the great countries connected with this particular duty.

Canada has more responsibilities than any of these other countries that I have mentioned. Look at our coastline. It was mentioned here today and it has been mentioned before that we have half a continent to protect. Ireland has a short coast; Finland and these other countries are overshadowed and generally protected by the unbrella of Europe so far as their defences are concerned. We have more to think about than have these small countries in that we have half a continent to look after.

Believe me, there are many countries today who look with envious eyes upon Canada. We have what many other countries would like to have. It is our responsibility in defence matters, therefore, to arrange our program in such a way that we will be able to defend what we have at present and in the future.

I come now to NATO, an organization which has been in existence some 18 years and of which Canada has been a member since its inception. Last year I had the great honour and pleasure of being a member of our delegation to NATO. Since NATO was first established it has gone through many changes and many difficult times, perhaps the worst being in the last two or three years, and the question is repeatedly asked: Is NATO necessary? That is a question I heard when I was in Paris. To my mind, the answer is yes. For if it had not been for NATO during the last 20 years we probably would have had a war with the communists. But NATO has had a deterrent effect upon Russia and the other communist countries.

In spite of changed conditions, however, the 14 members of NATO are of the definite opinion that NATO should be retained. In spite of relaxation of the cold war, in spite of the detente, in spite of the fact that Russia and the communist countries seem more friendly, and in spite of the nuclear deterrent, still the nations of Europe feel today that NATO is something that must be retained. And in my humble opinion Canada must retain her position as a part of NATO.

I was very interested to hear the statement of the Commander in Chief of the NATO forces when he spoke at NATO last fall. He advocated that we must retain NATO as a defence for Europe and as a defence for the world. Another speech which I listened to with great interest was that of the Admiral of the NATO fleet, who was of the opinion that we must have a strong fleet in order to protect us in the event of war.

There is another point I would like to make. In the peacekeeping forces of the United Nations, which are after all scattered here and there all over the world—sitting down, as it were—we do not get the excellent kind of training for our troops that is available to them in their service with NATO. In NATO our troops are brigaded, or are with divisions of the British, the French and the American troops and those of other countries. They have splendid training and splendid manoeuvres. They are always in top shape.

Moreover, many of our troops have gone up north with the Scandinavians, training for northern warfare. So it is a good thing for Canada, apart from the fact that she should be part of NATO, to have her troops associated with troops where she will get good training.

I also heard the admiral speak, and I was rather shocked at what I heard, because he pointed out to us that despite the fact that there seemed to be a slackening off of the cold war, Russia had the largest fleet in the world. This was more or less of a confidential nature, but it has been published since, so I do not think there is any objection to my repeating it. He pointed out that when Russia builds ships, whether they are for the navy, the merchant marine or for fishing, they are all being built as naval vessels. He spoke about the ships that go to the north with great steel hulls for ice breaking. They do not have their steel hulls for ice breaking in the St. Lawrence River. They go to the northern part of Canada and to the northern part of Europe to be used in the event of war for breaking ice there and for manoeuvring in those particular places.

He also spoke of the Russian submarines, saying that Russia's submarines were all over the world. He spoke about Russia's submarines being in the northern part of Canada. I was glad to hear it mentioned this morning that we have in our navy, which is small but very effective, one of the most effective anti-submarine units in the world, and if this bill does anything to lessen its efficiency, it certainly will not be for the benefit of Canada.

Hon. Mr. Connolly (Ottawa West): That is right.

Hon. Mr. Brooks: It was told to us that the ultimate aim of NATO—and I used to emphasize this—is to secure the peace of the world. That is its ultimate aim—not, as I said a few minutes ago, to send 400 or 500 troops to the Gaza Strip, to Africa or to India.

We cannot do anything if the large countries determine to go to war. What happened when China determined to take over Tibet? She simply went in and took it over. There would be no use sending peacekeeping forces there. There is no use sending them to any area where there is liable to be anything but a very small brush war.

Now I come to NORAD, and I think what I have already said applies here. Our first responsibility is to the defence of Canada. We cannot defend it alone; it would be useless to

think of such a thing. It was well said this morning that the defence of Canada is united with the defence of North America. We have 20 million people and the United States has 200 million people. One-tenth would probably be the proper proportion of the defence that Canada could provide for the North American continent if necessary. We must continue as a member of NORAD.

Perhaps honourable senators will be interested to know just what troops there are in the NATO ground force as well as the numbers that the Russians or the communists have in Europe. According to the latest report I have, we have 779,000 troops in NATO ground forces. The Canadian troops amount to 20,000. I might say that Canadian land troops are not in a unit by themselves. They have been associated with other units and other brigades belonging to other countries. Our air force is attached to the American air force. We have no separate command of our own forces. What is the total communist ground forces? It is 970,000. It is this balance of troops in NATO that has been the great deterrent to war in the last 20 years.

Honourable senators, I want to say a word about unification. We have heard quoted many times remarks by Air Vice-Marshal Miller. I know him well; I think everyone who has been in the least way connected with military matters in this country over the last 20 years knows his name. He defined integration as a force having a single defence staff, a single planning staff and a single budget procedure. Integration has been a very widely supported; everyone supports integration. He defined unification as a single force having a single rank structure, a single administrative chain of command, a common uniform and a force wherein the trades and ranks would be called by common names.

At first the words unification and integration had the same meaning, indicating integration. All these generals, admirals and air force men that I have mentioned agreed that integration is a good thing, and they have been in favour of it, but they have been opposed to unification, particularly for combat troops. Most of the expert witnesses who appeared before the National Defence Committee were in favour of some form of integration of the services, but those no longer serving are unanimously opposed to Mr. Hellyer's plan for unification of combat troops. There is no deviation. They all believe that military organization, the medical corps, the dental corps, the army service corps and all these supporting services in the combat services can be very easily integrated and should be. It is done in other countries; I think Great Britain has integration, and perhaps France and some other countries. But they do not have unification.

Like my good friend the honourable senator from Prince (Hon. Mr. Phillips), I do not like to quote too much the opinions of others, but I have here some opinions which should carry some force. Speaking of the common rank structure, General Moncel in his evidence on page 1336 before the committee, when asked, "Do you see any need for the proposed common rank structure as far as the navy or the people who are engaged in naval operations are concerned?", replied no. I would mention here that General Moncel had command of the large Gagetown Camp down in my own province. It is one of the largest in the Commonwealth. Senator Burchill and others who know him, know what an excellent soldier he proved to be, not only there but throughout his military life.

General Foulkes, in his evidence at page 1242, on being questioned, did not think it would be advisable that the navy rank structure should be changed. Names of ranks should be left as they are. He said "Certainly I would not have done this because I would have foreseen that this kind of thing would bring forth irritation—in other words—it would be doing more harm than good."

Admiral Landymore at page 1056 said: "I hope we won't make this mistake"—setting up a common rank structure—"as it is unworkable and one of the weakest points of the legislation."

Honourable senators, I do not make too much criticism of the common uniform, although as an old soldier I do not like to see it being changed. I do not see the necessity. Nevertheless, I would like to give the opinions of some of the senior officers on this subject. Air Marshal Annis in his evidence at page 1440 said: "I think perhaps one of the major appeals of the military has been the variety of uniforms. I would rather suspect that a single uniform right across the board for walking out is something they would consider drab."

Vice-Admiral Rayner in his evidence at page 2031, speaking about not having a distinctive naval uniform, said that in his opinion it would have this effect on morale, recruiting and our relations with other navies:

> Well, I think amongst naval personnel it would be catastrophic. Today a

Canadian sailor in his blue uniform with "HMCS" on his cap tally and "CANADA" on his shoulder, identifying him as a Canadian sailor can go anywhere in the world and he is highly respected. This is first of all because he is a Canadian and second because he is a professional sailor. I believe if our men have to go to Cherbourg or Portsmouth or Norfolk, Virginia, in green uniforms that they will find themselves a laughingstock. I am told that this is the one thing that does concern a lot of junior men. They just wonder what is going to happen when they have to go into foreign naval ports in queer uniforms.

Speaking on the question of morale, Air Marshal Annis in his evidence at page 1435 had this to say:

If you will forgive me, I will repeat that my chief concern is with those in the combat career field—the deck officers and the ratings who are the armament and that type of rating in the navy, the infantry, artillery and armour of the army, and the air crew of the air force. These are the people who are the hard core—they and those who do the maintenance—in each of the services. They are the people who would suffer most by unification. They would lose their uniform and their other sort of identity, and they are the people whose morale problem is most difficult because, as I said, a uniform is being taken away from them.

Later in his evidence, with regard to recruiting, he said:

One can offer them a career, but it is rather short and these fellows, especially the soldiers, have to be healthy because at age twenty-three or twenty-four they are finished as combat people. . . .It is the worry about the morale, and the difficulty of acquiring into the services and retaining the hard core people that I worry about. Unification, in my opinion, would have a very difficult psychological impact on them. I think, given more time, more confidence, that the supporting services in integrated form can give them the support they need and this sort of thing —given time, their morale could perhaps stand the buffet that would come by unification. It might even happen that the time would come when we could safely say, "We are going to unify," and a gasp of dismay through these trades would just not occur.

There is a long list of quotations, as everyone knows, which we have all heard quite a number of times. In closing, I say there is much more that could be said, but it would be repetitious. However, I do wish to say it was a mistake to introduce a bill of this kind, one which is very controversial, into Canadian politics at a time when we should be endeavouring to encourage and retain unity. This is not a unifying bill.

We have a minority government, and an unstable one which must and does depend for its life on splinter parties—the Creditistes gave their full support; the Separatists; the Socialists, the party to the left; Social Credit, a party with a financial policy with which none of us agrees. These are the allies of this Government which is putting this bill through now.

In my humble opinion, honourable senators, a party that wishes to put through legislation of this kind, and the other disruptive legislation we have had in the past two or three years, should have a strong mandate from the people—which this Government has not. I am satisfied that if we had among us men like Sir Wilfrid Laurier, Sir Robert Borden, the Right Honourable Mackenzie King, the Right Honourable Louis St. Laurent, we would not have this type of legislation before us now.

From the legislation we have had before us in the past few years, you would think we were an emerging nation, that we had no past—we must have a new flag; we must have a new constitution; we must have a new culture. And yet, here we are, a nation with the cultures of two great races, and after all these years they say we must have all these new things. They need them in Ghana; they need them in Urindi; they need them in Niger; they need them in Sierra Leone; but, surely, here in Canada we have established ourselves as a great nation and we do not have to divorce ourselves from everything that has been done in the past?

The other day Senator White spoke about the million men serving in two world wars. He mentioned that Canada has taken part in two great wars, that we have had a million men in uniform. I have met many thousands of those men, and in all my experience I have never heard one soldier say that he was ashamed of his uniform or that he wished he did not have it. If there has been any complaint about the uniform, it has not come from the man who was wearing it but from the man who was watching him wear it.

As I said a moment ago, we are all concerned about the defence of our country. That is our first consideration. The Leader of the Government in the Senate has been asked, as have the government members of the House of Commons, to tell Parliament and the people of Canada what is to be gained by the passage of this unification bill. Do we know what will be our contribution to NATO? No, that has never been explained. Do we know the answer to the more important question: What about NORAD; what about the defence of our own country? We have been told by the prime minister, and by other members of the cabinet, that we should be creating an international force. I repeat that we are more interested in the protection and defence of our country than we are in sending little blobs of troops all across the world. We have heard nothing definite. There are some things we do know and they are very certain. It has been said that this is the main reason for passing this bill, but I do not think and would hate to think it is. However, we do know that after this bill is passed there will be no Royal Canadian Navy; they will do away with the "Royal". There will be no Royal Canadian Air Force; there will be no Canadian Army, as such. It is definite this bill will determine that. There will be no separate uniforms. As I said before, in all my experience with members of the Canadian forces—and there were one million of them in the two wars—I never heard of one of them complain about his uniform; he was very proud of it. As I say, Senator White explained it well the other day.

Take the navy. We have heard excerpts from the evidence of one of the admirals here. He asked what will be thought of our navy men as they visit the different centres of the world where they will meet navy men from other nations. You can tell a navy man wherever you see him, whether he be in the French, Canadian, American, British Navy, or whatever it is. But if he wears a green uniform, will he be distinguished as a navy man; will he be distinguished as a sailor? Instead of being mistaken for a British or American sailor, they will not even know that he is a sailor.

Honourable senators, I feel this bill does not add to the quality of the defence of our country. It is not the type of bill that should be passed by the Parliament of our country, and if we had amongst us now some of the men who had the destiny of this country in their hands in the past, I do not think that today we would have a bill of this kind before us for passage.

Hon. John J. Connolly (Ottawa West): Honourable senators—

The Hon. the Speaker: I would remind the honourable senator that if he speaks at this time it will have the effect of closing the debate.

Hon. Jean-François Pouliot: Honourable senators, I have just a word to say. It is that in government, as in society, order must prevail.

I believe in hierarchy. If there is a department of government in which there should be order, and of which there should be one head—not two heads or three heads, because two or three heads are for monsters—it is the Department of National Defence.

I remember the time when an n.c.o., a former sergeant, was Minister of National Defence. He was one of the best we ever had, and he was the minister who controlled the whole department, without any associate. I am referring of course, to the Honourable Norman Rogers, who died in an airplane accident and who was mourned by all who knew him. I knew him well. I sat across the aisle from him in the House of Commons, and had numerous conversations with him. I do not want to speak of the dead, but he told me many times of how much more difficult it would be for him to administer his department if he had to consult with anyone before making a decision. He told me: "The only ones I consult before making a decision are the heads of the department. I consult them, and I consult my colleagues, and then, as head of the department, I make my decision which is final, and which is approved by my colleagues." That is my idea of sound government.

I appreciate the feelings of my colleagues, and I appreciate what has been said by the honourable Leader of the Opposition (Hon. Mr. Brooks) in his eloquent speech. I listened to what was said by other honourable senators who followed the Leader of the Government. But, I am for order in society, and for order in each department of government. If there is a department in which those who belong to it have to obey authority it is the Department of National Defence. The officers and men of the Department of National Defence can express their opinions only after they have resigned. If they are sincere, then they have to choose between an expression of

their opinions and their loyalty to the minister. They cannot stay in the department and contradict orders given by the minister who is the final authority.

That being said, honourable senators, I shall not persist. I have made my position clear. I am not a military man, but I had a lot to do with military men during the war. I remember one day I said in the House of Commons that the brass hats in the department who had never seen a theatre of war were wrapped up in more red tape than the Egyptian mummies. Mr. Mackenzie King called me to order, but his Honour the Speaker did not insist that I retract what I had said.

That being said, I persist in my view, although I respect the views of others.

Hon. John J. Connolly: Honourable senators, in winding up this debate I must say that it has been a complete and a very good one. The honourable Leader of the Opposition (Hon. Mr. Brooks) having just resumed his seat, I am bound to say that few of us have heard him speak either more eloquently or with greater conviction than he did here this afternoon.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Connolly (Ottawa West): While some of us may not agree with all the views he expressed, nonetheless we would defend to the limit his right to say them, and express our delight in hearing him put his views forward as sincerely and succinctly as he did. No member of the Parliament of Canada has a finer record of service, not only on the civilian and parliamentary side but on the service side. I pay that tribute of respect and, if I may say so, of affection to Senator Brooks.

Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): What I have said of Senator Brooks I say, in some respects, of all who participated in this debate. Politics has entered this debate, but politics is not out of place in a political debating chamber. There are people who are very concerned about the situation which the presence of this bill in Parliament creates. As I said in my opening remarks, no group of men were more aware of the development of such a situation than the Government itself.

A choice had to be made, and after a weighing of the alternatives the choice of integration leading ultimately to unification, on balance, seemed to be the appropriate one. I say here and now that I cannot stand before the Senate of this country and assure everybody that this is going to have a perfect result. Who could? Parliament is a human institution. The defence forces of the country are a human institution. One tries to do what one can within his capacity in terms of finance, personnel, and skills. One tries to observe his commitments to other countries. One tries particularly in this day not to be concerned too much about the criticism that will come if change is advocated, because change is a fact of life today, and change in the field of defence is a difficult prospect to face and to plan for.

Integration generally has been approved. It is a continuing process, and good progress has been made. Unification of the forces has always been in prospect. It is fair to say that when the processes of integration began the ultimate aim was always expressed by Government spokesmen to be that of unification. It cannot be accomplished in its detail overnight. Many of the detailed arrangements will take years to bring about.

I am happy to stand in my place here today and say with respect to the evidence of Air Vice-Marshal Frank Miller, the friend of us all, that there is a great deal in what he said about timing and about haste. I do not deny that to him, and I do not deny that to any of the people who have quoted him. However, it was considered that if the step were not taken now, upon balance there would be inequities develop within the three services and a greater decline in morale than otherwise would have occurred because of the uncertainties which lie ahead if this final step had not been taken. Therefore the policy decision, difficult though it was to take, was to proceed now.

I have been asked what the future role of this force will be. I wish, as I am sure the military authorities in every country wish, that one could lay down with precision what the prospects of the forces are likely to be. We do not know if in future there will be a nuclear war. We do not know if a war or wars will be conventional ones, or whether conventional wars will escalate to the nuclear stages. But certainly if conventional forces are required, then land, sea and air elements will be needed. Under this bill the Canadian forces will have land, sea and air elements. I refer to section 5(2) of the bill, which states:

> The units and other elements of the Royal Canadian Navy, the Canadian Army and the Royal Canadian Air Force

existing at the coming into force of this Part shall, subject to the provisions of the *National Defence Act*, continue to be the units and elements of the Canadian forces.

This is specifically provided for in the bill. These forces will be used in various roles. I for one will not downgrade the value of peacekeeping. Who can say what might have happened in Cyprus if the United Nations force, in which Canada played such an important part, had not only gone there, but was willing to stay there.

I cannot forget the fact that when the force was first authorized I said here that it was thought that the emergency might be over in three months. But over two years have elapsed and the emergency has not yet passed. In Cyprus there might have been another Vietnam, and I do not apologize, and I do not think any Canadian need apologize for the fact that the Canadian forces joined forces with even smaller nations, nations who were trusted by the people on both sides in the conflict that existed in Cyprus and who were willing to accept the role of mediators, and hoping ultimately to be peacemakers.

The role of peacekeeping is quite different from the role of NATO, because when peacekeeping operations are involved there is already a crisis. Who can foresee, or even see in retrospect, whether or not the work that was done in Cyprus, as well as in other places, had great value or not. But at least the powder keg was kept under control where these forces, large or small, were sent from this country to try to help in maintaining the peace.

I do not think I could add much to what Senator Brooks said so admirably about the role of NATO. No one even now will say that it is unnecessary. In my humble opinion—and I, too, am not a military man—the Canadian force, though unified, can perform its NATO role as effectively and as efficiently, probably more efficiently, than would be the situation that has prevailed heretofore, if for no other reason than the equipment that will now be available to it, will be more useful to it and to the allies with which it is associated.

I hope that the need for NATO will disappear in time. I am proud that a former Prime Minister of Canada, Mr. St.Laurent, had so much to do with the establishment of that alliance. I have visited the troops, as have so many of my colleagues, and we are very proud indeed of the way in which they have conducted themselves since they were put into those NATO places.

NATO has been the shield of the West. The guard cannot be let down until we are sure. Here I only paraphrase what Senator Brooks has said so much better and more eloquently than I can.

A good deal has been said about morale. I need not go into the question of units and formations, because I have already quoted section 5, subsection (2) of the bill, which provided for the continuation of the units and the formation. But the people in the unified force will still have the tasks which are assigned to them. The sailor will be trained to sail ships, not to fly aeroplanes, not to drive tanks. This is not new. In the army, which is an integrated and unified force, there is this breakdown of assignments of roles. You do not train an artillery man and make an infantryman out of him, and you do not train an engineer and put him into the artillery. Likewise the same allocation of specified and special roles will continue to prevail while the force is unified under a single commander with a single minister.

On the question of uniforms, much has been said about the walking-out uniform. I suppose it will be some time before the walking-out uniform is authorized. However, I would remind honourable senators that the mess kit that heretofore has been used in the forces will be the same; that the dress uniform with the badges and flashes, and insignia, and all the rest of the decoration that goes with it, will be the same; that the combat or working dress will be the same—and it is not always very beautiful.

I remember my own experience in crossing the Atlantic in a convoy in a short forecastle 90-foot Corvette. The uniforms that were worn there included moccasins, running shoes, sweaters and duffle coats. I have pictures to prove it, because I had them on myself.

The walking out uniform undoubtedly will be changed, but I do not think that will make much difference. During the war, when new summer uniforms were designed for the forces, they were all the same, whether army, navy or air force. The only distinctive features were the service insignia on the shoulders, caps and arms.

The rank designations can remain the same. I said, in opening, that the army rank designations are to be used for administrative purposes. But there is provision in this bill whereby regulations can be made to continue

the designations which have prevailed heretofore.

Someone has said that this Government refuses to confirm its convictions, and has added that Liberals have worked at times to the detriment of the armed forces. I do not wish to become political, but I am as proud of the work of the armed forces as all of us are, regardless of party—proud of names like Ralston and Power and Macdonald and Claxton and Campney and others who have served this department as ministers.

It has been said, too, that the world commitment policies of this Government are ill-informed and confused. I reject that assessment of the foreign policy of this Government, with the same language: I say that such an assessment is ill-informed and confused. If there is one place where our commitments are very clear, it is in the field of foreign affairs.

This morning, Senator O'Leary (Carleton) said that he wondered about me. I must apologize for having failed to conclude a sentence the other day, when I was making a laudatory remark about him. I said then that sometimes I wondered about Senator O'Leary. My wonderment only was when he was going to stop getting more and more honours heaped upon him, as he is putting us all into the shade in that respect. He deserves every one of them.

Senator O'Leary said this morning, that in part of my opening I performed as a senator. There is no higher compliment which can be paid to anyone, in my opinion, than to have that said of him. Senator O'Leary went on to say that in the latter part of my opening I performed as a member of the Government, particularly when I went on to talk, as he paraphrased it, about the importance of civil control of the military.

I must have left the wrong impression with the honourable senator. I had Lord Dundonald's name down in my notes, and I thought of myself, why should I thrash out old straw—that principle was established many years ago.

The point which I wished to make is that, even though this bill involves a field of action in which great expertise is required, ultimately the responsibility, as to how that expertise is to be used, must fall upon the shoulders, not of the experts but of civilians in Parliament and more especially in the Government. It was the Government which had to make the decision to present this legislation, even though it was a minority government and even though it was not an easy decision to make.

I cannot refrain from noting, in passing, that the vote in the other place in favour of this bill was two to one. I should add that as a cabinet minister I am bound to observe the principle of cabinet solidarity.

Senator O'Leary talked about the awful prospects ahead, when the intercontinental ballistic missile day should come. God grant that day does not come. God grant that men can sit down as reasonable men at a table and decide that we shall not have it. However, if we have it, then, on the McNamara evidence, it will cost, as Senator O'Leary said, $30 billion a year, and perhaps 10 per cent of that for us. That is the kind of defence spending this country cannot undertake. One of the steps in the direction of trying to keep our defence expenditures at a level which is satisfactory to this economy and to the taxpayers, who have to pay too many taxes now, is one of the objectives and aims of this bill. If the expenditure ever reaches $3 billion, we will wonder where the money is to come from.

Senator Phillips said that, after this bill is passed, we will become more dependent upon the United States for our defence. I have great personal regard for Senator Phillips, but I must tell him frankly that, on the evidence of the kind of money which is available for new, modern weaponry, not only will the situation not deteriorate but, under the savings effected in other areas, our forces will be more useful for the defence of North America than otherwise they would have been.

Some Hon. Senators: Hear, hear.

Hon. Mr. Connolly (Ottawa West): I do not make that statement with any sense of arrogance. It is a fact of life which has been proved already, if one looks at the defence estimates.

Hon. Mr. Brooks: Has not that always been the case? It is an evolution; it is a matter of getting arms.

Hon. Mr. Connolly (Ottawa West): In a sense, that is true. However, the obsolescence of arms increases with greater rapidity now than it ever did in the history of the world. I gave an example, the Spitfire, which cost $25,000 in the last war and which was one of the great flying machines of the war. Today, the very cheapest fighter equipment which can be acquired is worth a minimum of $1 million. And the better types are worth $3 million and $4 million. Indications are that in

the future it will cost many times that amount for the most modern equipment.

Hon. Mr. Phillips: May I interrupt the honourable senator for a moment? He mentioned certain savings in the purchase of equipment. In my remarks this morning, I asked for a more detailed account of the savings and of the type of equipment. If the honourable senator has those facts and figures now—I do not wish to place him on the spot— I would like a little more information in this regard, since he was kind enough to refer to my earlier remarks.

Hon. Mr. Connolly (Ottawa West): I did not come equipped to talk about equipment this afternoon; I came particularly to talk about unification and about equipment in the background only of unification. But let me say to Senator Phillips that the finance Committee will be re-established at the beginning of the session and it would be highly appropriate for him to ask some very detailed questions about the kind of new weaponry being acquired by the forces of this country.

I think he will find the information very illuminating, in that while there is $314 million more available this year than would have been the case if the establishment of five or six years ago had been in existence this year, the efficiency of the forces as a result of the acquisition of this equipment is not only beneficial for the forces but will be helpful indeed for us to fulfill our international commitments under the treaties by which we are bound.

