

LIBRARY OF PARLIAMENT

Canada. Parl. H.of C. J
Standing Comm.on 103
Estimates, 1959. H7
Minutes of 1959
proceedings & evidence. E8

DATE	NAME - NOM
	A1

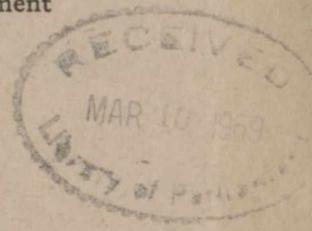
Canada. Parliament. House of
Commons. Standing Comm.on
Estimates, 1959.

CV

J
103
H7
1959
E8
A1

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament
1959



STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

TUESDAY, FEBRUARY 10, 1959

TUESDAY, MARCH 3, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESS:

Honourable George C. Nowlan, Minister of National Revenue.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Gillet,	More,
Baldwin,	Graffey,	Morris,
Bell (<i>Carleton</i>),	Hales,	Nesbitt,
Benidickson,	Hardie,	Nielsen,
Best,	Hellyer,	Payne,
Bissonnette,	Hicks,	Peters,
Bourbonnais,	Howe,	Pickersgill,
Bourdages,	Korchinski,	Pugh,
Bourget,	Lambert,	Ricard,
Bruchési,	Macnaughton,	Richard (<i>Kamouraska</i>),
Cardin,	Macquarrie,	Rowe,
Carter,	McDonald (<i>Hamilton</i>	Small,
Cathers,	<i>South</i>),	Smallwood,
Chambers,	McFarlane,	Stewart,
Clancy,	McGrath,	Tassé,
Coates,	McGregor,	Thompson,
Dumas,	McIlraith,	Walker,
Fairfield,	McMillan,	Winch,
Fortin,	McQuillan,	Winkler—60.
Garland,	McWilliam,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,
TUESDAY, February 10, 1959.

Resolved,—That the following Members do compose the Standing Committee on Estimates:

Anderson,	Gillet,	Morris,
Baldwin,	Grafftey,	Nesbitt,
Bell (<i>Carleton</i>),	Hales,	Nielsen,
Benidickson,	Hardie,	Payne,
Best,	Hellyer,	Peters,
Bissonnette,	Hicks,	Pickersgill,
Bourbonnais,	Howe,	Pugh,
Bourdages,	Korchinski,	Ricard,
Bourget,	Lambert,	Richard (<i>Kamouraska</i>),
Broome,	Macnaughton,	Rowe,
Bruchési,	Macquarrie,	Small,
Cardin,	McDonald (<i>Hamilton</i>	Smallwood,
Carter,	<i>South</i>),	Smith (<i>Calgary South</i>),
Cathers,	McFarlane,	Stewart,
Chambers,	McGrath,	Tassé,
Clancy,	McGregor,	Thompson,
Coates,	McIlraith,	Walker,
Dumas,	McMillan,	Winch,
Fairfield,	McQuillan,	Winkler—60.
Fortin,	McWilliam,	
Garland,	More,	

(Quorum 20)

MONDAY, February 9, 1959.

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House, and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

FRIDAY, February 13, 1959.

Ordered,— That Items numbered 254 to 260 inclusive, as listed in the Main Estimates of 1959-1960, relating to the Department of National Revenue, be withdrawn from the Committee of Supply and be referred to the Standing Committee on Estimates, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

MONDAY, February 16, 1959.

Ordered,—That the Standing Committee on Estimates be empowered to print, from day to day, such papers and evidence as may be ordered by it, and that Standing Order 66 be suspended in relation thereto; that the quorum of the said Committee be reduced from 20 to 15 Members, and that Standing Order 65(1) (m) be suspended in relation thereto; and that the said Committee be authorized to sit while the House is sitting.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

STANDING COMMITTEE

REPORTS TO THE HOUSE

THURSDAY, February 12, 1959.

The Standing Committee on Estimates has the honour to present the following as its

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print, from day to day, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.
2. That its quorum be reduced from 20 to 15 members and that Standing Order 65 (1) (m) be suspended in relation thereto.
3. That it be authorized to sit while the House is sitting.

Respectfully submitted,
ARTHUR R. SMITH,
Chairman.

THURSDAY, February 12, 1959.

The Standing Committee on Estimates has the honour to present the following as its

SECOND REPORT

Your Committee recommends that the Items relating to the Department of National Revenue, as listed in the Main Estimates, 1959-60, be referred to it for consideration.

Respectfully submitted,
ARTHUR R. SMITH,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, February 12, 1959.

(1)

The Standing Committee on Estimates met at 10.00 a.m. this day.

Members present: Messrs. Anderson, Bell (*Carleton*), Best, Bissonnette, Bourdages, Broome, Carter, Cathers, Dumas, Fairfield, Fortin, Garland, Grafftey, Hales, Hicks, Korchinski, Lambert, Macquarrie, McFarlane, McGrath, McMillan, McQuillan, McWilliam, Morris, Nielsen, Payne, Peters, Small, Smallwood, Smith (*Calgary South*), Tassé, Thompson, Winch and Winkler—(34).

Mr. Bell (*Carleton*) moved, seconded by Mr. Hicks,
That Mr. Arthur R. Smith be the Chairman of this Committee.

On motion of Mr. Hales, seconded by Mr. Macquarrie,
Resolved,—That nominations close.

Mr. Smith, being duly elected as Chairman, took the Chair and thanked the Committee for the honour conferred on him.

The Orders of Reference were read.

On motion of Mr. Hales, seconded by Mr. Korchinski,
Resolved,—That Mr. E. Broome be Vice-Chairman of the Committee.

On motion of Mr. Fairfield, seconded by Mr. Payne,
Resolved,—That a recommendation be made to the House to reduce the quorum of the Committee from 20 to 15 members.

On motion of Mr. Peters, seconded by Mr. Small,
Resolved,—That permission be sought to print, from day to day, such papers and evidence as may be ordered by the Committee.

Moved by Mr. Lambert, seconded by Mr. Small,
That the Committee request permission to sit while the House is sitting.
(Carried on division)

On motion of Mr. Payne, seconded by Mr. Hales,
Resolved,—That a subcommittee on Agenda and Procedure, comprised of the Chairman and 6 members to be named by him, be appointed.

On motion of Mr. Lambert, seconded by Mr. Grafftey,
Resolved,—That a Report be made to the House recommending that the Items relating to the Department of National Revenue, as listed in the Main Estimates, 1959-60, be referred to this Committee for consideration.

At 10.30 a.m. the Committee adjourned to the call of the Chair.

TUESDAY, March 3, 1959.

(2)

The Standing Committee on Estimates met at 10.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Baldwin, Bell (*Carleton*), Benidickson, Best, Bissonnette, Bourdages, Bourget, Broome, Carter, Cathers, Fairfield, Fortin, Grafftey, Hellyer, Hicks, Howe, Macnaughton, McDonald, McGrath, McLraith, McMillan, More, Nesbitt, Payne, Pugh, Small, Smallwood, Smith (*Calgary South*), Tassé, Thompson, and Winch.

In attendance: From the Department of National Revenue: Hon. George C. Nowlan, Minister; Mr. David Sim, Deputy Minister of Customs and Excise; Mr. R. C. Labarge, Assistant Deputy Minister of Customs and Excise; and Mr. J. G. Howell, Assistant Deputy Minister of Administration. Mr. G. L. Bennett, Director of Port Administration; Mr. A. Cumming, Administration Officer.

On motion of Mr. Bell, seconded by Mr. Benidickson,

Resolved,—That, pursuant to its Order of Reference of February 16, 1959, the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence relating to the Estimates of the Department of National Revenue.

The Chairman made a few preliminary remarks in the course of which he requested Committee members to assist him in keeping the questioning on an orderly basis by completing the study of a particular question before turning to a new matter.

The Committee proceeded to its consideration of the Estimates of the Department of National Revenue for the year 1959-60.

Item numbered 254—*General Administration, Customs and Excise*—was called.

The Minister introduced the Departmental officials, and he then read a prepared statement concerning the work of the Customs and Excise Division of his department. He was questioned on that statement and on other related matters.

At 12.00 noon the Committee adjourned until 10.30 a.m. Thursday, March 5, 1959.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 3, 1959.
10.30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum so we will proceed.

It is my pleasure to welcome you to our first active meeting. We have one or two small orders of business which I think we will proceed with prior to the introduction of the minister and his staff.

The first is the motion for printing. Pursuant to the order of reference of February 16, 1959, may I suggest that we adopt, as we have in the past, the procedural printing of 750 copies in English and 200 copies in French. Do those figures seem to be satisfactory? If so, Mr. Bell, would you so move?

Mr. BELL (*Carleton*): Yes.

The CHAIRMAN: And seconded by Mr. Benidickson?

Mr. BENIDICKSON: Yes.

Motion agreed to.

The CHAIRMAN: That is the only item that we have but I should like at this point to reiterate the practice we had during last session in regard to the conducting of our business as a whole, in that we endeavour to permit each member of the committee to continue his examination until he has exhausted it,—or himself. We will then proceed to any other point that any member may wish to introduce. So if you will try to give me the same wonderful cooperation you gave last session, we will be able to preserve some continuity.

I might also mention, gentlemen, the fact that we would like to be able to start on time. I am going to suggest in the initial period that we meet twice a week, Tuesdays and Thursdays; and if we can commence on time, we will cover a large portion of the business.

Also may I remind you to retain your estimate books because there is not an over supply at the distribution office. It may be difficult later on to obtain copies, should you lose them.

At this time I think I can do nothing more than to call the first item, item 254—General administration of the customs and excise division.

It is a pleasure to introduce to you the Minister of National Revenue, the Hon. George Nowlan and he will read to you his initial statement. Mr. Nowlan, would you be good enough to introduce the members of your staff who are appearing here with you?

CUSTOMS AND EXCISE DIVISION

Item 254. General Administration\$4,317,418

Hon. GEORGE C. NOWLAN (*Minister of National Revenue*): Mr. Chairman and members of the committee, I have with me this morning Mr. David Sim, deputy minister of customs and excise; Mr. Labarge, the assistant deputy minister in charge of excise; and Mr. Howell, assistant deputy minister of administration. Mr. Bennett, director of Port Administration; Mr. Cumming, administrative officer dealing with estimates for the department. I think these are the men who primarily will be called upon to answer any questions which may arise.

Mr. Chairman, as you said, I have a preliminary statement outlining the general situation in so far as these estimates are concerned and with your permission I shall read it to you.

The estimates now before the committee are those covered by votes 254, 255, 256 and 257, and they have been prepared for the financing of the operations of the customs and excise division of the Department of National Revenue for the fiscal year 1959-60.

As you are aware, this is a purely administrative division whose primary function involves the collecting of customs and excise duties and excise taxes. In other words, to administer the customs and excise laws and regulations and other acts by which control is exercised over the movement of all goods in and out of the country. This also includes control over international traffic.

This division is also concerned with domestic manufacturers in respect to the assessing of excise taxes and duties. All alcoholic and tobacco products manufactured are under customs and excise supervision, and all licensed manufacturers who pay sales tax and excise tax are visited by auditors to confirm their liabilities under the Excise Tax Act.

In discharging this responsibility, customs and excise administers completely the Customs Act, the customs tariff, the Excise Act; and the Excise Tax Act exclusive of Part 1.

In addition to these four Acts which customs and excise administers fully, it also administers in part many other acts, the principal ones being the Immigration Act, Export and Import Permits Act, Contagious Diseases Act, Canada Shipping Act, Precious Metals Marketing Act, Food and Drug Act, and so on, comprising some forty altogether.

As for the organization of customs and excise, here in Ottawa there are twenty-four headquarters branches, and some of these, such as excise audit, investigations, drawbacks, inspection and personnel also have field offices located throughout the country at centres which have been carefully selected as the most suitable for the branch concerned from the standpoint of efficiency and economy of administration.

Of these headquarters branches the dominion customs appraisers branch is the largest, and as you may know it is responsible for the formulation and administration of departmental policies on appraisal matters, and for giving direction with respect to the appraisal function at ports throughout the country. Dominion customs appraisers are called upon to conduct values investigations in various foreign countries for the purpose of determining valuation for duty of goods being imported into Canada. To facilitate the carrying on of these investigational duties, as well as other essential activities relating to the appraisal function, customs offices staffed by dominion customs appraisers have been established in New York; London, England; Prague and Tokyo.

Then, of course, there are the ports, outports and vessel clearing stations—some 434 in all—which are located throughout the country, at border crossing points, coastal and inland seaports, airports and wherever they have been found necessary for the maintenance of essential services to the importing and travelling public.

I have with me comparative statistics which will give some idea of the extent of these customs and excise activities.

For the current fiscal year 1958-59 the only statistics available are for the period from April 1, 1958, to January 31, 1959. During this ten-month period the total net revenue collected amounted to \$1,543,698,181, which, compared with the corresponding period the previous year, is a decrease of \$41,383,642 or 2.7 per cent.

On the other hand, within the field of international travel there was no appreciable change during 1958. For the calendar year 1958 the aggregate number of vehicles entering Canada from the United States totalled 17,893,410 as compared with 17,982,413 in 1957.

However, taking as a basis for comparison the last five complete fiscal years, that is 1953-54 and 1957-58, the total net revenue collected by customs and excise increased by \$262,850,537 or 15.7 per cent; while there was an increase of 514,362 in import entries or over 14 per cent. At the same time the number of vehicles entering Canada during the calendar year 1958 carrying Canadians and Americans increased by well over 4,000,000 or 30 per cent, during the five-year period.

Because the activities of this division are so closely associated with the commerce and industry of the country, they have inevitably increased with the development of the economy. However, as you no doubt have already noted, there is a reduction from last year in the total estimates of this division.—

Mr. Chairman, that is a matter which I suggest you look at very carefully and compare with the other departments appearing before you. We are very proud of this.

—A feature which, I think, can be taken as fairly conclusive evidence that under the administration policy of this division an increase in work volume does not necessarily involve additional costs.

One of the many problems with which customs and excise is confronted is in the effect of the changing trends in the mode of international travel, and in connection with the transportation of commercial goods being imported into this country. For example, travel by air and boat has become more popular with returning Canadian and foreign tourists, and this has made it necessary for us to extend customs services at airports and seaports.

There are also the demands for customs and excise to provide more service at the various inland sufferance warehouses which we have permitted to be established in recent years as a means of meeting the growing needs for such facilities; a need that has developed as a direct result of the rapid growth—and importance—of the commercial trucking industry in the field of international transport.

The consequence of this, of course, is that while in certain places there may be some decline in the volume of customs work this is offset to some extent by the substantial increases in business being experienced at other centres. The fact that this division has been able to show a reduction in our total estimates, both in regard to staff and money, is due, I feel, only because of the diligence of our efforts to control operating costs.

Here I think I should point out that salaries and wages alone represent over 90 per cent of the total estimates of this division. Therefore, in assessing the over-all significance of the reduction in these estimates it should be kept in mind that this has been made notwithstanding the fact that a fairly substantial increase in this object is unavoidable, because of normal statutory increases in salaries, as well as the additional costs arising from necessary reclassifications of existing positions.

This, I feel, is indicative of how successful we have been in developing efficient procedures and work standards, as well as in the judicious use of more mechanical equipment, to effectively control the growth of personnel establishments and other expenditures.

In this connection—and this is not included in the statement—I can give various examples of the introduction of mechanization, computation machines and that sort of thing. I am sure it would provide a very interesting comparison of the workload heretofore performed and that which can now be performed.

The policy of this division will continue to be one designed to ensure that the most efficient and economical means possible are employed in conducting the many and diverse operations of the customs and excise division.

When I deal with the four votes covered by these estimates, I intend saying a few words about those objects which show an increase over last year. However, if there are any questions which the committee would like to bring up at this time concerning these estimates, or the operations of the customs and excise division, I shall be only too pleased to do what I can to answer them.

That is the statement, Mr. Chairman.

The CHAIRMAN: Gentlemen, following our practice of last session, we will now have any questions which you would like to direct to the minister concerning his statement. Following that, may I suggest that we take the four items which he mentioned, in general principle. Then, we will take the items, page by page, commencing at page 350. If there are any questions concerning the statement I would appreciate having them now.

Mr. McMILLAN: The minister referred to personnel in foreign countries, in order to determine the valuation for duty. How many personnel are there in foreign countries? Can that question be answered now or should it be left until later?

Mr. NOWLAN: We have three in London, one in Prague, one in Tokyo, and two in New York.

Mr. McMILLAN: That is, persons?

Mr. NOWLAN: Yes.

Mr. GRAFFTEY: I hope the question I am about to ask comes under the general heading. The minister mentioned during the last session that certain officers were going to be hired and trained in regard to "dumping procedures". Could the minister inform the committee to what extent this training period has advanced.

Mr. NOWLAN: The training period has advanced so far that many of them are now out in the field doing work for which they were hired. As I told the committee in the house last year, there were some forty additional personnel provided for. We have proceeded with the recruiting of these, and the work has been completed as far as their training is concerned; they are engaged in their activities.

Mr. BENEDICKSON: You mentioned just one representative in New York.

Mr. BELL (*Carleton*): Two.

Mr. BENEDICKSON: I take it that this group which Mr. Grafftey has referred to would probably do a great deal of their work in the United States on valuation.

Mr. NOWLAN: Yes, of course.

Mr. BENEDICKSON: And they would be resident in Canada.

Mr. NOWLAN: Those to whom I have referred are resident, but are subject to transfer to the cities to which I have referred. In addition, the appraisers who are working within Ottawa, including the new ones to which I have referred, go out and work in teams; they conduct special investigations and appraisals in various cities in the United States, and anywhere else throughout the world where they may be sent.

The CHAIRMAN: Are there any further questions?

Mr. CARTER: I was wondering, Mr. Chairman, if you have any breakdown, of the figure of \$1,543,698,181 at the bottom of page 2. This figure is for the ten-month period. Is it broken down in any way under manufactured goods, by countries, or in any way at all?

Mr. NOWLAN: I did not hear the figure.

Mr. CARTER: You gave statistics; you said during the ten-month period the total net revenue collected amounted to \$1,543,698,181.

Mr. NOWLAN: Yes. I have not the breakdown in so far as different classification of goods is concerned, but I have it in so far as various classes of revenue are concerned.

The import duties, for instance—and I think this should go in the record—were forecast for the year 1958-59 which, of course, has not been quite completed; but the figure is \$478,274,220. The sales tax for the same period is \$686,349,355. Other excise taxes amount to \$236,648,271; and the excise duties, \$317,559,142. Together, with sundry collections, this makes a total of \$1,127,193, or a total revenue of \$1,719,958,181.

Mr. CARTER: That is very valuable information to have. I wonder if you could tell us now whether that decrease of \$41 million is more noticeable in any one of the categories than in another?

Mr. NOWLAN: It is a general decrease, except in respect of the excise duty. I will give you the figures for the first ten months of this past year. The import duties are \$396,763,204 or a decrease of \$21,257,000. The sales tax is \$696,511,000. I am leaving out the odd hundreds. That is a decrease of \$17,502,000. Other excise taxes, \$184,575,000, or a decrease of \$17,423,000. The excise duty is up to \$263,895,000, which is an increase of \$14,984,000 over the year before. The sundry collections, which include all the odds and ends we get in various ways from the other acts and everything else is \$1,951,000, or a decrease of \$184,000.

Mr. WINCH: I would like to ask the minister if he would explain the broad basic principles used in establishing a fair or proper price on the admission of goods into Canada upon which is based the import duty? I have in mind, of course, countries such as China with all the problems which arise there in the establishment of a price.

Mr. NOWLAN: Mr. Chairman, as the committee will remember, this matter was discussed at some length during the last days of the past session.

In general, the principle upon which our customs duties is based is the fair market value in the country of origin. That fair market value is determined by our appraiser if there are any questions raised in determining what this particular class of goods has been selling for in the country of origin. I stress the country of origin from which the goods come directly into Canada, because that is what governs. That sometimes creates a problem if the question is whether the shipment is a direct shipment or is trans-shipped, or something of that nature.

When you come to a problem such as the one to which Mr. Winch referred, in respect of a state-controlled country where no fair market value can be determined because the information is not available and the sales are perhaps not made domestically at all, or whatever the situation may be, as you can see it is almost an impossible task to determine a fair market value. This would be true in a country such as China where everything is controlled by the state. When that situation arises, where there is no yardstick by which you are able to establish the fair market value in the country of origin, under the act the minister is authorized to determine a method of fixing the fair market value.

There have been cases in the past—and in the fairly recent past—when we have had to do that. However, 80 per cent or more of the imports present no difficulty, or very little difficulty. They come directly from a country of origin such as the United States, Great Britain or France, or wherever it may be, where it is relatively easy to determine the fair market value.

Mr. WINCH: How far back retroactively can your department add an additional impost although the goods have already been sold?

Mr. NOWLAN: Speaking off hand and without consultation with the officials, when goods are brought in very often because there is a real doubt as to the value, based on past experience or something of that kind, the offices at the port of entry advise the importer that these goods are being received subject to amendment. I was going to say there is a warning given that they may be revalued. In those cases, when we have obtained the necessary information, which may take some time, we can go back and revalue the goods, where this notice has been given to the importer at the time he brought the goods into the country.

Mr. WINCH: The reason I asked the question more particularly is because I was wondering what form of protection there is for the businesses concerned. I think the minister knows the particular case I have in mind, where some months after the goods had been sold an additional impost was made and it could be a means of almost putting a business into bankruptcy if it involved a large enough import of goods. I think there is a question there of determining the effectiveness of protection to a business concern operating on an honest basis and trying to live up to its obligations.

Mr. NOWLAN: My advice is that we never make a retroactive assessment of these duties unless at the time the goods have been brought into the country the importer has been warned that a reappraisal may be made. He brings them in at his own risk, knowing full well this is not a warning which is lightly given and that there is a real probability there may be a reassessment.

In the case to which Mr. Winch refers there may have been hardship incurred, yet it is a hardship which the importer has deliberately assumed. You have to weigh that, of course, against the damage which may be done to Canadian employment and Canadian labour by allowing the goods to come in and not being able to go back and reassess. These reassessments do take time. It is very difficult to obtain the information at times and, although not usually, sometimes there is a deliberate effort made to avoid giving the information. One has to proceed slowly and carefully in order to make sure of one's ground.

Mr. CARTER: I think everybody can identify the case which Mr. Winch has in mind. That was retroactive for six months, if I remember it correctly. Is it a usual thing to make it retroactive for such a long period?

Mr. NOWLAN: It all depends on how you spell "retroactive". It is not retroactive at all in one sense, because at the time the goods were brought in the warning was given that they were subject to reassessment of duty. In some instances there has been a period of some months—and I think as far back as six months—in which the reassessment is made.

It should be pointed out in that connection that technically and legally there is no limitation against the crown. There is no legal reason, I would suspect, why the department could not go back for an indefinite period perhaps without having given that notice; but as a matter of equity, I am informed we always give the notice, or else there is no retroactive assessment made.

Mr. FORTIN: Is it the intention of the department eventually to establish new customs offices in cities other than those mentioned in your statement? I see four cities there. Are they the most important ones?

Mr. NOWLAN: Those are the ones where we maintain resident appraisers.

Mr. FORTIN: What is the intention in respect of establishing other offices in other cities?

Mr. NOWLAN: It depends on the circumstances. As business develops at certain places other offices may be established.

Mr. FORTIN: But not for 1959-1960.

Mr. NOWLAN: No. In those cities you can maintain a resident man or men doing the checking work which comes up each day, but you could not possibly maintain them in all the centres where you have to make evaluations. It is better to send teams out from here on specific tasks after they have studied all the background of the subject. After having collected all possible information from records, they then go into the field and there make direct observations after which they come back here to compile their work.

Mr. GRAFFTEY: Mr. Chairman, I am not discussing now the smaller ports where perhaps you have only one or two officers on hand, but, rather, the larger ports. What is involved in the expression "stop to report at customs"? Does it mean you drive up, get out of your car, and go into the building; or does it mean you drive up and wait for the officer to come to the car? What is involved in that expression?

Mr. NOWLAN: That depends on the circumstances, the person coming into Canada, weather conditions and a number of other things, including the pressure at the individual port at the time. Strictly speaking, I do not think it would mean going in to the customs officer, reporting to him and getting a clearance from him.

Mr. WINCH: I have one more question along the line we were discussing a few minutes ago. I would like to ask the minister, in view of this power of adding an additional impost on goods imported to Canada, whether that is basically for the purpose of protecting Canadian goods. At the same time that you move to protect our Canadian goods, do you also protect the consumer by examining in order to ascertain whether or not the Canadian goods are being sold at a fair and reasonable price?

Mr. NOWLAN: Well, I am not going to enter into a philosophical discussion as to whether the tariff law is for protection or for revenue, or where you draw the line between revenue and protection. It is not the value for which the goods sell in the Canadian market which is the governing factor; it is the value for which the goods in question have been sold in the open market in the country from which they came.

Mr. WINCH: In regard to the goods produced in China there is an obvious difference. What is the price there? They must be basing it on Canadian prices.

Mr. NOWLAN: No, not at all. It is up to the minister to determine the method whereby that value, and not the impost, is arrived at. It is not a question of raising the rates. It is a question of the value of these goods, upon which a certain tax is levied. When it is a question of determining the value, the minister is charged with the responsibility of determining some other method of fixing that value. The method used is to take the value in a country where we can determine these values, which is usually slightly competitive with our own.

In regard to the question of Chinese textiles, where we could not determine the value at all, we take the value of equivalent textiles as fixed in the free and open market in the United States. And, goodness only knows, from the complaints which I have received from all over the country, that is not imposing a high degree of protection because everyone will realize that the American textile industry is highly competitive with our own. However, that is the yardstick used in determining these values.

Mr. WINCH: I do not know much about the textile angle, but I am only using China as an illustration. It is the only place in the world where you can obtain hog bristles. What is the value of a paint brush that is made in China with pure hog bristles? I ask this question because that is the actual case in point. China is the only source of hog bristles anywhere in the world.

Mr. NOWLAN: That may be a question of argument; I do not think it is the only source. There are hog bristles produced in other countries, but probably those in China may be the best. In regard to the hog bristles, or the brush case, we took the value of these brushes in the free and open market, as produced in Great Britain. In the British market the British product is highly competitive, very competitive, with our own. But we took that as the nearest approach to a fair market value as a basis of commencing.

Mr. McMILLAN: Mr. Chairman, I would like—

The CHAIRMAN: Is your question in the same area?

Mr. McMILLAN: Yes. I was wondering what percentage of textiles, for instance, do you investigate coming, say, from Japan. Do you send representatives over there to go into the whole clothing area?

Mr. NOWLAN: Yes. As I said, we have there a resident in Tokyo, and others have been going there. They are making a study of particular imports, and also the general productivity of general production in Japan. I have a short statement on Japan which I could read to you.

The department has been making honest efforts to look into all complaints about undervaluation of Japanese goods. An office was opened in Tokyo in 1954. The Japanese authorities some time ago expressed willingness to assist our officer in his investigations and have, in recent further discussions, indicated that they understand our problem and have re-affirmed their undertaking to help in any way possible. Commodities currently under investigation include polyvinyl chloride resin, monosodium glutamate, children's snow suits, corduroy fabric, transistor radios, binoculars, carpeting and rugs, brassiere wires, fishing lures, stainless steel flatware, nylon hosiery in the greige, wire nails, plywood, screen wire cloth, steel bars, ceramic tile, canned tuna, tires and tubes, viscose rayon yarn and umbrellas.

These are some of the products which are presently being studied and for which figures are being compiled in regard to Japan. Our information is that we are receiving now very good cooperation with respect to production in Japan.

The Japanese ambassador called on me the other day and discussed this whole problem. He is very anxious to cooperate and wanted to know what they could do to assist in carrying on these studies. He suggested we send more experts to Japan to assist in this work.

Mr. HOWE: In connection with the importation of textiles, how are "seconds" in merchandising defined, and how is the principal value arrived at for duty purposes?

Mr. NOWLAN: I do not know exactly how the "seconds" are defined. It would depend on the cost and kinds of goods. I might say that we carry out very strict inspections in regard to these goods. I presume you are speaking now primarily of the United States. The American manufacturers have a very high standard of inspection and our officers are satisfied that their inspection certificates are reasonably accurate. One system that we follow, and I am not sure it is the main one, is to open up these packaged goods as they are in the warehouses, as they are in the factory, and as they come away from the factory. We study the inspectors' certificates and we accept that. Also, our officers, who are trained, check the product itself against the certificates to determine whether or not there has been any sloppiness or carelessness in classifying the goods. However, generally speaking, I think our officers are satisfied that the American inspection certificate is an accurate one and when we find they are marked "seconds", we govern ourselves accordingly.

Mr. HOWE: How would the value of a second be arrived at for duty purposes?

Mr. NOWLAN: The value of a second, of course, is a difficult problem. We have to use some yardstick in determining it because these seconds arrive in all sorts of conditions and you cannot determine it on the fair market value the way you can the prime goods, because of the fact that they sell them. They get rid of them. Accordingly, within the last six weeks or two months we saw something of that and we went over the whole problem. We fixed arbitrary discounts at which the seconds could be imported into Canada below the fair market value. We found that these discounts had been running very, very high and that the manufacturers of the seconds were sending them in here at very substantial discounts. As a result, it was impossible to apply the fair market value. The minister fixed the discount on five principal classes. I have not the names, but my officials are finding them for me. Here they are now: cotton sheets—discount 5 per cent; cotton pillow cases—discount 5 per cent; twill and drill cloth—discount 5 per cent; clothing, sateen—5 per cent; and denim—10 per cent.

Mr. BENIDICKSON: What was the previous situation?

Mr. NOWLAN: They varied, but we are told they ran as high as 25 per cent.

Mr. BENIDICKSON: But did you have an equivalent arbitrary administration discount?

Mr. NOWLAN: No, not before that.

Mr. McILRAITH: In dealing with the difficulty you spoke of a few moments ago in determining the value of the goods produced in Japan, are you seeking to deal with that under the customs legislation or under the Japanese trade treaty?

Mr. NOWLAN: As far as we are concerned, of course, we deal under the customs legislation; but also, of course, it is governed by the treaty as well. We have to recognize the fact that the treaty is there. We are responsible directly for customs, but within the framework and ambit as laid down by the Japanese treaty.

Mr. McILRAITH: That particular treaty gave the country some extraordinary remedies, not usual in trade treaties, along the line of rights which are similar to those we have under the customs legislation. To what extent does your department seek to exercise these rights under the trade treaty?

Mr. NOWLAN: I am certainly not an expert on the detailed administration of the legislation, as is very obvious. However, Mr. Sim has advised me that we have not had a specific case where the machinery has been invoked under the Japanese treaty.

Mr. McILRAITH: I have one other question, Mr. Chairman. It is a question which I wanted to follow up in regard to hog bristles.

The CHAIRMAN: Would you proceed now?

Mr. McILRAITH: Concerning the importation of hog bristles from China for brushes, are you familiar with the circular letter that was sent to the members of the House of Commons on this subject?

Mr. NOWLAN: Concerning the East-West importation?

Mr. McILRAITH: Yes.

Mr. NOWLAN: I saw that letter the other day; it was on my desk.

Mr. McILRAITH: Well it seems to me that it made some rather extensive allegations about the rulings being made retroactive, and I am wondering if it would be agreeable to you to bring before the committee, at the next sitting, all the orders passed in the past year or so on this subject under the customs legislation. We would then be in a position to answer the allegations made in that letter. It seems to me it could be explained and dealt with.

Mr. NOWLAN: I think, to some extent, that matter was dealt with in regard to Mr. Winch's question, before you came in.

Mr. WINCH: It was the same company that I had in mind.

Mr. McILRAITH: I heard those questions, but it seems to me we could have a more thorough documentation of the precise orders issued, when they were issued, and the extent to which they were retroactive, if they were retroactive, and so on. Could we have a detailed presentation?

The CHAIRMAN: That will be done.

Mr. HOWE: I am wondering if the regulations in respect of cases of end-of-line or clearance goods are defined in the customs regulations as well?

Mr. NOWLAN: An attempt was made to define those; yes.

Mr. HOWE: How are they assured that they are the end of the line?

Mr. NOWLAN: Just by investigation. All the particular facts of the case are investigated.

Mr. HOWE: What about merchandise for which they do not have a market in the United States?

Mr. NOWLAN: We take valuations and follow the prices at which they have been sold in the United States over a period of a month, and compare them with the other prices. You can see it takes a long while to study these. We take a certain product and follow it through and come up with what appears to be the satisfactory answer.

Mr. PUGH: Following that up, in respect of distress selling and "seconds", does the department determine in each case whether or not it might be first grade goods imported in here as a "second" because of distress sales down there? Are there any cases of that happening?

Mr. NOWLAN: If it is a first grade quality of goods it would not be coming in here as a "second" if selling at a fair market value. Of course, if the price has been dropping steadily over a period in that instance, it is obvious it is a clearance of a line.

Mr. PUGH: There is a case of first grade goods being marked as "seconds".