Hon. Mr. Phillips: Do I have your support in getting that before the Finance Committee?

Hon. Mr. Connolly (Ottawa West): There is no problem at all. Indeed you have.

Hon. Mr. Phillips: Thank you.

Hon. Mr. Connolly (Ottawa West): I would like to say, too, that I think from time to time it will be the duty of parliamentarians and senators, because Parliament is now almost in continuous session—and I hope, please God, that Parliament will always be in existence in this country—to have periodic reviews of the results that are proclaimed for the unification of the forces, to see whether they are working out in fact. There is no arrogance in my making a statement of that kind.

Speaking of arrogance, I am a little upset when the word is applied to my very old friend, the Honourable Paul Hellyer. I knew him when he first came to Parliament as a very young member. He was later defeated, and was returned in a by-election. After he returned to Parliament both he and I became very interested in the work of NATO parliamentarians. I remember the first occasion we went to Washington as observers, but at our own expense, attending one of these meetings.

I feel I owe it to him to say that he spent day and night working, interviewing as many of the people as he could from the forces of all of the countries represented at that meeting of parliamentarians within the alliance. He spent hours talking to the American officers about problems of defence and what the future held. The next fall we were in Paris; this time we were delegates and did not have to pay our own expenses. Again the same process went on so far as he was concerned. He talked not only with people in the military establishment of the countries of the alliance but also with those at SHAPE, who knew, if I may use the expression, something about the "shape" of things to come.

This man was dedicated to the work of the armed forces long before he had the opportunity of becoming the minister. He is sincere, and to say that he is arrogant seems to cast him in a role that simply just does not fit the carcass at all. I am proud to call him a cabinet colleague.

Hon. Mr. Roebuck: Hear, hear.

Hon. Mr. Connolly (Ottawa West): He is restricted by a financial ceiling. What he is trying to do is to take steps not only to economize through integration and unification but to make the forces efficient and effective. I give him credit for this: he is not afraid of taking steps that involve change—

Hon. Mr. Smith (Queens-Shelburne): He is not a coward.

Hon. Mr. Connolly (Ottawa West): Indeed he is no coward! And if he thinks it is going to improve the effectiveness of the armed services of his country, either for the defence of his country or for the fulfillment of its commitments in its international alliances.

The Hon. the Speaker: It is moved by the honourable Senator Connolly, P.C., seconded by the honourable Senator Deschatelets, P.C., that this bill be now read a second time. Is it your pleasure, honourable senators, to adopt the motion?

Hon. Mr. Brooks: On division.

Hon. Mr. Choquette: On division.

Motion agreed to and bill read second time, on division.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave I move third reading now.

Hon. Mr. Phillips: Mr. Speaker, before we pass third reading, I have my reservations about giving unanimous consent to third reading, but I will give it on the condition that I can join the Leader of the Government in terming the Minister of Defence a "carcass."

Hon. Mr. Connolly (Ottawa West): What are you saying?

Hon. Mr. Phillips: You said that my description of arrogance did not fit the carcass.

Hon. Mr. Connolly (Ottawa West): That is quite right. You want an undertaking from the Leader of the Government to do what?

Hon. Mr. Phillips: I said I will join you in your description of the minister.

The Hon. the Speaker: With leave of the Senate, it is moved by the honourable Senator Connolly, P.C., seconded by the honourable Senator Deschatelets, P.C., that this bill be now read the third time. Is it your pleasure to adopt the motion?

Hon. Mr. Brooks: On division.

Motion agreed to and bill read third time and passed, on division.

ADULT OCCUPATIONAL TRAINING BILL

SECOND READING

Hon. Donald Cameron moved the second reading of Bill C-278, respecting the Occupational Training of Adults.

He said: Honourable senators, in speaking to this very important bill, I find myself somewhat at a disadvantage, probably because of my error of commission by attending Expo yesterday. I blithely went down there thinking that I would have Saturday and Sunday to work on the bill. I was still in that blissful state of unawareness of what was going on at 11.45 this morning when I was advised that the hope was that this session of the Senate would conclude this evening.

I must say that my unhappiness about the situation in which I find myself is mitigated somewhat by the fact that I will be able to enjoy the weekend regardless of what I do with the bill this afternoon.

In passing, may I say—I do not know whether anyone else has said it or not—that I was proud yesterday to be a Canadian.

Hon. Mr. Pouliot: Hear, hear.

Hon. Mr. Cameron: I must say that the production put on by the group of dedicated Canadians at Expo is a credit to everything we have stood for in the past and is a particular credit to the individuals who brought about this magnificent achievement. I think everyone who was there felt that the achievement has far exceeded their expectations, and we owe them a deep debt of gratitude for the success that I know Expo is going to be in 1967.

Bill C-278 is in three sections. Before going into the detail, I want to make some general observations. First let me say that it is a pleasure to have the privilege of introducing this bill in the Senate. I say that because it marks a significant forward step in the development of an intelligent national manpower policy. It is a recognition by Canada of a principle that has been recognized for some time in other countries, particularly in Sweden, that a man in training for employment and a man in training to improve his skills is an important part of the labour potential of the nation. It also recognizes that a man in training has a right to an income for himself and for his dependents during the time he is taking training. No longer must he be unemployed to be able to partake of training programs, but any adult who meets the criteria established under this bill is eligible under the act.

Here I would like to read a statement made by the minister partly in the House of Commons and partly during a federal-provincial conference last October. I am referring now to page 15344 of the *House of Commons Debates* where he was dealing with the financial aspect of it, and its effect on the public, particularly on young people in school. He said:

> Financially, from the point of view of the public, which is what matters, we are not creating a distinction between education and training.

As an educator I want to emphasize the importance of that because you cannot logically distinguish between education and training, although we can understand the reasons why sometimes this is done to meet certain hypersensitivity about constitutional matters.

> We are making them more alike. We are accepting the financial responsibility for seeing that free training is available to all adults when they need it, in the same way that free education is available to all children. Finally on this point of the alleged distinction between education and manpower training, let me repeat what I said in October to the federal-provincial conference: "The distinction we do make is quite different. It is not between kinds of education. It is a distinction between the needs of people—"

I want to underline this.

> "—between, on the one hand, students in the ordinary sense and, on the other hand, men and women who are or have been earning their living but who need further training or retraining for productive employment."

And that is a very good distinction to make.

> That means, of course, that there is one financial distinction. In order to take training most adults need a replacement income. But no province, as far as I know, has proposed to pay an income to the children in its schools. Therefore there is a line to be drawn as to when people should get training allowances. Obviously, if we pay allowances to young people of 17 or so, we create an incentive for them to drop out of school early and take training later.

Apropos of that, I am going to give the results of a survey made in September 1965 and February 1966 on this very matter under the Point Five Program. In that survey it was found that of persons 14 to 19 years of age nearly three-quarters were living at home with their parents. Secondly, it was found that about 13 per cent wanted jobs and therefore training just to have something to do. Of the male trainees in the September survey, 48.1 per cent were living at home and sought work to support themselves only; 15.4 per cent sought work just to have something to do, and 15 per cent were working to help their parents support their families; 5.7 per cent sought work to support their own families, and were therefore automatically eligible for allowances under this particular legislation.

Now, although those aged 14-19 had about the same drop-out rate as those aged 20 or over—approximately 44 per cent—they quit training for very different reasons. Those under 20 tended to leave because they were not serious about training; those over 20 tended to leave for economic or health reasons, and the reasons for the drop-out are spelled out on the following table.

Reasons for Drop Out

	Age 14-19	Age 20 or Over
Lack of motivation, absenteeism, lack of adjustment, disciplinary	34%	20%
Financial, family problems, health	18%	29%
To take a job	17%	22%
Course not suited to trainee	3%	5%
Other and unknown	28%	23%

That gives a pretty good estimate of what would happen if the allowances were made, as has been suggested that they should be, for people younger than 17 years of age.

Before going further I would like to pay a tribute to the former Government for initiating the Technical and Vocational Training Assistance Act of December 1960. That was a good act which has served Canada well in the years since 1961 when it came into force. At that time we had less than 100,000 places for students in technical and vocational training schools. Today, as a result of that act, we have over 300,000 places and it is estimated that by 1970 we will need 500,000 places. If so, honourable senators, we have no reason for complacency today.

In June 1966 the Training Allowance Act which was Bill C-186 was passed to provide federal contributions to the provinces of 100 per cent of the costs of providing training allowances of $35 per week to persons on technical and vocational training under federal-provincial programs, and up to 90 per cent of the cost of providing supplementary allowances to meet family circumstances and living costs. Enrolment in adult vocational training increased by 400 per cent between 1962-63 and 1963-64, as a result of these particular acts. Adult education at the secondary level increased by about 70 per cent in the same period. Here we can see the dramatic results of this legislation.

In the federal-provincial conference in October 1966 the Prime Minister indicated the intention of the federal Government to phase out existing agreements, to clarify purposes and to expand activities in adult training. There has been a lot of talk about the change in policy on the part of the federal Government. Some people have argued that the Government is curtailing programs and placing a greater onus on the provinces. An examination of the facts presents a very different story. It will be recalled that for many years after the federal Government sought to meet the national needs for trained manpower and provided more and more money for doing so, there was a constant barrage of fire from at least some of the provinces that the federal government was exceeding its constitutional authority and breaching the terms of the British North America Act which made education the exclusive prerogative of the provinces. Now, when the federal Government says to the provinces, "We are sharply defining our role and are confining it to the education and training of adults for which we will pay 100 per cent of the costs to the provinces," some of the provinces are claiming that they were betrayed. Obviously, they cannot have it both ways. Under this bill the provinces will do the training, and the federal Government will reimburse them 100 per cent for every man and woman they train. I particularly want to underline "women" because the provision applies to them equally.

In addition, so that no individual and no province will be inconvenienced, the federal Government, under Part II of this act, makes provision for transitional agreements under which individuals presently enrolled, whose courses were not completed by March 31, 1967, would be enabled to complete those courses. In the main, this will be over by June 30, 1967.

In addition, under Section 20 of Part II there is provision for a continuation of the capital grants formerly made to the provinces under the Technical Vocational Training and Assistance Act.

I want to supplement this with some general information to round out the picture.

Since 1961 the federal Government has been sharing in the provincial costs of technical and vocational training through a number of programs under the Technical and Vocational Training Assistance Act. These contributions assisted the provinces with operating and capital costs of technical and vocational training at the secondary, post-secondary and adult levels.

For some time it has been apparent that a major breakthrough is badly needed in adult training. The majority of the funds contributed by the federal Government to date have been used in secondary and post-secondary areas. Relatively little has been spent on training, retraining and upgrading adult workers.

In 1965, under the old program, the federal Government contributed 90 per cent of the training allowances which the provinces paid to unemployed workers. It also paid 75 per cent of the provincial costs of providing that training.

One of the major difficulties in training adults was the very low level of the allowances. They ranged from $10 per week to $55 per week, with a majority clustered near the bottom. In addition, they were, in large part, paid by the workers themselves; they contributed their unemployment insurance benefits towards their allowances. Too often, training was regarded as a useful way of keeping the unemployed busy.

The 1965 Training Allowances Act set the minimum allowance at $35 per week and the maximum at $90, depending of family circumstances and living costs. The federal Government agreed to pay the provinces the first $35 and to contribute 90 per cent of the remainder.

The act also broke the connection between the adult training and the unemployment insurance system. Any adult who receives a training allowance has all his unemployment insurance benefit rights preserved.

Here I want to interject something else that is rather interesting, and which may cause us some difficulty in Canada. If you analyze the weekly earnings across Canada, you will find that in Prince Edward Island last year they were $62; in Quebec they were $106; in Ontario and Alberta—and I am speaking from memory—they were about $112.

Hon. Mr. Pearson: Does that include men and women?

Hon. Mr. Cameron: Yes. In the Province of British Columbia the weekly earnings were $117. There is a tremendous discrepancy when you find that the average earnings of people at one end of the country being almost half those at the other end.

Hon. Mr. Kinley: Does this average include men and women?

Hon. Mr. Cameron: Yes. That is my understanding.

The new Adult Occupational Training Program will even more completely sever the historic association between training and unemployment. Any eligible adult, whether employed, unemployed or working for himself, can be referred to training by a Canada Manpower Centre if the training will increase his income, employability, or contribution to the economy.

This will not be a shared-cost program. It will be a federal program carried out with the co-operation of the provinces. The Canada Manpower Centres will select the adults to be trained and pay for their training—usually in provincial centres, but also in industry.

The allowance limits, and the protection of the worker's unemployment insurance benefits, will remain the same. But now the federal Government will pay the whole allowance, and will pay it directly to any trainee who has taken on adult economic responsibilities. Ordinarily, a person must have been working or seeking work for the past three years, but a person with dependents can qualify if he has been out of school for just one year.

Adults who lack these economic responsibilities—and this is important to remember—will nevertheless get free training if they are one year past school leaving age and have either been out of school for a year or are in apprenticeship or other employment involving part-time training.

The training will normally be provided in courses of one year or less operated by the provincial or municipal government. The federal Government will not run schools, but it will pay the provinces 100 per cent of the costs of running the courses, and will pay rent for the necessary buildings and equipment.

When arrangements are made with a firm to train its workers, the program will pay the costs of running the course, including reimbursement of the wages the company pays workers while they are learning. The program will normally apply only to "classroom" training in industry, the kind that very few firms are able to finance. But when workers' jobs are threatened by technological change, even "on-the-job" training will be available to help them adapt.

Besides paying living allowances and "buying" the necessary training services from the province, the program will help the provinces to acquire the necessary buildings and equipment. This will be done by lending them money for adult training facilities. They can take up to thirty years to repay, and the federal Government, by "renting" the facilities for adult use, will pay for their construction. In effect, adult training facilities will cost provincial taxpayers nothing, and the province will have the free building after thirty years.

The Adult Occupational Training Program is the federal Government's recognition of its responsibility for matters affecting the existing labour force—employment, productivity and economic growth. Because this is a federal responsibility, the Government of Canada will pay 100 per cent of the costs. At the same time, however, the federal Government will terminate its activities in the field of education at the secondary level which is, constitutionally, solely the responsibility of the provinces.

The token federal contribution to the operating costs of provincial vocational high schools, and federal sharing in the cost of educating continuing secondary level students in provincial trade schools ended on April 1, 1967. But the very substantial capital grants to the provinces for building secondary, post-secondary, and adult technical and vocational training facilities will be phased out only gradually. The grants will continue at a 75 per cent cost-sharing rate, until each province has received $480 for every person in its 1961 youth population; that is, the youth population between 14 and 19. A further $320 per person will be available on a 50 per cent sharing rate. The provinces have already received nearly $600 million of these grants, and they will receive a further $550 million. Funds will be available for exactly the same purposes as before, but there will now be no time limit on their use.

The federal contribution on account of the provincial cost of post-secondary education is being consolidated and considerably expanded. In place of grants of about $50 million in the fiscal year 1965-66 for universities and post-secondary technical and vocational training, the federal Government will next year pay to the provinces well over $300 million.

This increase in the contribution on account of post-secondary education is many times larger than the former grants for provincial trade and vocational high schools. Although

the contribution will be calculated as 50 per cent of the provincial post-secondary operating expenditures, or the equivalent national per capita figure, it will be given as an unconditional transfer of a portion of the federal income and corporation taxes. The provinces may spend the money in any way they choose, but the amount will escalate with the expected rapid rise in post-secondary spending.

I indicated at the beginning of my remarks that this bill contains three parts. Part I, in sections 3 to 6, defines various specific terms in the act. "Adult" and "adult eligible for a training allowance," and so on, are defined. This part also defines eligibility in terms of the length of time out of school, and the length of time away from work, and so on.

Sections 7 to 9 deal with training allowances. I referred to these earlier as being $35 per week, and up to a maximum of $90 per week.

Section 10 makes provision for research. In a rapidly changing society it is vitally important that funds be made available for exploring new methods, new techniques, and new equipment. This is one of the valuable sections of the bill.

Section 11 provides for loans to the provinces, and these I referred to earlier. The provinces can obtain money for constructing additional buildings and purchasing additional equipment, and pay it back over a period of 30 years. In the meantime, as a result of renting the facilities to the federal Government, they can actually obtain a free building at the end of 30 years.

Section 12 deals with the regulations under which the occupational training of adults is administered today.

Part II makes provisions with respect to unemployment insurance benefits, and the relationship of unemployment insurance benefits to grants made under the Technical and Vocational Training Assistance Act. A person receiving a grant under that act cannot receive a payment under the Unemployment Insurance Act, but provision is made to extend the time in which benefits may be payable so that he is not the loser.

Part III deals with transitional agreements. It makes provision for the protection of those individuals who were taking a course of training which was not completed at the expiry of the old agreement on March 31, 1965. It provides also, as I said before, for those who will likely terminate their training program by June 30, 1967, but even then there is provision for their continuing beyond that date. Secondly, it makes provision for extending the agreements with the provinces so that they may continue providing the facilities.

Honourable senators, I do not know that I need go into this any further. If there are any questions I shall do my best to answer them. The three parts of the bill are as I have outlined them, and its main points are those that I made in my introductory statement.

Hon. Allister Grosart: Honourable senators, as appears on the surface, we have heard a complete run-down of the bill from Senator Cameron. There is not much of what has been presented officially by the Government as to the intention, and the effect, both present and future, of this measure, that he has left out. What he did leave out, however, are the things about this bill that have been said by others, and what the sponsors of the bill in the other place have not said about it, and which, to the best of my knowledge have not been explained to the satisfaction of those most vitally concerned, namely, the provinces who are expected to provide the facilities for the carrying out of the intention of the bill.

I was interested to hear Senator Cameron say at the very beginning of his remarks that he was inclined to compliment the minister on the fact that he had not drawn a distinction between training and education. I am pleased to know that that is the impression of Senator Cameron, because it is interesting to note that it is the very opposite of the general impression that has gone abroad. In support of that statement I should like to quote—and I had not intended to do this—from an article on this subject which appeared in the *Globe and Mail* on April 22 last. It is entitled "The Retraining Row," and one paragraph reads:

> But the crisis—

That is, the crisis created by the manner in which this bill has already been implemented.

> But the crisis lies deep, going back to Mr. Marchand's oft-repeated notion that training and education are distinctly separate.

That called for an answer from the Deputy Minister of Education for Ontario, Dr. J. R. McCarthy, who said: "This is unacceptable to any knowledgeable educator in Canada today." Mr. W. G. Davis, the Minister of Education for Ontario, said: "The more I think

about it, the more artificial I think the division is." Yet, that division is the basis of the whole concept of the bill.

I am glad to discover that the sponsor of the bill in this house, the honourable Senator Cameron, finds himself in complete disagreement with the justification for the bill as stated by the Government. I am not surprised at that, because confusion and chaos have been created by this bill. The Government has been warned, but the Government has refused to do anything about it.

If honourable senators doubt my word on that may I say that there is plenty of evidence—and it is admitted by the Government—that letters have been received from at least three provincial premiers pleading with the Government not to introduce this bill in this form at this time. The words "chaos and confusion" have been used in relation to those communications. We find instead of co-operative federalism in the approach to this legislation, the introduction of the sledge-hammer, and in a manner unprecedented, I believe, in the history of the Parliament of Canada.

I refer, of course, to the fact that there is not the least necessity for this chamber to discuss or pass this bill. What we do here in that connection will have no effect whatsoever on the bringing into effect of the provisions of this bill. The fact of the matter is that the regulations under this act were passed by order in council on April 1, and proclaimed in words identical to those contained in the bill, and this bill is now in effect completely.

The manpower managers of the federal Government are now in these training centres. They are up there—this will surprise you and perhaps justify my earlier suggestion that this has caused chaos and confusion —with blank cheque books. I have been told this, and I have investigated it personally. At one centre in Toronto, one of these federal employees, operating under the authority of this bill that we are now asked to pass, but which has not yet been passed, had to turn to his partner and say: "I am all out of blank cheques." These are blank cheques of the Government of Canada in the hands of people who are operating under the authority of a bill which we in this chamber are now asked to pass. That is why I say we are dealing with a completely unprecedented situation.

Some honourable senators apparently are not aware of this, judging by the looks of surprise on their faces. But the evidence is all there. You may say to me, there must have been some attempt at justification. Of course there was. The attempt is described in the article to which I have referred:

> By employing tricky legislative footwork, Mr. Marchand wiggled through an order in council that permitted him to put into effect on April 1 the regulations of the act-to-be.
>
> That the act isn't yet law (it is slated for second reading on Tuesday) makes little difference. On the question of living allowances, the act and the regulations of the order in council are worded identically.

"Worded identically," and it is more than that.

> The behind-the-scenes struggle over them is one of the most astonishing chapters in federal-provincial affairs.

That is the background of the bill that we are now asked to enact into law. It is interesting, of course, that in the bill there is the usual clause by which we will now pretend —I use the word "pretend" advisedly—we will go through the farce of granting to the Governor in Council the authority to make regulations under this act. Those regulations, as I stated before, were put into effect on April 1 by order in council and are now being used around the country by operators of the federal Government.

I wonder what we are doing here? I wonder why we are wasting our time? I am sure that senators who have been here longer than I will begin to wonder if we are not faced in this act with a completely new way of legislating. If this is legal, if it is constitutional, it can be repeated *ad infinitum*, and it means that at any time the Government can bring in a bill and ask Parliament in that bill for the right to make regulations by order in council. It can then casually put a statement of the amount it needs to carry out those regulations in the Estimates. Then as soon as interim supply is granted it can say, "We have the complete authority to do what sometime later we will ask Parliament to grant"—in this case one month later.

On occasion I have objected to the haste with which we passed interim supply. It has been said to me that I should not worry about it because interim supply is merely a grant of one-twelfth, or perhaps two-twelfths, and it is just *pro forma*, and I have been asked why I want it referred to the Finance Committee. The best reason in the world is that the only justification for this unconstitutional act by the Government is that we passed interim

supply in March without looking at it. So did the House of Commons. It bases this whole unconstitutional action on the fiction of the passing of interim supply; and that is what we are doing.

Hon. Mr. Farris: If it is unconstitutional it will not have any effect.

Hon. Mr. Grosart: Certainly coming from one of the most eminent of the constitutional lawyers in Canada that is interesting. I am not a constitutional lawyer, and I am not in a position to say whether it will be challenged or whether the whole action of the Government in this is illegal. I used the word "unconstitutional" in the broad sense, that is to say it is against the traditions of Parliament, against the customs and usages of the Constitution. Whether it is strictly against the law I do not know, nor do I know whether the writer in the *Globe and Mail* is correct in saying that by "employing tricky legislative footwork," the Government and the minister have been able to bypass Parliament. I do not know which it is, but certainly from my scant knowledge of constitutional law, in terms of the traditions and usages which, as I understand it, are in a sense part of the constitution, this is away beyond the pale. It has never been done before. Why has it been done? Well, one of the things this legislation does is to apply the guillotine to an act which has been in effect since 1961, namely, the Vocational, and Technical Training Act, which incidentally was introduced originally by the Honourable Michael Starr. Over the years that act has been responsible for the building of eight hundred schools, and it has given additional education to some 300,000 students. Now it has suddenly terminated. The Government said it does not want this act any more for reasons of its own, and that it is going to be replaced with another act.

Hon. Mr. Connolly (Ottawa West): I think it expired, did it not?

Hon. Mr. Grosart: Of course, an act of Parliament never runs out until it is terminated or replaced.

Hon. Mr. Connolly (Ottawa West): I asked the question because I am not sure, but I think it had a date of expiration, which was March 31 of this year.

Hon. Mr. Cameron: Yes, it did.

Hon. Mr. Grosart: I stand subject to correction on that. It may have had a date of expiration, and that is a very interesting point which I was going to mention later. Perhaps the act itself did have a terminal date. Certainly the agreements under the act were not renewed. It commenced in 1961, and it is now 1967. One of the big complaints of the provinces, of course, was that they were committed to this. It was assumed that this would be a long-term program, and the physical commitments under this act amounted to $1,200,000,000 federally and provincially. They had to assume that this act was going to carry on, and they based their programming on that assumption. All of a sudden the federal Government said, "No, we are going to terminate this and we are going to offer you a new act."

I am told that the federal Government is now offering the provinces a nine-month agreement under this act, an act under which, if they are going to co-operate in it, will cost them millions of dollars. Senator Cameron told us that they will get some of it back, but they will not recover all of it by any means. I heard through the grapevine in the corridors that some provinces, if not all of them, are going to refuse to sign. I hope they do, for this is a preposterous thing.

An honourable senator asked, "What is the guillotine?" The guillotine came down, but came down slowly but effectively. There was a federal-provincial conference at which the purport of this bill was presented. It made a great deal of sense and it was felt that if it was put into effect sensibly it would do a great deal of good. I am not objecting in any way to the concept of it, but I am objecting to the way in which it has been introduced, the way it has been implemented, and the way the federal Government has given a complete denial to the principle of co-operative federalism. This is not a case of stubbornness on the part of the provinces. It is not merely a case, as some of the federal authorities have indicated, of civil servants in the provinces being hard to get along with. Eight of the ten provinces have objected to this. There are letters—which so far the Government has refused to table—from at least three premiers, perhaps from more, begging the Government to hold this up. The phrases used are: "This will create chaos and confusion," and "this takes us headlong over the brink."

Anyone with any awareness of what is going on in the attempt being made to implement this bill before we pass it will thoroughly agree with me on that point.

Honourable senators, there are many other aspects of this bill I would like to discuss now, but my colleague, Senator Fournier (Madawaska-Restigouche) will speak on some of the other points.

Although I have not seen the public statements, in my investigations I have found—and perhaps the sponsor of the bill will correct me if I am wrong—that the net cost to the Government of Ontario, to take but one government, of this precipitate action, will be $100 million.

I will not go into the details, but my information is that, far from all this being an example of wonderful largesse by the federal Government, the net cost—I make that statement in the hope that it will be thoroughly investigated, and corrected if necessary—to Ontario alone will be $100 million that they would not have had to spend in the education field if this bill had not been implemented, as it has been, before being passed.

Hon. John J. Connolly: Perhaps Senator Fournier would not mind if I rise at this stage.

First of all, the bill before us now certainly enlarges the opportunities for adult training. With that objective everyone agrees. This is bound to cost more, not only to the federal Government but to the provincial governments. However, the approach generally by the federal Government to the provinces, for the implementation for the proposed program, will be one of co-operation and of help in the laudable objective of improving the skills, the facilities and the capacities of our people, as the result of the automative process which is constantly escalating.

I feel sure those agreements will be worked out. Contrary to what Senator Grosart has said, I hope that all of the provinces will take advantage of the newer and better conditions which this bill provides.

Honourable senators, I wish we had time to go into committee on this, to have officials before us, so that Senator Grosart and others could get detailed information. However, there may be an opportunity on a later occasion for that purpose.

Senator Grosart has made a valid criticism in respect of the regulations, although I cannot agree with everything he has said. The adult training program heretofore in existence actually expired, I am informed, on March 31.

In the main Estimates of 1967-68, dealing with the Department of Manpower, there was spelled out in some detail, when one-twelfth supply of this estimate was granted in the interim supply for April, that the department was empowered to draw up regulations under this item. That is legislation. Such a procedure, technically, is legal. But frankly, I agree with Senator Grosart that this type of procedure is undesirable.

Hon. Mr. Grosart: Would the honourable senator agree with me in the broader sense that it is unconstitutional?

Hon. Mr. Connolly (Ottawa West): No, I do not think that is a good word. It is undesirable; but if it is legal it is constitutional. There is no question about this.

Rather than have this gap, and in anticipation of the larger and better provisions for the adult training of the people, Parliament did give that approval. Frankly, I did not look at that detail at the time the interim supply bill was passed; but it was discussed in the House of Commons, and they knew and realized what they were doing at the time. It enabled the administrative side to continue with the work.

As I say, I do not like legislation being passed by means of items in the Estimates. We have had that debated here time and time again; and we have had it before our Finance Committee and we know it is not a good practice.

There was an emergency on this occasion and, rather than disrupt the manpower adult training program, this device was adopted. It was admitted in the House of Commons that it was a device. They had the authority of the law officers of the Crown—which the Government must accept—that this was a proper legal course to follow, regardless of how unsatisfactory it may be, and is, from a parliamentary point of view. It would be much more desirable to have this kind of legislation before us, and thereafter make the regulations. I make no apology for the present practice. The fact of the matter is that time ran out and some device had to be adopted and this was the only device available.

Hon. Mr. Grosart: Would the honourable senator agree that expediency is the usual excuse for breach of the democratic process?

Hon. Mr. Connolly (Ottawa West): No, I think we have to make government work.

Hon. Edgar Fournier: Honourable senators, I am pleased to have the honour to express my views on Bill C-278, an act respecting the occupational training of adults. Senator Cameron has given a fine description of the bill. I have known him for a long time but I would imagine that in the education picture university educators and trade training and vocational educators do not always share the same views. Although we aim at the same purpose we have different ways of doing things and we are dealing with different types of problems.

I thank Senator Grosart for his kind remarks, and also the Leader of the Government, both of whom have discussed many of the points which I wished to deal with in my speech.

Honourable senators, I do not think this bill is all wrong, but I have some reservations, most of which have been mentioned already by Senator Grosart and by other critics of the bill.

As this is a completely new approach in vocational education, I believe that in order to understand the bill it is desirable to portray a bit of the history of vocational trade training. I may mention first some of the difficulties of the trade training we had some years ago. In 1925, at the age of 17, I found myself out of school with a Grade 10 education and two years of vocational training, which included motor mechanics, electricity, carpentry and draughting. There is no need to say that the training was elementary.

My ambition was to become a full-fledged motor mechanic and welder. The nearest training school in those trades was 250 miles from home. This was the situation faced by many hundreds of boys like myself at that time, with no money and no training facilities within reach. There was but one solution, to pack up your ambition and to work at anything you could find—to earn any further training. One had to keep struggling, and it was eleven years later that it became possible for me to set foot in a training school at Halifax, 600 miles from home.

Honourable senators, throughout all that time, from 1925 to 1936, there were many disappointments and many rough roads. I mention this in order to draw a comparison between those early days and the facilities and opportunities at the disposition of our youth today. There is no problem today for young men or women who may wish to take training. It is at their doorstep, within the reach of any one. The distances have been eliminated. The financial problems have been resolved. Assistance by provincial and federal governments, in many instances, is substantial and above the need of the trainee. Courses are given without exorbitant fees. What a change this is!

Let us now see what was done. Much was done but the process was slow. Vocational schools were recognized as the dumping ground for academic failures. This was a very serious problem. I can remember very well one time I had a boy who came into my class, but after a week of attendance the principal came in, asked him what he was doing there, and said, "You are too smart to take vocational training. You should go back to Grade 11, because your marks were good." That was not the ambition of the boy, but it was the feeling of the principal that the boy was too good to take vocational training. The trouble is that if you are going to train anybody, he really must have basic education.

Hon. Mr. Connolly (Ottawa West): Hear, hear. You are right.

Hon. Mr. Fournier (Madawaska-Restigouche): So the results were not too good sometimes, and if the academic people wondered why we could not train anybody, the reason was that we could not get results with failures from Grade 5, Grade 6 and Grade 7. How could they expect us to produce results with this type of boy? That was one of the problems.

However, I am making my story short. In 1919 an act was introduced by the Government called the Technical Educations Act of 1919. In that act they defined technical education, yet in the definition there is nothing about promoting technical education. They mention promoting industry and the mechanical trades, and to increase the earning capacity, efficiency and productive power of those employed therein, and they mention $10 million from the federal Government spread over a period of 10 years.

In 1931 there was another act for the promotion of vocational education in Canada. The act was to increase the expenses from the original act to $750,000 per year for a period of 15 years. That would include assistance to land and buildings, tools and equipment. However, very little was said about training.

The act of 1919 dealt mostly with enlargement of financing, and the bill had, for effect, to earmark $4,500,000 additional to assist training programs already in existence over a

period of four years by adding an extra $1,500,000 per year above any amount already allotted under the Technical Educations Act.

In 1942 a Vocational Training Co-ordination Act was passed. In that act, "vocational training" means:

> Any form of instruction the purpose of which is to fit any person for gainful employment or to increase his skill or efficiency therein, and, without restricting the generality of the foregoing, includes instruction to fit any person for employment in agriculture, forestry, mining, fishing, construction, manufacturing, commerce or in any other primary or secondary industry in Canada.

I find Section 3 very interesting, because at that time we were in a war situation. Under section 3, subsection (a) we find that the act is to provide vocational training to:

> Fit persons for employment for any purpose contributing to the efficient prosecution of the war whether in industry or in the armed forces.

Honourable senators, in 1940 we found ourselves fighting a merciless war to defend our liberty. It was a mechanized war of machine against machine manned by human beings. Unfortunately, at that time human beings were easier to replace than equipment, and in many cases equipment was saved at the sacrifice of human life.

At that time our allied authority turned to Canada for equipment: small arms, artillery, tanks, trucks, airplanes, and so on. Factories were being built everywhere. Young boys were leaving school and women were leaving their homes. Employment boomed and every human hand was employed and production was expected and badly needed.

Technical and vocational training schools were opened across the country. I will not go into the type of training because we have not got the time.

Honourable senators, I wish to bring to your attention who is to be trained and what we are to find in Canada. We find jacks-of-all-trades, and this is what we were referred to by many people overseas. The fact was that Canadians could build homes from the ground up to the roof, including doing the carpentry, the heating, the electrical work and the plumbing. We were jacks-of-all-trades. On the farms we made our own equipment, built our own barns and sheds and did our own painting, put in our own plumbing and made our own water systems.

Overnight the older boys became mechanics. They were not so much able to repair things as they were able to go out into the scrap yards and buy used cars, change the parts and put the cars back on the road. That was showing a great deal of efficiency.

Yes, we could do anything, but we lacked precision instruments. We could fit part "A" with part "B", providing that part "A" and part "B" were available to us. That was the problem. The production program which was introduced then was to build a lot of equipment, guns and airplanes with parts coming from all over Canada. Parts came from Halifax, Vancouver, Winnipeg, Toronto, and elsewhere. We had then to send them to a central shop to be put together. That was the problem; none of them would fit because we had not the part "A" to fit the part "B" at our disposal.

We did not know how to read blueprints. We did not know how to use precision instruments such as surveyors' gauges, and so on, vernier scales and micrometers. All these things needed skills we did not possess.

For the first two years of this production, all we did was to build tremendous scrap piles. I remember going to visit a factory in Montreal which had a contract to make artillery guns. They had lines of guns already made, but they could not make the breach block because each one of them was ruined by the final filing because the man doing it did not have the right touch. It had to be filed down to one-thousandth of an inch, and our tradesmen, or most of them, had no idea how small one-thousandth of an inch was. The result was that these breach blocks could not be filed by men. So we turned around and trained a group of women. They were trained to use instruments, precision instruments, surface plates, dial gauges and things of the sort, and finally they were successful, using the women to do the final filing to fit those breach blocks.

I did find out, and I am not the only one, that we encountered fewer difficulties in training young boys and young women who had never done any work before, because this was a completely new field for them. It was easier to train that type of person to be a success than it was to train a motor mechanic or a jack-of-all-trades who would not believe in this new equipment but thought he could do it all as he did it in the past, with the result that nothing he did was acceptable.

Thus we found that our vocational and technical institutions could not cope with the situation, and a special program had to be set up to meet the demand and so the Dominion Commonwealth Scheme was established. Qualified instructors were brought from various countries to Canada to train Canadians to operate this training program. I am proud to say I was one of the first to be trained by that group. Then, as the program expanded, we had our turn to teach and to train other men.

Once the war was over Canada was among the leading industrialist countries in the world. Our war training had served its purpose, but it did not meet the requirements of peacetime. Many school buildings and equipment were available, and many cities took advantage of that, but soon we found out that the cost of operating such schools was prohibitive. Furthermore, the equipment was obsolete and the most modern equipment was needed.

To make a long story short, assistance was needed from a central authority. However, we struggled along and employment was quite favourable. Anyone who wanted to work could do so. But more techniques and skills were required with every passing day, and it was becoming more and more difficult for industries to follow the technical evolution, what with electronic and nuclear fission fields opening up. There were different lines of progress which we simply could not follow.

The war training program made a great contribution in raising the standard of our labour force and of tradesmen who really wanted to learn something and to better their future. But it was a different situation for a large group of young men and women. Many young men who had left school to accept trade training through the Commonwealth Training Program, who had had no occupation of any kind between the time they left school and their training period, which provided them with jobs of anywhere from $60 to $100 or $125 per week, found much difficulty in adjusting themselves to peacetime work at a much lower salary and where experience and ability were of major importance. Jobs were scarce and competition was high. Many young men and women were spoiled by this training and by this war emergency pay. They were also spoiled by the easy money and the easy occupation they had had. They felt that that was the way of life, and many were never able to readjust themselves. They could not adapt themselves to this new after-war occupation.

Industries were also the victim of those circumstances. A market was just not there, production had to be reduced, and salaries had to be readjusted to meet the conditions. Then in 1960 we had the act to which Senator Cameron referred, the Technical and Vocational Training Assistance Act. As a result of this legislation more than $\frac{1}{2}$ billion was spent by governments, both federal and provincial, to build new schools, to buy equipment, to train teachers and technicians, all under the regulations. Supervision and administration came under each respective provinical Government, and progress was being made.

One of the major problems those training institutes had to face was the selection of the candidates to be trained. This is still a problem. First, to be trained as a technician you must have a good basis of academic education as well as mechanical ability. Above all you must have the ambition to learn a trade, to better your position, and just not attend a school to draw remuneration, as has been the case on many occasions. I know of one place in one province where our premier has sometimes the ability to blow a publicity balloon. In 1963 he was embarking on a training program which was new in the area. But he put through this program in the way we are getting into this one without the proper knowledge and without the proper survey. The result was—I am going to make this very short because I want to mention an example—that everyone went in for vocational training. Everybody was going to get a trade and a very fine job and raise the standard of living of the people in that particular province. I know of one place not very far away from my own home where two schools got into operation under the scheme, and they were sponsored, and I hate to say this, by the church. In one place the church hall was rented. It was not long before that school was pretty well filled up. Nobody had any intention to increase his education. He left his job because there was a little remuneration, something like $25 a week with approximately $3 for transportation. The school was filled, and then one day somebody had to make a report to the department about what was going on. The inspectors arrived and it turned out that the school was running a barn dance, and that half the students were drunk on moonshine they were making from their own distillery. That is the way it was operated.

Hon. Mr. Connolly (Ottawa West): Well, that is a form of adult training.

Hon. Mr. Fournier (Madawaska-Restigouche): As a result the school was closed. I mention these things because I hope this new program, while operated by the federal Government, will have a staff of knowledgeable, experienced people all over Canada. These people can bring somebody in and ask him as to whether he can qualify for this or that. I am afraid I can see a weakness developing there. I think that part should have been left to the provinces, because they have the persons qualified to enable the scheme to be embarked on gradually over a period of years.

I am of the opinion that it is very sad to find in this bill that a young boy will have to be a member of the labour force for three years before he can qualify for training. This to me is the worst feature of the bill. Where will a boy of 16, 17 or 18 work in the labour force for three years without prior training? This is completely against logic and the trend of today. On the one hand we say to our young men "In order to find a suitable position in this world you must have training, you must take a trade, you must improve your skill." On the other hand we say "Boys, you cannot take trade training, you cannot learn a trade until you have worked in the labour force for three years."

Hon. Mr. Connolly (Ottawa West): Sixteen is the school-leaving age, and I think that is one of the reasons for that provision.

Hon. Mr. Fournier (Madawaska-Restigouche): That is a problem, but it is not possible for a lot of people ever to reach Grade 12 or get an academic education, because they have not got what it takes. But they must have some ability to become a skilled mechanic in some trade. This young boy of 16, 17 or 18 years, if he has three years to wait to get a job—and it is almost impossible to find a job today whereas in my day it was always possible to get a pick and shovel and go out and dig a hole—he will get a girlfriend, marry her and raise a family and get an allowance. There are many people doing that.

There is another problem. What do you suppose a young married man with a few children and not too much ambition to improve his knowledge will do when this bill comes into effect? Naturally he will call at the manpower office and apply for a trade, with the best story in the world—and they are experts at that—knowing that under this new act he can almost double his salary. Who will be there to orient him, to question his ability, and so on? Then he is accepted and lives with his family at the taxpayers' expense for the next 12 months. At the end of this allotted time—and I am not saying training because there will be a big difference between the allotted time and the training period—he is placed in an industry. In 30 days he proves that he has not the qualifications or the skill to carry on at that capacity. What will he do next? He will go back to the manpower office and he will say with tears in his eyes, "I am sorry. I took the wrong course, so I am applying for another course." And so he goes on for another 12 months at the taxpayers' expense.

I have noticed from the discussion which has taken place that many people seem to think that a man needs three or four trades to live today. Those are exceptions. Those who need three or four trades to live today do so because they have not become qualified in any one trade. A man who has one trade, a plumber, a mechanic, an electrician, whatever you like, and is qualified in that and becomes expert in it, can live. It is not necessary to qualify in three or four. He may be out of work for a month or two because of seasonal unemployment, but then he has his unemployment insurance to take care of that situation. If he works for nine or ten months, he can make up with the overtime for what he has lost, and there are no problems. I think we are spending too much time on the question that everybody has to have five or six trades to make a living. We should emphasize that these boys should spend some money and specialize in one trade and become expert in that. Then there will be no difficulties.

Last winter the federal Government passed Bill 186, which I was pleased to see enacted. I remember that when the bill was introduced we were told that it was to take care of some of the deficiencies in our system whereby some students were not paid whilst attending schools while others were. This bill has not covered that situation. I have read this bill many times, and its purpose was good. Anyone receiving training would receive some remuneration, but unfortunately in practice it has not worked out that way. I do not know what happened or where the loopholes are, but in some places in several classes there are boys of 16, 17 and 18 years who are getting nothing—not a penny; while in other clauses, say in the age group of 25 to 30, some are getting as much as $75. These boys who get over $35, what are they doing with their money? I have investigated. At night they drink beer, play guitars and borrow cars, and they are having one hell of a time at the

Government's expense. They are receiving too much money, and I think we should control the amount they receive. Boys should have enough money to pay for their board, $22 to $25 a week, plus a few dollars for living expenses. But we should not pay them $40 to $45 extra to play guitars and drink beer.

So, this bill has not served the purpose for which it was enacted, and I would like to know why. I have inquired, and I have been told it is Ottawa, and that Ottawa can make the regulations. In the meantime, the courses are going on and boys are not getting anything.

Honourable senators, I am very thankful for the attention you have given me. I have cut out many pages from my speech for good reason, but I want to leave you with one thought. We think in vocational education that every child in Canada, from the mentally retarded to the intellectual, is entitled to the best education he can receive to suit his ability. Problems are not common with the intellectual, but rather with those who are not so fortunate. In the vocational schools it is our aim that if we can train a boy to become nothing but a street sweeper, we will devote two years to making him a darned good one. This attitude and understanding applies to all trades.

Hon. John J. Kinley: Honourable senators, I do not want to make a speech at this late hour, but I listened with interest to the discussion on this bill. The speech of the honourable senator opposite, who has been an educationalist, was most interesting. I rose to speak because of one or two points.

The first is that it was said here that the Minister of Manpower and Immigration, the Honourable Mr. Marchand, stated that there was a difference between training and education. Someone objected to that. I agree with Mr. Marchand. Through education a man knows things, and through training he can do things. You need the man who can do things and you need the man who knows things, and the two should work well together.

I have been interested in manufacturing in the marine industry in Nova Scotia for over sixty years, and during that period I have dealt with a good many men. In the old days we had the apprentice who usually took three years to learn his trade, and during that time he was not paid very much. I remember in those days I was offered a job in a bank at $75 a year, and when I objected they said, "We cannot train a man and pay him at the same time."

I know that in the town of Lunenburg, before rubber boots were made, they had leather boots. An apprentice learned to make them in the wintertime, and in the summertime his boss sent him to Labrador with the fishermen, and paid him. That money paid for his training as a boot maker.

I think this bill results from progress. We now pay for this training out of our own pockets. We send men away to technical schools or they may take correspondence courses. We pay a portion and the government pays a portion. We have to do it, or we cannot survive. We live in a competitive industry, and if our men are unable to do the things that come before them, in this day and age, with the rapid changes that are occurring, we are lost. It costs us thousands of dollars a year now, and so I am very satisfied with this bill.

I was interested in the remarks of my honourable friend, Senator Grosart, on the constitutionality of the bill. I am not worried about that. I am worried about whether we have the law to enable us to do the job. I have been in politics a long time. I remember when the old age pension bill was introduced in Canada. I think it was Mr. Bennett who brought it in, and someone said it was unconstitutional. Then we had to take it to the Privy Council in order to have the constitutional question determined. My thought is that if this bill is unconstitutional, we had better stop giving the provinces all this money to spend in order that we can carry on. Politically, it is a bad thing because we give this money to the provinces and they gain control of it and take advantage of it. Political patronage is a nice thing, and they get credit for what the dominion Government gives them. The voters are only beginning to find out about this. If you deduct what they get for gasoline and liquor from their treasury, about 88 per cent of the money comes from Ottawa, but no one seems to think the government in Ottawa should get any credit for it.

I do not want to talk about that at the present time, but I want to say it is a late hour to be talking about the constitutionality of this bill. We have been doing this for many years, and I think we are going to continue to. Now we are getting down to tackling technical education, and I am very proud of this fact.

I recall when I was a member of the Council of Public Construction of Nova Scotia, and we were going to get a new superintendent of education. He was a boy from the province who had been down in the United States. He came up and made a speech in the school for the blind, and I went to hear him

because I was a member, without portfolio, of the provincial government at that time. I was a young fellow and a friend of the premier, and he always told me to attend these things. Well, the speaker defined education as the power to survive. He said that the dinosaur was a big, powerful animal but it had disappeared, whereas the flea was still with us because it knew how to survive. I thought that was pretty funny at the time, but I think that he was right. A nation whose people are not educated will not survive. You know that, and you know this is happening in the world. In the Province of Nova Scotia we need technical education because we are short of technically-trained men. A man in my plant, having little education, can leave me and go into the fishing industry, where some are making a large yearly income. I know men in my plant who have passed through technical college in Nova Scotia and who have been to the Massachusetts Institute of Technology. They have a Master's degree. When they come home they say to me, "John, why do we have to work for so little, while other men with little education are making as much as you do in the Senate?" I reply that the working man is coming into his own because the world has discovered that you need men who can do things. We learned the laws of gravity and motion years ago, but the Russians were the first to put these theories into practice and put their Sputnik into space.

It seems to me a man lives in his house and sits down to dinner, and if the lights go out he must send for a technical man. If his furnace goes wrong, he sends for a technical man. If a ship comes in and we have not the technical crew to do the job on the ship, or the machinery, then we are in a bad way.

That is the way industry is today. It needs men who can do things. It must pay for merit. What I object to in respect of the labour unions, although I have never had any serious trouble with them in 60 years, is that they ask for impossible things. We are in conference now, and they say that they want the pay of the workers on the Pacific coast, or of those in Halifax, and I have to point out to them that we are a rural industry. They telephoned this morning and asked me if I thought we could give five more percentage points for merit. That seems to be better than having a 5 per cent increase across the board. Having an increase across the board is no good, because a man who cannot do the job is not much good to you anyway. Industry must have men who can do things.

What we need today is production, and more production. We can get production only when the workers and the managers know what they are doing. When they work together industry can be very successful.

I remember that one time I employed a young mechanic who had an aptitude for electricity. He was a good radio man. That was in the rum-running days, and this young fellow was the telegrapher who spread the news around. He was caught and put in the penitentiary for two years. When he came back he was the best electrician I ever had. It is my opinion that they do a splendid job of educating people. However, industry must have men with aptitudes. Before we employ a man today we are very careful to investigate his habits, and make sure that his ideas are sound.

As I have said, I live in a town in which the people are pretty sound, and we have to pay for this virtue. We get all the money back if they succeed in their studies and apprenticeship. But some of them do not succeed, and that costs money. This bill is timely because I think that in Nova Scotia we have tended to emphasize the training of men in the intellectual professions, who do not stay in the province after their graduation. The have too much education, and their field is small.

I know shipbuilders in Nova Scotia today who can hardly write their names, but they build splendid ships. I can take as an example a man like Henry Ford. He had little education, but he had great aptitude. There are examples in the electrical and railroad companies of the world in which you will find that one man who is at the top now invented a certain thing, and another man invented something else, and from that they carried on to other things.

In our fisheries the men work on shares. A man has to prove himself at a very young age. Last week a crew was out for ten days and made $700, and that is pretty good. The herring fishery is becoming so good that an income of $5,000 or $6,000 per year does not mean too much.

It seems to me that in education in Nova Scotia too much stress has been placed on the intellectual professions, but the man we need is the man who works and produces. For that reason I think that technical education is what Nova Scotia wants. Technical education is needed too in Newfoundland and, in fact all over the Maritime provinces. We must have people who can do things because our population is not large, and the other provinces of

Canada are our biggest competitors. The only advantage we have is that of tide-water, and we have to do the best we can with it. That is why we hear in Halifax complaints about ice-breaking on the St. Lawrence. But, it is my opinion that progress cannot be stopped, and it will be extremely difficult to stop ice-breaking on the St. Lawrence. We must show what we have ourselves, and if we do that we will get along famously.

This bill will do a great deal of good. It will give courage to the men who have not much education. I do not know just how an adult is going to be defined. An adult seems to be a person who has left school. Students in Nova Scotia can go to Grade 12, but most of them do not get that far. They do not finish school, and thus cause much of our trouble.

It has been my experience in politics that when we receive a bill from the House of Commons we read it and seem to understand it. Then along come the regulations and the orders in council, and they tie people's hands; they do not seem to do what the act is intended to do. In the interests of the objectives of this bill we must be careful to see that people can understand it, and that it is not curtailed by orders in council passed afterwards.

Honourable senators, I apologize for taking up so much of your time, but this subject is interesting to me. In my opinion, this measure is a step forward. It is what we need, and I am pleased to see that young people now are being paid for becoming apprentices. If we follow and amplify what Joey Smallwood did in Newfoundland, we will give them some education also free of charge.

I support the bill, and commend it highly.