Mr. NOWLAN: There has been a substantial number of imports of "seconds" and we check into that. The 40 additional staff has only been added in the last few months and it takes a while to have them trained and obtain the information.

Mr. WINCH: Would the minister explain the policy of his department relative to importation of plywood from Japan? It is my understanding that the retail price of mahogany plywood from Japan is less than the cost of production of our own fir plywood. I know in British Columbia it is having a serious impact on the plywood industry. When they can sell mahogany plywood from Japan at less than the cost of production of our own plywood it seems that is of some interest to the minister's department. What is your policy in this respect?

Mr. NOWLAN: The policy there is, as I said earlier, that it is a question of determining the fair market value in the country of origin. If that plywood is being sold in Japan under comparable conditions and on the open market, the mere fact that it is below our cost is not the factor which we have to consider. It is the fair market value assuming it is not a "second" or so on and so forth. I expect the only way to rectify that is to increase tariffs if you are looking for protection of a particular industry. We have to operate on the fair market value in the country of origin.

Mr. McMILLAN: I am wondering about the mechanics of making imports under this regulation. Does the importer know what duty he will have to pay, or is that decided after the goods are brought in?

Mr. NOWLAN: Generally I would think he would know what duty he would have to pay if he were an experienced businessman. If there is any question he would consult with the customs authorities or his customs broker who would make the study for him and advise him accordingly. I would think he would be very negligent if he did not know.

Mr. CARTER: I have three questions. Are we on item 254?

The CHAIRMAN: Item 254 along with the general statement of the minister.

Mr. CARTER: May we discuss anything now?

The CHAIRMAN: I would like to see the questioning carried on with some continuity.

Mr. CARTER: I am interested in plywood, but also in bond houses.

The CHAIRMAN: Will you wait?

Mr. MORE: Do manufactured goods have to have a label showing the country of origin?

Mr. NOWLAN: No. I do not think they all have to have a label showing the country of origin. I know there have been suggestions made to me within the last few weeks that this is one amendment which should be made, that it be permanently displayed on all goods.

Mr. MORE: I bring it up because the importer's representative in showing samples of pants and shirts manufactured in Japan showed samples which had no label.

Mr. WINCH: In respect of things like totem poles and others which are supposed to be genuine can you insist that it say "Made in Japan", if they are?

Mr. NOWLAN: Under section 15(1) of the customs tariff the governor in council may order that goods of a certain description or class shall be marked so as to indicate the country of origin, on importation into Canada. Section 15(4) of the customs tariff authorizes the Minister of National Revenue to make regulations for carrying out and enforcing such an order, that is, to regulate in what manner the goods shall be marked.

Under the marking of imported goods order, 32 classes of goods are at present required on importation to be marked.

It is the government's policy to include any class of goods in the marking order where it is established,

- (1) that a majority of the manufacturers of similar goods in Canada supports the proposal that such imported goods be required to be marked;
- (2) that Canadian manufacturers of similar goods are marking their products "Made in Canada";
- (3) that the competition from such imported goods is detrimental to the best interests of Canadian manufacturers of similar goods and,
- (4) the goods are imported in a finished or virtually finished state and are capable of being marked.

Those are the general regulations. Included in those are totem poles, as Mr. Winch said, boots, shoes, ladies' purses, pencils and so on.

Mr. WINCH: I think you should make sure also that it includes Eskimo carvings.

Mr. BROOME: The complaint I received last year in respect of totem poles was that they were so marked but were marked with pieces of paper which fell off. They had actually copied the science of Ellen Neil, who is an Indian lady of some ability in designing totem poles. These came in copied directly from her designs and the stores took off the pieces of paper and they were sold as an authentic work.

Mr. NOWLAN: Whatever may have happened in respect of the paper I have no specific knowledge. The regulation reads: imitation totem poles shall be marked by imprinted die stamping or embossing.

Mr. ANDERSON: The most satisfactory way is the way they put the totem pole on the new silver dollar; it cannot fall off. In a conversation Mr. George Doucette told me when he was in India he watched goods being manufactured and a label attached, "Made in the U.S.A.". When he asked why they were labelling the goods made in India as goods made in the U.S.A., he was told that was the only way they could sell their product.

Mr. NOWLAN: Naturally if that is done and discovered there is an absolute prohibition on goods which are false or fraudulently marked in any way.

Mr. MCILRAITH: Is there anything to prevent an importer stamping "Article made in Canada", even though he has to assemble a little part of it?

Mr. NOWLAN: They have to be substantially finished before this regulation applies. If they comply with that and the exporter marks them made in Canada, when they fall in the scope of this legislation he is liable to very severe penalties.

Mr. CATHERS: Is there any restriction on the size of the printing? I am thinking of the Aylmer tomatoes. I understand the American company bought Aylmer and they have been packing tomatoes in California and then shipping them in here under the Aylmer brand and on that label in very, very small print is printed "Are packed in the United States". I think that is misrepresentation. I am wondering if there is any law in your department which regulates the size of that?

Mr. NOWLAN: There is a very long list of technical regulations here covering the type of printing and all the rest of it. I think the department has tried to meet that. I have heard of that complaint before about the Aylmer product. It is very close to me because we had an Aylmer plant in my own constituency in Middleton and they closed that plant there and, according to the local people, they were bringing into that area the product from California and selling it there. I looked into it and satisfied myself that the regulations were being carried out in that case.

Mr. PAYNE: Recognizing that customs tax collecting is not a good public relations business, I was wondering if the minister would make a statement, in view of the recurring complaints one endlessly receives, as to the instructions given to the personnel at ports of entry as to their conduct in respect of returning Canadians.

Mr. NOWLAN: The instructions are general instructions issued that the visitor or the Canadian returning is to be treated courteously in every case. It is true I have received in the eighteen or twenty months I have been minister of this department perhaps a dozen—I do not think that many—complaints alledging discourtesy on the part of custom officers at the ports of entry. By the same token I have received several hundred letters commending the department for the courtesy which has been shown. These, naturally, are all unsolicited. I know nothing of the facts. However I find reason to believe that in 99 $\frac{10}{100}$ per cent of the cases the persons going through customs are treated courteously and, of course, efficiently. In the instances where complaints have been made where I have received letters, I have passed it over to Mr. Sim and I do not have to give him the instructions, he would do it anyway; but we have reviewed every case of alleged discourtesy and ran it to the ground. If there were any grounds to it it was dealt with in a very serious manner.

Mr. BENIDICKSON: I would like to continue on with the general question of revaluation and imposition of dumping duties. It is now practically six months since certain amendments were asked for and obtained, by the minister, in respect of the Customs Act.

We have read in the press that during that period the department has not, on very many instances, found they required the new wording in the act to either revalue or to impose dumping duties. I am wondering to what extent the minister might inform the committee about the utilization of the new section within the first six months of operation?

Mr. NOWLAN: As I said before the committee, and in the house last year, the majority of those amendments were simply a codification or clarification of practices which had grown up throughout the years in the administration of this act. I found in some cases there was perhaps a real doubt as to the validity of the amount the department had taken. The sections were amended to clear up any doubts which had been expressed either in the courts or in connection with our administrative practice. In other words, I tried to make an honest woman out of the department in carrying out the work it had to do. That is, with respect to everything except section 39, which was new. That is the cost-plus section; and under section 39 we have taken no action whatsoever. There have been no orders made or valuation fixed under section 39.

Mr. BENIDICKSON: There is one section where the minister is obliged to get authority from cabinet to set the revaluation.

Mr. NOWLAN: That is the old section which was there before. That is to determine the value, where no yardstick can be fixed. I did that in connection with the valuation, for instance on Chinese textiles. They had the approval of cabinet for the method which I recommended in that particular case, the comparison with the United States. I have to recommend to His Excellency the Governor in Council, a method which is approved, as it was in this case, by the governor in council.

Mr. BENIDICKSON: Were there others?

Mr. NOWLAN: The bristle case is another.

Mr. BENIDICKSON: The bristle case is on the same plane.

Mr. NOWLAN: Yes, you had to determine a method.

Mr. GRAFFTEY: I noticed right after the minister made his announcement on this subject last session that the debate on the same took the form of a debate on the ordinary classified tariff lines. I think it might help if the minister would explain to the committee the difference between the ordinary duty for dumping and ordinary tariff or custom duty. I think there is a great deal of confusion in the public mind in regard to this subject; certainly there was in the debate. I think it would be good to start with a clarification of it.

Mr. NOWLAN: I would prefer that my officials give you specific examples of the way the dumping duty would apply. They are more conversant with the situation.

Of course, the dumping duty only applies to a class or kind of goods which are made in Canada. Then when you find these are being sold and are being brought in here below the fair market value, as determined, then if it is goods of a class or kind made in Canada the dumping is applied by taking the difference between the duty that was assessed when it came in on the value allowed, and on the duty which is allowed on the fair market value.

The CHAIRMAN: I think we should deal with this matter when we have the officials before us.

Mr. NOWLAN: Yes. Mr. Sim can give you half a dozen simple examples. Let us take an item worth \$100. The difference between the duty which was charged and the duty which was imposed on the fair market value is the dump.

Mr. GRAFFTEY: I asked the question because I feel it is so important when we are discussing dumping per se.

Mr. FORTIN: If the minister is not yet exhausted, I would like to ask him what the regulations are governing the sale in Canada of magazine print from foreign countries.

Mr. NOWLAN: There are no regulations as such for magazines printed in foreign countries. All of these come in free of duty and there are no regulations governing them at all. Are you referring to immoral literature?

Mr. FORTIN: No, I just wanted to find out if a duty was levied.

Mr. PUGH: Last year the amendments to the Customs Tariff Act in regard to fruit and vegetables were left subject to promulgation. Has that been proceeded with further?

Mr. NOWLAN: No. I had not finished when I was asked about that. We have not used section 39 directly, although I think the indirect effect of it has been helpful; and the section in respect of the importation of fruits and vegetables has not yet been proclaimed. That section was to come into effect by proclamation.

Mr. BROOME: I would like to draw to the minister's attention a form of dumping which has not been covered. I assume the minister makes recommendations to the Department of Finance. It has to do with tariff items No. 180e and 180f which have to do with engineering drawings. Over the course of years the department has made rulings which differentiate between these drawings on the basis of light industry and heavy industry. This is a rather artificial differentiation. The net result of this has been to allow a great deal of engineering drawings which could well be done in Canada to be done in the United States; and these drawings have other adverse effects in the way of specifying products known to the designer. They would be, of course, American produce. There seems to be a bit of a hodge-podge in the set-up between light industry and heavy industry.

I was wondering whether at some future meeting this could be explained to the committee through the proper officials, because I know from personal experience that they are doing as well as they can with the regulation. However, it is not too effective.

Mr. NOWLAN: I am told by Mr. Sim that is not a matter of regulation but rather a matter of the act itself. That may be a matter of debate. But certainly, if it is a matter for the act, then as you know that is a matter primarily for the Minister of Finance; because there is a great deal of misunderstanding on that score. Because it affects his budget, the Minister of Finance is responsible for any changes in the act itself. The Department of National Revenue is simply charged with the responsibility of carrying out the act as passed by parliament on the recommendation of the Minister of Finance. I am continually receiving letters urging that we change this or that and my conventional reply is, of course, that I am bringing this matter to the attention of my colleague, the Minister of Finance and the officials comprising the budget committee, as we do now. I do not mean that this is done at the time, but during his meetings of February and March when he considers recommendations which are made with respect to changes in the act. They are passed on, usually by the two ministers. Although the Minister of Finance is responsible,

he has always asked me to sit in with him on these meetings, along with the permanent officials of both departments in order to consider the merits of the suggestions made.

MR. BROOME: For instance, under process piping and wiring, if it is classed as light industry, it is free; there is no doubt about it. But if it is classed as heavy industry it is cost of plans, plus 25 per cent. Light industry comprises newsprint plants, welded steel pipe mills, plywood plants, and so on; whereas heavy industrial includes paper mills, steel mills, refineries, chemical and cement plants, and so on. I am saying this is an artificial differentiation between say, a newsprint plant and a refinery or a power plant and the department had to do this because the wording of this tariff item is so general that it cannot be closely interpreted. In reading 180e and 180f, no one can say whether it should be dutiable.

In addition, by means of hemispherical trading corporations, American companies are granted tax exemptions for work done in foreign countries and this gives them an advantage in quoting on Canadian jobs. The result is that more and more engineering is being done in the United States, rather than less and less. I would like to have this matter discussed thoroughly. Mr. Sim knows what I am saying is true.

MR. NOWLAN: That is a matter we can discuss with the proper official when he is giving evidence.

MR. BENIDICKSON: The minister has already made reference to the new decision as to maximum discounts, with respect to seconds, for certain products. I think they were largely in cotton goods. The maximum discounts were for the most part, I think, five per cent, and one at ten per cent.

MR. NOWLAN: Four at five per cent and one at ten per cent.

MR. BENIDICKSON: I think that was done by order in council.

MR. NOWLAN: I am not certain whether it was done by order in council, but it was done at any rate, on my recommendation.

MR. BENIDICKSON: My question is; would the minister have been able to make that recommendation and carry it through quite irrespective of the amendments made last session to the Customs Act?

MR. NOWLAN: It has been done over a long period of time in the past under the existing act. Now whether, as I suggested, there were some questions raised as to the legality of some of the orders which had been passed in former years being consistent with the practice of the department for many years—

MR. CARTER: Following the minister's reply to Mr. Broome a few minutes ago I wonder if the minister could say whether he made any recommendation to the Minister of Finance with respect to fishing lures?

MR. NOWLAN: I drew that to the attention of the Minister of Finance following the discussion in committee last year.

MR. CARTER: As I have to leave in a few minutes I wonder if I could ask a question on bond houses?

THE CHAIRMAN: Are there any further questions on the subject with which we are dealing?

MR. BROOME: Importation, yes.

THE CHAIRMAN: I would like to finish this subject.

MR. HICKS: My question has to do with farm machinery, Mr. Chairman. Some of the farmers who live near the border go across the line and buy, we will say, a tractor. It is my understanding that that tractor will come across the border for farm purposes, free of duty. Then we have an implement

agent who, let us say, sells the same tractor. Does he have to have a certain qualification before he can pass that tractor as a sale to a legitimate farmer?

Mr. NOWLAN: Are you speaking of the sales tax now or the customs duty? He would be in the same position as the farmer, I suppose, if he brings it in. When the dealer imports it he certifies that he is importing this in connection with his business, and that he will sell it for farm purposes only. That information is noted at that time.

Then, of course, if he does not make the sale for farm purposes there could be real trouble develop. The same procedure is followed in so far as sales tax is concerned, depending upon whether he is licensed, and so on.

Mr. BENIDICKSON: I think we have all read of some flurry in Manitoba in connection with tractors used for road ploughing. As a result of that has the department issued some new instructions to its agents across the country; and if so could the instructions be produced?

Mr. NOWLAN: There have been no new instructions issued in that connection. The same practice was followed in individual cases which has been followed in years gone by. No instructions have been issued in connection with it in a general way.

Mr. CARTER: I have a little problem I wish to bring to the attention of the minister. It concerns our fishermen. The fishermen in Nova Scotia, when they are out on the fishing grounds for a period of time get cigarettes from the bonding houses and purchase them at a lower price. Our Newfoundland fishermen have requested the same concession from the customs at Grand Banks and Fortune. They have been advised they cannot get that concession because there is no bonding house there. However, I have been informed that the fishermen fishing out of ports in Nova Scotia where there are no bonding houses are able to get over this in some way. I am wondering what our fishermen can do in order to take advantage of this?

Mr. NOWLAN: Mr. Carter knows if a fishing boat clears to be at sea for ten days or more it is permitted to carry cigarettes which have been purchased from bond and without the payment of the duty. That is a matter of private negotiation between the owner or the ship captain and the vendor. It is not a matter over which the government has any control. I should think the fishermen in Newfoundland should be able to do the same as the fishermen in Nova Scotia are doing in that connection.

Mr. CARTER: Do I understand that the skippers of the draggers in Nova Scotia buy it from a store and the stores get it out of bond especially for the draggermen?

Mr. NOWLAN: They certainly cannot buy it from a local store because the duty would have been paid.

Mr. CARTER: They buy them from the bond store?

Mr. NOWLAN: Yes.

Mr. CARTER: If there is no bond store they are deprived of that?

Mr. NOWLAN: We do not have any control over the bond store. That is a matter of the purchaser making his arrangements with one and making the purchase. It is ten days in respect of cigarettes and fifteen days in respect of liquor.

Mr. GRAFFTEY: I would like to say that recent representations I have received in the last few weeks from the textile groups in and around the province of Quebec stress the fact that all the senior officials of the department have given their problems a most sympathetic hearing. They have stressed that time and time again.

However, I would like to state that at the present time they are a little bit apprehensive because they feel that, in order for these new dumping laws to become effective, the whole department will have to be indoctrinated right down the line until it becomes operative in the field.

I would only like to stress at this time that this is being brought forcibly to my attention and that they hope the problem will not be forgotten in the field because this is the only place it can be made effective.

Mr. NOWLAN: I think the process of indoctrination is carried on to the satisfaction of all concerned.

Mr. FORTIN: In the northern part of the state of Maine the lumbering business is being carried on by Canadian contractors. They move their lumber to the Canadian mills. I am wondering if duties are being paid on lumber moving or after it has been worked in the Canadian mills.

Mr. NOWLAN: My understanding is that lumber is free and that no duty is paid. But I suggest it would be better to examine Mr. Sim or some other official of the department in respect of the application of detail rather than ask me, because I would have to get the information from an official. However, in that particular case, lumber comes in free. There is no duty imposed on it.

Mr. McMILLAN: There was some reference made to the importation of fruits and vegetables. I notice the minister referred to the fact that he has the administration of other acts. Do his officials grade the fruit which is being imported?

Mr. NOWLAN: No.

Mr. McMILLAN: At no ports?

Mr. NOWLAN: No.

Mr. McMILLAN: Persons living along the border have annual passes to cross. What evidence have the customs officers that the importer has in effect been absent for forty-eight hours?

Mr. NOWLAN: It is a matter of fact which has to be determined in every case. There was an instance of a person who came across the border and the customs officer saw her go across that morning. She swore she had been across for forty-eight hours. She insisted that she had been across for forty-eight hours. However, she had a sales slip from a local store showing she had made a purchase that morning. She said, "How do you expect me to get stuff for my kids if I can't go over and buy it?"

Mr. McMILLAN: What if there are three or four bridges to cross?

Mr. NOWLAN: It is amazing the number of people who attempt it and the number of people who get caught and complain bitterly about the fact that they have been caught. There is a system now. I spoke about computing machines. There is a system of checking every one of these entries. I can assure you if you came back within that period, when that entry is processed through the machine the machine goes "bang" and the red light goes on and you are in trouble. Do not let anyone think he can get away with it because he cannot.

Mr. BROOME: I would like to ask the minister if he would tell us how his people at the border invariably know whether or not you are lying.

Mr. NOWLAN: The same way in which a judge on the bench can determine that relatively accurately: from experience.

Mr. McILRAITH: I wished to ask some questions concerning the tariff board. Its jurisdiction lies in two main fields; one which has not to do with your department, and that is references presumably by the Minister of Finance to the tariff board in respect of findings concerning a particular industry with, presumably, a view to determining tariff action to be taken by way of legislation. That, I take it, is no direct concern of your department at all.

However, the other main field of jurisdiction has to do with appeals from rulings by your department. Can you tell me how many such appeals are pending at the present time, or at any appropriate time close to the present time, and how many such appeals were taken by your department, if any, and any other subclassification of the type and numbers of appeals pending.

Mr. NOWLAN: I cannot give you that information. Mr. Sim will check the record and he will have the answer for you when you are examining him, probably on Thursday.

Mr. BENEDICKSON: I wonder if the department maintains a ratio of total imports and average rate of duty on the total? Could that be produced for us for a period of years?

Mr. NOWLAN: That information can be obtained from the Dominion Bureau of Statistics. They maintain that. I think we can get that for you.

The CHAIRMAN: Gentlemen, I think before we lose a quorum this might be an appropriate time to adjourn.

On Thursday we will continue, and start on the page-by-page items at that time.

Before I close and adjourn, I would like to thank the minister and his staff for a very comprehensive statement and a very good day.

We will meet again on Thursday morning at 10:30.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.



MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2
(Reprint)

THURSDAY, MARCH 5, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Mr. David Sim, Deputy Minister of Customs and Excise; and Mr. L. Younger, Assistant Deputy Minister of Customs.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,
Baldwin,
Bell (Carleton),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Fortin,
Garland,

Gillet,
Grafftey,
Hales,
Hardie,
Hellyer,
Hicks,
Howe,
Korchinski,
Lambert,
Macnaughton,
Macquarrie,
McDonald (Hamilton
South),
McFarlane,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,

More,
Morris,
Nesbitt,
Nielsen,
Payne,
Peters,
Pickersgill,
Pugh,
Ricard,
Richard (Kamouraska),
Rowe,
Small,
Smallwood,
Stewart,
Tassé,
Thompson,
Walker,
Winch,
Winkler—60.

E. W. Innes,

Clerk of the Committee.

(Quorum 15)

MINUTES OF PROCEEDINGS

THURSDAY, March 5, 1959.

(3)

The Standing Committee on Estimates met at 10.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members Present: Messrs. Anderson, Bell (*Carleton*), Benidickson, Bissonnette, Bourbonnais, Bourdages, Broome, Cardin, Cathers, Clancy, Fairfield, Fortin, Grafftey, Hales, Hardie, Hellyer, Hicks, Howe, Macquarrie, McDonald (*Hamilton South*), McGrath, More, Morris, Nesbitt, Peters, Small, Smallwood, Smith (*Calgary South*), Tasse and Walker.—30

In attendance: From the Department of National Revenue: Hon. George C. Nowlan, Minister; Mr. David Sim, Deputy Minister of Customs and Excise; Mr. G. L. Bennett, Director of Port Administration; Mr. R. C. Labarge, Assistant Deputy Minister of Excise; Mr. J. G. Howell, Assistant Deputy Minister of Administration; Mr. L. Younger, Assistant Deputy Minister of Customs; and Mr. A. Cumming, Administrative Officer.

The Committee continued its consideration of the Estimates of the Department of National Revenue for 1959-60.

Item numbered 254 was further considered, the Deputy Minister supplying information thereon.

The Deputy Minister tabled the following documents for the information of the members of the Committee. (*See Appendix "A" to this day's Evidence*):

1. Chart showing the organization of the Customs and Excise Division of the Department of National Revenue.
2. Orders issued by the Minister respecting "Paint brushes from mainland of China", "Cotton fabrics of various qualities", "Ends of lines or remnants", and "Cotton fabrics from Chinese mainland".
3. Answer to question by Mr. McIlraith respecting appeals before the Tariff Board as of March 1, 1959.
4. Answer to request by Mr. Grafftey concerning Special Duty Legislation (Dumping Duties).

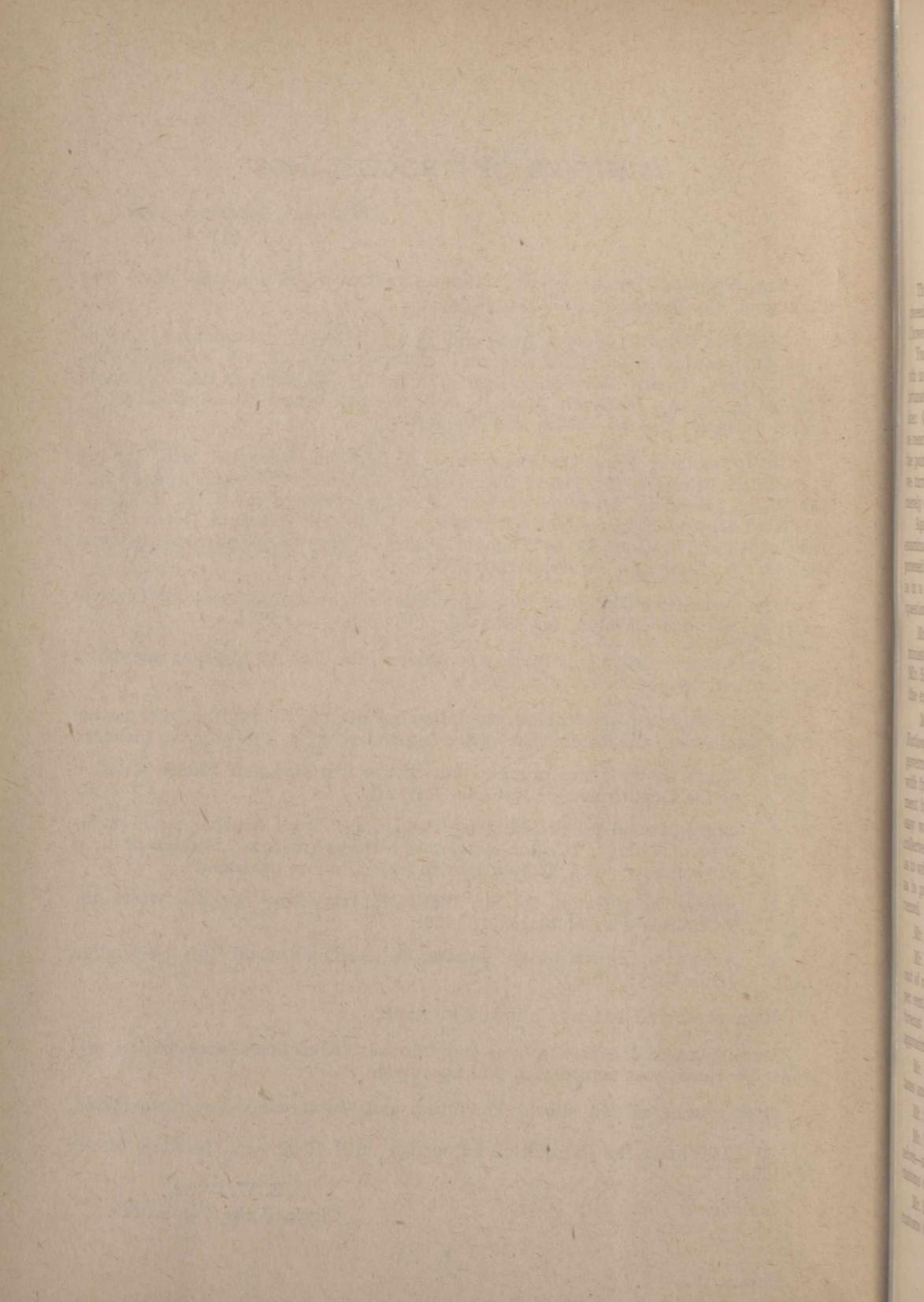
Item numbered 254 was allowed to stand.

Item numbered 255—*Customs and Excise; Inspection, Investigation and Audit Services*—was considered, and approved.

Item numbered 256—*Ports; Operation and Maintenance*—was considered.

At 12.00 noon the Committee adjourned until 10.30 a.m. Tuesday, March 10, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

THURSDAY,
March 5, 1959.
10:30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum and shall proceed. I realize there are many committee meetings this morning. May I, however, again ask you to endeavour to be prompt for our meetings.

You will recall during our last meeting on Tuesday we had the minister with us and we were discussing the general statements. The minister, unfortunately, had to attend a cabinet meeting this morning but will be with us later. Questions in respect of policy in accordance with the usual practice will be reserved for him. In the meantime, we will proceed. I think we reached the point that we were looking at the general item, item 254. May I suggest we turn to page 350 and we will take these items page by page. I shall merely call the page number until we come to the next item, item 255.

Again, in order to preserve continuity, I would ask you to complete your examination on one question before going on to the next question. We may proceed on page 350. The deputy minister, Mr. David Sim, with his officials, is in a position to answer any questions which may be put. Are there any questions on page 350?

Mr. BELL (*Carleton*): On the question of general administration, the minister the other day gave us a breakdown of the revenue by sources. Would Mr. Sim give us a breakdown of the cost of collection by the various sources, the excise tax other than sales, sales tax and excise duties and customs duties.

Mr. DAVID SIM (*Deputy Minister, Customs and Excise, Department of National Revenue*): The business of arriving at direct cost of collections in any government department is always difficult because departments are provided with free rent and the like which is not apportioned specifically to the department by the Department of Public Works. There is, however, a quick and easy way of arriving at an approximate cost, by taking the total amount collected and the total estimate of the department. That gives some idea as to whether or not the department is operating as efficiently and economically as in previous years. I will be very glad to put a complete table on the record. Perhaps the last five years would be good enough.

Mr. BELL (*Carleton*): Yes.

Mr. SIM: Starting with 1953-1954 and proceeding by fiscal years, the cost of collections in the first year was 1.61 per cent, then 1.84 per cent, 1.66 per cent, 1.67 per cent, 1.88 per cent, and for the year we are in now, the forecast is 1.90 per cent. In other words, it is less than 2 per cent as an approximate cost of collections.

Mr. BELL (*Carleton*): Those are the over-all cost percentages of all taxes and duties collected in the customs and excise division?

Mr. SIM: Yes.

Mr. BELL (*Carleton*): Is there a breakdown of that by the taxes themselves—a breakdown of the cost of the sales tax or other excise duty and the customs duty?

Mr. SIM: No. The obvious difficulty is that the same officers who collect customs duties collect sales taxes. It would be difficult to apportion the time

that the various officers spent on, let us say, sales tax as against customs duties. No attempt has ever been made to do that. The only figures I have assembled have been of a general nature.

Mr. BELL (*Carleton*): I notice there has been a general, if not a very significant rise, over the five-year period. What explanation would there be of the rise from the first figure of 1.61 to the estimate for this year of 1.90?

Mr. SIM: One obvious answer is an increase in our business as evidenced by the revenue collected, which might be one criterion. But I prefer to rely on the number of entries as representing perhaps a truer estimate of the amount of work to be done by the department. In a general way, apart from the general increase in salaries and wages, that I think applies to everyone these days; and also there has been a considerable increase in our business.

Members will recall that 90 per cent of this vote is comprised of salaries so, inadvertently, having in mind what has been happening during the last four or five years, there has been an increased cost because of that.

Mr. BELL (*Carleton*): Generally in a business an increase in business would decrease the cost of collections rather than increase it.

Mr. SIM: Presumably, if we were collecting more money with the same staff that would be the case; but it has not always been possible to have the staff follow closely the rise and fall of business.

The CHAIRMAN: Gentlemen, I think it might be a good thing if perhaps Mr. Sim would file with us the replies to certain questions which were asked on Tuesday.

Mr. SIM: Yes. The member for Ottawa West asked that we table orders by the minister under section 38 of the Customs Act. I am pleased to do so now. I think we have a copy for the member and one for the clerk. These have to do with valuations for duty on paint brushes from the Chinese mainland, with cotton fabric from the same area, and with the duties on cotton sheets, cotton pillow cases, twill or drill, cotton sateen and denim. The last one has to do with unused goods. That was asked by the member for Ottawa West.

The same member asked for information as to the appeals which are now being heard by the tariff board. I have secured this information from the tariff board because it will be remembered it is an appeal body and we have no responsibility for its operations. I am advised by the board they have under consideration at the moment 91 appeals, 80 of which are appeals from decisions of the department, 2 are references by the department—I should revise my first figure; it is 80 and 9. Eighty appeals are awaiting hearing; 9 have been heard and no decision is yet rendered. There are 2 references by the department to the board.

Mr. BELL (*Carleton*): Are these appeals in customs matters solely?

Mr. SIM: And excise.

Mr. BELL (*Carleton*): Some of those are on excise?

Mr. SIM: Yes. The right of appeal is inherent in both acts.

Then the member for Brome-Missisquoi asked if we would furnish a little information about the way dumping duties are applied. With the consent of the chair we could include in the record this very short statement which gives the arithmetic of how dumping duty is assessed under two or three typical conditions.

Then, Mr. Chairman, it might be informative for the committee—although it has not been asked—if at this time we were to distribute an organizational chart so that you would have an idea of the ramifications of the department.

The CHAIRMAN: I might mention, gentlemen, that you will have an opportunity of questioning the minister on any further points which may arise out of these replies. In the meantime, I think we will proceed.

Mr. BROOME: I may not have made it clear as to what I wanted, and it may not be possible for me to get what I want; but in respect of tariff items 180e and 180f, what I think I asked for was a general statement from the department of their interpretations of these two tariff items. My breakdown shows a division between light industrial and heavy industrial which has been brought about by departmental rulings, and I wanted a certain clarification.

Mr. SIM: I am indebted to the member for bringing this up. It is a very thorny and difficult subject, as he was good enough to suggest at the last meeting. There have been examinations of the procedure in some respects before the tariff board and that hearing, the member will remember, was slightly inconclusive.

The tariff board came to the conclusion finally that they could not suggest a better way of valuing plans than the department had evolved, although they were not sure it was the best system in the world. I took it that the interest of the member did not have to do with plans of buildings ordinarily, but rather with plans for industry, and the apparent division between heavy and light industry. I rather think, before we are through, this item should be reconsidered. That is what the hon. member had in mind. I gained the impression from your remarks that you felt the department was doing as much as anyone could under the wording but, if anyone has to distinguish between what is heavy and light industry, he has a real problem on his hands.