Hon. G. Percival Burchill: Honourable senators, I shall not keep you very much longer, but I do want a little information. I should like to put a question to the honourable sponsor of this bill (Hon. Mr. Cameron) and I would appreciate very much his answering it.

First, however, I want to congratulate my colleague from the Province of New Brunswick (Hon. Mr. Fournier, Madawaska-Restigouche) on his excellent and interesting speech. Senator Fournier has made a great contribution to vocational education in New Brunswick. In fact, he was our outstanding exponent of vocational education, and it owes a great deal to him.

I have received a letter from the director of a very important institution in New Brunswick, the Maritime Forest Ranger School. He is greatly concerned about how this legislation is going to affect him. He points out that under the Technical and Vocational Training Assistance Act the school received a great deal of aid, making it possible for the school to double its capacity and to enrol more students. He states:

> Planning is started on a program, in conjunction with the Forest Extention Service, to train custom cutting crews who could carry out proper harvesting operations for woodlot owners who cannot do the work themselves.

Of course, in planning that program he figured he was going to continue to receive this technical training assistance. He is greatly concerned as to whether he is now going to get it, or whether this bill is going to cause him to change his plans.

I can say to the Senate that the Maritime Forest Ranger School, as any honourable senator from New Brunswick and Nova Scotia—because many of the pupils come from Nova Scotia—knows, is doing a marvellous job for our youth. If the honourable sponsor of the bill is able to assure me on this matter, I would appreciate it very much.

Hon. Donald Cameron: Honourable senators—

The Hon. the Speaker: I must warn honourable senators that if Senator Cameron speaks now, other than by way of answering a question, it will have the effect of closing the debate.

Hon. Mr. Cameron: Honourable senators, as I understand the definitions in this bill, my answer to Senator Burchill's question is that it can be used to meet the needs for trained manpower in any aspect of industry. If there is a need for trained forest rangers in New Brunswick. Nova Scotia, or anywhere else, and there are people who need training in that work, then they would qualify under this legislation. That is the way I interpret it.

Now, you put your finger on one of the reasons for some of the confusion about this act. Under the old act the provincial governments were able to set up their program as they saw fit, and they have been almost a law unto themselves in this respect. One of the criticisms that has been made under the old act is that sometimes training programs were provided for which there were no jobs for the trainees when they got through. The trend under Bill C-278 is completely reversed. If there is a need for any trained person in any particular industry, he may go to the Manpower Services and qualify under this act. That is my understanding. So forest rangers would qualify if there is a demonstrable need.

I now come to Senator Grosart's question and his emphasis on the division between training and education. He has certainly put his finger on one of the areas in which I am sure the minister himself is not entirely happy. I know from personal experience that a great many educators are not happy with this almost exaggerated division between education and training. I like the hard, practical definition by Senator Kinley, that education is the knowledge of things, and training is how to do them. That is a commonsense definition. But in this particular instance the artificial distinction between education and training is a distinction that is forced upon the minister and upon the Government of Canada by the people who have for years been raising the constitutional issue every time the federal Government made some contribution to education. I hope the time will come when we can do away with this distinction, but at the moment, as I understand it, this is a way of meeting the need by separating two aspects of the total program of education which have a very direct relationship.

Senator Connolly (Ottawa West) answered the constitutional aspects of this question raised by Senator Grosart on the regulations, and I need not develop that, except for one aspect. Senator Grosart is as aware as anyone else of the situation which was brought about which made this so-called "slippery footwork" necessary. He is quite aware that the expectation was that this bill would have come early in March and be dealt with before the end of March and there would be no need to carry on this program by an order in council instituting the regulations. I say to Senator Grosart that if the Government had not put those regulations into effect by order in council, thousands of men and women under this program would have been thrown out of their programs on April 1. Not only that, but they would have had their allowances, their subsistences withdrawn, and they would have been in a pretty desperate situation today.

Hon. Mr. Grosart: May I ask the honourable senator a question? He has said that if these regulations had not been put into force people would have been thrown out of the technical and vocational training plan. May I ask him if there is any relationship whatsoever between the other act and this bill?

Hon. Mr. Cameron: Only that this bill replaces the other act and makes provision for continuity in a more effective form.

Hon. Mr. Grosart: But does this bill not deny that training or exclude from it at least two-thirds of the people to whom training was available? And I might add that that is a provincial minister's statement.

Hon. Mr. Cameron: I do not agree with the statement, and I have great respect for the minister. What I ask Senator Grosart is this: What would you have done under the circumstances if on April 1 people training under this program had to stop their training and if their allowances had been discontinued? What position would we be in today?

Hon. Mr. Grosart: In answer to that, I would say that the obvious thing to do was merely to extend the terminal date of the old act, which could have been done very simply.

Hon. Mr. Connolly (Ottawa West): What do you mean by "simply"?

Hon. Mr. Grosart: I say that the people who would have been thrown out, the young people, are not reinstated in any way; they are specifically excluded from the benefits of this act.

Hon. Mr. Cameron: What my friend says is correct. Legislation could have been brought in to extend the act, but the majority of the Members of Parliament thought that the replacement by this act would be better, or they would not have passed it. There is provision for the young people to go on to take these training courses, but without allowances. In other words, they can get free training under this program, just the same as anyone else can.

Regarding the provincial commitments to carry on the building program they had envisaged and extended over the years, and which my friend now suggests would be cut off, the federal Government will loan the provinces under this transitional program the money for new buildings and equipment and new training, and the loan can be repaid over a period of 30 years. The loan can be earned or repaid by the fee the provinces will collect from the federal Government. It is a pretty good deal, because the kind of buildings erected today should be good for 50 or 60 years, or longer, and will be good for at least 30 years after the loan has been paid off.

Senator Grosart also said that 8 of the 10 provinces had refused to sign the agreements. He may have information I do not possess.

Hon. Mr. Grosart: I am sorry, but I must rise on a question of privilege. I am quite sure I did not say that 8 of the 10 provinces have

refused. I have no information that any province has refused, and if I gave that impression I regret it.

Hon. Mr. Cameron: I am very sorry if I misunderstood, but I understood my friend to say that. I understood him to say that he had authoritative information that 8 of the 10 provinces had refused. I do not think that is correct.

Now, with regard to the Province of Ontario, Senator Grosart mentioned a figure of $100 million which could be the added cost to the province of the coming into effect of this act. I suggest that neither Senator Grosart nor any official of the provincial department of education in Ontario can say, as of this moment in time, that a change in this legislation is going to cost the Province of Ontario $100 million. I suggest that that statement is on a par with some others which appeared in some of the newspapers. May I say also that I too have a copy of the *Globe and Mail* for Saturday April 22, before me. In it is an article entitled:

> The Retraining Row
> Queen's Park points a finger at Ottawa
> ...and Ottawa points a finger right back...

But the statement is not made on the basis of that article that 7,000 people be thrown out of this program. The most authoritative figure I can get is that it is somewhere nearer 2,000; so there has been a very loose use of figures in connection with the effect of this program. All I am prepared to say is that no one at this time can accurately say that it will cost the Province of Ontario $100 million more as a result of changes in this act.

May I turn to Senator Fournier and his valuable description of Canada's slow and painful evolution from an agrarian economy to an industrial economy. That has been characterized by a very difficult evolution. Fortunately, I think we are gradually becoming a little more professional in our technical and vocational training today. Senator Fournier made an interesting and useful contribution to this debate. He was quite right when he said that much of the success of the program will depend on the quality of the manpower counselling officers. I could not agree more. This program will stand or fall on the quality of the men who are doing the consulting and doing the counselling. My plea to the Government and to the minister and his officials would be to make sure that they get thoroughly qualified officers to act in a consulting and counselling capacity.

Hon. Mr. Fournier (Madawaska-Restigouche): The word I was looking for was "counselling."

Hon. Mr. Cameron: This is the most important part of it. The right counselling is vitally important.

I was somewhat perturbed about Senator Fournier's threat as to what is going to happen to the population, when he said that the only way for the young fellow of 17 to qualify for a retraining program grant was to get married, start raising a family, and then qualify for an allowance. I hope this dire necessity will not come about.

I do not agree with the senator when he says that the person who must be trained three or four times in his life is in need of that training because he was not trained right in the first place. He used the illustration of the electrician and the plumber. We will always need electricians and plumbers, if we can afford to pay them. However, there are many skills and some industries which are completely disappearing. In other words, there is no substitute for them. There are people on jobs in the motor industry in Oshawa and Windsor, and places like that, whose jobs are disappearing because they are being mechanized out of existence. That is the kind of person who may have to be trained three or four times.

Senator Fournier also, with his Acadian practicability and his kindly sense of humour, put his finger on one of the dangers in this kind of legislation, one which is inherent in any kind of welfare legislation. I do not like to use the word welfare in connection with this legislation, but it can be classed in the category of one which has a potentiality for abuse. This is something we must guard against in unemployment insurance, hospital insurance and in this particular bill.

Again, it comes back to the kind of men administering it.

Senator Fournier spoke of the minister. Some people like myself have sat on the Joint Committee on Manpower and Immigration. You have read the White Paper which the minister brought in and you know what we did to it in the committee and what the delegation who came before the committee did to it. The White Paper today is only a shadow of its former self, but the minister was completely reasonable in his acceptance of the amendments and changes, which he agreed were sound. I am sure that, if there are difficult points in this legislation, as there undoubtedly

will be, we will find the minister and his staff just as reasonable in modifying the regulations as he was in the case of the Manpower and Immigration White Paper.

Honourable senators, I certainly commend this bill to your concurrence.

Motion agreed to, and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Cameron: Honourable senators, I move, with leave of the Senate, that this bill be read the third time now.

Motion agreed to and bill read third time and passed.

INCOME TAX ACT

BILL TO AMEND—SECOND READING

Hon. John J. Connolly moved the second reading of Bill C-280, to amend the Income Tax Act.

He said: Honourable senators, this is a short bill and the explanation will be short also. Its purpose is to terminate, effective March 31 last, the tax period to which the special 5 per cent refundable tax on business profits applies; and also to terminate, on the same date, the period of collections of the tax from corporations.

Bill C-216, which was given Royal Assent in July of last year, imposed a 5 per cent refundable tax on business profits. The tax period was from May 1, 1966, to October 31, 1967, 18 months. The minimum period, before repayment was to start, was 18 months from May 1, 1966, and the maximum period was 36 months.

The purpose of this tax was to immobilize and divert a portion of the flow of funds which was going into the capital expenditures incurred by business, and basically to attempt to curtail the inflationary pressures which were building up at the time the budget was made last year.

The present amendment reduces the tax period by six months. This is done by substituting the words "March 31, 1967" for the words "October 31, 1967," where they appear in the present law.

Honourable senators, there is no change in the proposal for the repayment of the tax. The law continues to provide that the tax will be refunded, with interest at 5 per cent, at such time as the Governor General may prescribe by order in council; that this time shall not be less than 18 months or more than 36 months after the date on which the instalment is due, or the date on which the payment was made, whichever is the later.

The last three months of 1966 and the early months of this year have seen some moderation in the rate of increase in the demands on Canadian economy. There have been signs of acceleration in economic activity. The Government last month extended the application of the deferred capital cost allowances because of this fact. The present amendment of the Income Tax Act is a complementary measure. Both of these measures, it is hoped, will enable businesses in Canada to proceed with plans for capital expenditures at more normal rates than might otherwise have been undertaken.

Hon. Gunnar S. Thorvaldson: Honourable senators, the attitude of this side of the house in regard to Bill C-280 can be described in one word, and that word is "Bravo!"

My colleagues on this side of the house support this bill wholeheartedly. I would remind you that we opposed this tax unanimously when it was imposed 11 months ago. We are delighted to know now that the Government has repented of what it did at that time.

As we all know, repentance is good for the soul; and perhaps the present Government needs something good for the soul, in regard to its financial achievement, or lack of achievement, during the last fiscal year; indeed, during the last several fiscal years.

Hon. Mr. Roebuck: You mean, it has a soul?

Hon. Mr. Connolly (Ottawa West): The achievements have been pretty good.

Hon. Mr. Thorvaldson: Milton described true repentance as "the golden key that opens the palace of eternity." I certainly am not hoping or expecting that the present Government will be in power for eternity; anything but that.

Hon. Mr. Brooks: It seems like eternity.

Hon. Mr. Thorvaldson: I intended to make a few more extended remarks, but if I let myself go in regard to the financial policy and actions of the present Government in recent months, or recent years for that matter, it would be quite some time before I could conclude my remarks. Consequently, in order to be brief—and I would not do this but in order to be brief—I will quote from Senate *Hansard* of July 13, 1966. I know I should be too

modest to quote my own remarks, but again I do this simply to save time.

Hon. Mr. Connolly (Ottawa West): You could not find any better remarks to quote.

Hon. Mr. Thorvaldson: And this evening time is of the essence.

Hon. Mr. Aseltine: You are too modest.

Hon. Mr. Thorvaldson: At any rate, we had some harsh words on this side in regard to this subject matter last year. On page 952 of the *Hansard*, July 13, 1966, I said:

> In my opinion the most vicious of the income tax amendments is the one which compels businesses, indeed forces them, to make a loan to the Government of 5 per cent of their cash profits. This is dictatorial in the extreme. Think of it! Loans by business enforced by the Government. People in this country have always recognized the right and privilege and power of governments to tax, but I suggest it is something entirely new and unheard of that in peacetime the Government of this country should compel companies and businesses to lend it money. I would add much more to what I have just said in this regard were it not for the fact that Senator McCutcheon has already indicated the purposelessness and the uselessness of a thing of this kind.

Now, in the light of those remarks, and also the remarks made by Senator McCutcheon along the same line, regarding the imposition of this tax, you can quite understand the pleasure we have on this side in supporting this bill, which eliminates this tax, even though refundable.

One other thing I wish to say is that the bill does not go far enough. I would like to see a refund made immediately of the amount that was collected under this tax. That amount has been approximately $18 million a month, and the total that has accrued to the Government under the tax exceeds $200 million. That amount should have been refunded at the present time, and not as provided in the original bill, namely over a period of time extending from 18 months, from the beginning of the imposition of the tax, to 36 months thereafter. However, that was not done and we would like to have seen it done.

Then in regard to the original imposition of the tax, there was also a deferral of depreciation allowances which presumably still continue.

I think the deferrals of these allowances should also have been done away with in this bill, but they were not.

However, thank heaven for small mercies! I am sure the bill is part of a process to repeal the mistake that was made by the Minister of Finance a year ago, and consequently we on this side support the bill most heartily.

Hon. Mr. Connolly (Ottawa West): I am glad of your repentance.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Connolly (Ottawa West): With leave, I move third reading now.

Motion agreed to and bill read third time and passed.

APPROPRIATION BILL NO. 4, 1967

SECOND READING

Hon. Jean-Paul Deschatelets, with leave of the Senate, moved the second reading of Bill C-293, for granting to Her Majesty certain sums of money for the Public Service for the financial year ending the 31st March, 1968.

He said: Honourable senators, you will recall that just before the Easter recess we passed the first appropriation act for the year 1967-68, an act which is known as Appropriation No. 3 and which provided for the several charges and expenses of the Public Service for one month ending April 30 instant.

Hon. Mr. Aseltine: We apparently have no copies of the bill.

Hon. Mr. Deschatelets: I believe copies of the financial statements are now being distributed, senator.

Hon. Mr. Grosart: May I interrupt the honourable senator for a moment? Are copies of the bill available? I am not referring to this statement which has just been distributed.

Hon. Mr. Deschatelets: I believe copies of the bill are also being distributed. The bill we have before us is known as Appropriation Bill No. 4, 1967, and it provides for a total sum of $1,034,689,911.16. It represents generally two-twelfths of the total of the amounts of the items set forth in the main Estimates for the fiscal year ending 31st March, 1968, as laid before the House of Commons at the present

session of Parliament, except Loans, Investments and Advances. Vote L40, for which no proportion is granted hereby, will provide necessary requirements for the Public Service for two months up to June 30, 1967.

There are also in the bill 16 specific votes which are listed in Schedules A, B, C, D, in respect of which an additional proportion is being required and for which I might give some brief explanation later.

The form of the bill is the usual one for interim supply bills, and honourable senators will note that in no instance the total amount of any item is being released by this bill. This is, of course, one of the reasons why I do not intend to go into too many details in my presentation. There is also another good reason: on Wednesday last, April 26, the Standing Committee on Finance met under the chairmanship of Senator Leonard. At that time Dr. Davidson and his assistant, Mr. Glashan, were the witnesses. The committee dealt precisely with the over-all study of the 1967-68 Estimates, although I must admit that we did not deal specifically with the bill we have now in front of us. Honourable senators will agree, I think, that this was not possible at the time owing to the fact that the bill had not yet been passed in the House of Commons. But at the end of that meeting of the committee it was made clear that any specific questions and any further information about this appropriation bill or any specific vote for which we are asking a greater proportion than two-twelfths, can be dealt with at the next meeting of the Finance Committee.

Having said that, I might refer you to the financial statement which has been distributed. On the page before the last, which is intituled "Estimates 1967-68," you will notice that the main Estimates for 1967-68 amount to $10.1 billion. This will reach $11.5 billion with the addition of the payments from the Old Age Security Fund. From the main Estimates of $5.9 billion which have to be voted, since the first appropriation bill we passed amounted to $583.6 million, it leaves today a total to be voted of $5.4 billion, and if the bill before us passes, the balance to be voted will amount to $4.3 billion.

If honourable senators would now refer to page 3 of the bill, Schedule A, I shall give as briefly as I can a few words of explanation covering the votes for which we are seeking larger proportions than the general proportion of two-twelfths. In Schedule A, Vote 5, additional proportions are required to enable the Public Service Commission to proceed with the purchase of homes and furnishings—these homes are to be ready for occupancy by July 1, 1967—and the equipping and furnishing of two language schools in Ottawa and Montreal. It is also to provide for the purchase of some 23 homes in Quebec and Toronto, the furnishing of these homes, and the equipping and furnishing of four language schools required under the bilingual and bicultural program.

Turning now to page 4, Schedule B, Vote 18, which deals with the Privy Council office, we find here that additional proportions are requested to cover the cost of 21 of the 60 state visits planned during Expo, plus the costs incurred in connection with the visits of Her Majesty the Queen and Princess Alexandra. These expenses must be met during May and June.

On page 5, Schedule C, Vote 35 in connection with the External Aid office, an additional proportion is requested for shipment of wheat, flour and other foodstuffs to India and Pakistan. This amounts to a total of $62 million out of the $75 million included in the main Estimates. This will be required by the end of June.

The second vote on page 5 of the bill is Vote 15 which deals with Industry. This provides for the payment of capital subsidies by the Canadian Government for the construction of commercial and fishing vessels in Canada. The subsidy is 25 per cent of the cost of commercial and fishing vessels, and 50 per cent for fishing trawlers. Progress payments on the vessels now under construction will require subsidy payments totalling $10 million during May and June, or a total of four-twelfths of the vote.

The third item on page 5, Schedule C, is Vote L25 for Energy, Mines and Resources. Here additional proportions are required to meet expected commitments to June 30. The provinces have advised the federal Government that they will need more than half the vote before the end of June. The requirements at this time total $12.4 million, and they will be distributed as follows: Newfoundland $7 million, Nova Scotia $3.5 million, and New Brunswick $1.9 million.

Hon. Mr. Fournier (Madawaska-Restigouche): Only $1.9 million for New Brunswick?

Hon. Mr. Deschatelets: This is the proportion needed by the province before June 30. I must take it for granted here that the Province of New Brunswick does not need more than that before that date.

Hon. Mr. Brooks: They are using hydro power.

Hon. Mr. Deschatelets: On page 6, under Energy, Mines and Resources in Vote 35, an additional proportion is requested for two reasons. One reason is that expenses are higher in the months when survey parties are in the field. This vote has to do with geological surveys, and the former Minister of Mines and Technical Surveys, Senator Benidickson, is more aware than I am of what is involved in this item. The second reason is that almost three-fourths of the payment for aeromagnetic surveys amounting to $700,000 out of $1 million is payable in advance in accordance with the terms of the contract with these services.

The second item on page 6, Vote 20, deals with Fisheries; an additional proportion is requested here to enable the board to pay out the major portion of the grants for research. The board proposes to pay $312,160 out of the $400,000 provided in the Budget as grants during the next two months to various universities. It is customary to pay these grants once the awards have been made by the universities grants committee, which met last month.

The third item on page 6, Schedule D, Vote 15, Forestry and Rural Development, also calls for a greater proportion, and the reason is that field research generally is carried on during the summer months, and expenditures are therefore running at more than one-twelfth per month.

The fourth item is Vote 1 under the heading Justice. An additional proportion is required here for two reasons: to enable the department to cover the cost of the administration of justice in the Yukon and Northwest Territories, pending recovery from the territories, and to meet the expenses associated with the setting up of district offices in Montreal, Toronto and Vancouver to handle problems encountered by the Department of National Revenue.

Hon. Mr. Farris: Where do you read that?

Hon. Mr. Deschatelets: On page 6.

Hon. Mr. Farris: I cannot find it.

Hon. Mr. Deschatelets: Honourable senators, if you would be kind enough to look at page 6, under the heading "Justice," this is Vote No. 1, where an amount of $3.9 million is being asked for. I am just giving a few details for this vote and the other votes I am mentioning, because we need more than the proportion of two-twelfths.

On the same page, page 6, under the heading, "Legislation. The Senate," Vote No. 5, General Administration, this vote provides for the administration expenses of the office of the Clerk of the Senate. An additional proportion is required as the expenditure exceeds the one-twelfth per month while the Senate is in session. A similar explanation applies to vote No. 20, at the bottom of page 6.

On page 7, Schedule D, Vote No. 1, National Gallery of Canada, this vote provides for the operating expenses of the National Gallery and a payment of $750,000 to the National Gallery Purchase Account. An additional proportion is required to cover the cost of a painting by Rembrandt at a price of $362,000, which is more than one-half of the amount of $750,000 included in the Estimates for such purposes.

Hon. Mr. Fournier (Madawaska-Restigouche): Are these paintings now the property of the National Gallery or the Canadian Government?

Hon. Mr. Deschatelets: I would think they would be the property of the Government of Canada and, of course, the responsibility of the National Gallery.

Hon. Mr. Fournier (Madawaska-Restigouche): I do not want to make any extended remarks at this time—perhaps at some stage we will have the time to go into it. I visit the National gallery quite often, and sometimes I see things that are exposed in this million-dollar marble building that are not fit to display anywhere—old pieces of scrap metal, the weldings on which are so poor they would never pass Grade I in the schools, and yet some have tried to make me believe this is a piece of art. Someone is nuts; maybe it is me. Perhaps sometime that could be explained.

Hon. Mr. Deschatelets: This would be a matter that could be brought up at the next meeting of the Finance Committee. I think it would be most interesting to have the experts present from whom we could get the relevant information. If I have any advice to give to my honourable friend it is that it would be an excellent idea if he could get in touch with the chairman of the committee when we sit the week after next, and I think maybe senators would be interested in this particular topic.

Hon. Mr. Farris: Are we not going to sit next week?

Hon. Mr. Deschatelets: No.

Hon. Mr. Farris: Has that been officially announced?

Hon. Mr. Deschatelets: Not yet.

Hon. Mr. Farris: How can a senator from Vancouver find out what is going on here?

Hon. Mr. Deschatelets: It will only be a matter of minutes before I am through.

Hon. Mr. Benidickson: With respect to the honourable senator's announcement about a Rembrandt portrait, is the $362,000 the total cost of the Rembrandt, or is it a fraction of the cost?

Hon. Mr. Deschatelets: I mentioned $362,000, which is more than one-half of the amount of $750,000 included in the Estimates for such purposes.

Hon. Mr. Benidickson: We can deal with this in our subsequent inquiries in the Finance Committee in ten days' time.

Hon. Mr. Deschatelets: Yes, we could then have the right figures, the purpose, and so forth.

Under "Secretary of State, Centennial Commission" Vote No. 35, an additional proportion is required to cover the hiring of professional staff and the bulk of the direct advertising costs connected with the publicizing of the Centennial which are incurred early in the year. Vote No. 40 is for a similar purpose. Additional proportions are required as the bulk of the expenditure for the operating costs of the train and caravans will occur during the spring and summer.

Vote No. 15, the Canadian Government Travel Bureau, page 7, provides for the administration of the bureau and for its advertising and promotion programs to attract visitors to Canada. An additional proportion is required to meet the cost of the special centennial advertising program, and costs of other travel promotion advertising programs which must be carried out and paid for in the early part of the year.

As far as the last item is concerned, the 1967 World Exhibition, vote No. 29, on page 7 of the bill, an additional proportion is required to meet the costs of preparation for the World Exhibition, the operating expenses for the first two months of Expo, and to make advance payments to performers who will be appearing in the special events planned.

Hon. Mr. Farris: Outside of your statement, what proof do we have of these facts?

Hon. Mr. Deschatelets: I was just about to say, honourable senators, that it would be of great interest to all honourable senators to go into the details of this item which concerns the 1967 World Exhibition—

Hon. Mr. Farris: I am not only talking about that one item, but about all of them. I cannot find any proof of what you say.

Hon. Mr. Deschatelets: This is precisely—

Hon. Mr. Farris: I cannot find any proof of these requirements, except your statement.