We have a system in effect, not for rating as to the rate of duty, but as to the value. It is in the value aspect we find the distinction we endeavour to make between what might be called heavy industry and that called light industry.

Since the other day I have been inquiring into the antecedence of the system we have, and I find it difficult to find out just when we first started appraising heavy industry plans at 1 per cent of the value and light industry plans at 3 per cent. There probably is no better way to arrive at the value of a plan than some percentage of the work to be done.

Mr. BROOME: Cost of construction.

Mr. SIM: Yes. This is a common way to arrive at the engineer's or architect's fee and I suppose it is as good a system of arriving at the value as could be put together. All I can surmise is, when one gets into heavy industry he will very often be getting into a great deal of expense which has not much to do, specifically, with the field of engineering. There will be added expenses there; and the application of the 3 per cent, which might be adequate for lighter industry, might represent too heavy a burden in the way of capital cost to a new heavy industry starting up.

This is only surmise on my part, but I am sure it is what had conditioned the department's approach. I would prefer as an administrative officer if a system could be evolved whereby we would not have to make this distinction.

It was not clear to me from the remarks of the hon. gentleman whether he had in mind it should be 3 per cent of the value or perhaps 1 per cent. It might be desirable if we could evolve a scale of some kind of value which would relate to the cost of the work to be done. That is why I said I was indebted to him for bringing it up, because it might help us evolve something of that character.

The tariff board wrestled with the problem and, having heard from a lot of experts, decided there was not much they could recommend to us in that

regard. However, we may perhaps—and this is a matter for the Minister of Finance to consider—give more thought to this and come up with something which might meet with more general satisfaction and which might finally be more definite than we have at the moment.

Mr. BROOME: Might I make a few observations on that. The idea of bringing it up was to bring it to the attention at top level in the hope that once this problem was put into their lap they might make representations to the finance department which would clarify it.

Frankly, I cannot see any reason for saying a processed pipe is different in light industry than in heavy industry. It is still straight piping and can be done in this country as well as in the United States. Here in one case it will come in dutiable and in the other case it will come in free.

The result of that is there is a lot of detailed engineering being done in the United States which would be and could be done here if it was more advantageous to those companies to do it. So the effect of this tariff item is to take away engineering work from this country to place it in another country, and I refer particularly to oil refineries where processed piping is the major work. It comes in free when there is no reason why it should.

The CHAIRMAN: May I remind you, gentlemen, that all the replies to questions will be tabled and appear as appendix "A" and you will have an opportunity at that time to have them in front of you.

Mr. NESBITT: I have a question but I do not know whether or not it will come under item 254 or 255.

The CHAIRMAN: Proceed.

Mr. NESBITT: I understand there has been an investigation going on in the Department of National Revenue in respect of this business of placing a value for duty on brooms from Poland. I wonder if the deputy minister would care to make any comment as to how the investigation is getting on?

Mr. SIM: I had no notice of this question. I do not know whether I am equipped to answer it specifically. It might be useful if I indicated in a general way how we identify values from behind the iron curtain.

There are difficulties. It is true we have an officer stationed at Prague who has a general responsibility to keep us advised as to values. But under the state control of industry it is obvious one cannot get a fair market value which would be acceptable under the ordinary application of our law. What is done is we endeavour to find in a free economy an equivalent article and apply a valuation. I will be very glad to make inquiries into the broom case mentioned by the hon. member and let him have the information.

The CHAIRMAN: We are on page 350 under general administration.

Mr. MORE: Mr. Chairman, I wonder if the table which the deputy minister filed in respect of collection expenses show the number of entries as against the number of staff.

Mr. SIM: No; but that could be easily added.

Mr. MORE: It seems that would give a relationship which would show the efficiency of the department.

Mr. BENEDICKSON: Mr. Chairman, we are dealing with a number of salaries and I have been unable to find the individuals who would be the chief guardians of our morals in respect of importing goods. Could the deputy minister tell us something about the law in that respect and especially the recommendation of the tariff board a year ago after the appeal on the book, "Peyton Place", that this was probably not a proper function of the tariff board.

Mr. BELL (*Carleton*): That has been changed.

Mr. SIM: The case before the tariff board had to do with a particular volume which was indeed referred to them by us with a view to determining whether or not it came within the category of tariff item 1201 which is the item under which we operate.

That item reads as follows:

Books, printed paper, drawings, paintings, prints, photographs or representations of any kind of a treasonable or seditious, or of an immoral or indecent character.

Those words have been in the tariff back to the time when the memory of man does not run to the contrary and they have always been difficult to administer. In the final analysis, realizing how important this function is, succeeding ministers have themselves assumed final responsibility for what is classified under this item on the theory that, this being a very difficult determination, it should not be left to bureaucracy but should be in the hands of someone responsible to the House of Commons, and who could answer for anything done in this respect. By and large, that has seemed to meet the wishes of the house.

As far as my experience goes, we still wrestle with this tariff item because, while no one in his right mind would welcome the job of defining the words, "immoral and indecent", as officials we have a duty to perform and cannot duck it; we have to do something about it. We do our best with it. By and large, I feel our administration has represented the moral tone of our country. It has seemed to me that our interpretations represent what, in the minds of most people, was "immoral and indecent"; and that has varied, I think, from time to time.

Unfortunately, we have not been guided very much by court decisions in this regard. I would personally like to see some of the persons who express views on this thing carry through to the point where they would actually take cases before the courts, so that we would get some direction as to the legal definition of "immoral or indecent." In the light of the changing scene, with respect to current literature, I do not think I can add very much more at the moment.

Mr. BENIDICKSON: The point I was thinking of is if someone wants to take the initiative in matters of this kind, it must be someone with commercial interest such as an importer or the seller of the book. Did the tariff board formally ask to be relieved of this type of appeal?

Mr. SIM: This involves a tariff item; there was a statutory right of appeal to the tariff board, but you must remember that an importer has the option. He could appeal to the tariff board or go into the courts. It is now open to any importer who feels himself aggrieved to go to court in this regard.

Mr. BELL (*Carleton*): That right of appeal was changed in the last session.

Mr. SIM: Yes.

Mr. BELL (*Carleton*): How many appeals have there been to a county judge?

Mr. SIM: Very few.

Mr. BELL (*Carleton*): Have there been any?

Mr. SIM: There have been none since the amendment to the act.

Mr. BELL (*Carleton*): Which came into force when the budget was adopted last year.

Mr. SIM: That is right. That may or may not be indicative of satisfaction; with out administration it may be inertia—I am not sure. But at any rate there

is no public complaint at the moment, although we do receive letters pro and con on this subject. I am bound to say most of our correspondence is from people complaining about something coming in, and there are not so many from others.

Mr. PETERS: Is there any form of censorship board?

Mr. SIM: I would like to offer a correction. I do not regard this as censorship. It has to do with tariff classification, as far as I am concerned, and possibly the postal authorities have some responsibility in this regard, as well as the crown attorney's office.

Mr. GRAFFTEY: Would I be permitted to ask policy questions in regard to dumping legislation at this time?

The CHAIRMAN: Yes; will you proceed.

Mr. GRAFFTEY: I have in my hand a very brief memo handed to me by Charles Maxwell of Collins and Aikman of Farnham, Quebec. They manufacture synthetic toy plush. Mr. Aikman tells me in spite of the legislation brought down creating new appraisers, that his industry is in a worse way this year than last. Now the memo he handed me, and I want to read from it, is simply entitled "United States cottons below cost". It stresses primarily the great difficulty we obviously would have to determine whether cottons are being sold below cost. The memo states that one source of dependable information is the Daily News Record, the New York publication which deals authoritatively with the textile trade. In its January 2, 1959 issue, Mr. Harry Jenkins wrote an analysis of the 1958 performance of the United States cotton manufacturing industry. The following paragraph is pertinent:

Many of the heavier type of goods showed losses right through 1958, and even at year's end, after having enjoyed a fair upturn in volume, many of these standard fabrics in the drill, twill, duck category still are below cost.

He goes on further to say:

It is apparent that the whole United States market has been below cost on these items and that by selling them at depressed prices in the Canadian market, in contravention of Canadian dumping legislation, United States mills are flooding this market.

This first question is: does the department take cognizance of this Daily News Record publication I mentioned; and secondly, could the deputy minister make any general remarks with regard to that quotation, I made from the memorandum?

Mr. SIM: Yes, we do take note of the Daily News Record; it is an authoritative trade paper dealing with textiles. However, one must not believe everything he reads in the newspapers. Actually, as was indicated the other day when investigation was made into the prime quality goods exported to Canada, we could not find any evidence to support the general statements made in that regard.

I think I should give my minister some credit in this connection, because in our department we were a little inclined to accept this sort of statement as being conclusive evidence of selling below cost. But my minister, with the legal background he possesses, felt that this was not substantial enough evidence to warrant action under the serious powers that had been given to him, and he insisted we make an inquiry. As I said, when we made the inquiries, we were not able to substantiate what the paper indicated with regard to first quality goods; but in regard to second quality goods, the preponderance

of which have been shipped to Canada, we found such goods were actually coming in at less than the cost of production. That is the reason this action was taken in respect of second quality goods, the particulars of which I tabled earlier.

Page 350—details of services, agreed to.

The CHAIRMAN: Are there any questions on page 351—general administration?

Mr. CATHERS: I see there were two architects, but under these estimates for this year there is only one; could you tell me what an architect does in the collecting branch?

Mr. SIM: This unfortunately is something we have to do. The Department of Public Works is not in a position to supply us with all our needs in so far as buildings are concerned. We have to put up emergency structures at remote points. Public Works, generally speaking, is engaged so much in large undertakings that these small buildings are left to us to look after.

We therefore have a very modest accommodation section, including I believe one architect, but also a number of others who are quite familiar with plans and layouts. Even when a department is dealing with public works on the larger buildings, it is useful for a department to have someone on its staff with a knowledge of construction in order that the particular needs of the department can be demonstrated to the persons in public works who are finally going to assume the responsibility for the structure. I think this architect as well, if I am not mistaken, has something to do with layout to accommodate the flow of our work inside the building; the laying out of the furniture and equipment to carry on our work. So you must not envisage him as only drawing building plans.

Mr. MORE: What was the significance of the reduction of eighteen under the classification of senior customs excise checking clerk?

Mr. SIM: Mr. Chairman, in recent years, we have had a number of organization and method studies in our department. This is a fancy appellation for efficiency exports. They have done a very good job for us. We have had the benefit of two or three surveys by the organization and methods division of the Civil Service Commission. We also have organization and methods men of our own. Between them they have made quite a number of valuable suggestions. This gives me the opportunity at this time of drawing the attention of the committee to the fact that in this year's estimates this department is asking actually for a slightly less amount of money than it did a year ago. The principal reason for that is that due to these organization and method studies, our mechanical equipment and that sort of thing we have reduced our manpower and established good working standards.

I must confess we were virgin territory for this sort of operation. It has proved very successful and we have been able to save in a number of our branches. I could give particular examples of that as we go along.

Computing clerks occur to me as being one case where mechanical equipment was brought in. The computing clerks have been reduced in number, because rather than doing it in a longhand sort of way they are being provided with aids which have facilitated their work and reduced the number of employees.

Mr. BELL (*Carleton*): I do not see any other place where I might raise a question or two in regard to the Carter report. Perhaps this should be raised when the minister is present, or perhaps with another minister. Is Mr. Sim in a position to tell us whether anything has been done in regard to the present position, and the consideration of the Carter report?

Mr. SIM: I would be pleased to place a statement on the record if the committee will listen to it. This has been prepared by Mr. Labarge, the assistant deputy minister in customs and excise. You will recall that Mr. Labarge accompanied the Carter commission as far as Australia in the course of their inquiries into the sales tax structure. I will read this.

The CHAIRMAN: Gentlemen, would you like to hear the report?

Some HON. MEMBERS: Yes.

Mr. SIM:

Since the submission of the sales tax committee's report to the Minister of Finance in 1956, continued attention and study has been given to it and a number of recommendations already implemented. The following notes by way of a progress report are divided according to the main headings of the sales tax committee's terms of reference.

It should be recalled that this committee's findings indicated general agreement that the administration of the Excise Tax Act has been fair and equitable but that this has resulted from practices for which there appears to be no statutory law. The report essentially recommends that these practices be not altered but that they be incorporated into the statute. Obviously a large part of the administration's success in reaching fairness and equity has been due to the flexibility with which it has been able to deal with a great variety of tax problems. The tax foundation, amongst others, has signalled the danger of this flexibility being lost in the process of spelling out administrative powers in statutory form.

The department's initial work, therefore, was to study and codify its practices. To do this, it began its studies at the most extreme end of its operations, namely, the issuance of rulings and of regulations, including the "C" circulars, which deal with values for tax purposes. It has already revamped the style of its circulars, with a view to their being more clearly understood and has added detail for their application to as many foreseeable situations as possible.

A small unit has been reviewing all application rulings for the purpose of publishing and distributing them to both taxpayers and tax officers. Meanwhile, the department has recommended and will be recommending to the responsible ministers, modifications which can be made in the statute in line with the committee's representations. A number of these changes have already been made in the act in certain areas for the purposes of clarification and certainty, despite the fact that many of them resulted in tax relief and reduction of revenue. Those recommendations which have been or are being considered for amendments to the act before a general revision is made, are amendments which can stand on their own without having repercussions on other sections of the act. In other words, they are those which do not have a chain reaction.

Therefore, under reference 1, we merely report progress. This reference deals with the problems arising under sales and excise taxes where manufacturers sell to consumers at different levels in the marketing process. It calls for the setting up of a definition of a tax basis for a statutory method of administrative practice designed to equalize approximately the tax payable on like goods.

Reference 2 deals with the subject of appeals and mentions specifically appeals on (1) values (2) non-arms-length transactions (3) exemptions (4) status of manufacture (5) penalty assessments. Here again, progress has been made and certain recommendations prepared for the drafting of new law. The question of the appeal on values is undoubtedly the most difficult to answer. Apart from the principle of providing a right of appeal, the committee did not make any practical recommendation as to appeal procedures. Since

the method of valuation for tax is based on establishing equity between manufacturers and is arrived at through confidential information obtained from the manufacturers and their competitors, it has been extremely difficult to devise an appeal which would not reveal the confidential information of one to competitors. The department is still studying this problem and is working closely with taxpayers and Associations of taxpayers, to endeavour to find an acceptable solution.

Reference 3. The reference here was to examine the problem arising under sales and excise taxes with regard to the tax payable by importers of goods and that payable by manufacturers in Canada of goods of like value. The department has already arrived at certain recommendations to meet this problem.

Reference 4. More changes have been made in the statute under the terms of this reference than any other. Reference 4 called for the examination of the system of exemptions for goods, based on the use of such goods. Although the recommendations made in this part of their report pertained to exemptions which were already in the statute, they provided by way of corroboratory suggestions for the wording of whatever future exemptions the government might see fit to grant. In certain areas, for instance, that of building materials, the committee believed the exemption to be unduly restricted. Since then, there has been a broadening in this and other areas, mostly in line with specific recommendations of the committee. Other amendments were made simply for the purpose of clarification, as for instance, the defining of the term "ship", to which the committee drew particular attention. The committee also placed emphasis on the need of broader publication of departmental rulings. As I have indicated, this is already in progress. The committee also made a recommendation with respect to responsibility in regard to exemption certificates. The department has already prepared its recommendations on this problem.

General. It should be remembered that the work entailed in the extensive revision called for by the committee is work added to the normal workings of the excise tax administration. In effect, it necessitates the review of the analysis of over twenty-five years of operations of administration for the purposes of codifying the departmental practices and formulating satisfactory law. So far the work done has been limited to administrative studies and the time is now approaching when the department will be consulting with the department of Justice and the Department of Finance for purposes of drafting the necessary statutory amendments.

The CHAIRMAN: Thank you, Mr. Sim. Are there any further questions?

Mr. BELL (*Carleton*): I would like to reserve further questioning on that point until I have had an opportunity to read the statement more fully.

Mr. HELLYER: I have a question, Mr. Chairman, with respect to building materials. There are quite a number which are exempt from taxes when used in the construction of new housing. Some of the materials, if they are prefabricated, such as kitchen counters, are subject to taxes. Has there been any change in that recently, or is it still the practice to apply the tax?

Mr. SIM: I think what the hon. member is thinking about is that there is an exemption if say, a kitchen cabinet is built on the job by a carpenter, whereas a cabinet that would be built elsewhere in a manufacturing establishment would be getting closer to furniture and would be taxable. That is a subject that has come up and there is no easy solution to it because say, a handyman with a saw and a hammer, on the job could do a lot of prefabrication that is very close to being furniture. There has been a suggestion of unfairness from the manufacturers who found themselves in competition with that sort of operation. I do not think there is anything new I can say in regard to this.

Mr. HELLYER: Obviously, the general exemption was intended to keep the cost of new houses down for the purchasers: A great part of the saving in an industry, which is generally not too efficient, is off-site fabrication, and yet this method of taxation protects them.

Mr. SIM: In a general way; but the attempt was made to remove the burden of higher costs in house construction. It was not possible to make a general exemption. If you said: let us exempt everything that goes into a house, you might be running far afield, and the effect on the revenue might be disastrous. It would be a difficult thing to administer, and so the alternative was to name specific building materials. I think it will be found that the principal building materials are all in themselves exempt from taxes. When you get into this particular field it will be obvious, particularly in those ridings where there is furniture making, that you are getting close to unfair competition with manufacturers who find themselves taxed on somewhat similar articles.

Mr. HELLYER: Surely kitchen cupboards are not comparable to furniture.

Mr. SIM: It is very difficult these days to make a distinction.

Mr. HELLYER: Would the deputy minister look into that aspect and see if perhaps it could be reviewed.

Mr. SIM: Well, I really believe to meet your wishes it would require a change in the list of exemptions. However, in a general way, governments have felt they have gone as far as they can go in providing exemptions in this regard. There has been no doubt about the government's cooperation in this regard; this has been the case for a number of years.

Mr. BELL (*Carleton*): Was not the kitchen cabinet situation taken to the tariff board?

Mr. SIM: Yes.

Mr. BELL (*Carleton*): And has there been a decision on that?

Mr. SIM: I received confirmation that what happened before the tariff board is what I have indicated, that if the cupboard was built apart from the job and taken there, it was taxable. That was the issue that was before the board.

Mr. MORRIS: I would like to raise another specific question at this point. I went out of the room when you were discussing page 350 and returned to find you discussing page 351. My inquiry has to do with Norwegian lures, as used by the commercial fisheries on the Atlantic coast. It has to do with this type of thing here. The fishing industry enjoys exemption on the tools of its trade, including nets, twine and the like, from the United Kingdom and from European countries. These Norwegian lures, and similar imports, are charged 20 per cent, despite the generality of exemption from the United Kingdom and European delivery points. Representations have been made in this regard. They have the advantage that they do not require bait.

The CHAIRMAN: Would you like to table it as an exhibit?

Mr. MORRIS: I am happy to file this. Representation has been made about this on many occasions. It has the advantage which I mentioned, that it does not require the use of bait, which is hard to come by sometimes in outport areas. We would like to know whether this matter is still considered to be a statutory matter.

Mr. SIM: If I understand your question correctly, you are seeking free entry of these lures.

Mr. MORRIS: Yes.

Mr. SIM: That is a matter for consideration by the Minister of Finance. Perhaps this is a good time to remind the committee that the function of this department is administrative, and while we sometimes have the opportunity of saying a word to the minister in pre-budget discussions, the final decision as to what is going to be recommended to government must rest with the Minister of Finance.

However, I can confirm the rates of duty which the hon. member has quoted. They are, as he has indicated. It will be recalled that there was one member of the committee the other day who was interested in lures from the standpoint of being manufactured in his constituency.

Mr. BELL (*Carleton*): I have one further matter in addition to that. You remember that the licence fee that was collected from licensed manufactures was repealed last year. Has that caused any problem of administration?

Mr. SIM: Only one. It was a very good thing. It was a nuisance tax and I felt reluctant to say to someone you give two dollars for the privilege of paying this tax. When we had the annual licence, it gave us a year-to-year control of manufactures, and we were pretty well assured from the applications being renewed that we were dealing with active businesses.

There were one or two problems arising out of this permanent licence in that some people may continue to have licences who should not have them. We also find in this statute,—and it is one of the few of our revenue statutes,—that there is no provision for the cancellation of licences by the minister. The hon. member will recall from his experience in regard to the Customs Act and the Excise Act that the procedure gives the minister complete right of cancellation of licences for cause. This is one of the little problems for which I think we will have to suggest something be done, when we get to the house with our bill.

Mr. CATHERS: I would like to ask a question regarding sales tax on purchases by municipalities. I have a question in connection with the use of chlorine, either in the water or the disposal plant. That was not allowed and I would like to know how you people could adopt the ruling you did in view of the wording of that act.

Mr. SIM: I do not know that I recall this case. Was it chlorine?

Mr. CATHERS: I am not sure of the product.

Mr. SIM: I remember this argument. It is sort of a legal argument. You must remember that taxing statutes must be construed strictly—but while we endeavour to bring to that the saving grace of common sense—we still have a responsibility in so far as the revenue is concerned.

The exemption under which chlorine was claimed in the particular case under discussion, I am advised, was this: goods for use as part of sewage and drainage systems, and for purposes of this exemption of such goods, any agency operating a sewage or drainage system for or on behalf of a municipality, may be declared a municipality for such purposes by the minister. "Goods for use as part of sewage and drainage systems", and our solicitors advised we could not so hold, this chlorine so we had to refuse.

One of the anomalies that arose in that regard was that we had to allow chlorine for use in the water systems. It was hard to explain why they could get chlorine for the water systems which was an essential part of the system for taking water that was unfit and producing water that was drinkable but in that case it was a material that was used in the process of manufacture and, therefore, exempt. But it was not exempt when used in the sewage system. This is the sort of thing on which no doubt hon. members would wish to make representations to the minister in order to obtain some amendment that might give relief.

Mr. GRAFFTEY: I would like to bring to the attention of the committee that while both Mr. Cathers and the minister at our last session discussed the

printing on fruit tins, representations had been brought to my attention and to that of many other members by the needle trade in the textile industry with regard to the labels on Japanese goods. They said in the opinion of the needle trade industry in Canada that the labels on Japanese goods being imported were often very unsatisfactory, that they fell off and the printing techniques in general were very unsatisfactory. Could the department make any comments in this regard?

Mr. SIM: I might elaborate on what the minister said the other day, although he made a short statement in this regard. The system followed in Canada with respect to marking is very similar to that in vogue in the United Kingdom; that is to say, specific articles have to be marked following the passage of an order in council. In a general way, the American system is that everything that is capable of being marked should be marked, except what is specifically excluded. What has happened is that in the United Kingdom and the United States they have both arrived at pretty well the same end result, and the same things are being marked. We have not too long a list in Canada. There are orders in council behind each of the items that are required to be marked. There is no general objection to the marking of imported goods. It is the sort of problem which only arises when business starts to taper off and people get worried about competition, particularly if it is coming from countries where wage rates are low.

I understand that the Canadian manufacturers association are about to make representations for the general application of marking. I have received from the garment manufacturing trade a specific request for the application of the marking order to a long list of clothing. One of the things about which I would like to satisfy myself before I make any recommendation to the government would be whether or not our Canadian manufacturers are so marking their goods because, apropos of Japanese competition, I recall some time ago a representative being in my office who had one of these scarves of silk which women wear on their heads, and he wanted the marking order applied. I asked him what kind of marking he would like. He said it was not satisfactory to have it sewn on and that he would like something printed right on the fabric. I said: do you do that; he said: no, it would spoil the design and therefore the sale. That is a thing you have to watch, that you apply the same conditions to domestic as to imported goods. This whole subject is a very active one at the moment and I think more and more consideration is being given to it.

Mr. McDONALD (*Hamilton South*): I would like to ask a question regarding sales tax exemption on sewer pipe and culverts in municipalities. Last year municipalities across Canada were exempt from this sales tax. But in Ontario there are certain subdivision agreements the municipality puts through which force the builders to build their own sewers and culverts, and I think the intention was to reduce the cost of the sewer so the consumer buying his home could get a better deal. I was wondering whether something could be considered to allow these builders the same exemption because they are putting the sewers in for the cities?

Mr. SIM: The wording is restricted to municipalities, and we could not extend it beyond the municipality.

Mr. McDONALD (*Hamilton South*): Could the municipality buy the pipe and sell it to the contractors?

Mr. SIM: No, I think it has to be purchased for their own use.

Mr. HELLYER: Mr. McDonald has raised an interesting point of law. All of that pipe placed in the ground is for the municipality's own use and title passes to the municipality immediately it is put in the ground.

Mr. McDONALD (*Hamilton South*): The municipality does all the engineering, and these people are forced to buy the pipe and install it because the municipality cannot afford to put this pipe in. If the sales tax exemption is for the benefit of the public, why could there not be some regulations affecting this?

Mr. SIM: You must be careful not to regulate beyond the terms of statute as laid down, and the statute is quite explicit. It relates to the purchase by the municipality for their own use. However, this would be a matter of policy.

Mr. McDONALD (*Hamilton South*): Could the municipality employ the builder as their installation man?

Mr. SIM: I do not think there could be any objection to that.

Mr. McGRATH: Has consideration been given to exemption of the sales tax on marine engines, engines used in connection with fisheries, in view of the fact that we are exempting machinery used in connection with agriculture for farming?

Mr. SIM: I am afraid that is a question of policy that would have to be directed to the Minister of Finance who is responsible for any changes in the statute.

Page 351—details of services, agreed to.

The CHAIRMAN: Gentlemen, we come now to page 352, the last page on general administration. Are there any questions concerning page 352?

Mr. HICKS: In regard to full-time positions, the figure in 1958-59 was 879, and in 1959-60 the figure is 924, an increase of 45. Is that a case of reclassification, or a case of more employees?

Mr. SIM: This question was answered. We had engaged a number of additional appraisers. There were 40 additional appraisers taken on.

Mr. BELL (*Carleton*): I notice a general increase in office stationery, supplies and equipment from \$68,550 to \$91,000; what is the explanation for that?

Mr. SIM: The hon. member is very helpful because his statement reinforces the point I made earlier regarding the substitution of mechanical equipment for manpower. This is the reason we are again asking for less money this year than last.

Mr. HELLYER: At the top of the page, it seems that the number of stenographers has been increased substantially.

Mr. SIM: When you hire a senior appraiser he is not much good unless he can have somebody to whom he can dictate, and I think there has been some stenographic help in that regard.

Mr. BELL (*Carleton*): I observe, also, that the office accommodation figure has gone up from \$10,000 to \$15,000. Why is that?

Mr. SIM: That is due to the department occupying new and larger quarters in New York City, I am told.

Mr. BELL (*Carleton*): In Canada House?

Mr. SIM: Yes.

Mr. McDONALD (*Hamilton South*): May I ask a question? Where does an appeal from a dumping duty go? Is it to the tariff board or to a board of appraisers? When one appeals a dumping duty, where does one take the appeal?

Mr. SIM: I did not hear your question.

Mr. McDONALD (*Hamilton South*): I am referring to a dumping duty imposed by the department; where should the appeal be made?

Mr. SIM: There is a general right of appeal to the tariff board.

Mr. McDONALD (*Hamilton South*): In every case?

Mr. SIM: Yes. This is the cheapest and most informal way of challenging a departmental ruling. We endeavour, so far as possible, in advising the government in respect of legislation, always to provide safeguards against any sort of bureaucratic decision that is not open to appeal.

Personally, may I say that I welcome being able to say at a certain stage of the discussion, "This is my opinion; this is what I think of it. If this does not suit you, you are at liberty to appeal". The tariff board has been so constituted that it is a fairly informal and relatively cheap way of challenging a ruling of the department. Also, there is the Exchequer Court.

Mr. BENEDICKSON: The deputy minister has emphasized cheapness and informality. How expeditious is it? How quickly does a person get a decision?

Mr. SIM: Far be it from me to make any remarks about this appeal board, for which I have the greatest veneration. However, I will say that, in relation to their opposite numbers in the United States, they do a marvellous job of expediting decisions. You will notice from the figures that I gave earlier that there are only about 80 or 90 cases before them at the moment. This compares with, if I remember correctly, the last figure for the United States, thousands of cases that are awaiting determination. In a general way I think you will find that our tariff board have been giving decisions expeditiously.

Mr. BENEDICKSON: In appraising and reselling merchandise, it is not of much value to have an appeal if one does not have any idea of what his costs are in selling the merchandise.

Mr. BELL (*Carleton*): I notice one other item where there is a reduction from \$140,000 to \$125,000. This is under the heading of law and other costs. I hope the department is not being unfair to the legal profession.

The CHAIRMAN: I hardly think that question requires an answer.

Mr. BROOME: I think that item ought to be cut in half.

Mr. MORRIS: Before we close the discussion on the item I would like to ask the deputy minister whether, in connection with outports, of which there are 150 in the department, the customs and excise enforcement officer continues to be the ships' reporting officer. If so, I would like to know whether that information finds its way to the Royal Canadian Mounted Police.

Mr. SIM: As far as the ships reporting officers are concerned, I think it is only in certain places where the navy have asked for this particular service from us. It is not a general responsibility that we have. I think the navy determines that they would like the service from us at various points, and they have so designated, as I recall it, a fair number of our ports.

The CHAIRMAN: I might mention one thing, and that is, gentlemen, that we will not close item 254. With your approval, we will leave it open as a "catch-all" so that you can come back to any general items, if you wish.

Mr. PETERS: Mr. Chairman, is this the place where we should discuss customs officers?

The CHAIRMAN: I think that will come under the third item, Mr. Peters.

Mr. CLANCY: With regard to goods coming into customs on consignment, what is this brokerage charge? Is that compulsory?

Mr. SIM: No. It is a profession known as licensed customs house brokers. Anyone is free to employ the services of these people, or not, as he wishes. Many people find it convenient to employ them because they are fairly familiar with the requirements of the law. There is no compulsion.

Mr. CLANCY: Does a firm shipping from the United States employ a broker?

Mr. SIM: I beg your pardon?

Mr. CLANCY: Does the shipping firm employ the broker?

Mr. SIM: No; the broker is the agent of the importer.

Mr. HALES: Mr. Chairman, I would like to inquire about the substantial difference between living allowances and travelling expenses. What is the difference in those two items?

Mr. SIM: The increase provides for additional expense to be incurred in increasing the number of appraisers that I mentioned earlier, because we are doing more and more of this valuation investigation. It does involve more expense; besides which my general observation has been that the cost of travelling has gone up, in common with other costs.

Mr. HALES: I realize that. What are living allowances? I see an item for \$30,000 for living allowances; what does that include?

Mr. SIM: This would be allowances for officers stationed abroad, I would think. That would be what it would refer to. It is to provide for living and rental allowances of employees in New York; London, England; Prague and Tokyo.

Mr. HALES: They are paid a salary plus travelling expenses, and living allowances over and above that?

Mr. SIM: Yes. This is absolutely necessary in the centres I have mentioned; but it is common to every branch of the government that has occasion to have foreign service officers in these countries.

Mr. HALES: I do not go along with that altogether. I think if they are paid a salary and travelling expenses, that is it. I do not know why they should have living allowances as well; that is the point I am getting at.

Mr. SIM: You could not get anybody to serve abroad if you adopted that formula, because the fellow would end up in bankruptcy.

Mr. HALES: Is the salary paid not high enough to take care of that?

Mr. SIM: No, that is not it: he gets the same salary as if he were here.

Mr. HALES: What is an example of the salary paid in London, for instance?

Mr. SIM: Well, a grade 2 appraiser is paid from \$5,700 to \$6,180, and a grade 3 from \$6,480 to \$7,200.

At this point I would like to introduce Mr. Younger, who was not introduced to the committee when the other two assistant deputy ministers were introduced. I would ask Mr. Younger whether those are chiefly grade 2 appraisers.

Mr. L. R. YOUNGER (*Assistant Deputy Minister, Customs, National Revenue*): There is one grade 4, but most of them are grade 2. The allowance we make, with all due respect, is not equal in many cases to other departments. It is not the same as the Department of External Affairs and, very often, the Department of Trade and Commerce, so far as living allowances are concerned.

Mr. SIM: Perhaps I should explain that our men, by the very nature of their duties, are not required to carry on the same social activities as our friends in the Department of External Affairs and the Department of Trade and Commerce. Therefore, they do not need as much money as these others do. But I am sure we are not wasting any money in this regard.

As was indicated by Mr. Younger, our allowances to our officers abroad are on a lower scale than other officers representing Canada in these other centres.

Mr. HALES: Could you give us an example of a living allowance paid to any one of those particular men? How much was paid?

Mr. SIM: I am told the treasury board have some kind of scale for living allowances that is based on the salary of the official. The more salary he gets, I think the higher is his living allowance. I think there is a presumption that, the higher the salary, the more is expected of him. But this can be tabled, if you like.

The CHAIRMAN: Would you like this tabled, Mr. Hales?

Mr. HALES: I do not wish to take time on it.

Mr. SIM: I can assure the committee that there is no money wasted in this \$30,000.

The CHAIRMAN: Would you like this tabled?

Mr. HALE: Yes, I think I would.

The CHAIRMAN: Gentlemen, are there any further questions on page 352?

Mr. BELL (*Carleton*): In respect to the appraiser at Prague, what grade is he?

Mr. SIM: Excuse me; could I revert to Mr. Hales' remark? I do not want to undertake to table a treasury board document. I am not sure if it is a public document or not. I think it is. But with that caveat it will be tabled, if it is a public document.

Mr. HALES: I would be satisfied if you would take one particular case.

Mr. SIM: I will be glad to do that.

Mr. BELL (*Carleton*): What grade would the appraiser be at Prague?

Mr. SIM: He is a grade 2 appraiser.

Mr. BELL (*Carleton*): What freedom of movement does he have? To what extent does he travel to other centres in that part of the world?

Mr. SIM: I have indicated that, in a general way, he has a roving commission behind the iron curtain, if I might use that phrase just to identify the countries that would be in your mind. As occasion demands, we have him in Poland, but mainly in Czechoslovakia.

I cannot speak with too much assurance about the freedom of movement he enjoys, however. I would imagine he is fairly restricted as to his movements, as are most foreigners, I think, in those countries. But he does get around to the places to which he is supposed to go to look for information, as evidenced in his periodic reports to the department.

Mr. BELL (*Carleton*): Does he travel only in the countries you have mentioned, or does he go to the U.S.S.R., Rumania and Bulgaria?

Mr. SIM: We are not doing much with the U.S.S.R. at the moment, and we have not had occasion to ask Russia to let us send somebody there.

Actually, this is something we had to insist upon, because we wanted to be sure that we had someone in a position there, if questions were asked—as they are asked periodically—who was able to go right to the departments concerned, talk to senior people there and get direct answers to our inquiries.

The CHAIRMAN: Gentlemen, this is page 352. If you are through with it, we will carry it and leave the general item open so that you may return to any other item.

Mr. MORRIS: Mr. Chairman, I do not ask that this be tabled, but I would just like to ask what ships reporting officers do report.

Mr. SIM: I would like to suggest that this is a naval matter and I do not know whether the navy would permit us to give a list of reporting officers. It would be a security matter. However, I would be very glad to make inquiries and see if we could give information in this regard.

The CHAIRMAN: We will put it on this basis, that if it is not restricted, then the information will be provided.

Mr. MORRIS: Very good; that is satisfactory.

The CHAIRMAN: Gentlemen, you are now on page 353, dealing with inspection, investigation and audit services. Are there any questions?

CUSTOMS AND EXCISE DIVISION

Item No. 255—Inspection, Investigation and Audit Services\$ 4,211,855

Mr. BROOME: Is this a sales tax investigation?

Mr. SIM: An explanation of this vote is that, in addition to being responsible for some internal administrative decisions and rulings regarding the acts administered by the department, the five branches operating within this vote are responsible for: the inspection and internal audit of all customs excise ports, outports and similar offices in the field; the inspection of establishments licensed under the Excise Act—distilleries, breweries, and the like; the investigation of undervaluations, false invoices and other violations of the customs excise laws; the investigation of claims for drawback of customs duties and excise taxes; conducting audits upon the records and accounts of manufacturers and wholesalers licensed under the Excise Tax Act.

The change in the vote is due mainly to providing for normal statutory increases in salaries, a number of reclassifications and higher shipping charges. Yet we come out overall with a slight decrease in this vote over previous years.

Mr. GRAFFTEY: Does it include investigating staff, in order to determine that the department's high standards of courtesy are always upheld at various ports of entry?

Mr. SIM: It does.

The CHAIRMAN: Page 354.

Mr. BELL (*Carleton*): At some stage, Mr. Chairman, I would like to raise the question of the operation of the tourist exemption, and I am not sure where the appropriate place is. Perhaps it is earlier.

The CHAIRMAN: Page 354. Perhaps Mr. Sim would be able to speak generally on what has resulted from the change in the type of tourist exemption as a result of the amendments to the item last year.

Mr. SIM: As they say in the House of Commons, I am very glad the hon. gentleman asked that question, although the committee may begin to suspect that there is some collusion between the member and myself. Which I assure you, is not the case.

Mr. BELL: Between the member and one of his most distinguished constituents.

Mr. SIM: I would like to circulate if we may, to members of the committee a rather useful little pamphlet which we issued recently for the information of residents of Canada proceeding abroad and coming back, who are entitled to the \$100 exemption or the additional \$200 if they have been 14 days outside the confines of North America.

In spite of the hand-outs to newspapers and articles that appear from time to time, there is some misunderstanding as to the rights and privileges of Canadians in this respect. This is a modest attempt to deal with that. I think the brochure speaks for itself. There have been a fair number of these pamphlets issued both in English and French and they are available for members in both languages. These have been circulated at our ports of entry. As tourists are going out they are invited to help themselves to these pamphlets.

We hope that this will obviate some of the misunderstandings that have occurred, as it is always better to avoid misunderstandings, if we can, before the fact and give people all the information that is possible.

The CHAIRMAN: Before we proceed with that, am I to presume that item 255, inspection, investigation and audit services, is carried?

Item 255 agreed to.

CUSTOMS AND EXCISE DIVISIONS

Item 256 Port-Operation and Maintenance\$29,740,118

Mr. BELL (*Carleton*): I do not want to leave this tourist matter.

The CHAIRMAN: You are on it now. We are ahead of ourselves.

Mr. BELL (*Carleton*): Has the deputy minister any statistics to indicate the total amount of entries under this item, beyond the continental limits of North America, since it came into effect?

Mr. SIM: This is a pretty recent amendment, and I do not think we have really got any statistics on this yet that would be worthwhile. That is, to distinguish between those who are taking the \$100 exemption and those who are taking advantage of the additional exemption that was provided at the last session. We have no figures as yet which would be useful to the committee.

Mr. BELL (*Carleton*): Such statistics would probably not be available until the full fiscal year of operation?

Mr. SIM: That is correct.

The CHAIRMAN: Are there any further questions on this item of ports, operation and maintenance, item 256?

Mr. GRAFFTEY: This is a fairly long item. Does the meeting go on until twelve o'clock?

The CHAIRMAN: Yes. What is your problem?

Mr. GRAFFTEY: I wanted to ask some questions on it.

The CHAIRMAN: Proceed.

Mr. GRAFFTEY: Mr. Chairman, I would like to ask this question. When competitions for a promotion appear in the department—and I am not talking about a straight, ordinary civil service competition—what weight is given to the local preference rule?

Mr. SIM: None at all, except that in a general way we are always happier if a local man is selected for the job. It causes less disruption, particularly in these days when it is hard to come by a house, and so on. But no weight is given, so far as the competition is concerned.

Mr. GRAFFTEY: I would like to stress to the department at this time that I have had fairly objective representations made to me about this matter. Very often a man works in one of the ports in a small village on the border. He makes a name for himself in the community, supports community endeavours and is generally considered as quite a fellow in the community.

Then suddenly an opening appears at that port, which everybody in the village knows about. I get resolutions from the twon council, et cetera, on his behalf because this competition gives some other preference.

I do not know the solution to the problem, but I would suggest that more weight be given to the local preference rule in these promotion cases.

Mr. SIM: There might be objection from other hon. members who are not fortunate enough to have border ports in their constituencies.

Mr. GRAFFTEY: May I ask another question? Would it be possible for a customs officer in a large city centre—say, Montreal—to be down-graded in his civil service rating in order to accept the position of collector of customs in a port located in a rural area?

Mr. SIM: Yes. If a person of senior rank wanted to revert to a junior position, he might be a pretty strong contestant for a job like that. As a matter of fact,—I am not announcing anything to the committee—the collectorship at Victoria, British Columbia, is to be open shortly, and a number of senior officers have taken a very great interest in that job.

Mr. GRAFFTEY: This also has obvious repercussions in a small rural community, when they get on to the fact that there has been a down-grading in a city section in order to take a promotion to come into a small border community.

Mr. SIM: Excuse me, but I would like to straighten one thing out. There is no downgrading by the department to enable the man to qualify. Any officer can apply for any position. For instance, any senior officer can apply for the collectorship at Victoria, which is regarded as a very nice place in which to live.

Some HON. MEMBERS: Hear, hear.

Mr. SIM: And even though he is taking a reduction in salary, that would make no difference whatsoever in the competition. He might actually find himself in the embarrassing situation of having applied for that job and the job being given to some junior. That would only become evident as a result of the competition.

The CHAIRMAN: I think, with that rather pleasing thought about Victoria, this might be a convenient note on which to adjourn these proceedings. May I remind you, gentlemen, that we will be meeting again on Tuesday at the same time? Please, gentlemen, do not forget your estimate books.

Information supplied on request of Committee Members:

COPY OF ORDERS ISSUED BY THE MINISTER RELATING TO CERTAIN
ITEMS, FOR THE PURPOSE OF FIXING DUTY THEREON

Ottawa, December 2, 1958.

MEMORANDUM TO:

Mr. David Sim,
Deputy Minister of National Revenue,
Customs and Excise.

Inasmuch as the value for duty of paint brushes of Chinese Mainland origin cannot be determined under Section 36 or 37 of the Customs Act for the reason that like or similar goods are not sold in the country of export in the circumstances described in those sections, I hereby prescribe, pursuant to Section 38 of the said Act, that the value for duty of the aforementioned brushes shall be determined on the basis of the values of similar brushes of United Kingdom origin.

GEORGE C. NOWLAN.

January 29, 1959.

MEMORANDUM TO:

Mr. David Sim,
Deputy Minister of National Revenue,
Customs and Excise.

Inasmuch as the value for duty of cotton fabrics of Chinese Mainland origin cannot be determined under section 36 or 37 of the Customs Act for the reason that like or similar goods are not sold in the country of export in the circumstances described in those sections, I hereby prescribe, pursuant to section 38 of the said Act, that the value for duty of the aforementioned fabrics shall be determined on the basis of the values of similar fabrics of United States origin.

GEORGE C. NOWLAN.

January 16, 1959.

MEMORANDUM TO:

Mr. David Sim,
Deputy Minister of National Revenue,
Customs and Excise.

Pursuant to section 38(b)(iii) of the Customs Act, I hereby prescribe that the value for duty of cotton sheets, cotton pillowcases and cotton fabrics commonly known as "twill" or "drill", "clothing sateen" and "denim", which are not prime quality goods in full pieces, shall be determined in the following manner:

The value for duty, as it would be determined under the Customs Act, of corresponding prime quality goods in full pieces shall be accepted, subject to a deduction for quality or condition equivalent to that generally accorded in the country of export for home consumption with respect to like or similar other-than-prime quality goods. The aforesaid deduction, however, shall not in any event exceed the following percentages:

Cotton sheets	5%
Cotton pillowcases	5%
Twill or drill	5%
Clothing sateen	5%
Denim	10%

GEORGE C. NOWLAN.

MEMORANDUM TO:

Mr. [Name]
Deputy Minister of National Revenue,
Customs and Excise.

Reference is made to section 301(1) of the
Act and the value for duty of goods
generally goods as known to the
importing, close-outs or discounts
may be determined, unless otherwise
provided.

The value for duty, as it would be
for corresponding prime goods, shall
be accepted, subject to the
equivalent to that generally accepted
consumption with respect to the
however, not to exceed 30%.

Ottawa, February 23, 1955.

Information requested by Mr. [Name]

Approved by Mr. [Name]

1. [Name]

2. [Name]

3. [Name]

4. [Name]

5. [Name]

6. [Name]

7. [Name]

8. [Name]

9. [Name]

10. [Name]

11. [Name]

12. [Name]

13. [Name]

14. [Name]

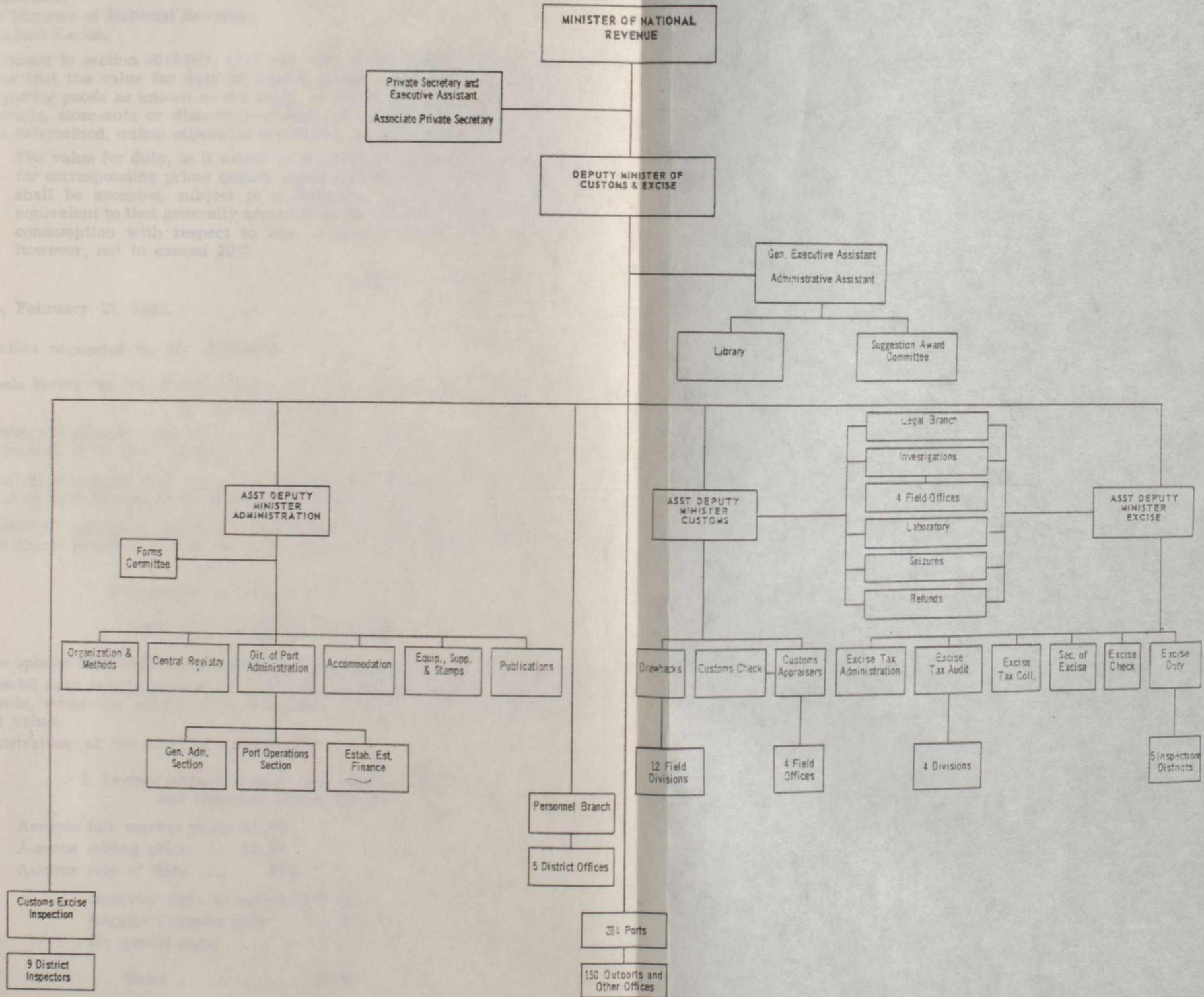
15. [Name]

16. [Name]

17. [Name]

18. [Name]

ORGANIZATION CHART DEPARTMENT OF NATIONAL REVENUE - CUSTOMS AND EXCISE



APPENDIX "A"

MEMORANDUM TO:

Mr. David Sim,
Deputy Minister of National Revenue,
Customs and Excise.

Pursuant to section 38(b(ii), (iii) and (iv) of the Customs Act, I hereby prescribe that the value for duty of unused goods which are obsolete or not prime quality goods as known in the trade, or which are known in the trade as remnants, close-outs or discontinued lines, or which constitute a job lot, shall be determined, unless otherwise prescribed, in the following manner:

The value for duty, as it would be determined under the Customs Act, for corresponding prime quality goods sold as regular or current lines shall be accepted, subject to a deduction for quality or condition equivalent to that generally accorded in the country of export for home consumption with respect to like or similar goods, such deduction, however, not to exceed 20%.

GEORGE C. NOWLAN.

Ottawa, February 25, 1959.

Information requested by Mr. McIlraith:

Appeals before the Tariff Board under the Customs and Excise Tax Acts
as of March 1, 1959

1. Number of appeals other than by the Deputy Minister of National Revenue C. & E. awaiting hearing	80
2. Number of appeals other than by the Deputy Minister of National Revenue C. & E. heard and awaiting Board's declaration	9
3. Number of appeals or references to the Board by the Deputy Minister of National Revenue C. & E. awaiting hearing and declaration	2

Information requested by Mr. Grafftey

SPECIAL OR DUMPING DUTY

The special duty legislation is contained in Section 6 of the Customs Tariff.

Special duty is only payable on goods of a class or kind made or produced in Canada, when the selling price to Canada is lower than the proper fair market value.

Illustrations of the effect of special duty.

*I. Invoice shows proper fair market value
and identical selling price*

Assume fair market value	\$1.00
Assume selling price	\$1.00
Assume rate of duty	20%
Importer pays to exporter	\$1.00
Regular Customs duty ...	.20
No special duty	
Total	\$1.20

STANDING COMMITTEE

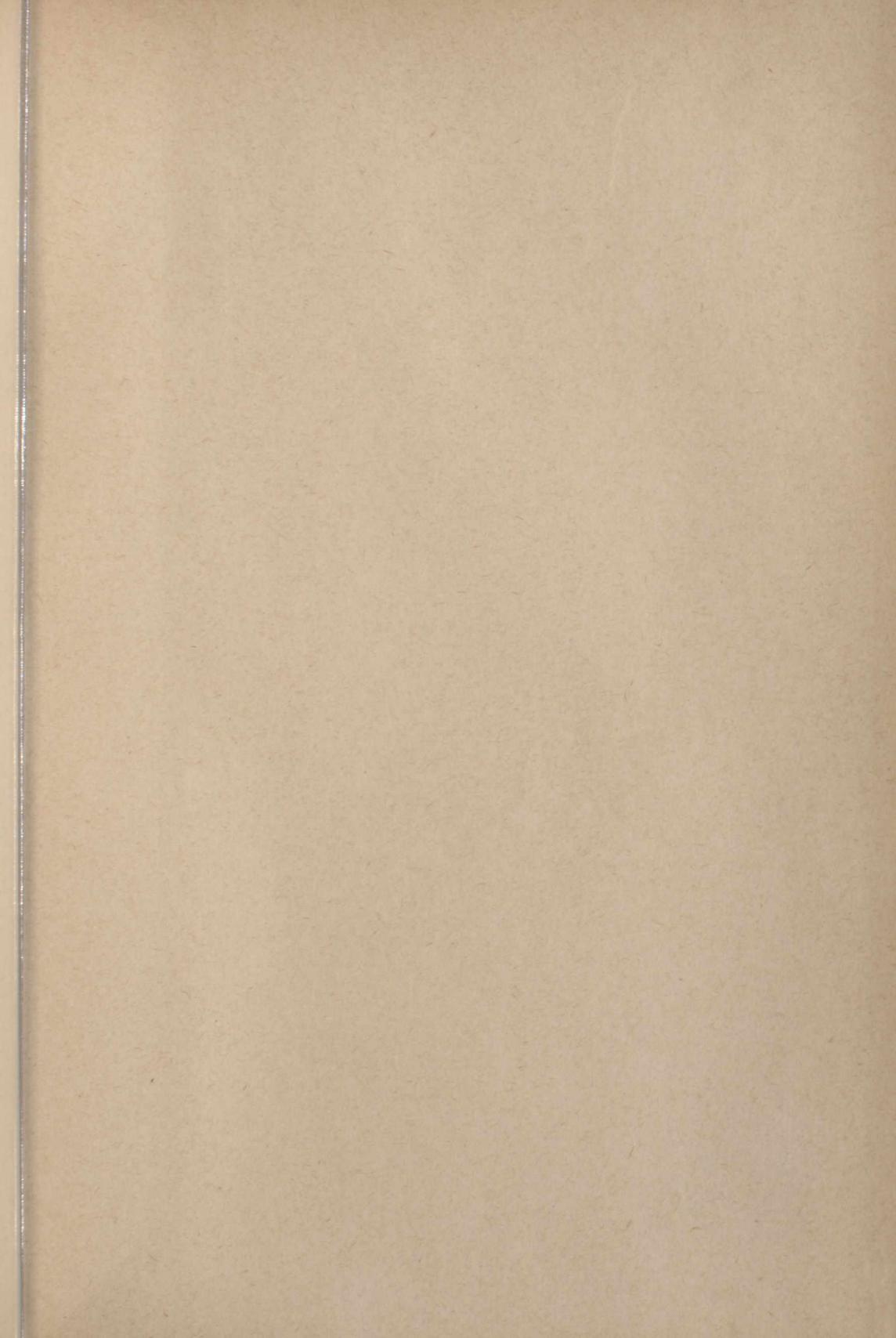
II. Invoice shows proper fair market value
and lower selling price

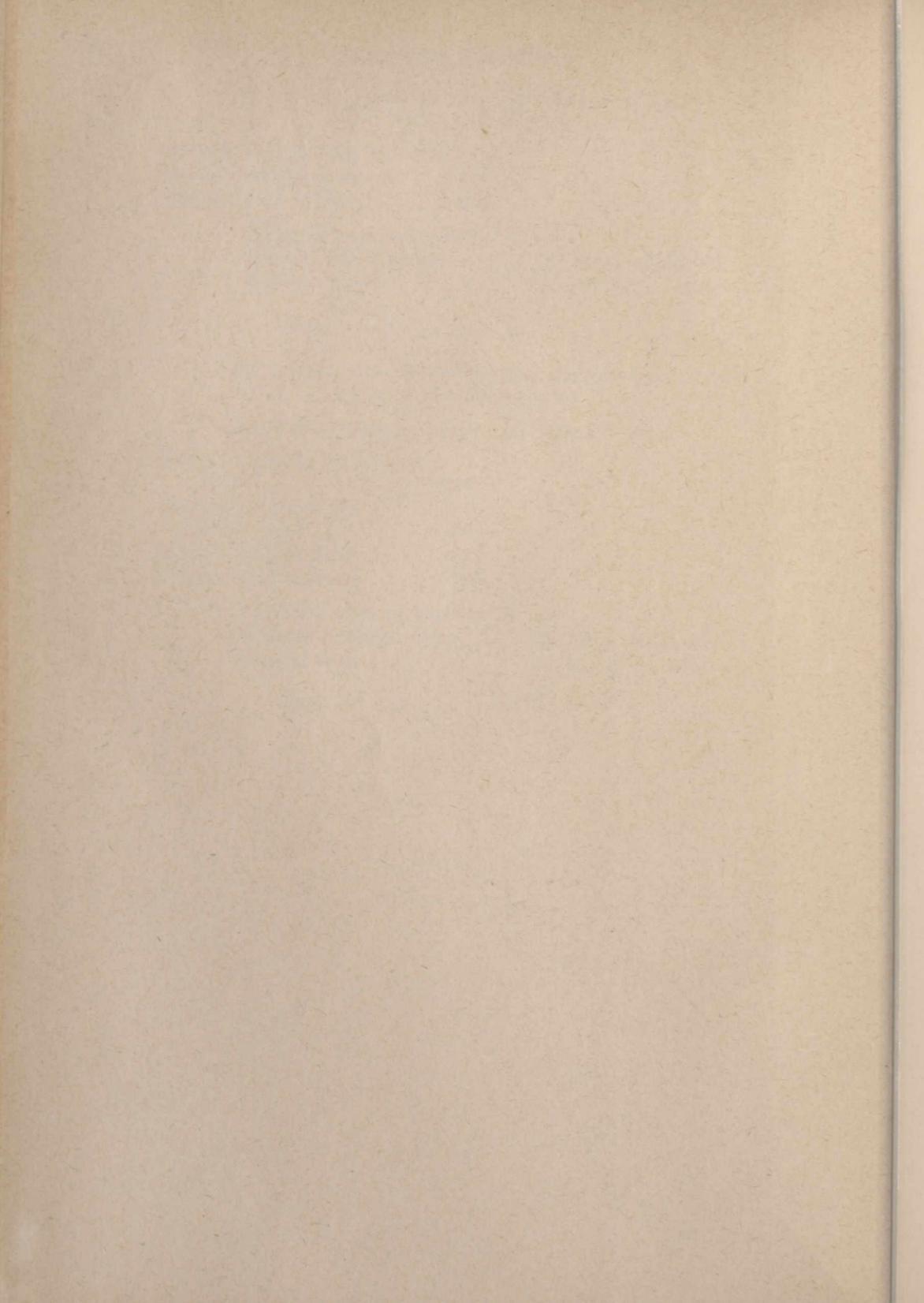
Assume fair market value	\$1.00	
Assume selling price . . . .	.90	
Assume rate of duty	20%	
Importer pays to exporter	\$.90	
Regular Customs duty ..	.20	(20% of \$1.00)
Special duty .....	.10	(\$1.00 — 90¢)
		<hr/>
Total	\$1.20	

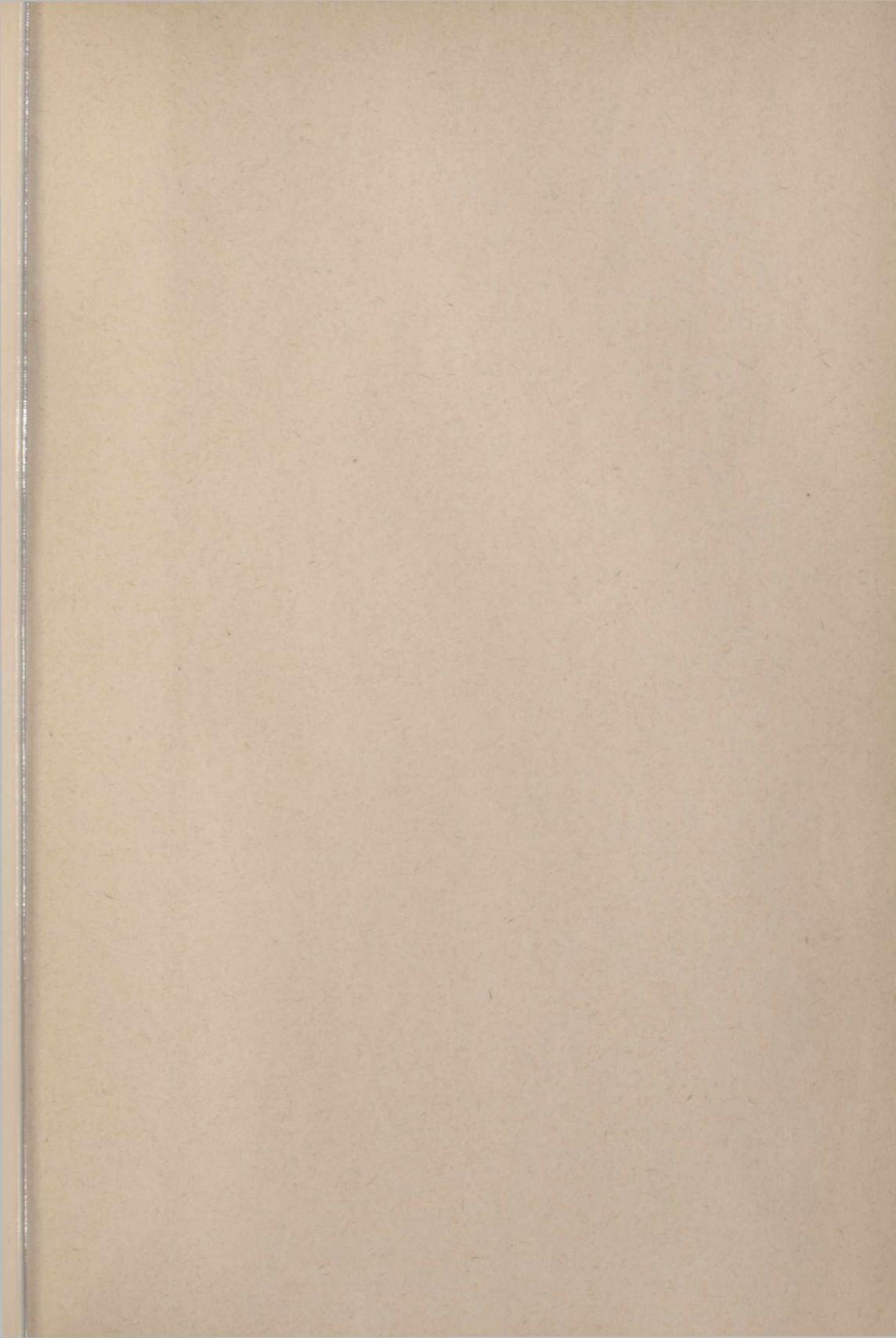
III. Invoice shows improper fair market value
and identical selling price

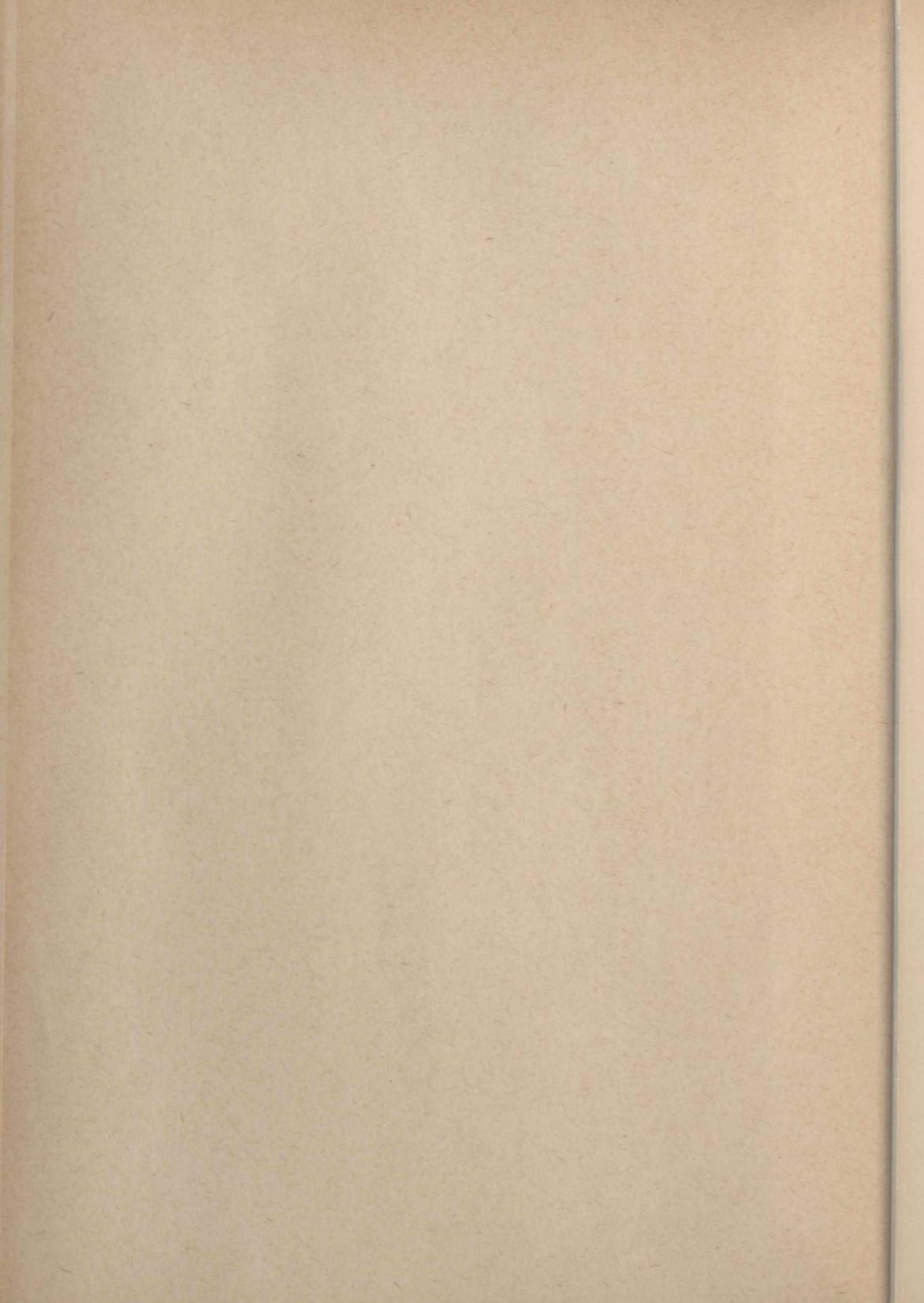
Enquiry establishes proper fair market value