Hon. Mr. Deschatelets: I have made the statements and given the general figures applying to each item. After all, this is only a proportion of all the items mentioned in the Blue Book. I mentioned at the beginning of my presentation that we are requesting two-twelfths of all the items in the Blue Book. For some 16 or 17 specific items I have given a few details, because we have to pay an additional proportion before June 30.

At the next meeting of the Finance Committee we can discuss the details of any of these items. At the meeting of the committee on April 26 last it was agreed that at the next meeting—of course, it was not possible to mention a specific date—we are going into the details of this bill with the witnesses who are able to give us the information.

I hope, honourable senators, that for the time being this will be satisfactory.

Hon. Mr. Isnor: I wonder if the honourable senator could advise the house as to Votes 15 and 29 on page 7. Are those amounts recoverable? Are these amounts in the form of a loan or an advance of expenses to Expo, and if so are they likely to be recovered?

Hon. Mr. Deschatelets: If I understand the matter correctly, the costs of Expo 67 are being shared by three levels of government. The federal Government has agreed to pay 50 per cent of the cost, the Province of Quebec 37½ per cent, and the city of Montreal 12½ per cent. What the revenues or the salvage value will be, of course, nobody yet knows, but the accounts will be closed at the end of the six months' operation, and it will be known then whether there is a deficit or a surplus, and at what level. I cannot answer the specific question as to whether this is an advance or a loan, but I might venture a personal opinion, although I am not an accountant, that this is in the nature of an advance.

Hon. Allister Grosart: Honourable senators, once again an interim supply bill has been presented in this house by Senator Deschatelets. I know I speak for all when I say that the more he performs this duty the more we admire the way in which he does it. We find him always fully informed and able to answer the questions that are raised. Those of us who are members of the Standing Committee on Finance know that he is a regular attender at its meetings, and one of the major participants in its activities.

If I understood Senator Farris correctly, he raised a question as to what evidence we have that the amounts here requested are required. Senator Deschatelets was far too modest to say that the evidence we in this house have, and upon which we must rely, is the fact that the supply bill is introduced by the honourable senator on behalf of the Government, and he has been provided by the officials with the information he gives us. We were told that at the last meeting of the Finance Committee. There is no other evidence that can be put before us than a responsible statement made on behalf of the Government that these amounts are required.

The time available for discussion of interim supply bills is always short, particularly in this chamber, and I am personally very glad to see a trend in the administration of the Senate towards having such bills referred to the Standing Committee on Finance. It is to be hoped that where possible they will be sent to that committee before they are presented in the Senate, so that the house may have the committee's reports on them. As that is not possible in this case, we do have, at least, the assurance of the honourable sponsor (Hon. Mr. Deschatelets) that this bill will be considered by the Finance Committee.

I need hardly say that I looked very carefully through the wording of the votes, by which we are asked to vote additional supply, to see if the word "regulations" occurred anywhere in them. I am pleased to say that it does not. On another occasion when we voted supply the bill contained an innocent looking item—I shall not read it, but honourable senators will take my word that it was indeed very innocent looking, and I do not believe there was a senator or a member of the place who realized its significance—to provide money in respect of regulations that were not then in existence, and which was used in the manner mentioned in the debate to the bill that was before us previously. I assure honourable senators that if there is ever a request again for a vote on the Estimates in respect of regulations to be made under an act that has not been passed, it will be opposed in both houses on the grounds that it is capable of misuse. Such a vote was misused as recently as an hour ago.

It has been suggested that we might discuss the purchases of the National Art Gallery, in respect of which there is an item in this bill. If I may speak personally I will say that I would hope we do not do that. I myself have been interested in collecting art for a good many years, but I would not like to hear a discussion in open committee as to the justification for the purchase of abstract art. I say merely that I do not understand it, but I have to accept the judgment of people who are much more knowledgeable than I that there is something in it.

In saying this I am reminded of a story that Mr. Allan Jarvis, a former director of the National Art Gallery, told on one occasion. There were two juvenile delinquents who were being chased by the police. They took shelter in a museum of modern art. They looked around at the abstract paintings on the walls, and one said to the other: "We had better get the heck out of here or we will be blamed for this too." That might be the attitude of some honourable senators were we to have a demonstration of some of the abstract art that is being purchased by the National Art Gallery. I hasten to say that I take no stand on the matter. I do not understand it, but I presume that those who do know what they are doing.

This bill, of course, is in the usual form. We are prepared, I take it, to vote the two-twelfths requested in general by the Government to meet its requirements during the next two months. I followed the reasons given by the honourable sponsor for the requests made for other than two-twelfths, and I have no comments to make on them other than those I have already made. However, I am glad to see there is an item here in Schedule C of the bill which I consider to be one of the finest acts of external aid by Canada in recent years, that is, the provision of food to meet the famine conditions in India.

Honourable senators, that is all I have to say on the bill. Again, I congratulate the sponsor of the bill (Hon. Mr. Deschatelets) on the manner in which he introduced the bill and for the detailed information he provided.

Hon. W. M. Benidickson: Honourable senators, I wish to join Senator Grosart in congratulating the sponsor of this bill.

I do not know whether it is clear on the record, and if not, it should be, that in no item in the Estimates for 1967-68 is there a final distribution of funds. Some items are for two-twelfths, and some of a larger amount. Is it correct that none are closed?

Hon. Mr. Connolly (Ottawa West): None are closed.

Hon. Mr. Deschatelets: I am pleased that the honourable Senator Benidickson brought that to my attention. I forgot to mention that in no instance is the total amount of any item being released.

Hon. Mr. Benidickson: Then I presume that at the next session we shall have every opportunity to look into any item on the Estimates.

Hon. Mr. Deschatelets: Very good.

Motion agreed to and bill read second time.

THIRD READING

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

Hon. Mr. Deschatelets: Honourable senators, with leave of the Senate, I move that this bill be read the third time now.

Hon. Mr. Farris: I am not voting on this bill.

Motion agreed to and bill read third time and passed.

Leave having been granted to return to motions:

ADJOURNMENT

Hon. John J. Connolly: Honourable senators, I move, with leave of the Senate, that when the Senate adjourns today, it do stand adjourned until Monday, May 8, at 10.30 in the morning.

Motion agreed to.

The Senate adjourned until Monday, May 8 at 10.30 o'clock in the morning.

THE SENATE

Monday, May 8, 1967

The Senate met at 10.30 a.m., the Speaker in the Chair.

Prayers.

BUSINESS OF THE SENATE

Hon. A. J. Brooks: Honourable senators, I wish to congratulate the honourable Senator Deschatelets in his capacity as Acting Leader of the Government in the Senate.

Hon. Senators: Hear, hear.

Hon. Mr. Brooks: No doubt he will inform us of the procedure that will be followed this morning. Perhaps he could also tell us of the procedure and business for the balance of the week.

Hon. Jean-Paul Deschatelets: Honourable senators, I wish to thank the Leader of the Opposition for his kind words and the co-operation he has given me.

As honourable senators know, the honourable Leader of the Government (Hon. Mr. Connolly, Ottawa West) is attending an important Commonwealth Parliamentary Conference abroad, and he may be away for a few weeks. The main purpose of the sitting this morning is to provide me with an opportunity of giving the Senate a brief outline of the program for the week.

It is expected that we shall adjourn within a few minutes, to reassemble at the call of the bell at approximately 10.50 for Royal Assent and prorogation at 11.00 oclock. This afternoon we shall meet at the call of the bell at approximately 3.45 for the opening of the new session and the reading of the Speech from the Throne.

We will sit at 3 o'clock tomorrow afternoon at which time five bills will be reintroduced for first reading, namely, a bill to amend the Canadian Citizenship Act, the Interpretation bill, the National Museums bill, the Visiting Forces bill, and the Teleferry bill. As these bills have passed three readings in the Senate and have been considered by committees, I do not think there will be a lengthy discussion on any of them.

Immediately after first reading of these five bills tomorrow, the honourable Senator Desruisseaux will move the address in reply to the Speech from the Throne, to be followed by the seconder, the honourable Senator Nichol. The Senate might then adjourn until Wednesday afternoon, when we could proceed with second reading of the five bills, and if sufficient time remained we might proceed with the debate on the Speech from the Throne.

On Thursday afternoon at 3 o'clock, the five bills I mentioned might receive third reading —although there is no cause for urgency or hurry—and we could continue with the debate on the Speech from the Throne.

I do not know whether it will be possible to arrange for a meeting of the Finance Committee on Wednesday morning. If the appropriate witnesses are on hand, a meeting will gladly be arranged, because I know that honourable senators are anxious to examine in detail the last interim bill we passed a week ago.

Unless something unexpected occurs, it is intended to adjourn on Thursday afternoon until the following Tuesday evening at 8 o'clock.

Honourable senators, I feel that is as far as I can go. Again I wish to thank all honourable senators for their kind co-operation in order that the work of the Senate can proceed as effectively as in the past.

Hon. A. J. Brooks: Honourable senators, I am sure we all commend the honourable Acting Leader (Hon. Mr. Deschatelets) for his remarks and his explanation of the proposed work.

Honourable senators, the honourable Acting Leader advises us that we will be going on with the Speech from the Throne on Wednesday. The mover and the seconder, of course, are more or less in a preferred position as far as their speaking is concerned because they will have been acquainted with the contents of the Speech from the Throne, in accordance with the usual practice.

After the speeches of the mover and the seconder, the speaker who follows is the Leader of the Opposition. I must advise the Acting Leader of the Senate that I will not be in a position to deal with the Speech from the Throne on Wednesday, having seen the text only on Tuesday evening. It would be utterly impossible to proceed on Wednesday. While I do not intend to review everything in the speech—and that would not be expected—I realize that as Leader of the Opposition I must say something on what is contained in the speech. I certainly would like to have more time to look it over and study it.

The honourable Acting Leader also speaks about continuing the debate on the Speech from the Throne on Thursday. I have spoken about my own position. I speak also for those others who have not seen the speech: they must have time to prepare. I would point out that the procedure in the opening of this session is entirely different from that of any session I have attended since I entered Parliament. I see that my honourable friend, a former Speaker and leader of the house (Honourable W. Ross Macdonald), nods. In other years the Speech from the Throne was brought down on a Thursday, as we all remember, and those who were to speak on it had Friday, Saturday—of course, none of us would work on Sunday—Monday and Tuesday, until the afternoon, to learn what was in the speech and prepare our remarks.

I am not blaming the honourable Acting Leader of the Government in the Senate, but I think it is a fair criticism to say that the other place has shown very little regard for the Senate. We spent a lot of time on five important bills, which went from us to the House of Commons. In my opinion there was no reason why those bills could not have been considered there before the prorogation. They could have been given attention before Thursday, and we could have opened Parliament as usual on Thursday and continued in the regular way.

Honourable senators, the proposed arrangement makes it difficult for the leader here and for the rest of us. I am prepared and anxious to co-operate in every way I can, but I wish to notify the Acting Leader of the Government that I will not and cannot be prepared to go on with the debate on the Speech from the Throne on Wednesday—and if I do not go on, nobody else should.

Hon. Mr. Deschatelets: Honourable senators, I would like to say a word, with respect to the remarks of the Leader of the Opposition. He is very humble, because with his ability and experience I am sure that within 24 hours he could deliver his usual good speech.

Hon. Mr. Brooks: I want to sleep some time.

Hon. Mr. Deschatelets: The fact that a delay of a few days might take place before he enters the debate would also help me, as I intend to follow him.

Honourable senators, I know that order of speakers can be arranged with the co-operation of the Leader of the Opposition. We will get together, and I am sure that we will find a way so that the debate can go on before we have the pleasure of hearing him.

Honourable senators, there is one point I forgot to mention. There will be a slight inconvenience for certain honourable senators because this afternoon four chairs on each side of the chamber will be removed in order to accommodate the coloured television, which takes up more space than the usual television coverage. I hope honourable senators will appreciate the situation and understand that there is nothing we can do about it. I trust that they will be able to find other chairs in the same row. I have to take responsibility for this, but there is nothing we can do about it. Naturally, their seats will be available to them tomorrow.

IMMIGRATION

THIRD REPORT OF JOINT COMMITTEE ADOPTED

Hon. Leopold Langlois, Joint Chairman of the Special Joint Committee of the Senate and House of Commons on Immigration, presented the third report of the committee:

> The Special Joint Committee of the Senate and House of Commons on Immigration makes its third report as follows:
>
> On Thursday, October 20, 1966, the following matters were referred to the Special Joint Committee of the Senate and House of Commons on Immigration for its consideration and report:
>
> The White Paper on Immigration tabled in the House of Commons by the Minister of Manpower and Immigration on October 14, 1966, and tabled in the Senate on October 18, 1966, and also the reports on immigration matters made to the Government of Canada by Mr. Joseph Sedgwick, Q.C., in 1964 and 1966.
>
> From November 10, 1966, to May 8, 1967, the committee held 37 meetings and heard 39 briefs from the Government of the Province of Manitoba, representatives of the Canadian Chamber of Commerce, professional and businessmen's associations, labour unions, many national organizations of ethnic groups and individuals.
>
> The committee not presently having access to all the evidence adduced before it is reluctant to present a final report to both Houses.
>
> Your committee therefore recommends that it be reconstituted next session and

the evidence adduced during the present session, in both French and English, be referred to it so that it will be in a position to pursue its work on this important matter, namely, Canadian immigration policy.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Hon. Mr. Langlois: Honourable senators, I move, with leave of the Senate, that the report be adopted now.

Report adopted.

PUBLIC SERVICE

NINTH REPORT OF JOINT COMMITTEE TABLED

Hon. Maurice Bourget, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on the Public Service, tabled the following report:

The Special Joint Committee of the Senate and House of Commons on the Public Service makes its ninth Report as follows:

On Tuesday, January 10, 1967, your committee was empowered to inquire into and report upon the matter of pensions paid to retired civil servants or their dependents under the provisions of the Public Service Superannuation Act. At a later date, the order of reference was widened to encompass pensions paid on account of the service of former members of the Royal Canadian Mounted Police and of former members of the armed forces. The term retired employees in this report refers therefore to retired civil servants and retired members of the R.C.M.P. and armed forces.

A total of eight meetings was held during which the committee heard the evidence of twenty-one witnesses representing:

The Department of Finance

Treasury Board

The Department of Insurance

The Royal Canadian Mounted Police

The Department of National Defence

The Federal Superannuates National Association

The Professional Institute of the Public Service of Canada

The Public Service Alliance of Canada

The Royal Canadian Mounted Police Veterans' Association

The Association of Canadian Forces Annuitants.

Your committee also received correspondence from individuals outlining various points they felt should be considered.

In its deliberations on the matter of pensions, your committee soon realized that a general solution to the problem was not an easy one. Many factors affecting the level of certain individual pensions were isolated, thereby complicating your committee's task even further.

The witnesses have indicated uniformly their concern for the position in which a large number of retired federal employees find themselves with fixed retirement pensions being progressively eroded, sometimes over a long period of years under the pressures of rising living costs.

In the committee's view, the government should do what it reasonably can to protect and preserve, or failing that, to restore in some measure the original purchasing power of the contributory pensions which, under the Public Service Superannuation Act, and similar enactments, it has provided for its retired employees.

With this consideration in mind, your committee recommends immediate action by the government, to up-date and extend the provisions of the Public Service Pension Adjustment Act (1959). This Act provided at the time of its passage limited and partial pension adjustments to meet a portion of the rise in post-war living costs. It covered only those beneficiaries who had retired prior to January 1, 1953: its benefits were available only to those below a pension ceiling of $3,000 ($1,500 for widows). Helpful though it was at the time of its passage, the Pension Adjustment Act of 1959 no longer meets the minimum justifiable requirement in the case of those former employees who retired prior to January 1, 1953; and, it makes no provision whatever for employees who have retired since that date.

The committee recommends that any plan to improve the position of these retired employees should conform to the following requirements:—

(a) it should be capable of quick and early implementation in the form of legislation in the next session of this Parliament;

(b) any adjustment in pensions should not be limited to a particular date of retirement and should be in addition to any other increase already granted under the Pension Adjustment Act of 1959;

(c) it should maintain the principle contained in the present legislation that benefits should be related to length of service;

(d) it should conform to the principle that any adjustment formula should take account also of the time which has elapsed since retirement;

(e) it should take into account the increase in living costs during that period of time; and

(f) it should increase the ceilings in the 1959 Pension Adjustment Act.

The task of the committee was facilitated through the assistance rendered by the departmental representatives. In particular your Committee wishes to acknowledge the help received from Mr. H. D. Clark, Director of Pensions and Social Insurance Division Department of Finance.

All which is respectfully submitted.

Maurice Bourget
Joint Chairman

CONSUMER CREDIT (COST OF LIVING)

SIXTH REPORT OF JOINT COMMITTEE TABLED

Hon. David A. Croll tabled the sixth report of the Special Joint Committee of the Senate and the House of Commons on Consumer Credit and Cost of Living.

MOTION TO PRINT AS APPENDIX TO DEBATES OF THE SENATE AND MINUTES OF PROCEEDINGS

Hon. Mr. Croll moved, with leave of the Senate, that the sixth report of the Joint Committee be printed as an appendix to the *Debates of the Senate* and the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

Motion agreed to.

(*For text of report see Appendix, pp. 1928-49.*)

ROYAL ASSENT AND PROROGATION OF PARLIAMENT

NOTICE

The Hon. the Speaker informed the Senate that he had received the following communication:

GOVERNMENT HOUSE
OTTAWA

2nd May, 1967

Sir,

I have the honour to inform you that the Hon. Gerald Fauteux, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy of His Excellency the Governor General, will proceed to the Senate Chamber at 11.00 a.m. on Monday, the 8th May, 1967, for the purpose of giving Royal Assent to certain Bills and of proroguing the First Session of the Twenty-seventh Parliament of Canada.

I have the honour to be,
Sir,
Your obedient servant,
A. G. Cherrier
Assistant Secretary
to the Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Gérald Fauteux, Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne and the House of Commons having been summoned and being come with their Speaker, the Honourable the Speaker of the Senate said:

Honourable members of the Senate:

Members of the House of Commons:

I have the honour to inform you that His Excellency the Governor General of Canada has been pleased to cause Letters Patent to be issued under his Sign Manual and Signet constituting the Honourable Gérald Fauteux, Puisne Judge of Supreme Court of Canada, his Deputy, to do in His Excellency's name all acts on his part necessary to be done during His Excellency's pleasure.

The Commission was read by the Clerk Assistant.

The Honourable the Deputy of His Excellency the Governor General was pleased to give Royal Assent to the following bills:

An Act respecting Interprovincial Pipe Line Company.

An Act to incorporate Anniversary Life Insurance Company.

An Act respecting La Société des Artisans.

An Act to incorporate Laurier Life Insurance Company.

An Act to amend the National Defence Act and other Acts in consequence thereof.

An Act respecting the occupational training of adults.

An Act to amend the Income Tax Act.

The Honourable Lucien Lamoureux, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1968.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bills.

PROROGATION SPEECH

The Honourable the Deputy of His Excellency the Governor General was pleased to close the First Session of the Twenty-Seventh Parliament with the following speech:

Honourable Members of the Senate:

Members of the House of Commons:

During the First Session of the Twenty-seventh Parliament, which opened on January 18th, 1966, much important legislation has been enacted and many government actions of great significance have been approved.

The hearts of all Canadians were saddened during this session by the death of our distinguished and well-beloved Governor General, His Excellency General Georges P. Vanier. His selfless devotion to duty during a lifetime of public service will always be an inspiration and an example to all.

Recognizing the vital importance to Canada of effective administration of our public affairs, early in the session you approved a measure providing for an extensive reorganization affecting certain departments of the government to enable them to respond more appropriately to the needs they serve, and to facilitate closer co-ordination in various fields of government activity. You also have enacted three measures which together make provision for a complete transformation of the processes of personnel management in the Public Service of Canada. They provide for the introduction of collective bargaining and for the continuation and extension of the merit principle of appointment under an independent Public Service Commission. My Government has also announced a series of programs designed to encourage the development of bilingual skills within the Public Service of Canada.

Following an important Federal-Provincial Conference held in October, major improvements were made in the fiscal arrangements with the provincial governments. A new system of equalization payments was introduced which will enable all provincial governments to provide a reasonably comparable level of basic services. A new revenue stabilization policy will protect provinces against serious declines in total revenues. Substantial additional financial resources have also been made available to the provinces in respect of the costs of post-secondary education.

You have completed the first comprehensive review of the Bank Act in the past decade, and have approved a measure amending that Act to bring it into line with present-day needs. This statute completes the most thorough and far-reaching revision of our banking legislation that has ever been made, and will increase the degree of competition and flexibility both within the banking system and between the banks and other financial institutions, thereby improving the service available to the people of Canada. A further step in the strengthening of our financial system was the adoption of legislation to establish the Canada Deposit Insurance Corporation.

Approval was given to the Canada-U.S. Agreement on automotive products. My Government regards this agreement as one of the most important trading arrangements ever made between Canada and the United States. It has already led to a substantial increase in production and employment in the automotive industry, and to a significant decrease in the imbalance of trade between the two countries in these products.

In recognition of the importance of science and technology to Canada's industrial and economic well-being, you approved during to increased activity in industrial research and development.

You have approved the National Transportation Act which will provide a completely new basis for an overall approach to the development of transportation in Canada. This measure defines a national transportation policy suited to modern requirements in this country and provides for the establishment of a national transportation authority to give effect to the policy. It provides for new methods of fixing freight rates and for the rationalization of branch lines. Through these and other provisions, the Act will be of major assistance to the continuing economic growth of the country.

You have enacted legislation authorizing the unification of the Canadian Armed Forces. This makes possible the completion of the reorganization begun in 1964.

You were obliged to give consideration to labour disputes of serious concern to the national interest. My Government, deeply aware of the human as well as the economic price of work stoppages, has appointed a Task Force of highly qualified persons to examine, as a matter of urgency, the many aspects of labour-management relations and to make recommendations for their improvement.

You have amended the Fair Wages and Hours of Labour Act so that standards prescribed in the Canada Labour (Standards) Code concerning hours of work and minimum hourly rates of pay will be applicable to Government construction contracts. You have also amended the Code to ensure that longshoremen who work for more than one employer may qualify for general holidays. The Canada Labour (Safety) Code that you have enacted constitutes Canada's first national safety code and is an important addition to the body of labour law applying to industries within federal jurisdiction.

You have adopted a measure to make crop insurance applicable to all phases of agriculture and to make the program more attractive to Canadian farmers. The establishment of the Canadian Dairy Commission represents an important milestone for Canadian agriculture. Measures were also enacted to provide assistance to livestock feeders in Eastern Canada and British Columbia, and to establish a fund for the economic and social development of special rural development areas.

Under the provisions of the Fisheries Development Act, passed during the session, fishery development activities are being intensified in co-operation with the governments of the provinces and with the fishing industry.

My Government has continued in its efforts to work for the co-ordination of measures to reduce poverty and increase security in all parts of Canada. In this connection, a measure has been passed providing for guaranteed income supplements for recipients of old age security. You have also enacted legislation introducing the Canada Assistance Plan to provide assistance to persons and families in need.

A measure of particular importance enacted during the past session was the Medical Care Act which provided for the commencement in Canada of a national Medical Care Program. This measure will make a major contribution toward the improvement of the health of the people of Canada and toward the mitigation of domestic financial crises caused by illness.

You have approved legislation authorizing the establishment of a Health Resources Fund to provide financial assistance to the provinces to aid them in research and in the training of health personnel.

You have passed legislation to encourage the occupational training of adult Canadians by the payment of training allowances and by providing for the federal purchase of training services through the facilities of the provinces and of industry.

Under the provisions of a major extension of the National Housing Act, Central Mortgage and Housing Corporation has been authorized to insure loans made by approved lenders and make direct loans to persons who intend to purchase, improve and occupy existing housing. To assist provinces and municipalities in continuing their efforts to combat soil and water pollution, the period of forgiveness for loans made on sewage treatment projects has been extended three years to March 1970. Mortgage loans have also been

made available for the provision of student housing at vocational and training schools, training hospitals and schools for special groups of handicapped people.

In order to provide young people with increased opportunities for service to the community, you have approved a measure to establish the Company of Young Canadians.

In the last Session of Parliament before the day marking the Centennial of Confederation, it was appropriate that attention should be given to some of the symbolic and non-material aspects of our nationhood. The achievement that began with the adoption of our national flag was carried forward with the approval of "O Canada" as our national anthem. My government also announced the approval by Her Majesty the Queen of the Order of Canada as a means of recognizing service of special quality and merit to our country.

Looking to another aspect of the quality of our national life, my government has established a Royal Commission to inquire into and report upon the status of women in Canada and upon the steps the government might take to ensure for women equal opportunities with men in all aspects of Canadian society.

My government has tabled a White Paper setting forth its views with regard to future broadcasting policy. This statement, together with the report of the Standing Committee of the House of Commons on the subject, will provide the general background for the legislation on broadcasting which is soon to be introduced.

You have enacted a measure to provide for the establishment of a National Arts Centre, which will be the principal centennial project in the National Capital and will have beneficial effects for the performing arts in Canada. You have also passed legislation to establish the Canadian Film Development Corporation which will help to stimulate the film industry in this country.

You have approved a measure establishing rights of appeal to an independent tribunal both by persons ordered to be deported and by Canadians wishing to sponsor the admission of certain relatives to Canada. A White Paper defining the principles of immigration policy has been presented for your consideration.

Many other important items of legislation were approved in this session of Parliament which has been one of the most productive in our history. My government is conscious, however, that the need for legislative change and reform in Canada is greater today, and more constantly demanding, than at any period in our history. The accomplishments of this Session of Parliament must, therefore, be regarded less as a source of satisfaction than as an indication of the pace and scope of change that must be maintained and increased if the needs of the country are to be met.

Members of the House of Commons:

I thank you for the provision you have made for the public services in the current fiscal year.

Honourable Members of the Senate:

Members of the House of Commons:

May Divine Providence continue to bless our country.

APPENDIX

(*See p. 1924.*)

CONSUMER CREDIT (COST OF LIVING)

SIXTH REPORT OF SPECIAL JOINT COMMITTEE

April 25, 1967

1. Introduction

Your Committee met in Ottawa on 42 occasions in the period September 28 to December 13, 1966. It tabled an Interim Report on December 20 outlining its findings based on this first series of hearings. For ease of reference, this Interim Report is included as Appendix D. It resumed public hearings on January 17, 1967 and met 17 times in Ottawa in the period up to February 16. Immediately following this, two subcommittees were established and these subcommittees began a series of public hearings in most of the major centres of Canada. Several additional meetings of your Committee were held in Ottawa after their return from their field trip.

Your Committee found that many organizations and individuals were eager to express their views on the cost of living in Canada and on many other aspects of consumer welfare. Your Committee was a forum for the expression of consumer complaints, ideas and suggestions and provided a useful means of informing the public on current economic issues. Men of business, the academic community and members of the public service gave your Committee a great deal of valuable information which has a direct bearing on public policy. The submission of this report does not mean that parliamentary concern for the well-being of consumers can now be suspended even temporarily.

Much of the attention of your Committee has been devoted to factors influencing the cost of food. To a lesser extent your Committee has concerned itself with housing. Your Committee recognizes that price changes have been very important in other fields of consumer expenditure. This is clearly indicated by the behaviour of the various components of the Consumer Price Index published by the Dominion Bureau of Statistics. The change in the principal components is illustrated by the following index numbers (1949=100).

	Component Weights	March 1967
All-Items	100	146.5
Food	27	143.3
Housing	32	148.4
Clothing	11	130.8
Transportation	12	155.6
Health and Personal Care	7	185.2
Recreation and Reading	5	163.7
Tobacco and Alcohol	6	127.5

Your Committee is well aware of the importance of those areas which it has not investigated but its time was almost completely absorbed by issues to which it assigned a higher priority. There remain many issues affecting consumers requiring continuing investigation which can be usefully carried out by a parliamentary committee. With this in mind your Committee again recommends that it be continued as a standing committee preferably for the life of a parliament to maintain surveillance over the welfare of consumers. It is particularly important to extend the Committee's life until the forecast department of the government responsible for consumer affairs is in full operation.

Your Committee is very conscious of its debt to may people for their helpful assistance during the course of its hearings. It recognizes that the preparation of some of the information asked for from corporate witnesses was burdensome and costly and it gratefully records its appreciation of the cooperation which was universally displayed both by them and by other witnesses. The list of witnesses appearing before your Committee is shown in Appendix B and Appendix C.

Recommendation:

That a standing committee of the House of Commons and Senate be appointed, preferably for the life of a parliament, to concern itself with the problems of consumer welfare.

2. Price Trends in Canada

Your Committee heard from many sources of the social and economic advantages of relative price stability and had presented to it a variety of statistical material on price trends. It must be clearly appreciated that the problems associated with rising prices exist in other countries and also that the recent Canadian experience has been relatively favourable. The following table, showing the

trend of consumer prices in 27 countries from 1958 until late 1966, indicates that Canada has not fared badly in comparison.

Change in the Cost of Living in Twenty-Seven Countries (from 1958 to November, 1966)

	Percentage Change
United States	14
Canada	16
Australia (to September, 1966)	19
Belgium	20
Greece	20
South Africa	21
Germany	22
Mexico	24
New Zealand (to third quarter, 1966)	24
Switzerland	26
United Kingdom	27
Portugal (to October, 1966)	28
Austria	29
Ireland	29
Pakistan	29
Norway	31
Italy	34
Sweden (to October, 1966)	34
France	37
Finland	43
Denmark (to October, 1966)	44
Japan	50
Israel	60
India (to October, 1966)	65
Spain (to September, 1966)	65
Turkey	77
Yugoslavia	167

Source: International Financial Statistics February 1967.

Much of the expert testimony of both academic and government economists emphasized that the increase in the cost of living which has been observed in Canada in the recent past is a complex phenomenon. There have been many influences at work and these in turn set up chain reactions which ultimately permeate the economy and have a buoyant influence on particular prices and on the price level in general. One fact to bear in mind is that the Canadian economy is strongly influenced by the prices of imported commodities which fluctuate in response to world market conditions. In other cases, there was evidence that the price of some foods had increased because of a fall in farm output attributable to lower prices in an earlier period.

While your Committee observed erratic increases in the prices of some farm commodities, it noted that farm prices are subject to a complex of market and technical influences. Farm prices have been affected by short-term cyclical movements as well as by changing agricultural technology not to mention changes in taste, weather and erratic fluctuations in world supply and demand. Your Committee found it difficult to arrive at any generalization concerning farm prices in view of the different patterns which were observed. Nor did it make any judgment on the trend of farm income in Canada, an issue which fell outside its terms of reference.

In general, it is to be expected that prices will rise in response to high levels of demand arising from larger amounts of money that people have to spend on consumption. An increase in consumer prices will in turn generate demands for higher wages which affect costs and so the whole process is a self-reinforcing one.

This complicated process is sometimes oversimplified and an attempt made to attribute a general price increase solely to some particular group such as trade unions, business, financiers, farmers, profiteers or even consumers themselves. The evidence presented to your Committee did not support any such unsophisticated view. It is instructive to note that the trend of consumer prices in Canada and the United States has exhibited a similar pattern. The table below shows the course of the Consumer Price Indexes since 1949. Although the absolute levels of these indexes differ the close correspondence in their movement is remarkable.

CONSUMER PRICE INDEXES
(1949 = 100)

	Canada	United States
1949	100	100
1952	116.5	111.5
1955	116.4	112.5
1958	125.1	121.3
1961	129.2	125.9
1962	130.7	127.0
1963	133.0	128.5
1964	135.4	130.6
1965	138.7	132.8
1966	143.9	136.6

Your Committee heard on several occasions about certain statistical investigations which

had analyzed the relation between unemployment and price changes. The general conclusion seemed to be that once unemployment reached some critical level attempts to reduce it further would lead to price increases. Such statistical analyses throw interesting light on the problems of price stability but the validity of the precise relations appear to depend heavily on a number of special assumptions. Your Committee has some concern that an oversimplified version of the so-called "trade off" relationship showing the statistical relation between unemployment and price changes might foster the view that an increase in unemployment is essential if excessive price increases are to be curbed. Price stability which is achieved at the expense of increased unemployment is not an acceptable policy in the opinion of your Committee. It believes, on the contrary, that reasonable price stability and reasonably full employment levels are compatible, assuming that both the government and the public are well informed and act accordingly.

On numerous occasions, expert witnesses before your Committee stressed the importance of timing in any actions taken by the government to counteract either inflationary or deflationary trends. However, changes in fiscal policy are usually tied to federal budgets whose timing is strongly influenced by administrative considerations. Correspondence between short-run economic fluctuations and the presentation of a budget may be erratic and this raises the question whether it would be practical to introduce some additional flexibility in fiscal policy. The suggestion has been made that some discretionary authority be given to the government to modify tax rates within specified limits. Some of the discretionary features embodied in the legislation relating to the five per cent refundable tax on corporations introduced in the spring of 1966 will serve as an example. Your Committee believes that the feasibility of greater discretionary fiscal authority is worth exploring.

Recommendation:

That consideration be given to the feasibility of providing the government with greater discretionary fiscal authority.

3. The Third Annual Review of the Economic Council of Canada

In March, 1965, the Economic Council of Canada was asked by the Government to undertake a special study of economic conditions in Canada. Specifically the Council was requested:

1. To study factors affecting price determination and the interrelation between movements in prices and costs and levels of productivity and incomes.

2. To report on their relationships to sustained economic growth and to the achievement of high levels of employment and trade and rising standards of living.

3. To review the policies and experiences of other countries in this field and their relevance to Canada.

The results of the Council's work were published in November, 1966 with the title "Prices, Productivity and Employment." It was a fortunate coincidence that this valuable and timely analysis became available to your Committee in the course of its deliberations. The Chairman of the Economic Council supplemented the published report with oral testimony to your Committee. Following this, the Senate formally referred the Third Annual Review of the Economic Council of Canada to your Committee. In consequence, many of the hearings of your Committee in the early part of 1967 were in the form of commentaries and elaborations on some of the conclusions of the Economic Council. A number of distinguished academic and other economists gave testimony on different aspects of the Economic Council's report. Since the number of witnesses was limited, it was not possible to ascertain whether there was any consensus among Canadian economists on the main conclusions of the Economic Council's report but the evidence presented to your Committee indicated that there was a substantial measure of agreement among the expert witnesses. Your Committee is aware that differences of opinion on the Economic Council's report exist among professional economists but its general conclusion was that these differences are not sufficiently important to cast doubts on the validity of the Economic Council's findings and recommendations.

A detailed assessment by your Committee of all the Economic Council's conclusions is not called for but your Committee does have some comments on a few specific topics. These are:

(a) The need for improved economic statistics;

(b) The encouragement of economic research;

(c) Public information on economic affairs.

(a) The need for improved economic statistics

Your Committee became aware, early in its hearings, of the need for reliable, comprehensive and timely statistical information in order to form a judgment on the state of the economy. These views were formed before the issuance of the Third Annual Review of the Economic Council but the following observation in the Review summarizes the conclusions of your Committee:

> Questions of high policy are decided on the basis of the presumed accuracy of our economic statistics. If the statistics are inaccurate, the policies may well be wrong. Good information is required for good decision making at all levels —business firms, governments, labour unions, and private individuals. In the light of this, it is clearly of fundamental importance to consider Canadian price measures from the standpoint of their reliability and usefulness for economic analysis and policy decisions.

In its interim report, your committee recommended "both a greater degree of interdepartmental co-ordination in the compilation of price statistics and the diversion of professional staff to expand and improve the statistical information on prices throughout the public service, and particularly in the Dominion Bureau of Statistics." Your Committee reaffirms this recommendation.

Any general and persistent increase in the price level has a profound effect on both the economic and social fabric of a country. When the rate of increase exceeds some critical level it produces unrest and inequities and may create economic problems which have a high social cost. Parts of the population may be able to adapt to rising prices but in general these will be those who have economic or market power and whose earnings increase sufficiently fast to maintain their real income. That part of the population which is disadvantaged and economically weak will usually suffer. The handicapped, the aged, the pensioners, the underemployed and the unskilled workers bear an undue share of the burden of rising prices. One major contribution which could be undertaken by the federal government would be to carry out surveys of family expenditure patterns at frequent intervals to provide some objective assessment of the impact of rising prices on the disadvantaged. While it was not your Committee's duty to enquire in detail into incomes policy, your Committee feels that one aim of such studies would be to facilitate studies of the feasibility of establishing guaranteed minimum annual incomes for all citizens.

Your Committee has also been made aware, through testimony submitted to it, of the pressing requirement for more and more factual information about social, demographic and economic trends both regionally and for Canada as a whole. It recommends that this whole area of activity within the public service be kept under continual review by the government to ensure that the necessary manpower and financial resources are available to support a vigorous and coherent program.

(b) The encouragement of economic research

Your Committee was particularly impressed by the recommendation of the Economic Council for the creation of "an independent research institute, specializing in the analysis of current economic developments..." This would be a counterpart of a number of similar agencies in other countries which have contributed so outstandingly to the understanding of economic problems. Your Committee concurs in this view concerning the need for such an agency and is also in agreement with the views of the Economic Council concerning its organization and independence.

In the opinion of your Committee, such a research institute should have four principal functions. The first would be the issuance at frequent intervals of bulletins on economic developments designed primarily for government and business. The second would be the dissemination of information to the general public. This would be intended to promote greater popular understanding of economic issues. The third would be to provide a training ground for academic and other students of economics. This visualizes the establishment of a number of internships or fellowships which would be open to graduate students, business economists or representatives of the press or other media. The fourth function would be to sponsor and stimulate research on economic problems in Canadian universities. This would be an attempt to remedy the present deficiencies in funds available for academic research in applied economics in Canada.

(c) Public information on economic affairs

Your Committee called attention in its Interim Report to the desirability of a much wider dissemination of information about the prices of consumption goods. It reiterates its

views on this subject and emphasizes the importance of detailed price information if the market place is to be competitive. The extent to which the government can publicize information about individual prices is necessarily limited because of the wide variation among local markets. Consumers must follow the trend of prices in their own locality if they are to exercise rational and informed choices. Your Committee, however, believes that the newspapers and other media of public information should devote even greater attention to the presentation of factual and interpretive information about price movements in order to stimulate informed public discussion on economic affairs. The object would be not only to assist consumers in shopping more carefully, but to improve the level of public understanding of a variety of developments in the economy including trends in wages, income, interest rates and other economic indicators.

Recommendations:

a) That efforts be made to achieve a greater degree of inter-departmental coordination in the compilation of price statistics and that more professional staff be diverted to expand and improve statistical information on prices throughout the public service;

b) That the federal government should carry out surveys of family expenditure patterns at frequent intervals to provide some objective assessment of the impact of rising prices on the disadvantaged;

c) That a vigorous and coherent program of research on social, demographic and economic trends in Canada be undertaken;

d) That an independent research institute specializing in the analysis of current economic developments be established;

e) That the government, newspapers and other media devote greater attention to the dissemination of information on price movements and economic affairs.

4. Regional Committee Hearings

During the fall of 1966, it became evident from the letters and submissions to your Committee that public concern over the rising cost of living was widespread and that the problems of diverse regions could not all be dealt with during the Committee's sessions in Ottawa. For one thing, it was not practical for many groups and organizations in the provinces to travel to Ottawa to present briefs. Consequently, it was decided that sessions of your Committee should be held in a number of centres outside Ottawa. It was the opinion of your Committee that regional views might yield useful information on trends in the cost of living generally and on the costs of housing in particular.

Having received the authorization on December 20, 1966, from the Senate and House of Commons "to adjourn from place to place," your Committee scheduled public hearings in twelve cities selected primarily to represent the various regions in the country. To save time, two subcommittees were formed which covered eastern and western Canada simultaneously between February 20 and March 1. During the hearings outside Ottawa the subcommittees heard 197 witnesses who spoke on behalf of 90 groups and organizations. A list of the cities visited and the witnesses appearing before each subcommittee is given in Appendix C.

This report makes no attempt to summarize the vast amount of written and oral information presented. The written submissions of the witnesses have been printed as a part of the proceedings of your Committee (No. 39, March 21, 1967). It is the hope of your Committee that this body of testimony will be of continuing value for study and research by various government departments, and in particular by the Department of Consumer Affairs which it is hoped will be established.

The subcommittees found without exception that public interest in the cost of living was keen in every part of the country. This was demonstrated repeatedly both by the number of witnesses and spectators in attendance at the hearings and the extent of public interest in the sessions. Most impressive, however, was the degree of concern shown on the part of the witnesses. It was evident that considerable research and thought had been devoted to the written and oral testimony. In view of the very short notice that was given, most of the submissions were exceptionally well prepared. The Committee wishes to record its appreciation to all the participating individuals, groups and organizations for their valuable testimony and co-operation.

A good deal of useful information on various aspects of food costs was presented and most of it substantiated the earlier findings of your Committee. However, your Committee noted that there did not appear to be complete unanimity among Canadian consumers on specific consumer problems. The range of opinion on certain advertising and promotional practices, for example, was so wide

that few conclusions could be drawn about their acceptability to the average consumer. On the other hand, the consumer was unanimous in her appeal for more informative labelling on packaged goods. There was also a widespread opinion that the proliferation of package sizes was excessive and that size standardization was needed for numerous products.

In many instances consumer groups were well aware of the previous work and findings of the Committee. Many presentations did no more than emphasize the findings and recommendations tabled in the Interim Report of December 20, 1966. It is the conclusion of your Committee that national and regional publicity given to its sessions in Ottawa had provided useful information to many consumers.

In line with a recommendation in the Interim Report, several organizations called for more and better consumer education and information services. Nearly all consumer groups expressed the view that a government body was needed to protect their interests on a continuing basis.

Both subcommittees were impressed by the high calibre of the testimony presented on the subject of housing. Treatment of this complex subject was often very thorough and extensive.

5. Department of Consumer Affairs

Your Committee has been pleased to note from statements in the House of Commons that consideration is being given by the government to the establishment of a Department of Consumer Affairs. Testimony presented to your Committee indicates that there is widespread public support for such an agency and it urges that the necessary legislative and administrative action be taken as quickly as possible.

Your Committee believes that a centralization of government responsibility for consumer problems would be beneficial to the general welfare. At the present time, inadequate recognition is given to the growing importance of consumer protection. Present responsibilities in this field are spread over several departments and the lack of a completely co-ordinated approach is evident. Consumer protection is a technical field involving legal and technical specialization and there would be great advantages in assembling in one agency the expertise necessary to deal with a wide range of consumer matters. Above all, a department would clearly assign responsibility to a minister and his staff to do all in their power to improve the lot of the Canadian consumer.

While your Committee is not in a position to make specific recommendations concerning the way in which a Department of Consumer Affairs should be organized it does suggest that the components of the department concerned with consumer affairs should have three principal functions or aims: (a) consumer standards; (b) consumer protection; (c) consumer information.

(a) Consumer standards

Great progress has been made in Canada in the development of grades and standards for consumer goods, particularly for food. Nevertheless, your Committee feels that much remains to be done in the extension of the grading system to include a much higher proportion of the items in the family budget. The development of grades often involves technical difficulties and would clearly require the co-operation of industrial or producing groups. However, your Committee is strongly of the opinion that the grades that are established should reflect the tastes and preferences of well-informed consumers. Your Committee also feels that a standard method of designating grade standards would help the consumer. The present system which makes use of numbers, colours, letters and adjectives for different commodities is confusing to the uninitiated and would be more informative if the grade designations were standardized and simplified. Standards should not apply only to specific commodities, but where feasible packaging and weights and measures should be designed to inform the consumer as fully as possible.

Although your Committee is reluctant to become involved in the technical aspects of grade labelling, it did conclude that the consumer would benefit by the establishment of standard grades at the retail level for such foods as beef, bacon and sausages. Your Committee noted the use of a stamp "Canada Approved" on certain products processed in plants inspected by the Department of Agriculture. The wording of this stamp is easily subject to misinterpretation and your Committee suggests that a different form of words would be more suitable.

(b) Consumer protection

Your Committee perceives the need for an expert group within the Department to investigate any merchandising practices which take advantage of or mislead consumers. This

group should have the responsibility for looking into consumer complaints and for undertaking legal or other action to rectify legitimate grievances. One example of an area which would merit attention is Section 306 of the Criminal Code dealing with misleading advertising. Evidence before your Committee has shown that this section is used very little, in part because the Attorneys-General of the provinces are absorbed with more immediate matters, and in part because the wording of the section is open to differing interpretations. Your Committee is of the opinion that the Department of Consumer Affairs should investigate complaints and undertake specific studies of advertising practices which tend to mislead consumers so that appropriate legal or administrative action could be taken to eliminate abuses in advertising and selling practices.

(c) Consumer information

In its Interim Report, your Committee called attention to the need for additional efforts by government departments "to distribute as widely as possible attractive and informative material which will help the Canadian housewife to be a well informed and careful shopper." The formulation of an information program should be centralized in the Department of Consumer Affairs. Without disputing the value of informative and attractive pamphlets for distribution to schools, consumer groups and the general public, your Committee believes that increasing attention should be devoted to television programs of interest to consumers. The impact of information conveyed in this fashion is likely to be greater, provided the material is well-conceived and well-executed.

Your Committee was favourably impressed during its hearings in Ottawa and in other parts of the country by the valuable work being done in continuing consumer education by the Consumers' Association of Canada. This organization has been effective in sponsoring many changes beneficial to the health and pocketbook of the consumer. Its periodical publication "Canadian Consumer" (Le Consommateur) contains a great deal of useful information on consumer products. Your Committee believes that the program of product testing which the Consumers' Association of Canada has undertaken would be of great value to a much larger group of Canadian consumers. In addition to the Consumers' Association of Canada, your Committee wishes to acknowledge the vigour and initiative of other consumer organizations, both local and national, who drew attention so forcefully to the problem of rising food prices during 1966.

Your Committee heard expert testimony on the question of the control of domestic commerce through the criminal law and was impressed by the views expressed by Lord Atkin for the Judicial Committee of the Privy Council in the case of *Proprietary Articles Trade Association v. A.-G. for Canada,* (1931) A.C. 310.

> "if Parliament genuinely determines that commercial activities which can be so described are to be suppressed in the public interest, their Lordships see no reason why Parliament should not make them crimes. 'Criminal law' means 'the criminal law in its widest sense': *A.-G. for Ontario v. Hamilton Street Railway Company,* (1903) A.C. 524. It certainly is not confined to what was criminal by the law of England or of any Province in 1867. The power must extend to legislation to make new crimes. Criminal law connotes only the quality of such acts or omissions as are prohibited under appropriate penal provisions by authority of the State. The criminal quality of an act cannot be discerned by intuition; nor can it be discovered by reference to any standard but one: Is the act prohibited with penal consequences?...

Despite this, your Committee feels that too much reliance has been placed on criminal law in controlling or prohibiting practices which are injurious to the welfare of consumers. The fact that federal jurisdiction for consumer welfare has depended so heavily on criminal law has made it difficult to regulate some practices which are undesirable from an economic point of view but which do not seem to be "crimes" to a layman. Your Committee believes that more reliance should be placed on the federal powers to regulate trade and commerce to impose standards of good behaviour in the marketplace. There appears to be a need for a commission or board under the aegis of the Department of Consumer Affairs which is empowered to hear public testimony and to enjoin persons from conducting business in a manner which, through misrepresentation, incorrect labelling, misleading advertising or fraudulence, is injurious to the public welfare.

Recommendations:

a) That a Department of Consumer Affairs be established to undertake the

discharge of federal responsibility for consumer standards, consumer protection and consumer information;

b) That simplified and standardized methods of designating grade standards be established for the widest practical range of consumer commodities;

c) That packaging and weights and measures be designed to inform the consumer as fully as possible;

d) That the stamp "Canada Approved" on certain products be replaced by a less ambiguous designation;

e) That the Department of Consumer Affairs undertake studies of advertising practices with a view to eliminating abuses in advertising by appropriate legal or administrative action.

f) That a consumer information program be centralized in the Department of Consumer Affairs;

g) That more attention be devoted to television as a means of informing the consumer;

h) That a commission or board under the aegis of the Department of Consumer Affairs be established and empowered to hear public testimony and to enjoin persons from conducting business in a way that unfairly or adversely affects the welfare of consumers.

6. Housing

Your Committee heard testimony on the factors which were increasing the cost of housing in Canada. It was emphasized by some witnesses that the many new houses embodied changes which reflected higher quality or greater convenience. Your Committee found difficulty in distinguishing between the increased costs associated with higher quality housing and other aspects of increased costs of building houses. The attention of your Committee was directed to many elements which tended to increase the cost of residential housing including the cost of serviced land, interest rates, fluctuations in the availability of mortgage credit, higher labour rates, increased sales taxes and rising material costs.

The National Housing Act, since its inception, has undoubtedly contributed to the improvement of housing conditions in Canada. This legislation clearly recognizes the importance of good housing in the betterment of social conditions and in the creation of a satisfactory family environment. However, your Committee has concluded that the division of jurisdiction in the housing field among the municipal, provincial and federal authorities has proved a serious bar to action. This is particularly true in the field of public housing where the regional distribution of expenditures leaves much to be desired. Your Committee feels that the lack of progress in public housing in some areas of the country reflects a need for vigorous and decisive action by all levels of government. It was pointed out by the President of the Central Mortgage and Housing Corporation that during 1966 about 60 per cent of the total federal grants of $100 million for public housing went to Ontario. This fact appears to establish a lamentable lack of geographic balance in the public housing program because of the failure of some of the provinces to take advantage of the relevant provisions of the National Housing Act. Your Committee suggests that there should be an annual federal—provincial conference on housing whose principal purpose would be to assess the housing requirements of each province in the short-term future. This would permit an up-to-date review of housing conditions and it is hoped would stimulate the appropriate levels of government to improve the effectiveness of the provisions of the National Housing Act.

In one other area your Committee is of the opinion that there is an unacceptable lack of symmetry in the National Housing Act between the treatment of new and existing housing. Recent changes in the Act concerning existing housing were referred to in testimony by the President of the Central Mortgage and Housing Corporation:

> The recent legislation to bring lower priced existing homes under the insured loan provisions of the National Housing Act is also part of the effort to remould our arrangements to meet the circumstances of the future. This legislation is intended to remove the inequity that existed in the past in terms of ease of access to home-ownership as between those in the lower income groups and those of higher income groups. It will, at the same time, help to bring about a more efficient use of our housing stock and add to the incentives for the better maintenance of the older part of that stock.