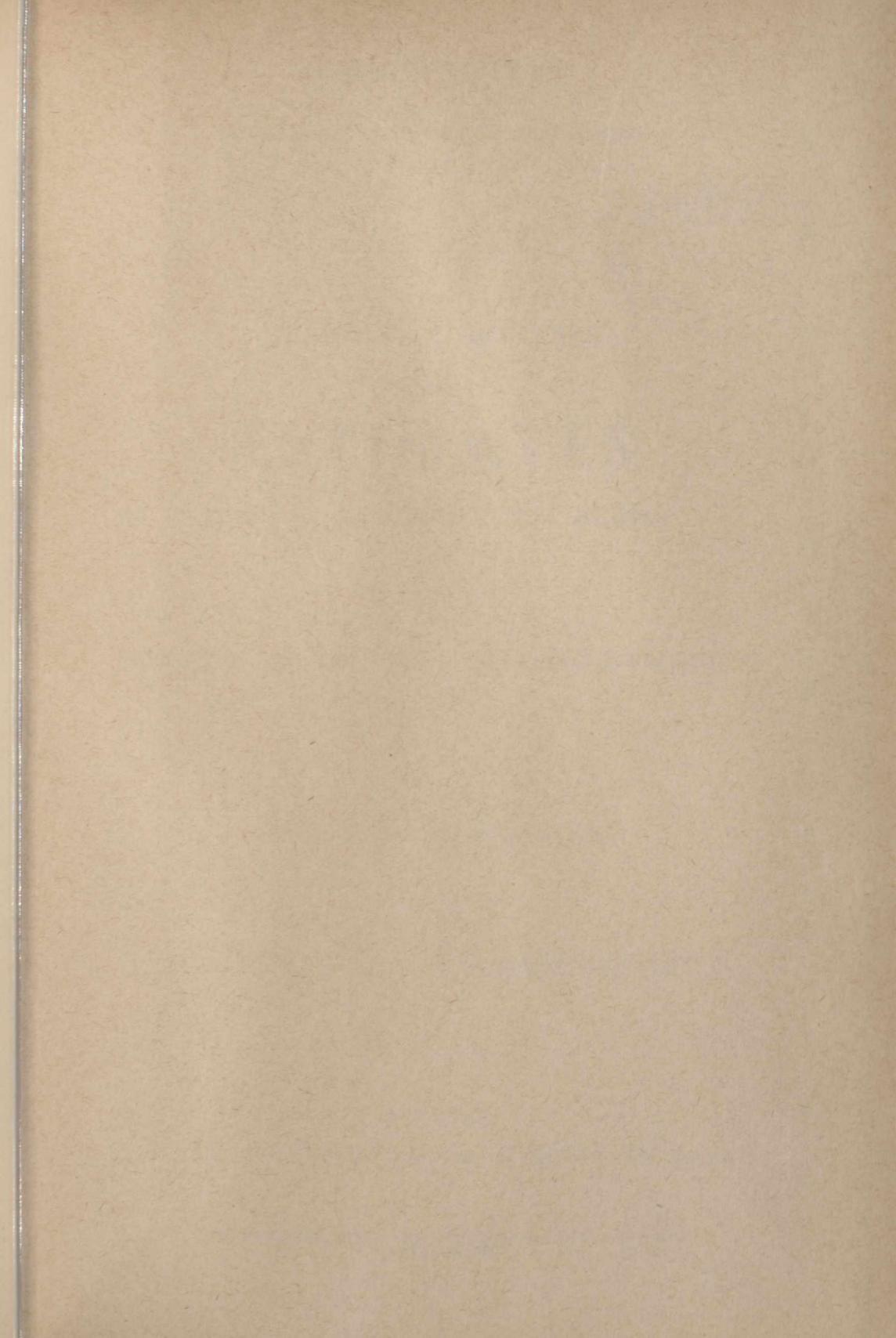
Assume proper fair market value	\$1.00	
Assume invoiced fair market value .....	.90	
Assume selling price . . . .	.90	
Assume rate of duty	20%	
Importer pays to exporter	\$.90	
Regular Customs duty ..	.20	(20% of \$1.00)
Special duty .....	.10	(\$1.00 — 90¢)
		<hr/>
Total	\$1.20	

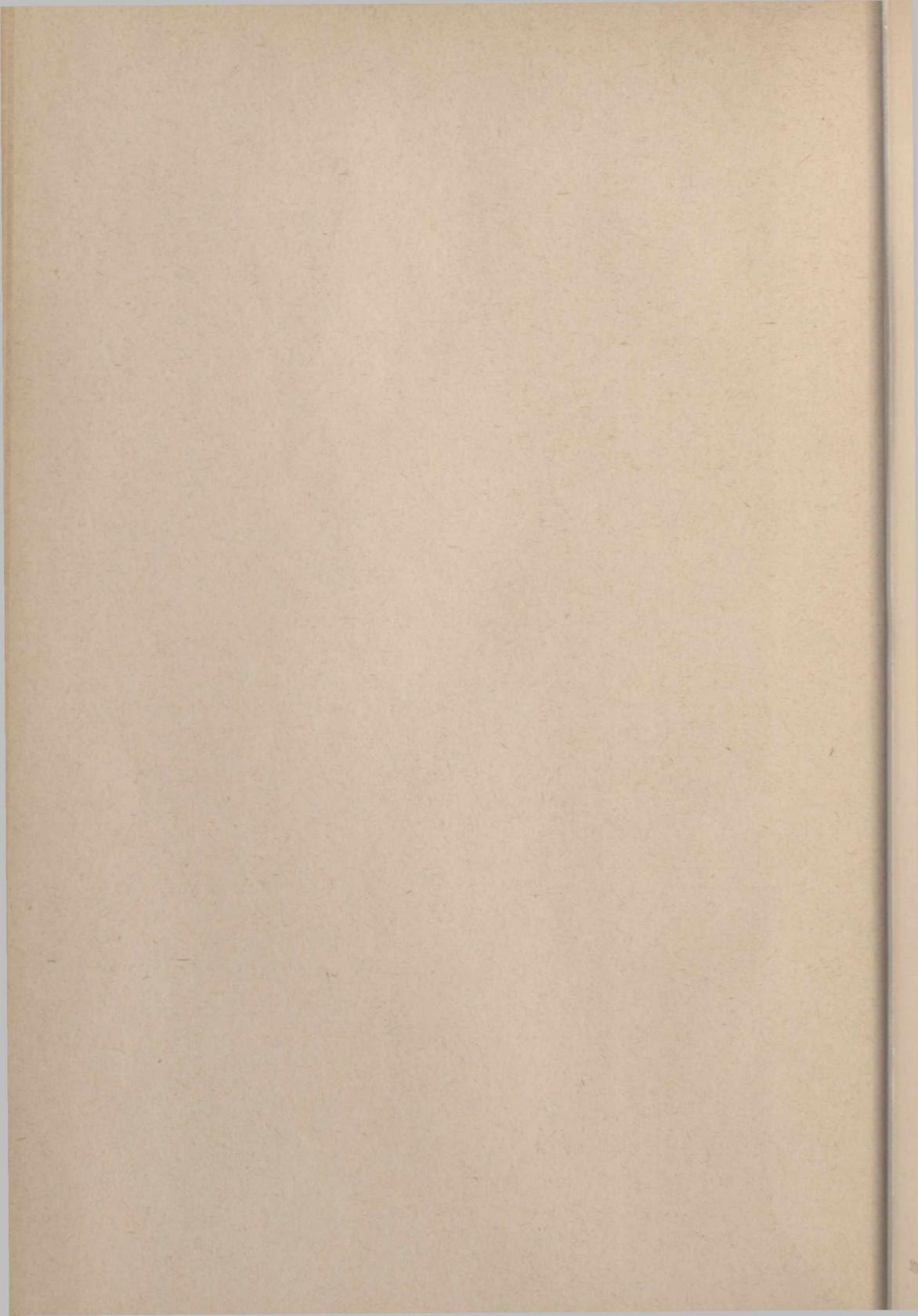












HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959



STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

TUESDAY, MARCH 10, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESS:

Mr. David Sim, Deputy Minister of Customs and Excise

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,
Baldwin,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Fortin,
Garland,

Gillet,
Graftey,
Hales,
Hardie,
Hellyer,
Hicks,
Howe,
Korchinski,
Lambert,
Macnaughton,
Macquarrie,
McDonald (*Hamilton
South*),
McFarlane,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,

More,
Morris,
Nesbitt,
Nielsen,
Payne,
Peters,
Pickersgill,
Pugh,
Ricard,
Richard (*Kamouraska*),
Rowe,
Small,
Smallwood,
Stewart,
Tassé,
Thompson,
Walker,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,

Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, March 10, 1959.

(4)

The Standing Committee on Estimates met at 10.45 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Benidickson, Bourdages, Bourget, Broome, Carter, Cathers, Coates, Fortin, Grafftey, Lambert, McDonald (*Hamilton South*), McGrath, McIlraith, McMillan, Norris, Nesbitt, Smith (*Calgary South*), and Winch. (19)

In attendance: *From the Department of National Revenue:* Honourable George C. Nowlan, Minister; Mr. David Sim, Deputy Minister—Customs and Excise; Mr. R. C. Labarge, Assistant Deputy Minister—Excise; Mr. J. G. Howell, Assistant Deputy Minister—Administration; Mr. L. Younger, Assistant Deputy Minister—Customs; Mr. G. L. Bennett, Director of Port Administration; and Mr. A. Cumming, Administrative Officer.

The Committee resumed its consideration of the Estimates of the Department of National Revenue for the year 1959-60, Mr. Sim supplying information thereon.

Item numbered 256—*Ports—Operation and Maintenance*—was further considered and approved.

Item numbered 257—*Ports—Construction or Acquisition of Buildings, Works, Land and Equipment* was considered.

The Deputy Minister was requested to prepare a statement outlining the construction projects reflected in item numbered 257. (*See Appendix "B" to this day's Evidence*)

Item numbered 257 was approved.

The Chairman, on behalf of the Committee, thanked the Departmental officials for their attendance and assistance.

At 12.00 noon the Committee adjourned until 11.00 a.m. Thursday, March 12, 1959.

E. W. INNES,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 10, 1959.
10.30 a.m.

The CHAIRMAN: Good morning, gentlemen. I find it a little difficult to compete with the farm delegation this morning, but nevertheless we do have a quorum and can proceed. I hope that none of you find it necessary to leave because that would then bring us below the necessary quorum.

We are on page 354 under the heading—Ports—operation and maintenance. Before we proceed with the item under consideration, there are I believe one or two unanswered inquiries which I believe Mr. Sim, who is again with us, can reply to now.

Mr. DAVID SIM (*Deputy Minister, Customs and Excise, Department of National Revenue*): Mr. Bell had asked if it was possible to advise as to the increase in the exemptions under item 703b (2). It will be recalled this was amended at the last session of parliament and the statistics take several months to compute.

We are informed by the bureau they have no figures yet, but they are working on this and it is expected they will be keeping track of the entries under item 703b (2).

Mr. BENEDICKSON: Do you average out by country the claims for exemptions?

Mr. SIM: There is no attempt made by us to average it. It is simply a statistical business of reporting how much comes in from each country.

Mr. BENEDICKSON: But if I, for instance, am importing from the United States and claiming \$75 out of my exemption of \$100 or \$99.50, I am wondering whether you keep those figures?

Mr. SIM: The amount would be kept. You mean what would be the average for the year?

Mr. BENEDICKSON: Yes. Do you attempt to calculate that?

Mr. SIM: Yes. My recollection is that the average figure runs about \$45. In other words, Canadians are not taking full advantage of the benefits afforded to them in that respect.

Mr. Nesbitt asked a question about the progress we are making in respect of complaints about corn brooms imported from Poland. I indicated that in respect of goods coming from behind the iron curtain, we had to look to other countries where the economy was free in order to get the fair market valuation. I find we have made inquiries in this connection which involves not only Poland but also Hungary where some of these brooms come from. It is our intention to use the figures which we hope to find in Italy in order to check the values which we will use on the imports from Poland and Hungary. Our man expects to go there in April and we should have a report shortly thereafter.

Mr. Hales asked a question concerning allowances which our officers are getting in foreign countries. I indicated they do not fare quite as well as some of the other branches of government and this is confirmed by figures I have here. Our man in Tokyo now receives an allowance of \$5,314. If he were

not working for us and was employed in one of the other branches of government he would be receiving \$7,750. In New York our man receives an allowance of \$5,315. If he were with another department he would receive \$7,656. I believe in these other departments the officials are allowed to have a certain amount for entertainment, although it is not styled as an entertainment allowance but rather a representation allowance, or something of that nature.

I think that completes the items on which I have promised answers.

The CHAIRMAN: I might perhaps mention that the member from Halifax, Mr. Morris, had a question tabled which he has since withdrawn.

I might also say, with your approval we will proceed with the items purely under the excise division, with the deputy minister. Should we conclude that portion of National Revenue, it is not the intention to proceed with the taxation division until Thursday. Quite obviously, there are a great many who would be interested in this particular section and, of course, the minister will lead off with an opening statement.

In addition to that, we have a very large group of our members who are meeting with the farm delegation and I am suggesting we proceed on this division of the department. We are at page 354, ports—operation and maintenance. I believe Mr. Grafftey had a question as of the last meeting.

Mr. GRAFFTEY: Mr. Chairman, on the operation and maintenance of ports, where does the jurisdiction of the accommodation section end and that of the Department of Public Works begin?

Mr. SIM: In a general way there are some offices for which we are responsible and some for which they are responsible. They look after the erection of the public buildings for which they are responsible. I understand we have the maintenance and repairing of a limited number of temporary offices which we have built ourselves.

Mr. GRAFFTEY: There is no fixed rule, such as the approximate size of a building, for determining whether or not the Department of Public Works takes over?

Mr. SIM: Are we on the point as to whether a building should be built by the Department of Public Works or by the Department of National Revenue?

Mr. GRAFFTEY: Yes.

Mr. SIM: Public works, practically speaking, looks after the larger structures. We do a limited amount of more or less emergency building, but beyond the emergency aspect at isolated places where there is one building involved and where it is apparently a little too small for the Department of Public Works to concern themselves with, we have a vote which enables us to put up an office or sometimes a dwelling.

I believe in respect of the actual housekeeping arrangement, we are the sole occupants of such buildings and would look after the caretaking; but generally speaking, it follows the line that for a public building occupied by customs and immigration it would be taken care of by Public Works.

Mr. WINCH: I believe my question comes under this because the customs officers and clerks are in this item. I would like to ask what is the present policy of the department in respect of the customs officers collecting the provincial fishing and hunting licences. Last year I had a number of complaints that it was seriously affecting small businesses close to the ports of entry, where they had previously handled this. What has happened as a result of those complaints and what is the present situation?

Mr. SIM: I think this is peculiar to the province of British Columbia. That is the only place where I have heard mention of this sort of thing.

Mr. WINCH: Of course I have a keen interest in British Columbia.

Mr. SIM: It is essentially a cooperative effort on our part with the provincial authorities. It is convenient for them to have our men do it, and so far we have acquiesced in its being done.

Mr. WINCH: The main point of complaint was in the Okanagan valley.

Mr. SIM: I do recall one incident last year where the wife of a former collector had a stand somewhere adjacent to the customs office and she took exception I think to our office collecting the fee.

Mr. WINCH: Very, very violent, or I should say strenuous, objection.

Mr. SIM: I do not recall she made any objection as long as her husband was the collector of customs, but I think when he retired from office she had a different view.

Mr. WINCH: What is the policy there?

Mr. SIM: The policy, practicably, is one of cooperating with the provincial governments of whatever political persuasion. I do not like to take on too much of this work, but this is something which has been done for British Columbia for a great many years and we have been simply continuing the practice. I have misgivings about it in this respect; it might result in an officer at "X" salary getting perhaps a windfall of an unknown amount.

While we do not object to our officers getting extra money, it seems desirable in the interests of unification and standardization of remuneration of our officers to avoid this if possible. We have given some consideration to perhaps turning this revenue into the general revenue which might, as a policy, take care of the objections which have been registered, because it could scarcely be argued that the official would be assiduous in directing business towards himself if there was nothing in it for him. We are giving consideration to that very point.

Mr. WINCH: I could understand the broad policy where there did not happen to be a small business adjacent to the point of entry, but although it may sound strange to some who do not understand me or understand my party, I am fighting for the small businessman who is close by. I think it should be considered under those circumstances.

Mr. BENEDICKSON: I wish to pose a little problem here which is something on which the deputy minister and I have not seen eye to eye, although that very seldom occurs.

I would like to have some expression of opinion from my colleagues. There is nothing political in this. There may be quite a number of other members who have in their constituencies, or nearby, international bridges. I assume that those international bridges, like the one we have between the International Falls and Fort Frances, are manned twenty-four hours of the day. I am interested because we are getting another international bridge in the near future between Rainy River and Beaudette, Minnesota.

There is a practice in the department to assess a special charge if importations are made beyond the normal hours of business in the five-day week, and if someone is making a commercial import on a Saturday or a Sunday he is assessed a special fee of \$5. I can see the fairness of that in respect of a port which is normally open only during the day in business hours and is closed on Saturday and on Sunday. I have a couple of that type of port and have no complaint with the special service fee in that respect.

I can think of a city like Winnipeg where an officer is required to come down on a Saturday or a Sunday to make an assessment and it is quite legitimate to charge a special fee for that service beyond the five-day week. But at an international bridge such as one which is manned by a staff 24

hours of the day, I have not been able to see the justification for this fee, especially as my impression is that the injustice even goes beyond the explanation I have given already,—or the lack of justification, shall I say. In fact I am told that most commercial importers do not actually have their goods examined as they cross the bridge. They are holders of a special permit which allows them, without examination, to have those goods pass the bridge and, in fact, the examination takes place the following Monday or Tuesday in the normal hours of business at the collector's office.

The matter was particularly aggravating our area because a very small value of the commercial import was involved. At Fort Frances we have not had a seven day a week rail service to provide railway delivery of flowers over the week-end. If there was a funeral, the commercial florist in Fort Frances was unable to obtain his flowers from a Winnipeg source. Under those circumstances, to secure flowers for a Monday funeral, he would place his order in Minneapolis as there was an American train terminating across the river at International Falls.

He had two grievances: one, it was uneconomical as the value of the product he was bringing in was probably \$5 or less; and the special charge of \$5 made is eventually charged to the customer, with the result that when people wised up, as they do in these communities, those wanting wreaths on Monday morning realized they could go across to International Falls, buy those wreaths from the International Falls florists, bring them across the bridge themselves; and as it was called a non-commercial transaction, they did not come under the \$5 charge.

Secondly, taking the winter set-up, the train comes in about seven bring it on Monday morning, and with a perishable article, he would like to bring it across at the earliest possible hour. The customs people are fully staffed on that bridge at seven-fifteen—in fact, all night; but if he brings those flowers across on the Monday morning earlier than eight o'clock, he is again charged the \$5 special fee.

This, as I say, is simply tossed in with the thought I might find some sympathy in the minds of other members of parliament who might see the implications of it in their own riding. I do this with the fullest understanding of the administration because, as I say, it has been a subject of long-standing correspondence with officials of the department and seemingly I have not been able to dent their feelings in this regard.

The CHAIRMAN: Mr. Sim, would you like to reply first; and then perhaps we can have some further questions.

Mr. SIM: If I have been unable to persuade the hon. gentleman in private conversation, that there is any justification for what we are doing, I doubt whether I will have much success in speaking to this matter in a public way.

In a general way our hours of service to the commercial people are regarded as fairly generous. We give much longer service than the banks. We are open every day from eight to five. Most people in business regulate their affairs so that they do their business within these hours of service. There was a time when people serving the public doing jobs of one kind or another, had to work long hours because it was the habit of people to come in to make their purchases at any hours that suited them. Business generally has got away from that and you now find an eight-hour day and five-day week.

Frankly, the charges made for this sort of special service is a sort of penalty for doing business after regular hours. I think that is the justification for the charge itself.

Quite apart from any penal aspect, the business of reporting goods through customs is a serious matter. It may seem more serious to me than it would to some hon. gentlemen, but it has to be done in orderly fashion. No one gets

goods through customs without examination or inspection. Every fellow who wears a customs uniform is not necessarily an appraiser or qualified to appraise goods and collect the appropriate rates of duty.

Hon. members who have looked at the customs tariff realize it is a rather intricate and involved document. I am told it takes many years of close application to the task for one to become a competent appraiser. So while we seen to have a full staff, so to speak,—that is, men who are qualified to deal with tourists and the travelling public, examine packages and the like, and perhaps look after small collections—they are not necessarily qualified to deal with commercial transactions.

I think that is about all I can say on this subject. If our hours of service were to be extended, and if we were to make no charge for this sort of thing, I am sure we would be doing business at all hours of the day and night. I do not think that would be desirable. We would have to increase our staff. At the moment our efforts are directed towards keeping our staff at the minimum. However, we are happy to work toward that direction as long as it is consistent with giving good service to the public.

The CHAIRMAN: You have made comparisons, Mr. Sim, with private business. I take it you do not subscribe to the theory that the public service should be expected to operate a little above and beyond the call of ordinary duty. That is what it amounts to, is it not?

Mr. SIM: No. Just as we all expect the government to be a good employer, so we expect government employees to be an example to everyone in the matters of courtesy, tact and their general approach to the public. Generally speaking, I think our men are very good. As civil servants, go—and being one myself I am not going to deprecate the class,—you will find our men are not excelled anywhere for their courtesy and tact and their inclination to provide general information to meet the needs of the travelling and business public.

Mr. BENIDICKSON: I might follow that up by trying to pin-point the reason for my dissatisfaction. This is a special service charge. I maintain that where the service is existing twenty-four hours of the day there are no special services rendered. I agree that in places where they try to adhere to an eight-to-five set-up, that any special services demanded should be paid for if officers have to come down to serve the public outside of these special hours.

The other point the deputy minister made was that the bridge would not necessarily be manned by people qualified to do the appraising. Now, surely that is not so at the bridges I have in mind, because a person does get the service and does get the appraising—and surely they are getting the proper appraising. They get the service but pay the \$5. It is not a matter of calling someone who has had more experience in these matters to go down to look at a truck going through. There is somebody on the bridge twenty-four hours a day capable of doing that; or else something in slipping through that should not be slipping through without proper appraisal.

The CHAIRMAN: Perhaps we could have some more questions along those lines. Have you a question, Mr. McIlraith?

Mr. McILRAITH: No it is all right.

Mr. CATHERS: I was going to speak on it, but in opposition to Mr. Benidickson. I think the government is right in this connection, because otherwise it would encourage more commercial people to put things through on the weekends when there is already a heavy load of tourists. It also discourages imports from the United States where you can import them from Canada. On those two points I think the government is right in charging.

Mr. MORRIS: Since the member for Kenora-Rainy River invited comments on this, I would say that I had not heard of this matter in which apparently

it is more fitting to die on week days than it is on the week-ends in his riding. However, I do feel that the deputy minister in giving these extemporaneous remarks has introduced some rather far-reaching inferences when he suggests that the use of a service fee is being used for penalty purposes. I suggest that this goes beyond "Bill" Benidickson's riding and affects a large sector of the economy. This is the supplanting of legislation by administrative order, and that is defying the purpose of parliament. Probably I would modify that if I were making a prepared statement on it myself. But to supplant the intention of a service fee and utilize it by administrative decision for purposes other than those intended by parliament, surely is to supplant the intention of parliament. I also want to say in a very soft voice that I think more government employees could be an example. May I say with all respect that I do not think the deputy minister this morning has made a very good case for not keeping a seven day a week operation. If we are to be servants of the public and not parliamentarians only, I think that "Bill" Benidickson has made a very full case. But beyond that it has connotations for my area—for instance, in the maritime area. If we are going to have departmental administrative orders supplanting legislation, then I think we are going into a field which I think we should explore more fully. It gets out of the realm of cadavers in the Kenora-Rainy River area.

Mr. SIM: I am particularly sensitive to any charge of bureaucracy stepping between parliament and the people, and nothing would be further from my way of thinking. Perhaps it is just that my remarks were, as the hon. member indicated, extemporaneous and that, with no advance notice that the question was coming up, my remarks were not as full as they might have been. But to set the mind of the hon. gentleman at rest, as to whether somebody is contemplating something departmentally that parliament did not contemplate, the authority for all of this will be found in the Customs Act. It is laid down by parliament and provides for the regulation of the service. There is an order in council which does provide under this authority for those charges. Perhaps my use of the word "penal" was unfortunate. What I wanted to indicate by that was that we want to discourage people from doing business at all hours, if we can; I think that is not an unreasonable point of view.

Mr. MORRIS: It is not an unreasonable matter at all to ask people normally to do business in the normal times. But my point is that surely if there are circumstances which prohibit the Canadian taxpayer, or impede him from conducting his normal business during hours set by your administrative authority then surely we will have to have the administration conform to the public, rather than have the public conform to administrative order.

Mr. SIM: As is generally known, the port of Halifax is one of the great ports of the world. I am sure the hon. gentleman will agree there is a great deal of traffic coming through that port. In thirty years I cannot recall any complaint from Halifax about the services given by our people in that area. So whatever might be said on the principle that is being discussed now in a practical way, I do not think this is a vital issue. I checked with the officials here and they cannot recall any complaints at all from that area. This indicates to me that the people in the maritime provinces do business within business hours.

Mr. MORRIS: May I say that the witness has missed the point entirely, as I understand it. I am not talking here of my riding for one minute; I am talking about the application of an order for a service fee. Mr. Sim did say this administrative order was being used to penalize people.

The CHAIRMAN: I think I should point out that Mr. Sim suggested the word "penalty" was not the appropriate word to use in the circumstances.

Mr. NESBITT: This is a very interesting discussion, Mr. Chairman. While I must say I sympathize with the constituents of Mr. Benidickson's riding, I do not think the necessity for bringing flowers for a funeral in one place would necessarily warrant a change in the administrative regulations. These regulations would have to apply everywhere.

However, something comes to my mind as a result of this discussion which I think should be looked into and considered by the department. In the last few years, due to a change in the habits, customs and tastes of Canadians, in the winter months in particular—I know this is true in my part of the country and I presume it is true elsewhere—large quantities of fresh fruits and vegetables are brought into the country. These are of a very perishable nature. The have to come over bridges in our part of the country at Detroit or Niagara Falls, for example, and they often come over on Sundays for the Monday markets.

It would seem to me that this increase in the cost of a small load would add something to the cost of bringing into the country these perishable fruits and vegetables.

This may be a negligible item, but I would like an answer to this question. If a large truck load of fruits and vegetables, for instance, was coming up from Florida to southern Ontario, would it be necessary to bring only one customs appraiser down, or would it be necessary to have two or three? What is the extent of it? I am interested to know the answer, because it is the kind of thing that follows from Mr. Benidickson's remarks, and it may apply to other perishable goods besides fruits and vegetables. No doubt there are other things which might incur great damage in the cold winter weather. Perhaps the deputy minister could give us some information on that.

Mr. SIM: Yes, I would be very happy to do so. This is one of the things I mentioned as one of the procedures when we were last before this committee. It has been worked out to facilitate clearance of perishable commodities.

There is a practice whereby in a situation of emergency the importer can get his goods immediately in order that there will be no spoilage. I think the nature and extent of the examination required would differ with the particular commodity involved. However in most instances—I think we are talking about one truck only—one appraising officer would be adequate to deal with it.

Mr. GRAFFTEY: Mr. Chairman, what is normally done with perishables confiscated at the border?

Mr. McILRAITH: You mean the kind that gurgle?

Mr. SIM: Does the hon. gentleman have in mind goods not declared which are taken by the customs officer?

Mr. GRAFFTEY: I have that in mind also. There are goods which are confiscated because they are not declared. I imagine—I am perhaps not correct in saying this—that people might bring vegetables over and decide to leave them with the customs officer and not pay the duty on them. I am thinking of cigarettes, candies and groceries.

Mr. SIM: In respect to cigarettes there is a procedure about which I will tell the committee. This is a special service rendered without any charge. Our officers go around the hospitals in their spare time and hand these cigarettes out to disabled veterans. We are very glad to be able to do that.

I do not recall much of this sort of thing in respect to other perishables. I seem to remember that in the particular part of the country which the hon. gentleman comes from—the members will perhaps forgive me for identifying themselves with their questions—there has been difficulty about margarine. In some cases we have had to confiscate margarine.

My recollection is that on occasions we have given things of a perishable character to charitable institutions, because it was not possible to hold them for

the ordinary disposal of confiscated goods. The law provides that the minister may dispose of perishable goods. What is done in practice is that goods which are not of a perishable nature are kept until they reach a reasonable quantity; then they are sold at public auction to the highest bidder. But I am not aware that we have any real problem in regard to perishable goods being destroyed, such as was inferred by the hon. gentlemen. I would hate to think that was the case. These goods can be distributed to charitable institutions. I would hate to think that in some cases the perishables have been destroyed. The collector would use some common sense and turn them over to the nearest charitable institution.

Mr. BENEDICKSON: I do not want to pursue this matter unduly, and I certainly do not dissociate myself from the remarks of Mr. Morris, who very kindly made some observations to the committee on my behalf. However, it was not my point at all that we should alter the decisions that have been made with respect to those ports which have limited hours of public service. I am talking about the port where the service is rendered and the staff are there anyway. With regard to the bridge service I was speaking about, I was just indicating the florist as the source of the problem. But it does apply to trucking, and so on. As Mr. Nesbitt pointed out, in that type of business people are not going to wait on the border for Monday morning opening. I imagine we have the staff to look after these people at the international bridges.

A \$5 fee has been established at international bridges, and I presume that the examiner gets no part of that amount. He has performed no special service; he is on duty and nothing is paid to him out of the \$5—is that correct?

Mr. SIM: If the officer were on shift, he would not get any extra money.

Mr. BENEDICKSON: If there was an occasion to impose a \$5 assessment at Winnipeg, say, because somebody wanted an assessment on Saturday or Sunday and the office was not open, somebody would have to be called from home to go down and meet the importer and render the service. In that case, what does the employee get for his special services?

Mr. SIM: The \$5 arrived at is for a minimum of two hours at \$2.50 an hour. I think that is where the \$5 eligible penalty comes from.

I cannot answer as to the exact amount the officer is paid; but the officer is paid overtime for this service which he is required to perform.

Mr. BENEDICKSON: If the \$5 minimum is imposed, does he get the \$5 for services rendered beyond the normal requirements of his duty?

Mr. SIM: Not exactly. It would depend on his rate of pay. Obviously, you cannot go around charging odd amounts here and there. It would depend upon whether the officer was at his minimum or his maximum salary. There has to be some orderly check on these collections. This is a flat charge of \$2.50 an hour with a minimum of two hours.

Mr. WINCH: Is the officer paid for overtime, or does he have to take time off?

Mr. SIM: I will come to that. That is another subject.

Mr. NESBITT: I have just one further question on the subject, Mr. Chairman. I was not quite sure on this point after hearing Mr. Sim's answer.

Do they pay the \$5 fee at border ports such as Detroit, Windsor and Niagara Falls, where there are regular trucking facilities bringing in vegetables on Saturdays and Sundays?

Mr. SIM: Yes. Anybody trying to conduct customs business after regular hours has to pay a special service charge. It is a matter of principle. The hon. gentlemen have been discussing bridges and particular points of entry, but we

have to administer this whole border line. I hate to think of the confusion that would exist at the port of Windsor, for example, if we were to imply that we would do business of that kind seven days a week. That situation would develop hopeless confusion.

Mr. NESBITT: I was thinking of this from a practical point of view. I realize that a \$5 fee for a truckload of green vegetables would add only a most negligible amount to the cost of the vegetables.

In Mr. Benidickson's case there is some actual hardship involved, and it might possibly arise in other places. I realize, of course, that the cost to the department of having special and highly qualified officials on duty all the time would be very great. However, might it not be possible for certain specified perishable items, such as flowers, fruit and vegetables, to be passed through customs by the ordinary people on duty, involving no extra charge on these particular items? It would not be too difficult to assess tariffs on fruit, vegetables and flowers and perishable items of that nature.

Mr. SIM: I hate to disagree with the hon. gentleman, but there is nothing more involved than the tariff on fruits and vegetables coming into this country. There is a whole act dealing with agricultural requirements and regulations. This is so much so, in fact, that my observation has been that the importation of fresh fruits and vegetables is in the hands of people who know their business very well, and consequently these things proceed very smoothly.

The CHAIRMAN: Calgary is an example of an inland port—perhaps the largest in the west—where there is a great deal of United States-Canada Air traffic on a non-scheduled basis. In a case of that kind, do you consider there is any inadequacy on the part of your staff, Mr. Sim, in checking these non-scheduled items? Also, does the same principle apply with regard to penalty?

Mr. SIM: I cannot remember any real complaint about the service at Calgary. We are very fortunate there in our facilities. We have one of the older buildings, but it has a good deal of room in it. In so far as service is concerned, Calgary has been fortunate because of the adoption of the interior sufferance warehouse idea. Instead of goods being inspected south of the border—at Coutts, for example—they can go right through to Calgary and be examined there.

The CHAIRMAN: You are speaking of air transport, of course?

Mr. SIM: Yes. In a general way, I cannot recall any complaints about the service there.

Mr. GRAFFTEY: Mr. Chairman, I know we have touched upon this question in detail through the estimates which are currently under discussion. I also know it is self-evident that the very nature of customs work creates a fair amount of public comment. It is also self-evident that we are currently discussing a branch of government, under this section, where good public relations are of paramount importance. Naturally, customs officers are invariably the first Canadians to greet visitors to our country.

The CHAIRMAN: What is your question, Mr. Grafftey?

Mr. GRAFFTEY: My question, Mr. Chairman, is this. After a customs officer is accepted in the department, what is, in general outline, the standard instruction and training the officer gets in relation to the efficiency and courteous handling of the public? Is he supplied with a handbook, and are formal instructions given, or is this training generally handled by his superior officer?

Mr. SIM: So far we may not have been as efficient from a training point of view as we perhaps might have been. I indicated that we have been fortunate in the type of men we have obtained, chiefly because our type of work appeals to men who have served in the armed forces. I believe we have perhaps

the largest number of veterans in our service of any branch of government. I think our officers mostly learn by serving on the line with more experienced officers.

It is very easy to waste a good deal of money in training programs, but we recently had a competition for a training specialist. The best that the Civil Service Commission has been able to do is to find only one person who is qualified, and there seems to be doubt as to whether he will accept the position if it is offered to him. It may be we in Government service are too niggardly in spending the money that ought to be spent in that direction. Perhaps we ought to do a little more.

Mr. GRAFFTEY: I was wondering if these standards of courtesy and efficiency are looked for in the competition that is held.

Mr. SIM: My minister, who has just come in, uses every effort to extol our officers to be courteous, helpful and polite, and it is gratifying to see how much good has arisen from that sort of thing, as evidenced by the correspondence we receive.

The CHAIRMAN: Shall we proceed?

Mr. BENIDICKSON: I am not speaking about the same type of special service charge, but I wonder if the deputy minister could tell us what the practice is in the case of non-commercial aircraft arrivals, both within and without the normal hours of service at a port, where the appraiser has to go from downtown out to the airport? Is a special examination fee charged in such a case?

Mr. SIM: Is it a non-commercial flight, and are they arriving at an airport where we have 24-hour service?

Mr. BENIDICKSON: No. I am speaking of an airport in relation to a town, where you have to go all the way from downtown to the airport.

Mr. SIM: There would be no special service charge made for non-commercial traffic under those circumstances.

Mr. NESBITT: I have had to make numerous trips back and forth across the border in the last few years. I have watched how customs officials dealt with the travelling public and I have noticed a great improvement in the courtesy and service which ordinary travellers are accorded at the numerous ports I have gone through in Canada. I think that reflects great credit to the service generally.

Mr. BROOME: I have a question on a detail of the estimates.

The CHAIRMAN: We are still on port operation, under item 256.

Mr. BROOME: Yes; my question has to do with port operation.

The CHAIRMAN: Very well, please proceed.

Mr. BROOME: My question has to do with chauffeurs, at page 356.

The CHAIRMAN: Please keep to page 354. Are there any questions on 354?

Mr. McMILLAN: I am interested to know whether fruits and vegetables—loads of fruits and vegetables this time—coming to an inland port would be bonded at the border without charge?

Mr. SIM: Oh yes, that happens at the border, when a seal is placed on the truck and it proceeds to the interior port for clearance there.

Mr. McMILLAN: In connection with the construction of custom houses and so on by bridge authorities, such as is taking place at the present time at the Peace bridge at Buffalo: does the Department of Public Works pay rental for those buildings, do they contribute towards the construction of them, or what?

Mr. SIM: Traditionally—and this may come as a surprise to some hon. gentlemen—wherever a bridge or a ferry is in operation, the operators are required to provide facilities for the carrying on of the duties of the customs and immigration officers.

This is a subject which arises every once in a while in the minds of the bridge and ferry operators, because they feel that they ought to be paid a rent, or that the government ought to make some contribution for those quarters.

It has been the policy over the years to regard those points of entry as representing something in the nature of special accommodation afforded to the people who are making money out of providing entry into Canada at that point.

It has not seemed unreasonable to succeeding governments that the operators should provide customs facilities. Sometimes I have wished that it was otherwise, because in that event we could insist upon better accommodation than we get under the circumstances.

Mr. BENEDICKSON: Generally, what would be the practice of the department upon receiving complaints as to inadequacy in the accommodation provided, let us say, with respect to public washrooms? Would you ask the complainant to get in touch with the bridge or the ferry authority, or would the department ordinarily communicate directly with the bridge or the ferry operator?

Mr. SIM: We would do both.

The CHAIRMAN: We are on item 256 on page 354.

Mr. McMILLAN: In connection with people living in the United States and having business there, and also having summer homes in Canada; how about their cars? Must they maintain a Canadian car kept in Canada on which Canadian duty is paid, or can they use their American car? I know there has been quite a lot of trouble in our area in connection with that problem.

Mr. SIM: That is a difficult subject. Are you speaking of a resident who works in the United States but who lives in Canada. There is a principle involved. These are domiciled in Canada, and yet because they work in the United States where cars are much cheaper than they are in Canada, they are inclined to get their cars over there for that reason. Having acquired an American car, they then use it for general purposes in Canada. That is one of the difficulties we encounter.

They can use the cheaper American car for transportation purposes—that is, for a direct journey from a particular point in the United States to a point in Canada, and going out again. Obviously it would be unfair to discriminate against other Canadian residents who might like to purchase a car at as low a price as it may be purchased in the United States, if this group living here were to be put in a preferred position in that respect. That is the way the law is applied.

In respect to summer residents, there is provision made for tourists domiciled abroad and others who come up here for a limited number of perhaps, one, two or three months, to bring in their cars under the ordinary provisions that we have for tourists and others who come up for health or pleasure.

The CHAIRMAN: We have for the most part—and we have been quite in order—been dealing with procedures today. May I however ask you to turn your attention to the estimates themselves.

Mr. CARTER: Is there a time limit on how long a fellow may come in with his car? Is it up to six months for an American?

Mr. SIM: Yes; six months is the permission.

Mr. McMILLAN: A person in our area some years ago had an American car, but he was fined for using it to go church on a Sunday. The principle you cited would apply, would it not?

Mr. SIM: That was a case in point. The person involved there must have been a resident of Canada who was working in the United States and who

had brought in a car under special permission. That special permission only allowed him to go from a point in Canada to a point in the United States, and vice versa.

Mr. McMILLAN: He may not use that car to go to a store or to go to town?

Mr. SIM: I deprecate that special concession. I suggest it might be better policy to insist that such people living in Canada adhere to the same requirements which apply to all other residents of Canada.

The CHAIRMAN: Have we completed our questioning on page 354? If so, let us turn to page 355. Are there any questions? If not, let us turn to page 356.

Mr. BELL (*Carleton*): I notice there has been a substantial reduction in the amount for overtime, to the extent of about \$230,000. What is the explanation for that?

Mr. SIM: Well, compensating time is largely contributing for that decrease.

Mr. BROOME: My question is in regard to chauffeurs where I see there is an increase in number from nine to ten; nevertheless there is a decrease in the estimates to the extent of a few hundred dollars, in which case it would appear that the chauffeurs are being paid less. Simply divide ten into the sum of \$24,954. I wonder if we might have an explanation of that item?

It seems to me that the chauffeurs should be paid more than that. It seems peculiar that we can get ten chauffeurs for less than we paid for nine previously.

Mr. SIM: I do not want anybody to think we are employing a group of chauffeurs to drive senior or junior officials around. These men are really operating a trucking service for us. They are paid as prevailing rate people. They are paid whatever is the going rate in the area, for the kind of work they are doing.

I am not certain about the reason for the difference between nine and ten, the reason for our asking for less money for ten men than we asked for nine. It might be perhaps that there was a slight overestimate. Is that possible? I am told it is a reflection of the actual salary.

Mr. BROOME: There was an overestimate in the previous estimates?

Mr. SIM: No. It probably represents the actual salary paid to these people.

Mr. BROOME: The ten might not have been on full time, or might not have been employed for the full year; in other words a ten-man year as compared last time to nine men. But perhaps it might be better to let the question go and have an explanation for it put on the record.

The CHAIRMAN: That will be done.

Mr. SIM: I do not want to leave anything up in the air. I was checking to find out whether my "notion" had any foundation in fact. I am told it could well be that this was an amount estimated in the previous year, but that now, in the light of experience, we are asking for a figure this year which is closer to the actual. You will recall that at the last meeting I emphasized the point that we were one of the few who were asking for less money.

The CHAIRMAN: No paid commercials, please.

Mr. WINCH: I would like to ask what policy is followed in the purchase of office stationery, supplies, and equipment. It seems to me that is rather a continuing expense, yet I notice a jump from \$497,000 to \$761,300.

Mr. SIM: My minister pointed out at the first meeting that we were moving into the field of greater mechanization because we found there would be a saving in manpower. That is the reason for our having a larger estimate. We are spending more for machinery and equipment and therefore saving in the long run on man hours.

As to the purchase of these things, we buy everything through the Queens Printer.

Mr. WINCH: I remember what was said by the minister. Are you purchasing outright or are you renting from I.B.M.?

Mr. SIM: The kind of equipment we have we are able to purchase. I am familiar with the other type of contract but our department does not require it. We are able to purchase ordinary accounting equipment.

Mr. GRAFFTEY: I would like to have a few details of the estimates, and I shall revert to the general discussion. I do not want this section to go by without mentioning the public travelling on planes and ships.

My observation is this: if the airport at Dorval is an example of improvements that have been made lately, I would like to take this opportunity to congratulate the department.

I have checked in through the customs at Dorval quite a lot lately and I can only tell the department that any improvements that are made along those lines for public travel by air or by ship are sincerely appreciated.

I would like to point out Dorval and thank the department on behalf of the people in the area. The department should be encouraged to take any steps which will help boat and plane passengers in respect of service.

The CHAIRMAN: Thank you, Mr. Grafftey; you are on the record.

Mr. CATHERS: Would it not be better to designate these persons as truckers or something other than chauffeur?

Mr. SIM: It is a civil service classification. Actually, while we speak of it as a trucking operation, primarily they are driving ordinary cars around carrying officers from point to point, or driving station wagons. I think they have to have a chauffeur's licence.

Mr. CATHERS: You think the individual might object to being called a trucker?

Mr. BELL (*Carleton*): I would like to ask if there is any significance attributed to the fact that postage is reduced and telegrams and telephones are up \$10,000? Is there any intention of increasing the use of telegrams and telephones, as opposed to Her Majesty's mail?

Mr. SIM: I am told we must take credit for spending less on postage as a result of our organization and method studies, for which we have taken credit now,—perhaps all too often. That is one reason. As to the increase in telephone bills, it has been necessary to provide additional facilities, and I believe, there are higher telephone and telegraph rates, in effect.

Mr. NESBITT: I see the item, fuel and food. Fuel is self-explanatory, what is the food for?

Mr. WINCH: So they can live.

Mr. SIM: We have a limited number of officers who apparently have very good jobs and who work in isolated areas in the summertime where they are not able to purchase food. I dare say the department does something about their maintenance. Lake of the Woods area is a case in point.

Mr. BELL (*Carleton*): They are provided with food?

Mr. SIM: Yes.

Item agreed to.

Item No. 257. Construction or Acquisition of Buildings, Works, Land and Equipment. \$935,500

Mr. WINCH: I would like to ask a question about something which has always puzzled me in respect of all departments. How do you decide on construction of buildings whether it is done by your department or by the Department of Public Works?

Mr. SIM: We endeavour wherever possible to get the Department of Public Works to do it. Perhaps I might read a short explanation of this vote.

This vote covers all proposed new construction, including, wharves, roads, and other fixed assets including construction of housing. It also covers major alterations or basic modifications of existing structures. This construction is performed by contracts let by tenders and construction is supervised by the department. The buildings other than residences are constructed for temporary purposes and are located at frontier points, generally on international roads where traffic is limited and does not warrant the construction of permanent facilities by the Department of Public Works. The Department of Public Works has declined to construct resident accommodation. Provision is also made for acquisition of equipment for use in these buildings and for other equipment items.

The amount requested provides for the construction of the most urgently required buildings and the provision of necessary equipment.

It would be assumed from that that we only go in where we are unable to get the Department of Public Works to do it for us. After all, they have a big responsibility for a lot of large buildings and ours are very modest structures. The whole expenditure is not really very large in relation to the rest of our expenditures and it would only be a drop in the bucket as far as Public Works is concerned.

Mr. WINCH: Have you hired your own architects?

Mr. SIM: We have in the accommodation branch a small unit which has to do not only with plans for buildings but also has to do with the layout in relation to flow of work and that sort of thing, as well as looking after the maintenance and housekeeping of the buildings for which we are responsible.

Mr. WINCH: You said a few moments ago that in the main this is for temporary structures. I know it cannot be the total amount here because it is \$975,000, including equipment. Could you tell us how much of this vote is for what you term temporary structures?

Mr. SIM: When I say temporary I do not mean something prefabricated, or anything like that. When we put up these things they are expected to last a long time. It is somewhat like the temporary buildings around Ottawa which have been here a long time and may be here a lot longer. But they are styled temporary.

Mr. WINCH: Would you give us the total amount of your actual construction?

Mr. SIM: The construction program for this year is \$411,500.

Mr. MORRIS: Is it a very long statement? Could it be conveniently filed in the evidence?

The CHAIRMAN: Yes.

Mr. WINCH: Are you opening up any new ports or is it on account of the growth of population? This amount of \$450,000 is a lot of money.

Mr. SIM: Ever since the royal commission on customs and excise reported against the number of offices we had, the policy is to reduce rather than add to the number of customs offices. Having said that, we have to take cognizance of the changes in the habits of people and we have to follow the business wherever we find it. In a general way, the answer is we are not opening up a great number of new offices.

Mr. MORRIS: Could you tell me what your intentions are in respect of the customs house at Halifax where you are moving the staff to the new federal building?

Mr. SIM: We are participating in the tenancy of the new public building created there. It was a source of some disappointment to me that we were not able to maintain our separate quarters in a traditional port like Halifax, because I have in mind what happens at the other extreme of the country in the port of Vancouver, for instance, where we have a custom house. It seems too bad that ports as well known as St. John's, Newfoundland, Halifax, Saint John, New Brunswick, or Victoria do not have a distinct custom house because these ports are known all over the world. I think it is a little awkward sometimes for a master of a vessel to come in and ask where the customs house is and to be informed it is on the third floor back of a building on a side street. This is just a page out of our romantic past which is passing with the modern efficiency of operation.

Mr. McGRATH: Is it not a fact that the new building at St. John's, Newfoundland, is referred to as a customs house?

Mr. SIM: I think we scored a point there.

Mr. McGRATH: Do you foresee any increase or decrease in your staff there as a result of their being housed under one roof?

Mr. SIM: The hon. gentleman will remember by the terms of confederation we were to look after the existing customs staff in Newfoundland. In so far as our department is concerned, the situation I think is unique in government.

While the departments from the mainland, so to speak, had to move into Newfoundland and find staff to do their work we were blessed with a great many well-qualified men because Newfoundland in the days before confederation, had relied to a rather abnormal extent on customs duties as a means of raising revenue.

The result was at confederation we found an excellent body of men, and under the terms of union we have maintained in Newfoundland perhaps more people than we actually needed in relation to our work standards. The answer is that I see no increase in staff but more a gradual reduction at the port of St. John's unless there is some increased business to warrant taking on additional help.

Mr. GRAFFTEY: Is there any rule or international agreement which would prevent the department from limiting entry of certain foreign goods at specified ports of entry?

Mr. SIM: There is no agreement with anyone about this matter. Would you indicate what you have in mind?

Mr. GRAFFTEY: I do not want to open up an old subject but the only thing I have actually in mind would be the textile problem. Would it possibly make it easier for the appraisers if the ports of entry for textiles were specified?

Mr. SIM: The royal commission recommended not that particular imports should be directed towards particular ports but rather that there should be a reduction in the number of ports through which business could flow, so that you would be assured of a more expert or efficient type of appraisal. However, this I think would require legislation and it is doubtful if it would be easy legislation to put through.

The CHAIRMAN: I regret to advise you that until Mr. Benidickson returns we are unable to pass this item, as we are one short of a quorum.

Mr. BROOME: I have a general question. If you do receive complaints from the public—whether or not they are justified—in respect of treatment at border points I assume the department follows up on those complaints in an endeavour to find out whether or not there is anything behind them?

Mr. SIM: Yes. We are sensitive on this point. Every serious complaint received by us is reviewed by our inspection staff.

The CHAIRMAN: Well, gentlemen, we are going to keep the first item open; but nevertheless we have closed 256.

Shall item 257 carry?

Item agreed to.

The CHAIRMAN: On behalf of the members of the committee I would like to thank Mr. Sim, and of course the minister and all the assistants who have been so very helpful and cooperative. Thank you very much, gentlemen.

On Thursday we will meet at eleven o'clock here and start on taxation—again with a statement from the minister.

APPENDIX "B"

CUSTOMS AND EXCISE

PROJECT BREAKDOWN OF ACCOMMODATION CONSTRUCTION

1959-60

<i>New Construction of Temporary Buildings</i>		123,500
Highwater, P.Q.....	32,500	
Abercorn, P.Q.....	30,000	
Comins Mills, P.Q.....	25,000	
Clarenceville, P.Q.....	20,000	
Deer Island Point, N.B.....	7,500	
Navy Island, Ont.....	8,500	
<i>Construction of Temporary Buildings (Revote)</i>		147,000
Courtright, Ont.....	20,000	
Pleasant Camp, B.C.....	5,000	
Emerson, Man. (Pembina).....	30,000	
Hereford Road, P.Q.....	5,000	
Windygates, Man.....	25,000	
Elmore, Sask.....	25,000	
Nelway, B.C.....	25,000	
Clarenceville, P.Q.....	12,000	

NOTE: Winter conditions curtailed construction necessitating carry-over of amounts indicated at Pleasant Camp, Hereford Rd., Windygates, Nelway and Clarenceville where contracts were actually awarded during 1958. Highway reconstruction (uncompleted) and property negotiations curtailed awarding of contracts at Courtright, Emerson and Elmore.

<i>New Construction of Housing</i>		20,000
1 Residence, Clarenceville, P.Q.....	20,000	
<i>Construction of Housing (Revote)</i>		121,000
2 Residences—		
Hereford Rd., P.Q.....	42,000	
1 Residence—		
Elmore, Sask.....	24,000	
1 Residence—		
Waneta, B.C.....	25,000	
1 Residence—		
Treelon, Sask.....	5,000	
	(for completion)	
1 Residence—		
Frelighsburg, P.Q.....	5,000	
	(for completion)	
Conversion—		
Elmore, Sask.....	10,000	
Conversion—		
Windygates, Man.....	10,000	

NOTE: Weather conditions curtailed construction necessitating carry-over of amounts indicated at Elmore, Sask., Treelon, Sask., Frelighsburg, P.Q., and Windygates, Man. where contracts were actually awarded during 1958. Highway reconstruction and property negotiations delayed awarding of contracts at Hereford Rd., Waneta, and Elmore (conversion).

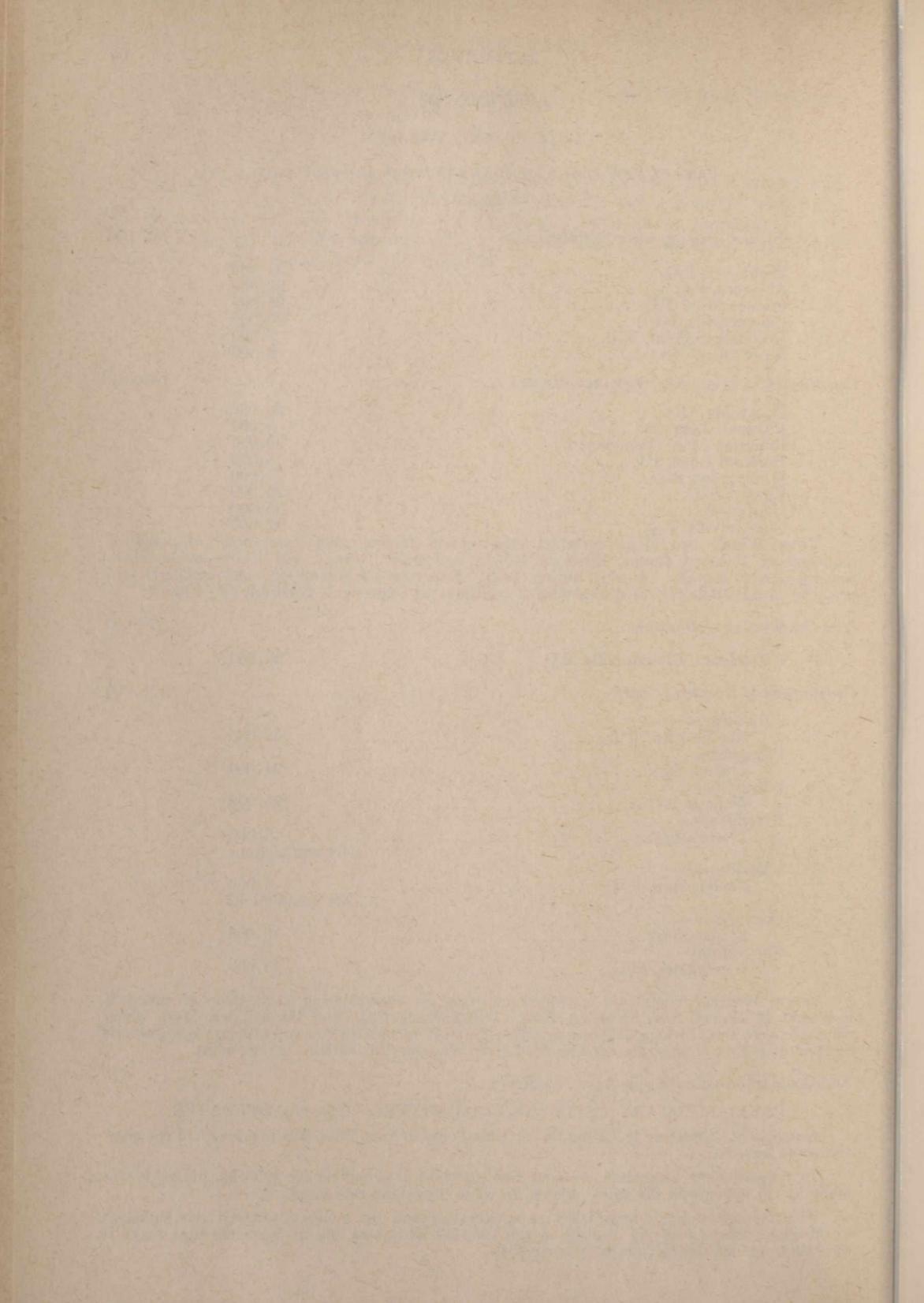
Additional information supplied *re*: Chauffeurs.

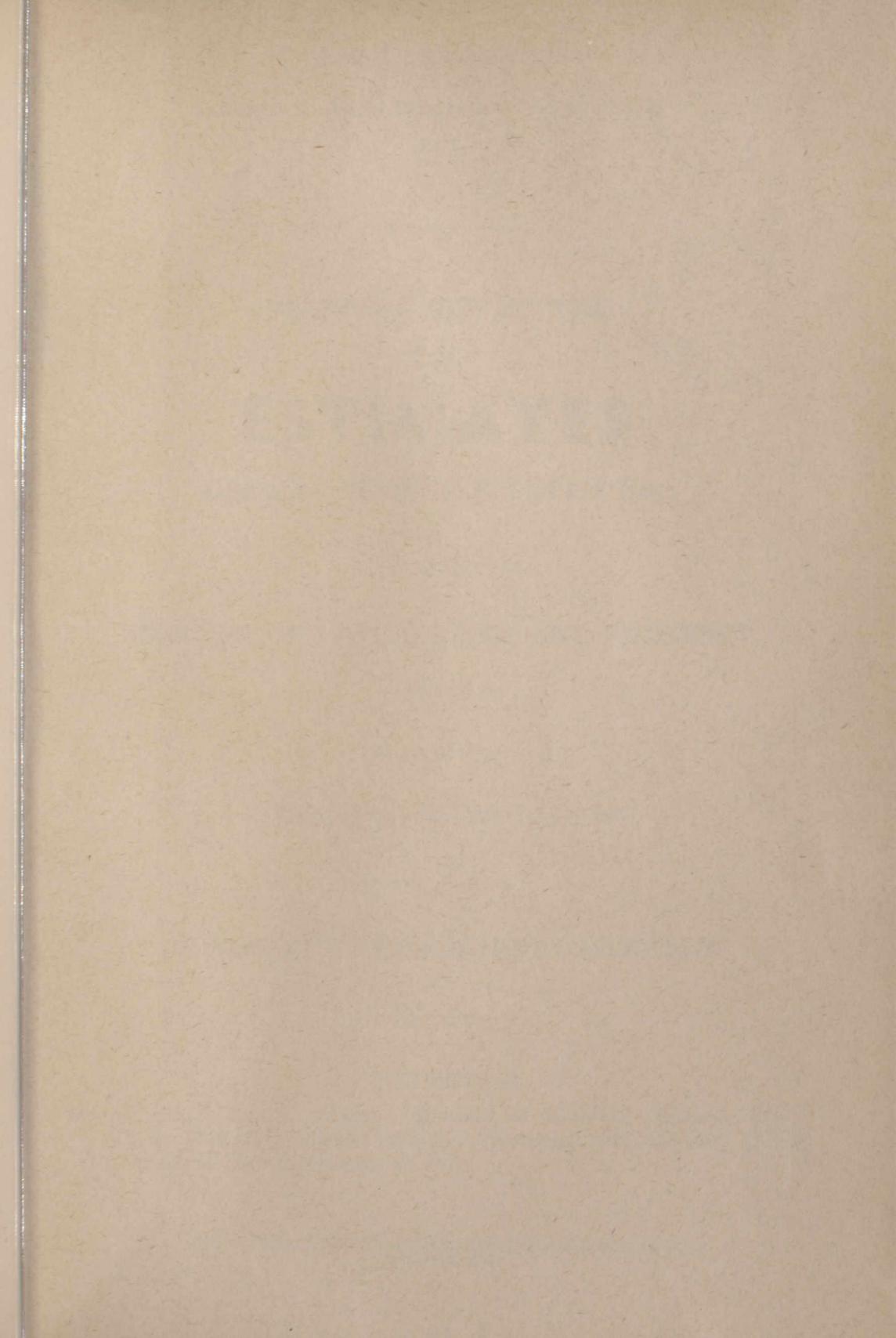
PARLIAMENTARY ESTIMATES COMMITTEE—1959-60 ESTIMATES

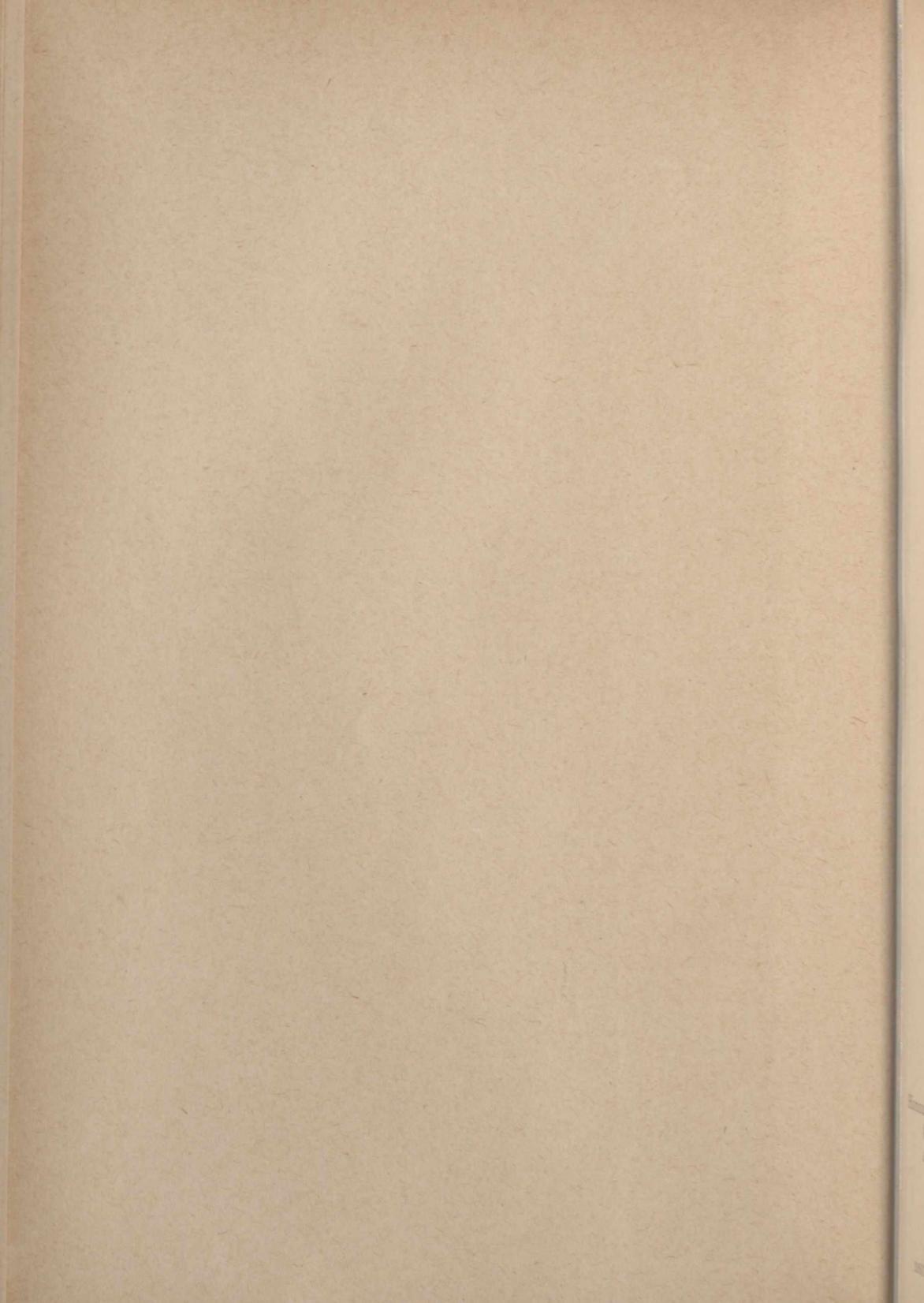
Question re: Decrease in Estimates for Chauffeurs in Port Vote despite increase of one position from last year.

In preparing the Estimates covering nine positions of Chauffeur for 1958-59, provision was made for an increase in the rates payable to these prevailing rate employees.

This increase did not materialize as anticipated, and the amount involved was sufficient to off-set an increase of one position in the 1959-60 Estimates and at the same time make it possible to reduce the Estimates by some \$312.







HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

THURSDAY, MARCH 12, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue; Mr. J. Gear McEntyre, Deputy Minister—Taxation; and Mr. W. I. Linton, Administrator of Succession Duty.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,	Gillet,	More,
Baldwin,	Grafftey,	Morris,
Bell (<i>Carleton</i>),	Hales,	Nesbitt,
Benidickson,	Hardie,	Nielsen,
Best,	Hellyer,	Payne,
Bissonnette,	Hicks,	Peters,
Bourbonnais,	Howe,	Pickersgill,
Bourdages,	Korchinski,	Pugh,
Bourget,	Lambert,	Ricard,
Bruchési,	Macnaughton,	Richard (<i>Kamouraska</i>),
Cardin,	Macquarrie,	Rowe,
Carter,	McDonald (<i>Hamilton</i>	Small,
Cathers,	<i>South</i>)	Smallwood,
Chambers,	McFarlane,	Stewart,
Clancy,	McGrath,	Tassé,
Coates,	McGregor,	Thompson,
Dumas,	McIlraith,	Walker,
Fairfield,	McMillan,	Winch,
Fortin,	McQuillan,	Winkler—60.
Garland,	McWilliam,	

(Quorum 15)

E. W. Innes,

Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, March 12, 1959

(5)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Bell (*Carleton*), Best, Bissonnette, Bourdages, Bourget, Broome, Bruchesi, Cathers, Chambers, Fairfield, Hales, Hellyer, Hicks, Howe, Korchinski, Lambert, McDonald (*Hamilton South*), McFarlane, McGrath, McIlraith, McMillan, McQuillan, More, Nesbitt, Payne, Ricard, Smith (*Calgary South*), Tassé, Thompson and Winch. (31)

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister, Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; Mr. A. V. Neil, Assistant Chief Technical Officer; and Mr. L. E. Hardy, Personnel Officer.

The Committee continued its consideration of the Estimates of the Department of National Revenue for the year 1959-60.

Item numbered 258—*Taxation Division, General Administration*—was called.