Your Committee's view is that the amendments to the National Housing Act providing for guaranteed loans on existing housing, introduced in 1966, was a major step forward.

However, it feels that the double-barreled requirement involving both buying and improving a property as well as the maximum guarantee of $10,000 is unsatisfactory. Your Committee is of the opinion that there should be no difference in the maximum loan between new and existing housing. Apart from this, your Committee believes that such loans should be available for the purchase or the improvement of the existing stock of housing. This proposal is made because of the recognized difficulty of adding to the amount of housing available in the short run. Any action which can be taken to use existing stocks more effectively should be encouraged.

Your Committee reached the conclusion that a significant contribution to the improvement of the quality and quantity of the housing now available could be achieved by an increase in the upper limit of home improvement loans made under Section 24 of the National Housing Act.

In its argument for greater stability in the construction industry in its Third Annual Review, the Economic Council of Canada lists two factors which have impeded successful governmental action:

> (1) An excessively short-term, intermittent, and one-way approach to the problem. A policy for stabilizing the growth of construction expenditure that manifests itself chiefly as an attempt to cut back spending in years when a boom situation and numerous pockets of excess demand have already developed is unlikely to stem the momentum greatly in the short run. Its main effect may well be deferred somewhat, involving some risk of administering a depressant to a patient that has begun to need a stimulant.
>
> (2) An excessive concentration of attention on the instability of construction spending in the private sector of the economy, as compared with that in the public sector, some of which is inherently more susceptible to stabilizing action.

The heavy impact of fiscal policy on the volume of residential construction results in fluctuations which impair the efficiency of the construction industry and lead to intermittent housing shortages. These bring with them serious economic and social problems.

Your Committee feels that there is an overwhelming need for a national housing plan based on the premise that every Canadian deserves a decent place to live in. Good intentions in this field have abounded but progress has been unsatisfactory. Local planning has, with few exceptions, been inadequate but the chief obstacle has been the lack of local or municipal financial resources. This difficulty is not likely to disappear. After hearing testimony on the subject your Committee concludes that housing has been a neglected poor relation for far too long.

The objective of a viable housing plan is not likely to be achieved so long as responsibility rests unevenly with municipal, provincial and federal authorities. To clarify the federal responsibility and to assign to housing the importance it deserves, your Committee recommends that a much higher priority be assigned to the housing problem by the federal government.

Recommendations:

> a) That there should be an annual federal-provincial conference on housing to assess the housing requirements of each province in the short-term future;
>
> b) That the maximum loans available under the National Housing Act for existing housing be no less than for new houses, and that such loans be available either for purchase or improvement;
>
> c) That the upper limit of home improvement loans under Section 24 of the National Housing Act be increased;
>
> d) That the federal government assign a higher priority to the problems of housing in Canada.

7. Concentration in the Food Processing and Distribution Industries

Monopolistic control of any significant part of food processing or distribution in Canada is inimical to the national interest. Your Committee has therefore been most eager in the course of its hearings and investigations to detect any instances of undue market power. In its Interim Report your Committee recommended:

> that a thorough assessment should be made of the organization of the food industry with the object of publicizing any monopolistic tendencies which may exist, of determining whether the market power of any group or groups is sufficient to impair the workings of a competitive market and whether there are any undue barriers to entry.

Some preliminary investigation in this field was sponsored by your Committee but it became evident that any firm conclusions would have to be based on detailed research,

which could not be carried out in the time available. Your Committee agrees with the conclusions of the Economic Council of Canada in its Third Annual Review.

> It is clear that a continuous approach, to the extent that it is possible, is likely to be more effective than, say, an approach which consisted only of sporadic ripostes to those more obvious exercises of market power which readily attract public attention.

One witness in speaking before your Committee and referring to the National Commission on Food Marketing in the United States said:

> The Commission did not find a general case for opposing vertical integration and conglomeration. It did conclude, however, that the good conduct of firms of this kind would be more nearly assured if they were required to disclose to the public the financial results of their operations in each major field in which they were engaged.

Your Committee strongly espouses the doctrine of visibility in corporate affairs. It feels that many more intimate details of the way particular markets work should be exposed to the public view. The argument that the competitive position of a firm would be damaged by the revelation of information must be balanced against the possibility that its actions may be damaging to other members of the industry or to the public. As an example, your Committee feels that more information should be made public on advertising, selling and promotional expenses and the way these costs are shared by the different levels of the food industry. The precise method by which this should be done is outside the province of your Committee but it nevertheless feels that the information is essential to anyone studying the impact of market power in Canada.

In the course of dealing with the question of market power and consumer protection, the Economic Council of Canada concluded that market power could not "be assigned sole or principal responsibility for the kind of rising price phenomenon which the economy typically experiences as it moves through a business-cycle expansion." Your Committee subscribes to this conclusion but it has at the same time noticed a tendency in both Canada and the United States toward increasing concentration in the manufacture and distribution of consumer goods. Such trends are not readily assessed and it is not possible to measure the increased concentration with precision or to predict its impact on market behaviour. Your Committee feels that the question of concentration, particularly in areas affecting the consumer, should be the subject of continuous review and examination. Such an examination might well include corresponding analyses of price behaviour to determine whether there is any identifiable relation between price trends and the degree of concentration in particular areas of the economy. A judgment about the social consequences of market power does not, of course, depend solely on the course of prices but may involve many other aspects of economic behaviour which might affect the welfare of the community. For example, your Committee would be greatly concerned if increasing concentration were associated with barriers to entry or any other restrictive practices which would diminish the effectiveness of competition.

Your Committee noted that the Director of Investigation and Research under the Combines Investigation Act reported the discontinuance of a study of concentration in the food retailing industry in Canada on March 15, 1963 (Report of the Director of Investigation and Research, Combines Investigation Act for the year ended March 31, 1963). Your Committee recommends that this study be resumed on a continuous basis and broadened to cover both food retailing and manufacturing in Canada with a particular view to examining concentration, market power and trade practices in the relations between retailers and suppliers.

Your Committee also reiterates the conclusion of its Interim Report that the differences in the disclosure requirements of public companies and private companies whose operations significantly affect the public should be abandoned.

Recommendations:

a) That the government, as a matter of policy, encourage the publication of data concerning detailed corporate operations which affect consumer welfare;

b) That the discontinued study of concentration in the food retailing industry conducted by the Director of Investigation and Research under the Combines Investigation Act be resumed and broadened to cover both food retailing and manufacturing:

c) That the differences in the disclosure requirements of public compagnies and private companies whose operations

significantly affect the public be abandoned.

8. Commodity Taxes and Tariffs

Your Committee has observed a number of instances where new or increased taxes on commodities have had the effect of increasing consumer prices. It did not undertake to explore this question in detail partly because of the anticipated release of the Report of the Royal Commission on Taxation (1966). Your Committee noted with interest and approval the comments of the Royal Commission on Taxation on the regressive characteristics of the present sales taxes and its recommendation that "necessities" and goods and services required to produce "necessities" be exempt. Low income groups which are particularly susceptible to economic damage by rising prices are also hurt by fiscal policies which rely unduly on commodity taxes.

The federal sales tax on margarine was complained of frequently by consumer groups before your Committee during its hearings across the country. Representatives of margarine manufacturers also gave testimony recording their opposition to the retention of this tax and indicated that the benefits of repeal would be completely passed on to the consumer.

The Royal Commission on Taxation (1966) referred to this question in the following terms:

> Before leaving the subject of food, mention must be made of an anomaly which does not create administrative difficulties under a manufacturer's tax but which nevertheless amounts to discrimination of such flagrant character that it cannot be ignored. Butter is exempt from sales tax, but margarine butter's direct competitor and inexpensive substitute, is taxable in nine of the ten Canadian provinces. Only Newfoundland consumers are allowed to purchase tax-exempt margarine...Hence not only is there discrimination between competing products but there is also discrimination between Canadian consumers depending on their province of residence. From a neutrality standpoint, it is imperative that both butter and margarine receive the same sales tax treatment.

Your Committee agrees with this conclusion.

Some evidence was also presented to your Committee concerning the impact of tariffs on consumer prices. The fundamental impact of tariffs is on the pattern of utilization of domestic resources and it is clear that abrupt changes in such patterns may lead to unwanted dislocations. Canadian tariff policy in recent years has been moving in the direction of reducing trade barriers and it seems obvious to your Committee that the process must be a gradual one and must also involve time-consuming international negotiations. On the other hand there are certain existing tariffs which are a burden to consumers and whose protectionist characteristics are either negligible or redundant. They provide some revenue to the federal government but, in general, the amounts are not large and the incidence may be erratic. In the opinion of your Committee, the prospective Department of Consumer Affairs should carefully study the problems associated with tariffs in this category.

Recommendations:

a) That the discriminatory tax treatment of margarine be modified;

b) That the Department of Consumer Affairs should undertake studies of tariffs on certain classes of food items which may be unduly burdensome to consumers;

9. Advertising

A considerable volume of evidence was accumulated by your Committee on the economic and other effects of commodity advertising. There is clearly a wide spectrum of opinion on the social benefits of advertising and on the impact of advertising expenditures on the cost of consumer goods. Although it does not wish to make any recommendations respecting the control of advertising expenditures, your Committee was concerned about the volume of advertising whose sole or primary purpose is to create consumer preference for a particular brand of some staple product on the basis of trivial variations. Your Committee's opinion is that an extensive program of compulsory grade labelling for established and common consumer goods would encourage some reduction in socially wasteful advertising costs.

10. Co-operatives

Since the beginning of 1967, your Committee heard testimony from a variety of representatives of co-operatives in Canada including the Co-operative Union of Canada (Ottawa), Maritime Co-operative Council (Moncton), Federated Co-operatives Ltd. (Saskatoon), Co-op Wholesale Society of British Columbia (Vancouver) and the Newfoundland Co-operative Union (St. John's). The views presented covered a wide range

of issues affecting the cost of living but your Committee did not feel it appropriate to express a judgment on the actual or potential benefits to consumers to be achieved through the techniques of the co-operative movement. Your Committee did, however, conclude that federal legislation governing the incorporation of co-operatives is long overdue. This recommendation is totally unrelated to the question of the taxation of co-operatives, an issue which was outside the purview of your Committee.

Recommendations:

That federal legislation governing the incorporation of co-operatives be introduced as soon as possible.

11. Behaviour of Food Prices over the Christmas Season

Early in November, your Committee became aware of the view that food stores normally raised the prices of many foods during the Christmas rush. It announced publicly that it had enlisted the help of the Consumers' Association of Canada in conducting a survey of prices to determine whether this was so.

A list of 34 food items was drawn up and representatives of the Consumers' Association of Canada in 14 cities were asked to record the prices on November 15, December 1, December 15, December 23, 1966 and January 15, 1967. Each shopper kept a record of the prices in a particular store, often a supermarket in her locality. The cities included in the survey were: Charlottetown, Edmonton, Halifax, Hamilton, Montreal, Moose Jaw, Nanaimo, Ottawa, Quebec City, St. John's, Nfld., Toronto, Vancouver and Winnipeg.

No attempt was made to simulate a food basket which reflected the pattern of expenditure on foods and therefore no conclusions can be reached about changes in the total cost of buying food for a family over this period. However, many common types of food purchases such as bananas, bread, hamburgers, pork chops, eggs, margarine, butter, tomato juice and sugar were included along with some others which are often bought at Christmas such as cranberries, turkey, raisins and walnuts. Nationally advertised, private labels and unbranded foods were on the list.

Altogether, 71 stores were covered by the survey but in a few cases not all the stores were covered in each survey. Similarly, not all the products, particularly brand name merchandise in a particular size, were available in each store. There were therefore some gaps in the data and item by item comparisons could not always be made.

When the results of the survey were completed they were mailed to Ottawa and turned over to the International Business Machines Co. Ltd. for analysis. The analysis was carried out on an electronic computer and it was possible to summarize the results in this way. To avoid the presentation of large masses of statistics it seemed easiest to compare the total cost of an identical basket of goods in each store in successive surveys. The identical basket of goods, of course, varied between stores. The percentage change in each store from one survey to the next was calculated. This yielded the following comparisons:

Survey 1 to Survey 2 (November 16—December 1)

Survey 2 to Survey 3 (December 1—December 12)

Survey 3 to Survey 4 (December 12—December 23)

Survey 4 to Survey 5 (December 23—January 13)

An examination of the results did not provide any evidence of a trend to increased prices in the 1966 Christmas season. In fact, between December 12 and December 23, there was a preponderance of stores where prices dropped. The nature of the survey was such that precise measurements of the trend of prices were not practical but the bulk of the stores in the sample showed declines in the aggregate cost of the sample of foods beginning on December 1. On the basis of this evidence, the Committee concluded that there was a downward trend for the sample of prices in the stores covered by the survey over the 1966 Christmas season.

12. Trading Stamps and Related Issues

In accordance with the findings of its Interim Report your Committee undertook further investigations of the impact of trading stamps on consumer prices. Representatives of the Canadian Association of Stamp Companies testified before your Committee and a review of many of the studies on the subject was carried out. The findings of these studies, none of which applied specifically to Canada, indicated that prices were normally higher in stores that gave stamps compared to stores that did not. The differentials, however, were small. There is little doubt that many consumers like trading stamps but it is also true that any competitive advantage resulting from the introduction of stamps tends to decline as they come into general use. Your

Committee has observed that, in the recent past, the use of trading stamps in Canada has diminished. Your Committee still believes, as it stated in its Interim Report, that the food retailing industry should adopt reasonable and fair standards in its non-price promotional activities in order to give consumers the benefits of vigorous price competition.

Recommendation:

That the food retailing industry should adopt reasonable and fair standards in its non-price promotional activities in order to give consumers the benefit of vigorous price competition.

13. The Profits of the Major Food Retail Chain Stores

In the early fall of 1966, there was widespread criticism of the major food retail chains because of rising food costs. Accusations were made that recent price increases were a result of profiteering. After hearing testimony from the principal corporate retail chains and a number of important food wholesalers your Committee decided that additional information was necessary and undertook to commission a detailed study of profit levels in the corporate food chains. This study was carried out on behalf of your Committee by Clarkson, Gordon & Co. and the results were tabled on April 11, 1967 and ordered to be printed as a part of the proceedings of the Committee.

The significant profit ratios for the food retailing operations of the five corporate chains (The Great Atlantic & Pacific Tea Company Limited, Dominion Stores Limited, Loblaw Groceterias Co. Ltd., Canada Safeway Limited and Steinberg's Limited) are summarized in the table below.

All Chains	Sales ($ Thousands)	Profit Ratios (per cent) Profit/ Sales	Profit/ Equity	Profit/ Total Assets
1965-66	2,081,092	1.66	12.56	6.65
1964-65	1,949,437	1.60	12.30	6.75
1963-64	1,845,188	1.51	12.10	6.67
1962-63	1,703,555	1.37	11.09	6.12
1961-62	1,622,970	1.35	10.93	6.25

The computation of these ratios involved severe difficulties since the accounting systems of the chains do not readily yield such ratios for food retailing by itself. The necessary qualifications are carefully set out in the study prepared by Clarkson, Gordon & Co. The written submission and oral testimony indicated that the behaviour of profit ratios in the major food retail chains did not support the opinion that any very significant component of the rising trend of food prices during 1966 could be explained by changing profit levels in food retailing.

All which is respectfully submitted.

David A. Croll,
Joint Chairman

APPENDIX A

PROGRESS REPORT

SPECIAL JOINT COMMITTEE ON CONSUMER CREDIT (PRICES)

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APPENDIX B

List of Hearings and Witnesses in Ottawa

No. 28 January 17, 1967. Canadian Consumers Protest Association (Mrs. L. Wilson, President; Mrs. S. Hammond, National Director, Hamilton; Mrs. B. Gelinas, National Director, Montreal), Professor L. Skeoch, Department of Economics, Queen's University.

No. 29 January 19, 1967. Canadian Construction Association (Mr. M. Stein, National Vice-President-elect; Mr. S. D. C. Chutter, General Manager). Canadian Welfare Council (Mr. M. Wheeler, Director, Special Project on

Housing; Dr. M. A. Malik, Associate Director, Research and Special Projects; Dr. P. Geisel, Associate Director of Research).

No. 30 January 24, 1967. Mrs. A. F. W. Plumptre, Past President, Consumers' Association of Canada.

No. 31 January 26, 1967. Mr. H. W. Hignett, President, Central Mortgage and Housing Corporation. Dr. G. E. Brandow, Professor of Agricultural Economics, Pennsylvania State University.

No. 32 January 31, 1967. Dr. O. Thür, Department of Economics, University of Montreal. Dr. Walton Anderson, Agricultural Economics Research Council of Canada.

No. 33 February 2, 1967. Co-operative Union of Canada (Dr. A. F. Laidlaw, General Secretary; Mr. R. S. Staples, President; Mr. D. F. MacDonald, Director; Mr J. MacDonald, Excutive Secretary, National Labour Co-operative Committee).

No. 34 February 7, 1967. National House Builders Association (Mr. W. G. Connelly, President; Mr. W. M. McCance, Director of Research; Mr L. C. Gunby, Chairman, Economic Research Committee). Mr. W. A. Beckett, President, W. A. Beckett Associates.

No. 35 February 9, 1967. Mr. J. A. Scollin, Criminal Law Section, Department of Justice. Dr. G. L. Reuber, Department of Economics, University of Western Ontario.

No. 36 February 14, 1967. Dr. D. Smith, Department of Economics, Queen's University. Dr. D. Slater, Department of Economics, Queen's University.

No. 37 February 16, 1967. Canadian Association of Stamp Companies (Mr. M. West, Chairman, Dr. B. Dixon, Assistant Professor, Commerce and Business Administration, McGill University).

No. 38. April 11, 1967. Clarkson, Gordon Company (Mr. Donald C. Scott, C.A., Mr. Marcel Camerand, C.A., Mr. Fred S. Mallett, C.A., Mr. John H. O'Callaghan, Senior Consultant, Woods, Gordon & Co.).

APPENDIX C

List of Hearings and Witnesses outside Ottawa.

Eastern Canada

No. 1 February 20, 1967 Halifax, N.S. Mr. C. W. McAllister, Manager, The Housing Authority of Halifax. Mr. Ralph M. Medjuck, President, Centennial Properties Ltd. Maritime Co-op Services Ltd.. Mr. W. H. McEwen and Mr. Keith Russell. Consumers' Association of Canada (Nova Scotia), Miss Theresa MacNeil. Consumers' Association of Canada (P.E.I. Branch), Mrs. P. B. Butt. Mr. Duncan McIntyre, Saint Francis Xavier University. Professor Milton Moore, Department of Economics, Dalhousie University.

No. 2 February 21, 1967 Saint John, N.B. Saint John Consumer Protest Committee; Mrs. Lola Mitton, Mrs. Margaret Roy, Mrs. Anna Hebert. Urban Renewal Commission; Mr. B. R. Doucet, Mr. Donald Buck, Redevelopment Officer, Mr. E. F. Charlton, Chairman, Saint John Housing Authority, Mr. W. M. Hazen, Manager, Saint John Housing Authority, Mr. Bernard Elliot, Shamrock Realty Ltd. Miramichi-Ease-the-Squeeze Committee; Mrs. F. Balser, Mrs. G. W. Yates. The Oromocto and Fredericton Protest Group; Mrs. E. M. Doerksen. Saint John Board of Trade; Mr. George Robinson, Mr. Wallace Trynbull, Mr. J. Watts, and Mr. G. H. Lummis.

No. 3 February 22, 1967 Montreal, Quebec. Retail Merchants Association of Canada Inc., Mr. D. W. Rolling, General Manager Consumers' Association of Canada (Quebec); Mrs. R. Brander, Provincial President, Mrs. N. W. Duck, Mrs. Pierre Lemerise, Mrs. Lucille Forget. Le Federation des Consommatrices du Quebec Inc., Mrs. Helene Meynaud, Provincial Secretary, Mrs. Georgette Grenier, Mrs. Nicole Mougeau, Mrs. Madeleine Plamondon. N. D. G. Angry Consumers; Mr. Norma Myer. Inflation Fighters of Montreal, Mrs. Veronica Morissette. Inflation Fighters of Laval, Mrs. Pat Ball. Montreal Diet Dispensary; Mrs. Agnes Higgins, Executive Director. La Ligue des Femmes du Quebec; Mme. Blanche Gelinas, Mrs. Bernadette LeBrien. East End Price Protestors; Mrs. L. A. Munday, Mrs. Veronica Morissette. Chateauguay Valley Consumers League; Mrs. J. D. Sizaire, Mrs. Ellen Harnest. Mr. Adrien Letourneau, Letourneau et Freres.

No. 4 February 23, 1967 Quebec City, P.Q. L'Association Canadienne des Consommateurs, Quebec City Section. Mrs. Lucien Farrell, Mme. Paul Demers, Mme. T. J. Lamontagne, Mme. G. Goulet. Le Federation du Quebec des Unions Regionales des Caisses Populaires Desjardins; Mr. Andre Morin, Senator C. Vaillancourt, Mr. I. Bonnier, Mr. Henri Louis Marier, Mr. John-Paul Langlois, Mr. Rene Croteau, Mr. Paul Emile Charron, Mr. Harry French. The Canadian Construction Association; Mr. Armand Trottier, Immediate Past President. Dr. Roger Dehem,

Laval University. Mr. Jean-Claude Allard, Manager, Yves Germain Inc., Building Contractors.

No. 5 February 27, 1967 London, Ontario. Consumers' Association of Canada (London); Mrs. H. S. Tennant, Mrs. W. A. Shepherd, Mrs. A. Vogelsang, Mrs. J. Askew, Mrs. R.E.K. Pemberton. Catholic Family Centre; Mr. F. P. Martin, Mr. A. McEchearn, Director Family Services Bureau. ,Kitchener-Waterloo C.A.C., Mrs. B. M. Jackson, President, Mrs. K. E. MacIntosh. Consumer Protest Shoppers Association of London and District; Mrs. G. E. Ball, Mrs. Irma Reid, Mr. Andrew A. Chrisholm. Windsor C. A. C.; Mrs. Eleanor Haddow, Mrs. John Durrent, Mrs. W. H. McDowell, Mrs. W. P. Augustine. Consumer-Producer Association of Windsor; Mrs. Nelson Dearing, Mrs. Mary McCallum, Mrs. Rose Marie Warren, Mrs. Barbara Ellis, Mrs. Bernice Lasorda. Sarnia C. A. C.; Mrs. L. J. Archibald, Mrs. E. M. McAlpin. London and District Labour Council; Mr. Roland Parris, Mr. Vern Crawford, Mr. R. Sexsmith, Hamilton and District Consumers Protest Association; Mrs. Suson Hammond, Mrs. Betty Bridgewood, Mrs. Peggy Robertson, Mrs. Alice Pow.

No. 6 February 28, 1967 Toronto, Ontario. Ontario Housing Corporation; Mr. P.E.H. Brady, Mr. R.W.R. Riggs. Cadillac Development Corporation Ltd.; Mr. E.A. Diamond. Bramalea Consolidated Development Ltd.; Mr. A.F.B. Taylor, Mr. A.S. Armstrong, Mr. H.D. Smith, Mr. S. Edwards Toronto, Humber, Oakville and St. Catherines C.A.C. and C.A.C. (Ontario); Mrs. Gordon B. Armstrong, Mrs. W. Brechin, Mrs. S.B. Karim, Mrs. R.J. O'Donnell, Mrs. G.B. Barrick. Women Against Soaring Prices; Mrs. Grace Hartman, Mrs. M. Ruble, Mr. Peter Homenuck. Ontario Federation of Labour; Mr. David Archer, Mr. D.F. Hamilton, Mr. Henry Weisbach, Mr. John Eleen, Mr. J.H.Craig. The Canadian Economic Foundation; Mr. George J. Rogers, Mr. Walter Huebbischer. Edible Oil Foods Institute; Mr. T.S. Snowden, Mr. David Scott Atkinson, Mr. John Hegie. Urban Development Institute; Mr. Grant L. Duff. Corporation of the Municipality of the Borough of Scarborough; Mr. A. Kellerman, Mr. Allan Johnson, Director of Purchasing, Mr. Karl Mallette, Controller.

Western Canada

No. 1 February 20, 1967 Port Arthur, Ontario. Mayotte Construction Co. Ltd.; Mr. E. L. Mayotte, President. C.A.C., Fort William Branch, Mrs. C.E. Wachter. Consumer's Action Committee, Fort William; Mrs. Alice Peck, President. Mrs. D.K. Dickey, Home Economist. Headway Builders Limited; Mr. R.D. Kennan, President. Mr. Don MacLeod, Welfare Administrator, City of Fort William.

No. 2 February 21, 1967 Winnipeg, Manitoba. Housing and Urban Renewal, Metropolitan Corporation of Greater Winnipeg; Mr. E.G. Simpson, Director, Mr. J.G. Thomas, Assistant Director. Home Development Co. Ltd.; Mr. Phil Young. Canadian Association of Consumers, Manitoba Branch; Mrs. D.M. McLean, President, Mrs. R.W. Menzies, Research Director, Mrs. E. Tilheridge, Convenor of Investigations. Canadian Consumers Protest Association; Mrs. Gail Pearase, President, Mrs. E. Heber, Recording Secretary, Mrs. Doreen Plowman, Corresponding Secretary Mrs. Donna Hagnor, Treasurer, Mrs. Barbara Gommerman, Publicity Chairman, Mrs. Jackie Senhow, Mrs. Eva Reeves, Mrs. Frances Hall. Mr. C.W. Gonick, Department of Economics, University of Manitoba. Mr. O.P. Tangri, Assistant Professor, Department of Agricultural Economics, University of Manitoba. Winnipeg Chamber of Commerce; Mr. Evan McCormick. Age and Opportunity Bureau; Dr. C. Earle Gordon, President, Mrs. A.S.R. Tweedie, Executive Director, Mr. Scott.