The Minister read a prepared statement outlining the work of the Taxation Division of his department. Following his statement the undermentioned information was submitted:

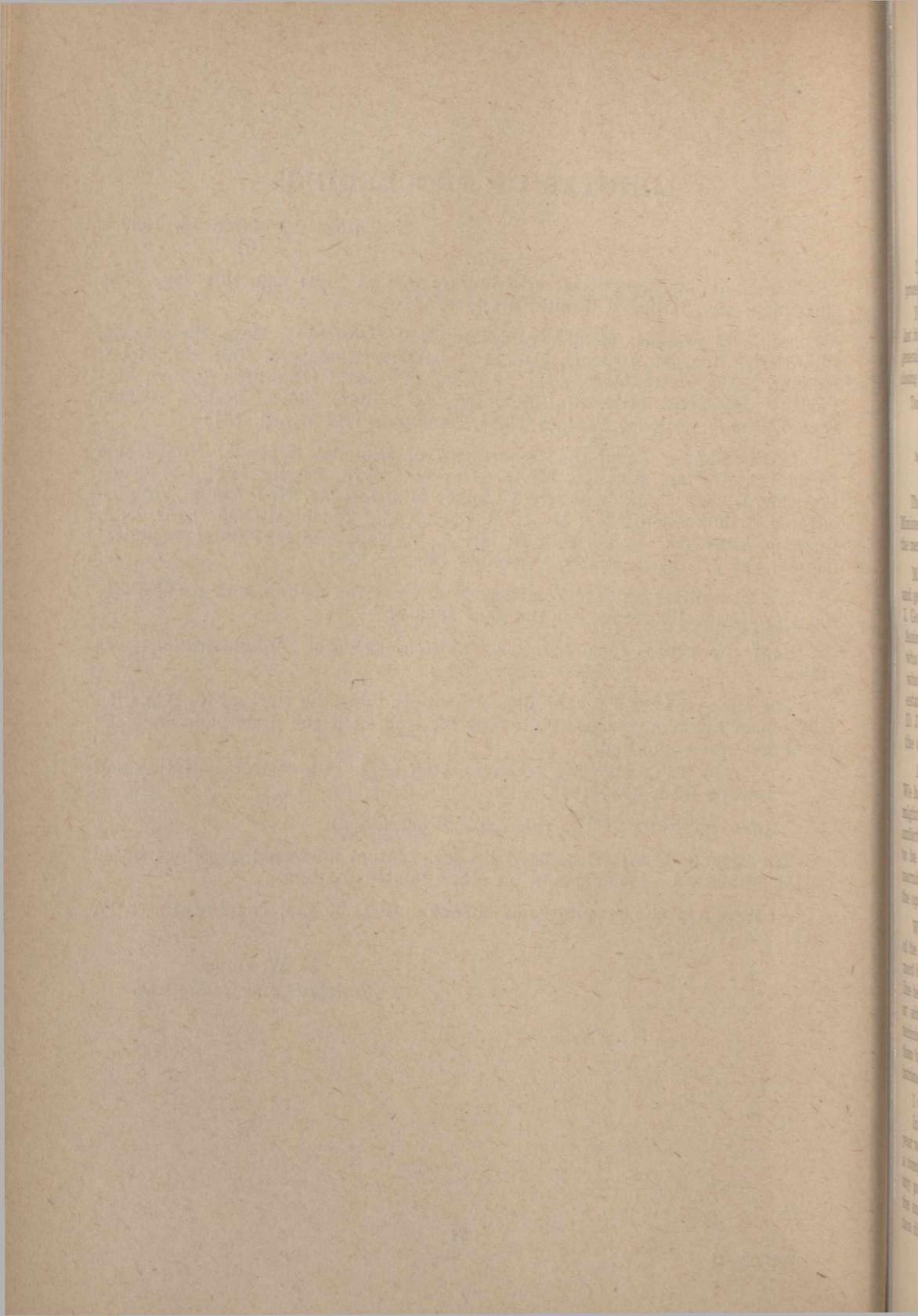
(1) Table showing revenues, staff employed, cost of collection and returns filed, 1939-1958.

(*See Appendix "C" to this day's Proceedings*)

The Deputy Minister, assisted by Mr. Linton, answered questions based on the Minister's statement and on other related matters.

At 12.40 p.m. the Committee adjourned until 11.00 a.m. Tuesday, March 17, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

THURSDAY, March 12, 1959
11:00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum and will proceed.

You will recall at our last meeting we concluded item 257, which is the last item under the customs and excise division. However, we held over the general item 254 as a catch-all for any questions which may arise prior to closing the final item of the department.

Today we will commence with item 258.

TAXATION DIVISION

Item No. 258. General Administration\$3,415,300

The CHAIRMAN: We will, at this point, again have a statement by the Minister of National Revenue. I would ask him to be good enough to introduce the members of his staff who are with him today.

Mr. GEORGE CLYDE NOWLAN (*Minister of National Revenue*): Mr. Chairman and gentlemen, I have with me this morning the Deputy Minister, Taxation, Mr. J. Gear McEntyre, on my right; behind us there is Mr. D. H. Sheppard, the Assistant Deputy Minister of Taxation, then the experts in the various fields who will deal with specific questions; we have Mr. D. R. Pook, Mr. A. V. Neil, who will deal with income tax, and Mr. W. I. Linton, who is in charge of the estates tax and the old succession duty; and for administration we have Mr. D. J. Costello and Mr. L. E. Hardy. Those are the senior officials representing the different branches.

I have a relatively short statement which I would like to read to you. We have had copies of this statement prepared. While it is being distributed I might say I will have to ask the indulgence of the committee to the extent that, unfortunately, there is a cabinet meeting going on now at which I am supposed to be present. The Prime Minister asked me particularly to be there this morning. I will have to ask your indulgence in my leaving after I have made the opening statement.

When it comes to a question of taxation policy, I might say this is a matter of the budget and the Department of Finance generally and that this department deals almost entirely with administration. There is, of course, a borderline between policy and administration, and you could say perhaps it is policy or administration. But most questions dealing with administration, being technical, will have to be answered by the deputy and officers here rather than by myself because I do not make any pretext of being an expert on the intricacies of the Income Tax Act.

I will be present at future meetings of this committee whenever possible.

In August last year when the taxation division's estimates for the current year were being considered, I made a general statement to the house which gave a complete picture of the operation of the division and I do not believe that any purpose would be served in repeating this information now. However, the sum and substance of that rather lengthy statement was that the taxation division operates a large scale business which is steadily increasing.

The important thing to note is that we are handling this steadily increasing workload with a decreasing number of staff. This is a tribute to the administrative efficiency of the division. During the calendar year 1958, the division received 5,662,000 returns from individuals which was close to 5½ per cent or 30,000 returns more than the year before, and yet the number of staff on strength at the end of December, 1958, was actually 130 people less than at the end of December, 1957.

Most of the income tax returns are received during a relatively short period in the spring of each year and the division is faced with the enormous job of processing the returns as quickly as possible. This problem has been met partly by the improvement and simplification of our procedures and partly by the employment of seasonal workers during this period of the peak workload. Some 1,500 of these employees will be hired this year and they are used principally in the processing of the more simple returns, most of which are claims for refunds. These are the returns to which we give immediate attention and for which refunds are issued with the least possible delay.

Last year it was necessary to issue a total of 4,200,000 refunds. Almost 4,000,000 of this total were handled during the months of March, April and May.

Of course, the more complicated returns are assessed by a highly-trained technical staff who, by means of field investigations, are able to add significant amounts of increased revenue during each fiscal year. For example, during the fiscal period 1957-58, this additional revenue totalled over \$73,000,000.

While we are speaking of revenue, it is important to realize that this division is responsible for the collection of \$3,000,000,000 each year which represents the major portion of the total revenue of the federal treasury.

Turning now to the actual estimates of the division, we will require a total of \$33,207,355 to carry on our operations during 1959-60. This is an increase of roughly \$726,000 over the present fiscal year. The major portion of this increase is required for salaries for which we will require \$641,000 more than we did this year. Almost all of this, however, is earmarked for the regular statutory salary increases which occur every year. When you consider that \$29,300,000 will be our payroll requirement, you will see that the division will be spending less than \$4,000,000 on all other expenditures.

There are minor increases in some of these other objects of expenditure and these result from a combination of rising costs along with an increase in the use of materials and services. A good part of this over-all increase has been offset by a decrease of almost \$100,000 in our requirements for postage next year because of an improvement in the procedure for mailing refund cheques and assessment notices. This is a further example of our continuing efforts to do everything we can to maintain the highest standard of efficiency at the lowest possible cost.

The appropriation requested for the operation of the tax appeal board is approximately the same as last year. There is a small increase in the administration expenses almost all of which is needed for the increase cost of the employment of court reporters who are used to transcribe the evidence given in the hearing of appeals.

As I pointed out in my statement to the house last August, the tax appeal board carries out a most important function in providing an independent tribunal for Canadian taxpayers who wish to use this formal and inexpensive means of appealing an assessment. It is only natural that, with the continuing increase in the number of taxpayers in Canada, the volume of appeals being heard by the board is also continuing to increase.

As at the end of December, 1958, there were 443 appeals outstanding and during the year 1958, 432 appeals were disposed of.

I hope these brief remarks will give you some insight into the operations of the taxation division and we will try now to provide whatever further information this committee requires.

Mr. Chairman, that is my statement.

The CHAIRMAN: Thank you, Mr. Minister.

Mr. NOWLAN: We also have here a comparative synoptic statement of the years 1939-1958, showing the total revenue collected in millions, the number of employees, the cost of collecting \$100 in each taxation year, the number of returns filed each year, T1's and T2's.

You will find a mathematical error in the last column of the total returns filed per employee. That is computed on the basis of the permanent employees of 6,172. In this year, 1958, at the bottom, you will see the total of continuing employees is 6,172. In the right-hand column the total returns per employee are shown as 932. When compiling that last column, they were dealing only with permanent employees, but for a short period each year of approximately three months there are 1,500 temporaries employed and those were overlooked. I do not know just how you would have worked it out. So there is an error to that extent, in that the temporary employees were not considered in determining the total returns filed per employee.

However, I think you will find the statement interesting and helpful. It will give a comparison when you look at the cost to collect \$100, starting in 1939, of \$1.70. In 1957 it was down to \$0.94 and this year it is \$1.02. There are comparative statements like that, and it shows a tremendous increase in the returns; in 1939 you had a total of 466,000 T1 returns and last year 5,661,000. The T2's are not quite as impressive but are up over 300 per cent. There were 30,911 filed in 1939 as against 96,000 filed last year.

This table, Mr. Chairman, I think will provide the committee with basic information which will enable you to proceed. As I said, if I have your permission, with sincere apologies, I would like to leave now and I will be back, I hope, for all future meetings of the committee to deal with questions of policy.

The CHAIRMAN: Gentlemen, we will thank the minister. As he mentioned he will be back with us.

We have with us now Mr. McEntyre. We will deal with questions arising out of the minister's statement, such as can be dealt with now. When you are dealing with questions, I would like you to remember we are dealing with item 258 and I would ask you to look down the items while you are dealing with questions on the statement, and I would also ask that you reserve questions on general items until you reach the particular heading. This is in order to provide some continuity.

Mr. WINCH: Mr. Chairman, I would like to ask a very important question. Would the deputy minister give the committee a clear and comprehensive exposition as to how they decide what is taxable as income in relation to what might be called a capital gain. I ask this in particular because of recent information and publicity relevant to hundreds of millions being made in oil and pipeline promotions and operations; and also it ties into other aspects. How, and in what way, do you decide as to whether or not something is taxable income or is a capital gain upon which the country receives no return whatsoever?

Mr. J. Gear McENTYRE (*Deputy Minister of Taxation, Department of National Revenue*): Mr. Chairman, of course, the decision as between a business profit and a capital gain has to be determined on the basis of the law as we have it.

Under the Income Tax Act, profits from a business are taxable. There is a definition of "business" in the Income Tax Act which perhaps, if I read it, would be helpful. It is section 139, subsection 1(e) of the act. It says:

"business" includes a profession, calling, trade, manufacture or undertaking of any kind whatsoever and includes an adventure or concern in the nature of trade but does not include an office or employment".

Usually the decision comes down to whether or not the transaction is an adventure or concern in the nature of a trade. We have the benefit of the decisions of the courts both in Canada and England. Gradually, as a number of these cases are going before our income tax appeal board, the Exchequer Court and the Supreme Court of Canada, we can build up a fairly solid body of jurisprudence which helps the officers of the department and also indicates to the public where the distinction lies.

However, the courts have held that in all these matters there is the question of fact and that each case has to be determined on its own merits. The statement I like best, in attempting to explain this, is one which was made many years ago by Lord Justice Clerk in the British courts in 1904 in the case of Californian Copper Syndicate Limited. In that case he said:

It is quite a well settled principle in dealing with questions... of income tax, that where the owner of an ordinary investment chooses to realize it, and obtains a greater price for it than he originally acquired it at, the enhanced price is not profit... assessable to income tax. But it is equally well established that enhanced values obtained from realization or conversion of securities may be so assessable where what is done is not merely a realization or change of investment, but an act done in what is truly the carrying on, or carrying out, of a business. The simplest case is that of a person or association of persons buying and selling lands or securities speculatively, in order to make gain, dealing in such investment as a business, and thereby seeking to make profits...

I think that that statement is probably the place at which you have to start when trying to make a decision as to whether or not an item of profit results from a business or is from a capital transaction.

Mr. BROOME: On the same subject, I do not know whether or not it is proper in this committee to ask specific questions, but I am thinking of the West Coast Transmission dealing in shares on a promotional basis, on the basis of 5 cents an option, or on the basis of half a cent on stock, which later on would be sold on the market at \$5. I do not know whether or not the deputy is even permitted to make any observations on this. Has there been any deal by the department in respect of that particular transaction in the way of trying to assess profits made, or has that been covered by the previous legal opinions to the point where it is very clear that it is non-assessable?

Mr. McENTYRE: Mr. Chairman, of course we consider our dealings with particular taxpayers, and their personal and business affairs, as being confidential and I hesitate to discuss it.

The CHAIRMAN: I think that is a good principle on which to start.

Mr. BROOME: I wanted to define that.

Mr. CHAMBERS: There are transactions which frequently come up in the way of attracting management personnel in respect of stock options or rights to buy shares at lower than the market price for a limited period, and those options or rights are granted at a price which is expected to realize a profit in the future.

When you have a member of management with this option and he does in fact realize a gain, is this customarily considered by the department to be a

capital gain, or due to the fact that he is in this business is it income; or have we decided?

Mr. McENTYRE: Mr. Chairman, there is a provision in the statute covering the particular point of where an option to buy stock is offered to an employee.

The difference between the purchase price and the market price at the time of acquisition does constitute a taxable receipt to the individual. After the individual has acquired the security, then we consider it is an investment in his hands and the gain or loss between the time he acquired it and disposes of it is not taken into consideration in establishing his taxable income.

Mr. WINCH: I was interested in the deputy minister's reply in which he based, as he said, his main statement on a decision of the courts in the United Kingdom. In his quotation, the phrase was used, "an ordinary investment". I think this is a case in point and I would like to ask what is your department's interpretation of an ordinary investment, particularly in view—and it is understood I will not mention any particular names or companies—of the fact that in the last two years in Canada, because of a given situation and given circumstances, certain individuals—officers of companies—are in a position of being able to invest money which, basically, they know is not an adventure—and I want to quote again the word "adventure". How do you decide whether or not that is an ordinary investment upon which I then took it you can collect taxes on behalf of the country?

Mr. McENTYRE: That is the difficult problem. We look at these things and try to gather as much information as possible. Then we simply apply the general interpretation of what an investment would be as against what the courts have indicated is an adventure or concern in the nature of a trade. We have to come to some decision on that. Of course, if we decide it is a taxable transaction, we send an assessment notice and the taxpayer would have his rights of appeal.

As I said, we have been doing that now for a great many years and gradually are building up a body of law which we hope will be helpful both to ourselves and to the general public in finding a line of principle which can be applied.

Mr. WINCH: Then on that I still want to be very careful so as not to ask a question which I know you cannot answer; yet, I think this committee has to get to a certain basis of understanding.

If because of an act of parliament it is known that a certain construction is going to take place, if somebody then with practically no investment gets in on, shall we say, the ground floor, basically there is no adventure because it is known what is undoubtedly going to happen. They get in practically, as I said, with no investment and the person who does that then reaps millions of dollars.

Do you then go into that entire matter with the individuals and decide as to whether or not it is an ordinary investment, or what they have made is capital gain? I am not trying to pin you down, because I do not want to mention names of companies and individuals when you very well know the ones I have in mind, and have you tell me that you cannot answer my question. I want to have the principle of it established.

Mr. CATHERS: That is a principle or policy of the government, not of the deputy minister.

The CHAIRMAN: I think Mr. McEntyre might answer if he wishes.

Mr. WINCH: It is not a matter of policy. I am asking now about the existing act, and as to how the deputy minister in his department makes that decision, and as to what approach they make in investigating a situation.

Mr. McENTYRE: Mr. Chairman: in the ordinary course, people are making investments every day in very large numbers. We look at the number of transactions that take place on the various stock exchanges across the country and generally we feel pretty satisfied that those are investments. When we do not, we carry on an investigation of the matter. Or, to come down to the rather small number of cases which come to our attention through newspaper reports, transactions that might be in the nature of promotions, underwritings, or something of that kind which we would consider as having possibilities of a venture which would be in the nature of a trade, we have something to go on to indicate it to us. We would look at these transactions to see if there were any of the tests that have been set up in the jurisprudence which would satisfy us, and which we think would be sufficient to satisfy a court that the transaction was in the nature of a business and was taxable. In those cases we would make an assessment.

Mr. LAMBERT: Is it not true that as a result of decisions of the exchequer court, the Supreme Court of Canada, and the income tax appeal board, the feeling is that capital gain has been considerably narrowed down since the close of World War II?

Mr. McENTYRE: As an opinion, I would say no.

Mr. FAIRFIELD: Am I to understand, to put it simply, that in this stock option type of investment, if a person buys or acquires stock options, at the time of his actual investment the difference between what he pays for the option and what he actually invests is taxable income? I thought I understood that. Have I misunderstood the minister's statement before, that a person gets a stock option at the time he actually makes the purchase? What about the understanding between him and the company, that the stock was to be on option to him? And is that difference taxable?

Mr. McENTYRE: Yes. Section 85A of the Income Tax Act deals particularly with stock options granted to employees. Stock options may be granted one day and the man usually has a time limit within which to pick up his stock at that option. When he decides to exercise his option he becomes taxable on that day on the difference between the price which he actually paid for the stock and the market value on that day. That difference is taxable.

Mr. BELL (*Carleton*): That is confined to employees?

Mr. McENTYRE: That is right.

Mr. NESBITT: My question has to do with assessment for succession duty.

The CHAIRMAN: Would you mind holding your question, please.

Mr. McMILLAN: It was always my understanding that a broker engaged in brokering and underwriting would pay income tax in respect to the appreciation in his holdings or underwritings.

Mr. McENTYRE: The broker or investment dealer is of course a trader in securities, and as such is subject to tax on the profits that he makes as a result of his trading. He is entitled to deduct his losses, if he has realized any trading losses. We feel that because a man is a trader it is not impossible for him to make investments, properly so called.

Of course, when you are dealing with a man who is trading in securities, the distinction between his trading inventory and his investment portfolio—unless he goes to some considerable trouble to keep them quite separate—is sometimes difficult to determine. But certainly in theory and in actual practice that distinction can be made, and we do acknowledge that a trader in securities can have an investment portfolio.

Mr. CHAMBERS: The deputy minister mentioned this question of the market value at the time when the transaction took place. I wondered what happened,

or how the market value could be established before, let us say, the securities were offered to the public?

For example, suppose a company is formed, and someone is sold stock at two; but when it is offered to the public the lowest price is ten. This employee has an automatic gain of eight points there. Would that be considered capital gain, or how do you establish the market value at the time he got it at two, when there was no market?

Mr. McENTYRE: That is a very difficult problem. It does not happen too often, fortunately. But when it does, we just have to struggle with it as best we can and establish the value of the security on that date by the usual tests that are applied in the trade, when valuing securities for estate tax purposes, when they are not quoted in the market.

Mr. WINCH: Perhaps I can facilitate matters as far as estimates are concerned by asking two or three questions at the same time. I hope that the deputy minister can enlarge a little bit on the last question, because it is somewhat identical to what I have here for asking.

What is the position of stock issued before public offering, and when no price has been established? I think my question is about the same, but I am still not quite clear as to the answer.

Secondly, in view of what you said a few minutes ago relative to employees and stock options, I would be interested to know if a promoter or a director of a company is considered as an employee of that company.

And my third question is this: perhaps it is not possible to have the information at hand, but would it be possible for the information to be supplied to the committee in view of the statement a while ago as to the investigation by the department? Could we have the number of investigations made in the past five years relative to oil and gas pipeline promotions and companies—as to whether their monetary gains were an ordinary investment or a capital gain as was mentioned?

Mr. McENTYRE: Mr. Chairman: on the first question as to whether a director is an employee, the statute declares that the office of a director is that of an employee.

Mr. WINCH: Is a promoter an employee?

Mr. McENTYRE: A promoter may be a director, or he may not be a director. On the other hand a director may be a promoter. So in all these cases, all the surrounding circumstances have to be examined.

If the individual was found to be a promoter, and had turned over his stock at a profit, that would be prima facie evidence to support the proposition that the transaction was in the nature of a trade and should be taxed.

Mr. WINCH: I do not want to mention names, but let us take a couple of individuals in Ontario who were not directors. How can we get to them if I do not mention names?

Mr. CATHERS: You will.

The CHAIRMAN: I think you can cite examples without dealing with areas, can you not?

Mr. WINCH: I want to be absolutely fair, but I want to get answers to my questions.

The CHAIRMAN: I think we are doing very well. Please proceed.

Mr. McENTYRE: As to your second point, Mr. Winch, I think you are interested in the number of investigations we have made. I am not sure that we have that information available. We shall certainly see if we can get it, and if we can we shall bring it to the next meeting.

Mr. WINCH: For five years or three years in these differentiations that you put your finger on in your statement between adventure and ordinary investment; it must be taking place in Canada; and in the last few years could you tell us the number of investigations you made.

Mr. McENTYRE: I doubt if we can, because we have de-centralized our work among our 29 district offices. The chief assessor in each of these offices would allocate a certain number of files to the men in his charge. They would look at these various transactions as they came up, but I doubt very much if they would keep a record of the number of files that were referred to them that would have to do with promotions of oil and gas pipelines. Let us have a look at them.

Of course there are quite a number of individuals who are interested in these promotions as investments, but I doubt very much if our assessors would have kept a record of the number of cases they looked at and decided that the man was an investor. We might be able to get the number of cases where we had issued an assessment in cases of that kind, but I doubt if we have figures concerning the number of cases passed over.

The CHAIRMAN: Mr. McEntyre says he will do what he can for us.

Mr. BROOME: Mr. Chairman, I have one or two questions. My first question is in regard to capital gain and whether a profit is capital gain or not.

Does the element of risk enter into the findings, and is there anything in regard to the scale of profit? In other words, is a ten thousand per cent gain in profit looked upon in a different manner from a 100 per cent profit, considering both to be within a reasonably short space of time?

As I said before, does the element of risk enter into making it properly capital gain? That is my first question.

My second question is this: I understood that employees do pay tax on the gain they make between the price at which stock is optioned to them and the market price at the time they pick it up. Does that apply to foreign companies which may have a similar type of stock option?

The CHAIRMAN: Would you like to reply to those two questions, Mr. McEntyre?

Mr. McENTYRE: Yes. I am trying to remember any case where the element of risk has been taken into consideration as a distinction between capital gain and a taxable transaction. I do not think risk is one of the elements that is involved.

As to the second question on the dollar value, I do not think it would be right to say simply that because one man made a 100 per cent gain on a transaction, while somebody else only made a 10 per cent gain, you should differentiate between the two. I think you would have to get down to the actual nature of the transaction that went on in order to determine whether it was an investment or whether it was a taxable transaction; because it may be that a man makes a perfectly straightforward investment on the stock market, and the market happens to go up, so that he may sell it in a year or so and make a 100 per cent gain. I do not think that would be a fair test, certainly not by itself.

Mr. BROOME: The figures were 100 per cent as opposed to 10,000 per cent.

The CHAIRMAN: Does that complete it?

Mr. BROOME: My second question is in regard to a foreign company having a stock option, and whether they paid taxes in Canada; and if they did so, did they do it on the same basis as the employees did—that is, on the difference between the price at which they secured the option, and the market price at the time they picked up the stock?

Mr. McENTYRE: The section in question in the Income Tax Act deals only with employees. It does not deal with companies at all.

With respect to an employee, if he is a non-resident of Canada and does not carry on any business or render any services here, then he would not be subject to our Income Tax Act in Canada, and that section would not apply.

If it was a Canadian who had a stock option in a foreign company, then this section would apply because he would be subject to Canadian taxes on the amount.

Mr. BROOME: If an American company receives a 25 per cent share in a Canadian company on the basis of a very low offering, let us say, five cents a share, and if the price, when they pick it up on the market is \$5, does that American company pay taxes to the Canadian government?

Mr. McENTYRE: No. The foreign company, unless it carried on business in Canada or otherwise came within our jurisdiction, would not pay any Canadian tax. Presumably it would pay tax to the jurisdiction in which it was resident.

Mr. BROOME: An American company would pay a tax on that profit to the American government?

Mr. McENTYRE: That is right.

Mr. BROOME: In the United States they have no capital gains exemption; so they would pay on the amount which they had made out of the Canadian company, and that gain would be taxable in the United States?

Mr. McENTYRE: That is right.

Mr. McILRAITH: You said that the amount was made out of that company; but it was not made out of the company; it was made out of the deal or transaction in the stock of that company.

Mr. McENTYRE: That is right.

Mr. McILRAITH: Yes, that is very important.

Mr. HICKS: My question has to do with some of these rapid developments around cities. I refer particularly to a rapid development in one of the Fraser valley areas in British Columbia. I know of an incident where a man, in good faith, bought a farm at what he thought was a reasonable price. But in six months or more a housing outfit came in and offered to pay him three or four times what he had paid for his farm.

In this case I am sure he bought that farm as a farm and not as an investment. Where does he stand in the capital gain situation? Is it better for him to hold that land for a while and have this gain spread over a few years? That is something he is actually doing now, since he is afraid that if he sold the farm he would have to pay a terrific income tax on that investment.

Mr. BELL (*Carleton*): I think he should seek the advice of a good solicitor.

Mr. HICKS: It was done through no fault of his.

Mr. WINCH: I had the same idea in mind. I do not know how to differentiate between income and capital gain. We have seen in the past few years—not only in British Columbia but very frequently in Ontario—the purchase of a farm, let us say, for around \$1 million or \$1½ million just for the purpose of sub-division. First of all, there is my friend's question on the matter of holding it; and secondly, what is the basis of taxation in the case of the individual who does not buy it for the purpose of a subdivision but who sells it at a profit? What is the policy on taxation there?

Mr. McENTYRE: The government would have indications on the matter, derived from decided court decisions. The courts seem to take into consideration a number of factors. They look at all the circumstances of the case, such as the intention of the taxpayer, the number or the frequency of the transactions,

the relationship of the transaction to the taxpayer's regular business, and the whole general course of conduct of the taxpayer.

They have some additional tests which I cannot recall offhand; but they look at all the surrounding circumstances and they apply those eight or nine tests which they have to the particular case.

The CHAIRMAN: Do you want to ask any further questions, Mr. Hicks?

Mr. HICKS: No.

Mr. WINCH: That does not give us any answer whatsoever. I am sorry. What is the basis? What are the tests?

Mr. BELL (*Carleton*): There is a whole body of jurisprudence on this matter.

Mr. McENTYRE: I think one of the leading cases is a decision of the Supreme Court of Canada known as the Taylor case, where the president of the Exchequer Court listed all the possible tests he could think of to apply at that time. Unfortunately I have not the citation of that case with me.

Mr. LAMBERT: Arising out of Mr. McEntyre's reply to my previous question, and for Mr. Winch's edification, legal periodicals indicate that in this particular field there has been a definite narrowing of the scope of capital gain, very definitely. That is an opinion expressed in the legal periodicals, that there is a very considerable narrowing, particularly in land transactions. And again I would suggest here, with all due deference, that some of these questions require answers in the nature of legal opinions, and that that is not the purpose of this committee.

Mr. WINCH: No. We want to get the taxation policy.

The CHAIRMAN: Please address your questions to the chair.

Mr. NESBITT: I have three questions to put to Mr. McEntyre concerning succession duty. The first one is this: is any progress being made—I asked this question several years ago in this committee—with respect to standardization as between the federal department and provincial departments with respect to succession duty and as between the valuation of land and other items?

Many people know that the provincial succession duty officers may value a piece of property, let us say at \$25,000 for taxation purposes, while the federal department may assess it at, let us say, \$20,000 or \$30,000.

It is very hard for a lot of people to understand why one government should value it in one way, and another government value it in another at the same time, when it is the same piece of property.

It was indicated some time ago informally that there was some progress being made in trying to standardize these things, and I wonder how much advance has actually been made.

Mr. McENTYRE: There is a certain exchange of information between the taxation division and the two provinces.

Mr. NESBITT: You mean the two provinces which have succession duties?

Mr. McENTYRE: We do cooperate to a certain extent. But there are areas where there seems to be a difference of opinion between the provincial valuers and ourselves. I am afraid, to answer your question, I must say that we have not been able to resolve those differences completely.

Mr. NESBITT: My second question is this: in the cases I refer to particularly, farm cases, where a man and his wife buy a piece of property and through ignorance, or because they went to a poor solicitor, the property is put in the name of the husband and not as a joint tenancy. I refer particularly to tobacco and fruit growing farms where the wife very often works just as hard in building up the value of the farm as does the husband, and where a great deal of manual labour is involved. That farm increases greatly in value during the

lifetime of both parties; and when the time comes that the husband dies, the farm is in his name and it goes into his estate.

The value may have increased several times over the original purchase price. Is any consideration given to the actual labour done by the wife? Is that a question of evidence, or is there a rigid regulation?

Mr. McENTYRE: I think on a question of assessing succession duties, we have to be governed by the facts, as they are; and where the land is registered in the husband's name, we have to consider it as being prima facie evidence that the land belongs to him; and if he is deceased, that land would fall into his estate for estate tax purposes.

Mr. NESBITT: If there were disputed evidence that the wife had, in fact, greatly contributed through her labours to an increase in the value of the land, would that be considered by the department?

Mr. McENTYRE: I very much doubt that it would because, when we are dealing with land, we have the registry office where the ownership is established; so it would be very difficult to fly in the face of that evidence and allocate any part of the ownership to the wife.

Mr. NESBITT: Very often people acquired property many years before the advantages of joint tenancy and the like were known. But I see that that is a matter of policy and not necessarily of administration.

My last question relates to the assessment of shares in a public company which is listed on the exchange, so that we know the value of the shares in such a company, and we know that they are assessed at the market value as at the date of the death.

I think many of us realize that in companies where the shares are slow to move on the market, or in companies where the shares may be rather closely held, although it may be a public company—that if a substantial number of shares were to be put on the market at any specific time, it would greatly lower the market value.

In the past, according to my understanding, the department has permitted a certain leeway in valuing the shares, depending again on the particular circumstances of the company whose shares are being held, and the estate itself.

I understand that recently this policy, due to recent regulations, has been made very rigid. I wonder if Mr. McEntyre could comment on that.

Mr. McENTYRE: Perhaps I should ask Mr. Linton to answer your question.

Mr. W. I. LINTON (*Administrator of Estate Tax, Department of National Revenue*): Mr. Chairman: It is not a change in policy that has occurred. It is a change in the act. Heretofore, an allowance was made only very rarely, and in extreme or extraordinary circumstances. But from now on, under the act, it is not allowable at all.

Mr. NESBITT: Is that a regulation or is it a change in the act?

Mr. LINTON: It is a change in the act.

The CHAIRMAN: Mr. Payne, is your question along the same general line?

Mr. PAYNE: Yes.

The CHAIRMAN: Please proceed.

Mr. PAYNE: I am dealing with a case of a farmer who had a capital gain, but where a company of land developers took over his land. By virtue of the transaction and by virtue of the transfer of shares, under what procedure are those shares valued against the land held which has been taken over by the company? What procedures, if any, do you follow to appraise the land and the value of the shares taken over? This is an ever-increasing problem in our part of the world. I can assure you nobody knows what procedures are followed by your department and I think it should be cleared up.

Mr. McENTYRE: The valuation of land, of course, is something that the department is dealing with all the time, particularly in respect of estate and gift tax.

We have a number of our officers involved taking courses, which are offered by real estate boards and others in various centres, to acquire the skills for valuing land. I understand that the comparison of other sales in the same locality is one of the main tests applied.

Then, of course, if you get into a building which is on the land you have to take into consideration the nature of the construction, the age of the building, and so on. That is a whole skill in itself and, in order to be able to do that work properly, we have been helping many of our officers to take these courses and to learn how to do this particular type of work.

Mr. PAYNE: This has not in any way answered the query which has been made. Is it not so that appraisals are conducted, certainly in certain areas in Canada, by unqualified appraisers at this time? I mean it is completely impossible for those in the field of land development in our part of the world to find out in any way on what basis land assessments are arrived at by your department, whether or not by qualified personnel.