No. 3 February 22, 1967 Regina, Sask. Cairns Homes Ltd.; Mr. R. Gerla, General Manager. C.A.C. Saskatchewan Branch, Mrs. Gordon Moxley. Regina Food Suffragettes; Mrs. Bonney Petruic, Treasurer, Mrs. Betty Marzek, President. Federated Co-operatives Ltd.; Mr. L.L. Lloyd, President, Mr. L.J. Doucet, Chairman, Managers' Advisory Committee, Mr. J.E. Trevena, Director of Information, Mr. W. Bergen, Controller, Mr. A.V. Kroll, Research Director.

No. 4 February 23, 1967 Edmonton, Alberta. Chartered Investment Ltd.; Mr. J.L. Harris. Canadian Cattleman's Association; Mr. Fred Newcombe. Edmonton Welfare Council; Mr. L.D. Hyndman, Mr. E.S. Bishop, Executive Director. Mr. S.C. Rodgers, Chief Planner, City of Edmonton. National Farmers Union, Mr. Atkinson, President, Mr. Paul Baby, Vice-President. Lethbridge Consumers Protest Assoc.; Mrs. Ruth Truant, President. Consumer Protest Association; Mrs. K. Swinton, President, Mrs. Proserloe, Mrs. N. Lampton. Dr. T.L. Powrie, Dr. M.D. Stewart, Department of Economics, University of Alberta.

No. 5 February 24, 1967 Vancouver, B.C. C. A. C., Vancouver Branch; Mrs. S. Ettinger. President, Mrs. T. D. Stout, Mrs. L. van

Blankenstein. Co-op Wholesale Society of B.C.; Mr. K. F. Harding, Vice-President, Mr. R. L. Simpson, Assistant General Manager, Mr. A. E. Pershick, Manager, Retail Services Division, Mr. Corbin King, General Manager Terrace Co-op, Mr. Hans Hanston, General Manager, Dawson Creek Co-op Union. B. C. Federation of Labour; Mr. R. C. Haynes, Secretary-Treasurer, Mr. Paul Phillips, Research Director. Mainland Dairymen's Association; Mr. F. V. Bradley, Secretary Manager. Women Against Soaring Prices; Mrs. Carol Millan, President. C. A. C., Victoria Branch; Mrs. R. P. A. Coombs. Women Against High Prices; Mrs. Elaine Podovinnikoff, Chairman. B. C. Federation of Agriculture; Mr. R. B. Stocks, Manager. Mr. W. E. Graham, Director of Planning, City of Vancouver. West Coast Land Development Ltd., Mr. James Houston, Vice-President.

Newfoundland

No. 6 March 1, 1967 St. John's, Nfld. Mr. A. Vivian, Commissioner of Housing, Department of Municipal Affairs and Housing, Government of Newfoundland and Labrador. Newfoundland Co-op Union; Mr. G. Haggett, President, Mr. D. Garland, Managing Director. Newfoundland Fish Trades Association; Mr. Eric Harvey, Secretary-Treasurer, Mr. H. Lake, Mr. G. Etchegary, Mr. P. Russell, Mr. P. K. McGrath. C. A. C., St. John's, Nfld. Branch; Mrs. G. M. Walsh, Provincial President. Women's Club, Memorial University of Newfoundland; Mrs. Evelyn Barton, Chairman, Mrs. E. T. Kelly, Member. Mrs. J. A. McKim.

APPENDIX D

INTERIM REPORT

(Tabled in Both Houses of Parliament Tuesday, December 20, 1966)

1. Preamble

During the first two weeks of September, 1966, the Senate and the House of Commons agreed to expand the terms of reference of the Joint Committee which had been appointed earlier to enquire into the problems of consumer credit. The added responsibility given to your Committee was "to enquire into and report upon the trends in the cost of living in Canada and factors which may have contributed to changes in the cost of living in Canada in recent months." Because of the public concern over increases in food prices, your Committee decided to concentrate its attention initially on the reasons for the upward movement in food prices. It also undertook to present an interim report to Parliament sometime during December. Your Committee met on forty-two occasions in the period from September 28 to December 13, 1966 and heard testimony from a representative cross-section of individuals and organizations. The list of hearings and witnesses during this period is shown in an appendix. Because of the pressure of time, many of the witnesses appeared on very short notice and your Committee wishes to record its appreciation to them for their invaluable assistance in its efforts to throw light on the factors influencing consumer prices.

Recently, Parliament has also referred to the Joint Committee on Consumer Credit (Prices) the Third Annual Review of the Economic Council of Canada entitled "Prices, Productivity and Employment." This important and complex report obviously requires detailed study and because of the shortness of time, it has not been possible to do more than refer briefly to some of the conclusions of the Economic Council of Canada which impinge directly on the work of your Committee.

This interim report is necessarily brief. It is not and could not be expected to be an exhaustive analysis of the evidence. The limitations of time meant that the report could deal with a limited number of issues. Many other problems referred to during the Committee hearings require additional evidence, study and research before useful conclusions can be drawn.

2. General Observations

The economic experts both from the public service and the academic commmunity who gave evidence to your Committee made it obvious that the factors influencing the cost of living in Canada were many and varied. Some changes could be explained by the increased price of imports. Canada's trading relations with other countries are intimate and important and it is therefore natural that the general increase in price levels in the recent past in most western countries has had a contagious effect on Canadian prices. In addition, domestic changes in the price of goods and services interact and reinforce each other. A great deal of the evidence presented to your Committee emphasized the fact that consumer prices moved in response to changed market conditions in other sectors of the economy or in markets outside Canada. These changing market conditions, in turn, affected the share of the national income going to

labour, to farmers, to business and to others, but there was nothing to indicate that the recent changes in the cost of living in Canada arose out of unusual or unwarranted increases in the sizes of their respective shares. Your Committee's review of the evidence has not yet revealed any group or sector of the economy which could be singled out and blamed for the recent increase in consumer prices. Its general conclusions were that there have been many factors contributing to the changes in the cost of living, particularly the price of food.

While there are many groups in the economy which are able to protect themselves against the rising costs of living, your Committee must recognize there are many, such as the handicapped, the aged and the unemployed, upon whom the burden of price increases falls most heavily.

Since your Committee commenced its hearings on September 28, food prices as reflected in the food component of the Consumer Price Index have declined slightly and it is believed that the information which reached the housewife through the Committee hearings has had a stabilizing influence. The hearings have had a significant educational value for the members of your Committee, for the housewives and for the business community. Public attention has been focussed on the importance of the price and quality of consumer goods and it is the earnest hope of your Committee that Canadian housewives will shop both selectively and carefully.

For the first time, full public disclosure of the business practices and affairs of companies appearing before your Committee was requested. This applied to Canadian companies as well as to subsidiaries of non-Canadian corporations. In some instances, new light was thrown on extensive inter-corporate relationships which had not been made public before. In one case, one newspaper reported "For the first time amazing extent of holdings revealed" and a press service referred to the "Stunning scope of food empire". All the proceedings were open and no information was given to your Committee in confidence. There was extensive coverage of the work of your Committee in the newspapers and on the radio and television.

3. The Need for Statistical Information

Your Committee experienced some difficulty in obtaining satisfactory statistics on the prices of a number of important commodities at the farm, wholesale and retail levels. This was particularly true of meats. In part, this arose from the division of responsibility between the Department of Agriculture and the Dominion Bureau of Statistics. It is the view of your Committee that there will be continuing interest in the trend of prices. For purposes of economic analysis and studies of distribution, improved statistics concerning prices at all distributive levels are essential. For this reason, it recommends both a greater degree of interdepartmental co-ordination in the compilation of price statistics and the diversion of professional staff to expand and improve the statistical information on prices throughout the public service, and particularly in the Dominion Bureau of Statistics. While the quality of the work performed by the Dominion Bureau of Statistics is very good, your Committee firmly believes that its work in some fields was being impeded by shortages of professionally qualified staff.

The principal way of informing the public of the changing level of prices is the monthly Consumer Price Index issued by the Dominion Bureau of Statistics. This is a sophisticated and valuable economic measuring device but it is nevertheless difficult for an ordinary consumer to interpret it as it applies to her normal purchases for her family. While the existing published consumer price indexes provide a very useful measure of price movements affecting consumers nationally and in major urban centres, additional statistical indicators are required. In particular, there is a pressing need for the Dominion Bureau of Statistics to broaden the scope of its retail pricing program to encompass a wider range of qualities of goods and services and to allow more useful item price averages to be derived, by cities, on a continuing basis. It is recognized that an expansion of available retail price statistics along these lines will require additional resources, both in the field collection of price data and in its evaluation, processing and analysis. A good deal of information on various aspects of consumer prices is published by the Dominion Bureau of Statistics but it is not usually easily available to the consumer. The consumer appears to be less well served in this respect than some other groups in the community. For example, her ability to detect seasonal and other trends in food prices is impaired by a lack of information. Your Committee recognizes that there are technical problems in compiling accurate price statistics but nevertheless believes that it is an appropriate governmental function to disseminate price information as widely as possible to the consuming public.

Although your Committee's primary concern was with prices, it necessarily became

involved on several occasions with other kinds of economic statistics. Specific evidence was given, notably by the Chairman of the Economic Council of Canada, that there were serious deficiencies in the government system of collecting, analyzing and issuing statistics relating to economic conditions. Moreover, your Committee was impressed by the urgent need for comprehensive, accurate and timely statistics in the formulation of government economic and fiscal policy. Because of the importance of having good and current information about short-run economic changes, your Committee proposes that a detailed review of the government statistical system be undertaken with a view to modernizing, improving and co-ordinating the whole process of collecting and compiling economic data.

Recommendations:

(a) That additional staff resources be provided to the Dominion Bureau of Statistics to improve the collection of urgently needed statistical information on price movements.

(b) That more information concerning consumer prices be made available to the public in as simplified a form as possible.

(c) That a thorough review be made of the governmental system of collecting, analyzing and issuing other types of economic statistics in addition to price statistics.

4. Parliamentary Responsibility for Consumer Affairs

The experience in Canada and in many other western countries demonstrates the need for Parliament to be informed on both general and specific economic developments. Economics cannot properly be the exclusive province of experts, even though it has aspects which are technically complex. The study of particular legislation or special problems by ad hoc parliamentary committees does not meet the continuing need of Parliament to become familiar with the issues of current economic policy. For this reason, your Committee has concluded that it would be desirable to establish a Joint Committee of the Senate and House of Commons whose primary aim would be to keep under continuous review the whole field of consumer affairs. In addition to this, the proposed Committee should have the responsibility for surveying economic developments in the Canadian economy which affect employment, income and consumption levels. A Committee of Parliament would be immediately responsive to parliamentary or public concern over problems affecting the consumer.

It is recommended further that such a Joint Committee be established for the life of a parliament in order to provide continuity to its work and that it should act on problems referred to it by Parliament.

It is essential to provide the Joint Committee with the services of a professional staff. It is of interest to note that the Third Annual Review of the Economic Council makes a somewhat similar suggestion and outlines some specific tasks which a Joint Committee might undertake.

Recommendation:

That a Joint Committee be established to review consumer affairs and the state of the Canadian economy.

5. The Influence of Consumer Demand on Food Prices

It was brought out in testimony before your Committee that there is an increasing tendency for consumers to buy convenience foods. Such foods require a minimum of preparation before cooking and in some cases merely need to be thawed. In part, this is a consequence of the increasing number of married women in the labour force and the unwillingness or inability of many consumers to devote much of their time to food preparation. Your Committee has no views on the cultural aspects of this development but does recognize the fact that the price of convenience foods must inevitably include some allowance for the costs of preparation. If consumers prefer partially or completely prepared foods, they should be perfectly free to exercise their choice. However, if their time spent in the kitchen is reduced, it is to be expected that the cost of eating will be increased.

In the past few months, there has been widespread publicity and controversy concerning rising food costs. Public interest has been stimulated by the formation of consumer protest organizations, by the hearings before the Joint Committee on Consumer Credit (Prices) and by discussions in the press and on the radio and television. Your Committee has gained the impression, based partly on the volume of its mail from the public, that consumers are looking at prices more carefully. There are quite acceptable substitutes for many types of food and consumers can affect the prices of particular items simply by not buying them if they think the price is excessive. It is also true that some consumers could

reduce their food budgets by shopping carefully provided the retail food markets available to them are truly competitive. The conclusion of your Committee is that if consumers are well informed and discriminating in their shopping practices they can reduce their food bill appreciably in many cases. Consumer education is a matter of such importance for the welfare of individuals and families that increasing attention should be devoted to it in the Canadian educational system beginning in the secondary schools. A vast amount of information useful to consumers is available through newspapers, magazines and the publications of government departments. Your Committee's opinion is that increased efforts should be undertaken by the government departments involved to distribute as widely as possible attractive and informative material which will help the Canadian housewife to be a well informed and careful shopper.

Recommendation:

That increasing attention be devoted to consumer education both through the educational system and by the wider distribution of information useful to consumers through government channels.

6. Consumer Standards and Consumer Protection

The problems of the consumer in the market place are accentuated by the changing nature of retailing itself. The rise of the supermarket has meant that for a wide range of commonly purchased items retailing has become impersonal. At one time the retailer was a source of information about the products he sold but the modern supermarket offering many thousands of products usually relies on the consumer to select her own purchases on the basis of her own knowledge.

Product information must be provided. Consumers must be informed about physical properties or products they are buying such as weight, volume, quality and number of units and this information should be immediately available at the time of purchase and should be expressed clearly and unequivocally.

Your Committee could cite many examples taken from letters received from dissatisfied consumers about merchandising and packaging techniques which annoy the consumer and make it difficult if not well nigh impossible for the consumer to compare price and quality of different products effectively and quickly.

Facts should be presented in a prominent place on the package or container in a form which is legible and free from graphic distortion. Where applicable, the ingredients should be revealed both by name and percentage of composition, and the consumer should also know about the quality of the product.

In particular:

(1) the product should be described by its generic name where this is meaningful;

(2) where products are of a certain type, variety and quality, they should be graded;

(3) packages should be designed in terms of size, shape or dimension in a way that will not deceive or mislead retail purchasers;

(4) the net quantity of the contents in terms of weight or measure should be expressed as simply as possible and in terms which can be easily interpreted;

(5) the essential information about a packaged product and its physical contents should be stated in a prominent place on the label.

It is essential for the government to take all measures within its power to foster the welfare of the consumer. In particular, the government has a responsibility for protecting the consumer against all forms of exploitation.

One aspect of this responsibility was referred by the Government in July, 1966 to the Economic Council of Canada for investigation. The terms of reference of the study to be carried out are:

"In the light of the Government's long term economic objectives to study and advise regarding:

(a) the interests of the consumer particularly as they relate to the functions of the Department of the Registrar General;

(b) combines, mergers, monopolies and restraint of trade;

(c) patents, trade marks, copyrights and registered industrial designs."

In the normal course of events the findings of the Economic Council of Canada will not be available until late 1967. Your Committee, however, feels that the function of consumer protection is of such urgency as to require the establishment of a Department of Consumer Affairs. Because of the special responsibility of the Department of Health and Welfare, the Department of Agriculture, the Department

of Fisheries and the Department of the Registrar General, your Committee is not prepared to recommend the nature of the administrative structure for such a department until the Economic Council of Canada reports. However, because of the need for consumer protection, for coordination of existing legislation and for the immediate establishment of machinery to receive and investigate consumer complaints, the Economic Council of Canada should be asked to report on item (a) of their reference as soon as possible.

Additional legislative authorization may be necessary ultimately for the protection of the consumer but this should not stand in the way of immediate action which could be carried out under existing regulations. Your Committee reached certain specific conclusions, which are:

(a) with particular respect to food, that the establishment of standards and grades should be extended to cover all commonly purchased foods for which standards or grades would be useful to the consumer.

(b) that a standardized nomenclature for designating grades for different classes of food should be developed as quickly as possible and that an intensive campaign should be undertaken to acquaint consumers with the meaning of the grades;

(c) that manufacturers of consumer products should be required to modify their packaging techniques so that, where applicable, the weights or contents are expressed in terms which minimize the difficulties of calculating and comparing prices.

Recommendations:

(a) That a Department of Consumer Affairs headed by a Minister be established.

(b) That immediate steps be taken to promote standardization and simplification of grades, nomenclature and packaging for commonly purchased consumer items.

7. The Promotion of Retail Sales

Your Committee noted, with interest, the variety of promotional schemes which had been introduced by the major retail chains to encourage customer loyalty. One senior executive of a corporate chain expressed the view:

> "A lot of people are anxious to play games and have these contests. It is all part of their present-day life to engage in these adventurous things. It is a challenge...Have you ever considered how dull it would be for a housewife to go into a store and see nothing but price tickets and a display of produce."

The competitive significance of promotional devices was emphasized by another chain store executive when he said, "If stamps are in fashion, then you had better be in style yourself."

The impact of stamps, premiums, games and contests on the retail price level is difficult to assess and clear differences of opinion were expressed by responsible officials of the chain and other stores. Your Committee did not have sufficient evidence at this time to reach any final conclusions about the effect of promotional devices on prices but it did conclude that the different forms of promotion should be used with restraint. Its opinion was that competition not based on price should not be allowed to diminish unduly the healthy effects of vigorous price competition at the retail level. It is your Committee's intention to conduct further investigations for the purpose of making final recommendations on promotional devices such as trading stamps, games and contests.

Your Committee, however, saw at least one example of a technique of price competition which it considered to be objectionable. This was the system, evidently sponsored by manufacturers or processors, of labelling packages to imply that the product was being sold below the regular retail price. The use of the so-called "cents-off" labels seems to be of fairly recent origin and now to be quite common for such classes of commodities as detergents and processed foods. Your Committee feels that this device tends to create uncertainty about what the regular retail price is, particularly in a period of change. Cents-off labels therefore, confuse the consumer and lead to abuses. Anything which smacks of deception in advertising and merchandising is unacceptable. Competition or promotion on the basis of price or quality is a desirable goal but competitive methods which create doubt or confusion should be prohibited.

Your Committee learned much about the methods used by chain stores to attract customers. On the other hand, it observed some

actions by food retailers which were poor from the viewpoint of their public relations. Your Committee's attention was repeatedly drawn to the practice of remarking goods on the shelves with a new and higher price without removing the old price. Whatever the reason for the practice, your Committee's view was that some adjustment in the method of inventory management and more care in marking prices on containers would eliminate this irritant to consumers.

Recommendations:

(a) That non-price competition by retail food outlets should not be allowed to become sufficiently important to outweigh price competition.

(b) That cents-off labels, in view of their tendency to cause confusion and to distort price relationships, should be prohibited.

(c) That the Minister to be responsible for consumer affairs undertake a review of the effectiveness of the investigation and prosecution procedures under existing statutes relating to misleading advertising.

(d) That more care should be used in re-marking the prices of goods in the inventories of retail food stores.

8. Public Disclosure

In times of both depression and prosperity, Canada has in the past resorted to a series of Royal Commissions or parliamentary inquiries on prices and price spreads, each of which has had to compile its own information on costs, profits and return on investments. Your Committee was no different, and used its parliamentary privilege to ask for and receive from corporate witnesses information never before made public. However, your Committee feels strongly that if those responsible for or concerned about the management of public affairs are to be properly informed, such information should be available publicly on a continuous basis for the scrutiny of parliamentarians, public officials, consumer groups, investment analysts and the academic community. Such public disclosure would also be a spur to greater efficiency and productivity by preventing inefficient entrepreneurs from hiding their inefficiency from shareholders or public scrutiny. Further, your Committee sees no reason why large public companies should be compelled to compete in the market place against other large private competitors whose operations are almost wholly secret and many of which are privately held wholly-owned subsidiaries of non-Canadian parents.

Recommendations:

(a) That the distinction between disclosure requirements for private companies of significance to the public and public companies be eliminated.

(b) That the disclosure requirements for both public and such private companies be enlarged to assure full and complete disclosure of corporate activities to give to the public sufficient information for meaningful continuous analysis and comparison.

9. Profits of Corporate Food Chains

The Joint Committee on Consumer Credit (Prices) asked for and received detailed statistical information concerning the experience of the companies which appeared before it. One of its principal purposes was to determine if there had been any significant recent changes in the levels of costs, prices or profits which would help to account for the upward movement of the cost of living. In particular, your Committee concerned itself with the profit levels of the corporate food chains. This whole question was looked into by your Committee.

One way of measuring profitability is to examine net profit after taxes as a percentage of gross sales. Your Committee is aware that this method of comparing profit levels has some deficiencies and that an analysis should also be made of profits in relation to invested capital. Such an examination raises theoretical and practical accounting problems and while the necessary research has been started, the results are not available for this interim report. Your Committee has retained the services of a firm specializing in management consulting and accounting which has undertaken to conduct a study in this field.

The level of profits in the Canadian economy as a whole was discussed by several expert witnesses who testified before your Committee. Their opinion was that in the late stages of an expansionary period there tended to be a squeeze on profit margins. This resulted from rising costs and the inability of sellers in competitive markets to raise prices sufficiently to offset them. Although statistical evidence was not conclusive, it did appear that profit levels or ratios had not risen generally and that one would have to look elsewhere to explain the changes in the cost of living after a long uninterrupted period of prosperity.

10. Advertising

Your Committee heard lengthy arguments concerning the economic consequences of advertising. It also accumulated a considerable amount of information relating to advertising expenditures and the way in which advertising costs are shared among different distributive levels in the food industry. There was evidence that the market power of the retail level of the food industry was sufficiently strong to shift some of the burden of advertising costs to food processors or manufacturers. In time available to your Committee, it was not possible to ascertain all the facts necessary to reach any firm conclusion. However, your Committee decided that more information was needed.

11. Concentration and Cost Levels in the Food Industry

The terms of reference of the Joint Committee on Consumer Credit (Prices) necessarily meant that primary attention was focussed on factors influencing recent changes in consumer prices. Your Committee was not, as a result able to devote more than passing attention to some of the longer run influences at work in wholesale and retail food distribution.

Although the preliminary judgment of the Committee was that profits in the different levels of food processing and distribution had not increased substantially or generally in the recent past this does not answer a very relevant question, namely, whether the cost levels in the industry were reasonably low in the light of Canadian conditions.

Your Committee uncovered specific evidence of great concentration of market power. It came to public attention as a result of questions by your Committee and disclosed more particularly to so-called Weston Empire.

This disclosure was an astonishing revelation and the enormity of the Weston complex surprised even the sophisticated. The far-reaching implications will take some time to assess. The Weston Empire reveals for the first time vast holdings and control over food and other related aspects of the economy which will need further investigation to reveal all the implications and to do this, more specific information will of course be required.

The detergent and soap industry, it appears from the evidence, is controlled by three giants which among them have between 85 and 90 per cent of the total business.

The five great corporate food chains and the voluntary chains control more than 75 per cent of the grocery business in urban areas and their percentage is increasing.

In one part of the food processing industry, one firm controls 100 per cent of the market in the Maritimes and Western Canada and at least 80 per cent of the market in Ontario and Quebec.

The domination of a few large corporations in some sectors of the Canadian economy is clearly evident and gives rise to the question, "Is this in the public interest?" Your Committee feels that the implications of this question must be fully examined.

In view of this, your Committee recommends that a thorough assessment should be made of the organization of the food industry with the object of publicizing any monopolistic tendencies which may exist, of determining whether the market power of any group or groups is sufficient to impair the workings of a competitive market and whether there are any undue barriers to entry.

Recommendation:

That the Joint Committee on Consumer Credit (Prices) continue with its investigation of concentration in the food industry.

12. Price Control

The view is sometimes expressed that price control by government edict is the easy answer to price stability. All the witnesses who were questioned on this matter disagreed with the opinion and demonstrated clearly that this was an unworkable and unrealistic solution. Your Committee concurs in the conclusion that price control is a fallacious method of attempting to control any general increase in prices. It notes, furthermore, that the federal government does not have the constitutional power to enter this field.

13. Co-operatives

In order to meet its self-imposed deadline of an interim report in December, your Committee did not have an opportunity to call witnesses on co-operative organizations, but recognizing the importance of the movement intends to do so.

All which is respectfully submitted.

David A. Croll
Joint Chairman

Ron Basford
Joint Chairman

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Abbreviations

1r, 2r, 3r	=	First, second, third reading
amdts	=	amendments
com	=	committee
div	=	division
m	=	motion
neg	=	negatived
ref	=	referred
rep	=	report
r.a.	=	royal assent

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2.	Electoral Boundaries Readjustment Act, An Act to extend time for consideration of objections	C-126

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3.	Appropriation Act No. 2, 1966 (Main Supply 1965-66)	C-140

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5.	Appropriation Act No. 3, 1966	C-157
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19.	Science Council of Canada Act	C-149

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