Mr. McENTYRE: Of course, the valuation of land is not a pure science. It is a question of estimating, when there is a difference of opinion between the taxpayer and the department. Very often each side will get its own independent land valuator who make a valuation, and these experts will produce a brief in which they indicate the various circumstances which they took into account, and how they arrived at their valuation.

Then it is a question of judging these estimates which have been made and arriving at some reasonable figure, which is either satisfactory to the two parties or which the department is satisfied it could establish if it had to go to a court and establish its assessment.

Mr. PAYNE: By virtue of this initial appraisal, you are putting people in this country to a tremendous expense in having to resort to the employment of professional appraisers to test that which is done by your department on a highly untrained and unqualified basis.

Mr. BELL (*Carleton*): That is a pretty sweeping statement.

Mr. LAMBERT: Is it the policy of the department to use only members who have qualified under the Appraisal Institute of Canada? Is consideration being given to that, in order to establish some norm throughout the country, since these men are trained on certain principles, and not just by the seat of their trousers, as so many valuator are?

Mr. McENTYRE: I must admit I do not think we have a corps of officers who have all been qualified by the association; but on the other hand, we have a great number of officers who have been doing this for a long time and who have had to substantiate their findings in the face of arguments they receive from well-qualified persons, acting on behalf of the taxpayers, particularly in the succession duty field.

It must be remembered that our officers are not very much in favour of building castles for somebody else to knock down. They try to do their job in a thorough and reasonable fashion. We know the courts are always there and that the taxpayer has his right to go to court; so we have to make findings which are reasonably capable of being substantiated.

Mr. LAMBERT: Would it not be of great assistance to both the department and the taxpayer if the taxpayer felt that the persons who were making the valuation were persons who were qualified under the Appraisal Institute and that you would have this uniformity? It is only the lack of uniformity which encourages the taxpayer to question the valuation.

Mr. McILRAITH: I want to clarify the practice in respect of valuations of houses for succession duty purposes. My question is quite narrow.

In those classes of homes where you can establish the market value through the actual sales of like houses in the immediate neighbourhood—and the figure is fairly definitely arrived at in that way—is it the usual practice to deduct from that figure an amount equivalent to the real estate agent's commission?

Mr. McENTYRE: No; it is not the practice to deduct the real estate commission.

Mr. McILRAITH: I want to pursue that for a moment. Assuming there are five houses in a row, all identical, and four of them have been sold at the relative point of time at \$20,000 each—all sold through real estate agents after advertising and so on—you would put a value of \$20,000 on the house with which you were concerned, notwithstanding that the owner could not get that figure.

Mr. McENTYRE: We look at it not only from the point of view of the seller. Perhaps the hon. member's reasoning is correct, but the person who purchased the house must have said it was worth \$20,000. Not every person who inherits a house is going to sell it. He may decide he wants to continue to live there; and certainly from the standpoint of the person who receives the house through inheritance, if neighbouring houses have been found to be worth \$20,000 to certain purchasers, then surely it is worth \$20,000 to the person who inherited it.

Mr. McILRAITH: It is not the vendor's interests we are valuing; it is the value to the deceased at the date of death.

Mr. McENTYRE: Then it is a question of whether or not the deceased knew he was about to die and wanted to sell his house at that point, or whether he felt he hoped to have a long life and would continue to live in the house, and felt that it would be worth \$20,000 to him.

Mr. McILRAITH: Whether or not he knew he was going to die would not have any bearing on it. It would be the actual value of the article at that time. What I am suggesting is this; that through the administrative practice there is a charge in many instances—a valuation in many instances—which is above the actual value, because with the real estate agent's commission, the percentage rates having gone up as sharply as they have in the last few years, it is a sizable item. Do you know whether or not it is the administrative practice in such narrow cases as I have given to allow a deduction of an amount equal to the real estate agent's commission?

Mr. McENTYRE: I am afraid that perhaps I have got into the area of tax policy and legislation which is, of course, out of my field as a pure administrator.

The law says we will take value at the fair market value, and the fair market value is the value at which a willing seller will sell to a willing purchaser. Once the price has been established at \$20,000 on that basis, we are governed by that fair market value and you have to value at that price.

Mr. McILRAITH: My problem is a little narrower. What is that price? The willing seller would sell at so many dollars net. There is an administrative difference. I am not trying to bring you into the area where we are discussing the legal part, but rather the practical application of the principles you have enunciated.

Mr. HELLYER: On this same subject, does the department, in valuing houses, take into consideration the fact that two identical houses, side by side, might have a market difference of ten, twenty, or thirty per cent, depending on the amount of cash required in the transaction, and that as a result of weighing that as a cash transaction, do you take into consideration what the house

you are valuing would bring, having in mind the amount of indebtedness against it and the amount of cash required.

Mr. McENTYRE: As I said, we are governed by the fair market value, and I suppose on that point the custom of the locality would govern. So that I would expect if a mortgage was given back at a reasonable rate of interest, whether it was a cash price or whether it was a sale with a mortgage, the market value would be established because the mortgage would be at the going rate.

Mr. HELLYER: Mr. Chairman, is it not a custom that the facts should be the determining factor. If there was no encumbrance against the house and it had been sold for cash, its value would not equate with an equal house on a similar street which had a mortgage against it. If a person had to take back a mortgage the face value of that mortgage might be considerably higher than the market value. Does the department take these circumstances into consideration when establishing what is the fair market value of that particular house?

Mr. McENTYRE: In using the price at which a neighbouring house was sold, if there was something out of the ordinary in respect of the mortgage, if it was for a very large amount, or if the terms were not usual, then that of course would have to be taken into consideration in deciding whether or not that sale price of the neighbouring house was a proper test for applying to the house which is being valued.

Mr. CHAMBERS: This question has to do principally with what has been going on and also goes back to Mr. Nesbitt's question.

The CHAIRMAN: Would you deal with the point we are on now?

Mr. CHAMBERS: My question is not specifically on this point so I will wait.

Mr. CATHERS: I would like to ask the deputy minister whether the capital gains tax in the United States has been a costly tax to collect?

The CHAIRMAN: I am going to suggest before the deputy minister replies that we finish this subject.

Mr. PAYNE: With relation to appraisal again of real property, in view of the fact—and provided my assumption is right—that your department, through succession duties and capital gains, is faced with the largest appraisal problem you have in your department, I would like to inquire as to how many qualified appraisers you have and what their qualifications are? Are there many who received their qualifications through the professional institute of appraisers?

Mr. McENTYRE: We have been doing these valuations for a long time, and we have felt that perhaps the officers charged with that responsibility could be better trained. For that reason, we have made an effort in the last couple of years to try to get some of them accredited to this organization. We have a number presently taking the course who are fairly well along in it.

We expect in a year or two we will have a fair number of officers who have taken the course; but I do not think we have any presently on strength who are accredited.

Mr. PAYNE: Then in the event of your requiring the services of a professional appraiser, where would you go; would you go to the Veterans Land Act, or to a private firm, or would you just take the appraisal as submitted by an unqualified person?

Mr. McENTYRE: Our assessors have some experience in this. They may not have taken an actual course, but they are skilled otherwise as they have learned through experience. We feel we are not losing a great deal of revenue because our appraisers are not fully skilled.

An hon. MEMBER: Of course not.

Mr. PAYNE: Are they appraisers for revenue purposes or for actual value purposes? That, I think, is a very cogent point at this time.

Mr. CHAMBERS: The question I wish to ask is: what consideration is given to liquidity in assessing an estate? Perhaps I might explain my question.

If a personal estate consists of marketable securities there is not much difficulty in assessing the value and, for that matter, the heirs do not have too much difficulty in disposing of parts of the estate in order to pay the tax. But it seems in the case of medium-sized businesses particularly that considerable hardship is sometimes caused by the fact that, because of the amount of the tax, the business has to be disposed of sometimes at a difficult time and there is a tendency towards helping big business at the expense of small business when an estate may consist practically wholly of a business which has to be disposed of in order to realize the money necessary.

I am wondering if the department gives any consideration to allowing the tax to be paid off over a period of years, and what consideration you give to helping the small man who is not in a liquid position.

Mr. McENTYRE: This would also apply to persons on a farm or something of that nature, and that becomes a collection problem. We have to assess the tax, and the estate is liable to paying the tax within six months after death, at which time interest at 5 per cent begins to run.

We have collection problems both in respect of income tax and estate tax. Obviously, it is not the purpose of the taxation division to put people out of business. On the other hand, we have to collect the tax and so we have to weigh these two purposes and do the best we can.

Mr. McILRAITH: You mentioned that you have to collect the tax within six months. In the larger estates now, under the new legislation, the forms are not available. As a consequence, the executors or administrators cannot get the releases to sell the securities and are losing time against the deadline of six months from the death, and already two months have gone by out of that six months in some cases. How do you propose handling that administrative problem? It is quite a serious one in practice.

Mr. LINTON: Mr. Chairman, we are trying to deal with that problem by accepting informal statements of assets and liabilities and using them as a basis for issuing the necessary releases until the forms are ready.

Mr. McILRAITH: So it is possible to get the actual release of stocks on an informal basis.

Mr. LINTON: Yes.

Mr. CATHERS: My question is in respect of the cost of collecting the capital gains tax in the United States. Has that been a very costly and difficult tax to collect?

Mr. McENTYRE: I am afraid I am not an authority on income tax in the United States.

Mr. WINCH: I have a good book on that in my office.

Mr. BROOME: I do not expect an answer to this question immediately, and I would be quite willing to have it at the next meeting. Generally speaking, has the department, in making their assessments, considered as taxable income profits made by promoters in gas pipelines or have they considered them as a non-taxable capital gain?

Mr. WINCH: That is the same question I asked.

Mr. BROOME: I think it is a proper question. It is in regard to how the department, in carrying out the income tax regulations, are looking at this general field.

The CHAIRMAN: We dealt with that for three-quarters of an hour. Is there any further answer you would like?

Mr. BROOME: If we have dealt with it, it is yes or no.

The CHAIRMAN: The question is how—

Mr. BROOME: No. It is, generally speaking, has the department considered these profits made by promoters, whether senior officials or what not, as taxable income in making their assessments on the persons concerned? I am asking for a general answer over a certain field.

Mr. McENTYRE: We certainly have considered them and the determination as to whether or not they were taxable was based on the same principles we outlined a little while ago.

Mr. BROOME: What was that determination?

Mr. McENTYRE: I do not think you could say they were all taxable or were all non-taxable. I think each case had to be decided on its own merits.

Mr. BROOME: I said generally speaking. I am not trying to pinpoint any particular company or individual; but generally speaking, have they been considered taxable or non-taxable.

Mr. BELL (*Carleton*): Surely an answer to that question would be wholly deceptive. Each case is considered on its own merits.

The CHAIRMAN: I do not think you could generalize. Each is determined on the basis of its own merits.

Mr. BROOME: I said I do not wish an answer right now. Would it be possible to leave that over to the next meeting to see whether the deputy minister wishes to make any statement. I wish to say I have not got an answer to it and I have been listening intently. I do not know. I have received a bunch of generalities. This is a general question. I do not care whether it is one-third or two-thirds or what, but generally speaking has tax been paid on promotional profits in that field?

The CHAIRMAN: Perhaps it might be of some help if the deputy minister at our next meeting could bring up several hypothetical cases in which he could give us illustrations of the basis on which the assessment was made to show the variety of situations which are dealt with.

Mr. WINCH: He might do more in answering my question. He might say on how many of their investigations they have assessed taxation.

Mr. BROOME: That is the same thing.

The CHAIRMAN: Would you review this and see if you can produce something?

Mr. McENTYRE: Yes.

The CHAIRMAN: The deputy minister has said that at our next meeting he will give us some hypothetical situations.

Mr. WINCH: On another phase, dealing with the statement made by the minister this morning, I would like to ask Mr. McEntyre a question. May I first say I think nearly everybody is agreeable with the policy of collecting income tax at the time one receives his cheque, whether every two weeks or every month. I know it is a life-saver to me not having to dig at the end of the year for money which I have spent.

I was interested in the figures given by the minister where he states that for the calendar year 1958 the division received 5,662,000 returns from individuals, and then he says in the same period it was found necessary to issue more than 4 million refunds. Of course, I love refunds, especially if I am getting them. But a question came to my mind when I heard those figures.

In view of the fact that out of 5,662,000 returns, 4,200,000 refunds have to be made, are there any practical measures which your department is considering which would reduce the necessity of having to make a return of 4 million out of a receipt of 5 million?

Mr. McENTYRE: During the year 1957, there was an amendment made to the Income Tax Act which provided a \$100 standard deduction to cover charitable donations, medical receipts and union fees. That, in effect, provided an additional exemption of \$100 for every person, to the extent that they did not ordinarily have these items to claim.

At that time we did not revise our tax deduction tables, so that during 1957 there was perhaps a little more weight put on the deduction at source than would ordinarily be required.

Following the revision of the rates at the end of 1957, a new table was issued at which time the standard \$100 deduction was taken into consideration in calculating the deductions to be made from pay cheques, so we do not anticipate there will be such a high proportion of returns claiming refunds this year. We feel that our 1957 experience will not be repeated with respect to the 1958 returns that we are receiving now.

Mr. LAMBERT: On that point, what observations have you to make in respect to the amendments made to the Income Tax Act last year for prescription receipts, with which there was no previous experience? I am sure the department has the greatest difficulty in determining their deduction tables.

Mr. McENTYRE: The deduction tables are worked out on the basis that the man earns his pay at the same rate throughout the year, and the tables are made in little jumps of a few dollars between the rates of deduction. It is only at the top bracket that there is 100 per cent deduction, taking into account the \$100 standard deduction and the existing rates.

Whether the allowance for medical expenses, and drugs purchased on prescription will increase the claims for medical items very considerably, we do not know because we are just presently getting in these returns; but we do not anticipate it will make a very great difference on the basis of the volume of the number of refunds that we will have to make.

Mr. WINCH: The serious unemployment situation should have a strong bearing on it, on account of your deducting, when they are working, on the basis that they are going to earn all the year, when as a matter of fact there are hundreds of thousands who do not.

Mr. McENTYRE: Precisely.

Mr. McGRATH: I have a question. I wonder if it is in order under this item. It has to do with the income tax appeal board.

The CHAIRMAN: Would you mind holding that question.

Mr. WINCH: My question is also based on the statement made by the minister.

The CHAIRMAN: Please proceed.

Mr. WINCH: I found the minister's statement most interesting.

The CHAIRMAN: Are there any further questions on the matter we have before us, "refunds"? If not, please go on.

Mr. WINCH: I would like to ask if the committee could be given information based on the minister's statement, that in a great majority of cases this department only deals with collection of revenue, which is based on legislation which was introduced and passed under the authority of the Minister of Finance?

He did indicate that there were phases in which the department itself was interested in the taxation basis. Could he tell us just what those conditions are?

Is there any phase where you would go beyond that on the revenue basis? What I want to know specifically is this: have you any authority in any way whatsoever to make recommendations on taxation bases, or for legislation on taxation bases?

Mr. McENTYRE: The tax policy is initiated in the Department of Finance, but very often there will be some suggestion or proposed amendment which would have to be discussed. Our colleagues in the Department of Finance are kind enough to come and ask us if we think, that if such and such an amendment were made, it would make it more difficult for us to administer the act.

Then, in the course of our administration, every year we might find some point which has proven particularly difficult for the taxpayer, the individual, to comply with, or which is causing additional expense in the administration, and we would make suggestions to the Department of Finance, that perhaps some simple change would make things easier on both sides.

So there is a certain amount of exchange in these matters between the departments, the taxation division being primarily interested on the administrative side, and finance being interested with respect to policy on the revenue side. We do consult and work together to that extent.

Mr. WINCH: On the basis of your statement, there is an exchange of ideas. I ask this question now. If it is one I should ask the minister, please tell me. Has there been any exchange of ideas? Have you received any proposal, or have you made any proposal for the establishment of a capital gains tax?

Mr. CATHERS: I think that is an unfair question.

The CHAIRMAN: I am going to use a chairman's prerogative and reserve that question to be answered by the minister.

I think we have had a very good morning.

Mr. McMILLAN: I wonder if in the report we could have some further breakdown of this increased revenue, along with a more specific answer to some of the questions that were asked here this morning. Could you do that?

Mr. McENTYRE: Yes sir.

Mr. NESBITT: In view of the fact that investigations are being made of persons or companies where there is a suspicion of their not having paid all the income tax that they should, and in view of the fact that such investigations must be very protracted and carried on for a long time, is consideration being given—this is a straight administration question—to photostating the books and records of the companies concerned?

I know of one case; I brought it up many times before both here, and in the house, where a company had its books held for several years, including its accounts payable and receivable ledger, so that it had great difficulty in carrying on its business.

I know full well that such records have to be examined extremely carefully; but could not a situation such as that be avoided by using the procedure of photostating the books of the company and making your investigation from there? Would there be any practical objection?

Mr. McENTYRE: We have photostating equipment in all our district offices and we do use it for this purpose to quite an extent.

Actually, when we pick up records, we are interested in the records over the past years, because we are checking returns of transactions that are already completed. We try to help the taxpayer with his current yearly position and interfere as little as possible with his current situation.

But sometimes there are certain records which deal with past as well as with current years, and where possible we return them to the taxpayer, keeping photostats of them ourselves, or providing him with photostats with which to work.

The CHAIRMAN: I am sure there are many more questions you will want to ask, but I suggest we adjourn at this time. The questions before us will be the first item of business at our next meeting.

May I have an expression of opinion? Do you prefer to meet the first half of the morning, or the second half? Do you prefer to meet from 9 to 11, or from 11 to 1? I take it you prefer the latter choice.

APPENDIX "C"

TAXATION DIVISION, DEPARTMENT OF NATIONAL REVENUE

TABLE SHOWING REVENUES, STAFF EMPLOYED, COST OF COLLECTION AND RETURNS FILED, 1939 TO 1958

Fiscal Year Ending March 31 (1)	Total Revenue Collections (\$000) (2)	Total Continuing Employees	Total Cost of Collection (\$000)	Cost to Collect \$100	Taxation Year (1)	T1 Returns Filed (3)	T2 Returns Filed	Total Returns Filed per Employee
1939.....	142,026	1,291	2,426	\$1.70	1938	466,403	30,911	385
1940.....	134,449	1,315	2,488	1.85	1939	495,121	30,870	400
1941.....	272,138	1,755	2,891	1.06	1940	1,062,996	31,123	623
1942.....	652,368	2,408	3,840	0.59	1941	1,377,942	30,048	585
1943.....	1,378,043	3,732	5,443	0.39	1942	2,312,187	28,751	627
1944.....	1,635,495	5,125	7,960	0.49	1943	2,942,929	30,039	580
1945.....	1,555,814	6,421	9,926	0.64	1944	3,082,393	32,004	485
1946.....	1,453,373	7,109	11,796	0.81	1945	3,246,229	34,857	461
1947.....	1,435,732	7,430	13,735	0.96	1946	3,351,864	36,231	456
1948.....	1,317,707	10,478	19,628	1.49	1947	3,528,776	42,715	341
1949.....	1,368,341	11,704	28,062	2.05	1948	3,662,030	46,660	317
1950.....	1,300,782	10,629	28,104	2.16	1949	3,857,553	52,923	368
1951.....	1,556,876	7,011	25,174	1.62	1950	3,978,519	57,861	575
1952.....	2,204,046	6,265	21,874	0.99	1951	4,259,743	62,165	690
1953.....	2,593,961	5,918	21,810	0.84	1952	4,545,849	64,490	779
1954.....	2,618,041	6,134	22,931	0.88	1953	4,827,239	69,926	798
1955.....	2,456,965	6,301	25,676	1.05	1954	4,940,639	75,428	796
1956.....	2,501,938	6,268	26,095	1.04	1955	5,135,945	83,623	833
1957.....	3,017,244	6,195	28,431	0.94	1956	5,437,243	90,163	892
1958.....	3,066,202	6,172	31,199	1.02	1957	5,661,593	96,122	923

(1) For purposes of this analysis and particularly for calculating the number of returns filed per employee, it has been assumed that the number of employees at the end of a fiscal year will deal with the returns for the immediately prior taxation (calendar) year (e.g. employees as at March 31st, 1958 deal with the 1957 taxation year returns, the bulk of which are received in March and April of 1958).

(2) Fiscal years 1941-52 include Excess Profits Tax collections.

(3) Exclusive of Excess Profit Tax Returns.

MARCH, 1959.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, MARCH 17, 1959



DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue;
and Mr. J. Gear McEntyre, Deputy Minister—Taxation.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,	Garland,	McWilliam,
Baldwin,	Gillet,	More,
Bell (<i>Carleton</i>),	Grafftey,	Morris,
Benidickson,	Hales,	Nesbitt,
Best,	Hardie,	Nielsen,
Bissonnette,	Hellyer,	Payne,
Bourbonnais,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Korchinski,	Ricard,
Cardin,	Lambert,	Richard (<i>Kamouraska</i>),
Carter,	Macnaughton,	Rowe,
Cathers,	Macquarrie,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Walker,
Fisher,	McIlraith,	Winch,
Fortin,	McMillan,	Winkler—60.
	McQuillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

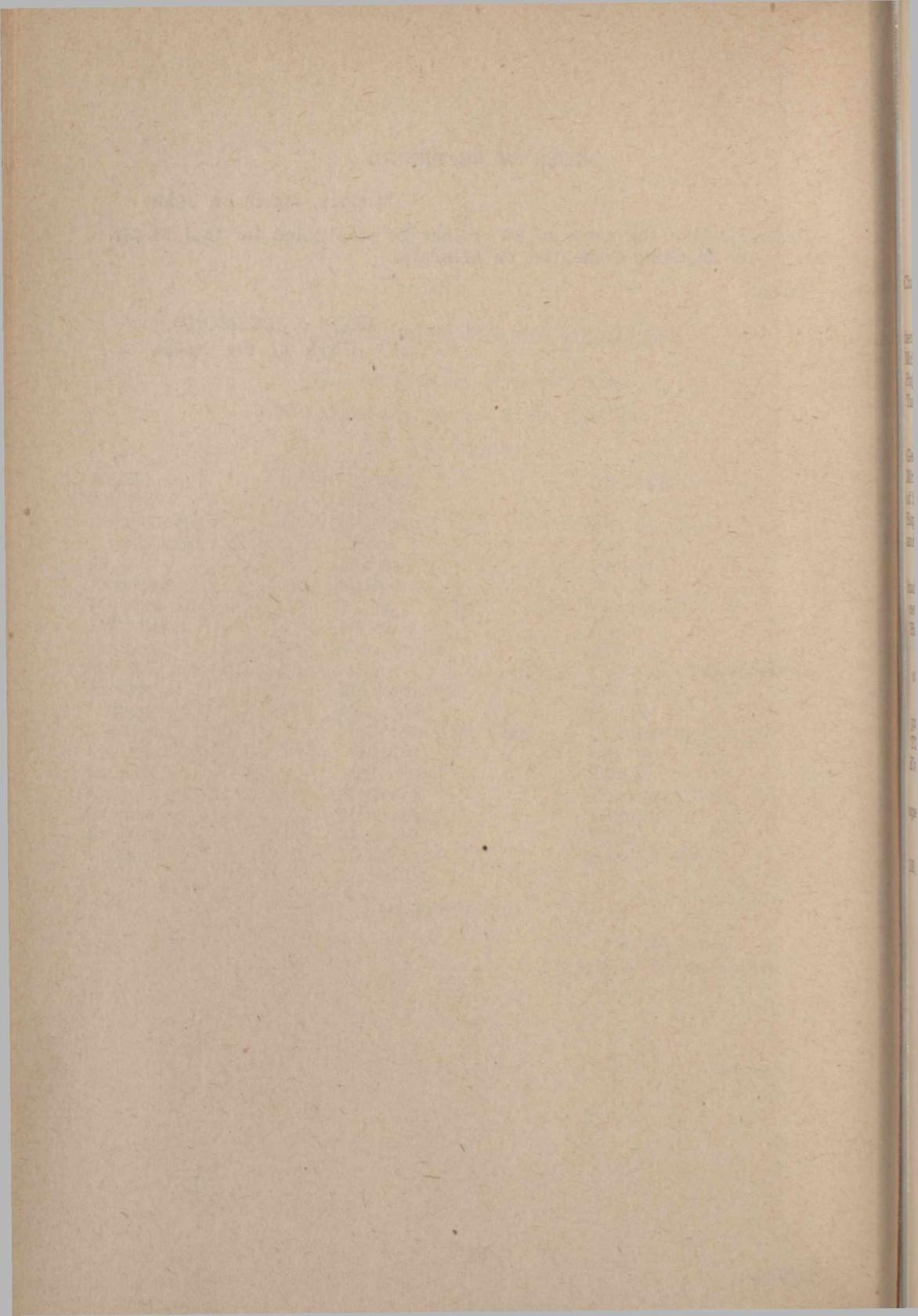
ORDER OF REFERENCE

MONDAY, March 16, 1959.

Ordered,—That the name of Mr. Fisher be substituted for that of Mr. Peters on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.



MINUTES OF PROCEEDINGS

TUESDAY, March 17, 1959.

(6)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Best, Broome, Bruchesi, Carter, Cathers, Chambers, Clancy, Fisher, Grafftey, Hardie, Hicks, Korchinski, Lambert, Macquarrie, McDonald (*Hamilton South*), McGregor, McMillan, McQuillan, More, Nesbitt, Payne, Pugh, Ricard, Small, Smallwood, Smith (*Calgary South*), Stewart, Tassé, Thompson and Winch.—(30)

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister—Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; Mr. A. V. Neil, Assistant Chief Technical Officer; and Mr. L. E. Hardy, Personnel Officer.

The Chairman of the Committee announced that the following members had been selected to act with him on the Subcommittee on Agenda and Procedure; Messrs. Bourget, Benidickson, Peters, Broome, Chambers, Tassé and Hales.

The Committee resumed its consideration of the Main Estimates, 1959-60, of the Department of National Revenue.

Mr. McEntyre read into the record certain information requested at the previous meeting. In addition he tabled a summary of Assessing results, T1's, T2's gift tax and T3's for the last three years. (*See Appendix "D" to this day's Evidence*)

The Minister and Deputy Minister answered questions respecting the operations of the Taxation Division.

At 12.50 p.m. the Committee adjourned until 11.00 a.m. Thursday, March 19, 1959.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 17, 1959.
11.00 a.m.

The CHAIRMAN: Good morning, gentlemen. I see we have a quorum and may proceed.

As you will recall, last Thursday we were discussing the statement of the minister on item 258. He will be with us later this morning, but is presently attending a cabinet meeting. In the meantime, we have the deputy minister with us again, Mr. McEntyre.

Perhaps I might be permitted to revert to the initial meeting at which time I was permitted to appoint a steering committee. I would like, with your approval, to place on the record the names of the members of the steering committee: Messrs. Bourget, Benidickson, Peters, Broome, Chambers, Tassé and Hales. These gentlemen will serve as your steering committee, based on the recommendation of the first meeting.

At our last meeting, we were discussing item 258 under the general heading and I think we will proceed with a general discussion. There were a number of unanswered questions, and you will recall we had a lengthy examination of certain aspects of financing.

It was suggested Mr. McEntyre present to us a review of the method by which the department assesses whether income is taxable or whether it is capital gain. With your permission, we might have Mr. McEntyre read into the record a report on this subject which he has prepared.

Mr. J. GEAR McENTYRE (*Deputy Minister of Taxation, Department of National Revenue*): Mr. Chairman, we tried to put together a statement which would indicate the method under which we proceed when there is a question of issuance of shares in the financing of companies with particular reference to oil and gas pipelines.

The taxation division makes a practice of reviewing those cases where there has been a public offering of shares of a corporation. A brief examination of the price obtained by the corporation for its shares, the extent of the options given and the market prices shortly thereafter gives us a reasonable indication of which issues have probably resulted in substantial profits being made by someone before the shares reached the general public.

After deciding to investigate a particular issue, we find it is frequently necessary to trace the shares from the time they left the corporation right through to the point where they appear to have reached the general public. This can be a long and arduous task and has taken as long as two years to complete. It is not made easier by the fact that, for good business reasons that have nothing to do with taxes, the shares frequently pass through the hands of nominees or are dealt with anonymously through numbered accounts of brokers and investment dealers.

Only after the information has been assembled, can it be determined whether the profits are taxable or not. Sometimes a decision on this point in connection with some of the shares can be made without completely tracing all the shares; also, there are cases where it soon becomes apparent that the profits have been reported by the underwriter. On the whole we have found this type of investigation produces substantial revenue.

The division has no statistics that show whether all stock issues of oil and gas pipelines have been investigated or what the results have been of those

that have been investigated. These particular cases are only part of a much larger group. From the information that is available, I know that some of the issues are under review and the work is at various stages. In three cases, it is known that certain profits have been assessed as underwriting or promotional gains and that notices of objection have been filed but they have not yet been concluded.

Generally speaking, where a corporation has granted options on large blocks of shares, we are most likely to find that they will be taken down and marketed by a group of persons who will be required to include their profits in taxable income. On the other hand, where shares have been purchased outright, it is necessary to find out, first, whether the purchaser has sold them, and, if so, whether his whole course of conduct in relation thereto amounted to carrying on a business or an "adventure in the nature of trade". In the case of some individuals, this last point is not easy to determine. It is not sufficient to show that a person took advantage of an opportunity to purchase shares of a new corporation at an attractive price and then sold the shares, perhaps 6 months later, at a substantially higher price. The shares may well have been purchased for an investment. However, it may be possible to show by other facts that his dealings were a trading or business operation. For instance, he may have been one of a group all of whose shares were marketed jointly in an orderly fashion by a manager for the group, who would usually be an experienced broker or investment dealer.

This interpretation is illustrated by the findings of the income tax appeal board in the cases of No. 371 v. M.N.R. (16 Tax ABC 138) and No. 492 v. M.N.R. (18 Tax ABC 412). In the former case the appellant, in concert with certain others, provided funds to assist in the development of a mining property and thereby became entitled to participate in an option agreement involving the mining corporation's shares, the sale of which the appellant had authorized her agent to arrange either before or after they were actually taken up. She was held to have been properly taxed on her profits. In case No. 492, the appellant, acting with a friend, borrowed \$65,000 in order to effect the purchase of a certain 20,000 shares at \$5 each. The next day the taxpayers were offered \$5.73 $\frac{3}{4}$ per share for all the shares en bloc, which they accepted. The profit was taxed and the appeal dismissed. It was held that the co-operation between the taxpayers indicated a certain degree of organization which was augmented by the large and unusual financial arrangements that were involved.

The following remarks by the member of the board in this case appear particularly noteworthy:

The finding should not be taken as having reference to any ordinary stock-market transaction, as no such broad subject has required determination. Instead, the decision reached in this matter should be regarded as founded only on the special facts that have been considered therein. The question of the taxability or otherwise of stock-market transactions generally, is not before the board and thus does not call for consideration in this proceeding. A case is only an authority for what it actually decides—and in relation to its particular facts.

If the taxpayer ordinarily deals in shares, there is a presumption that profits on sales of shares will be included in his income subject to tax. This has been made clear by the judgment of the Exchequer Court in the case of *Stuyvesant-North Limited* (1958 C.T.C. 154) and by the Supreme Court of Canada in the cases of *Gairdner Securities Limited* (1954 C.T.C. 24) and *Independence Founders Ltd.* (1953 C.T.C. 310).

Where the taxpayer neither ordinarily deals in shares nor, in the transaction under review, has participated therein jointly with others, but has acted

alone, the interpretation of what he has done is more difficult, as attested by the Exchequer Court judgment in re William John McDonough v. M.N.R. (1949 C.T.C. 213).

In the McDonough case, the taxpayer formed an exploration and development company and amalgamated therein various mining properties. He agreed to buy a certain number of the corporation's treasury shares and was given options to purchase additional shares from time to time at various prices. Shortly thereafter he made arrangements to sell the shares he had agreed to purchase and he gave an option to purchase the remaining shares, all at prices in excess of what he had agreed to pay therefor. It was held that the taxpayer's profits were of the same kind and carried on in the same way as those which are characteristic of transaction normally carried on by a mining promoter or underwriter.

The necessity for a close examination into the particular facts of each case may be further illustrated by reference to the income tax appeal board's judgment in re No. 142 v. M.N.R. (10 Tax ABC 41): The appellant, a fuel and timber dealer, acquired an option on a tract of land from a municipality for \$1,500 and contracted to build 50 houses within a year and instal certain services. He then sold his options to a corporation controlled by his brother for \$36,000, and his profit was taxed, although the appellant asserted it was a capital gain. The assessment was upheld by the appeal board and the Exchequer Court. The details of the formation of the company led to the inference that it was part of the appellant's plan when he acquired the land. Moreover, he had entered into a similar transaction in 1950 which proved it was not an isolated transaction.

So, Mr. Chairman, in considering these cases as they come before us, we have to examine the particular circumstances of each one. Then we have, first of all, the provisions of the statute and a growing body of jurisprudence which we use to guide us.

It is almost impossible to lay down a set of rules or regulations to cover all the particular circumstances which might possibly develop in the great number of transactions taking place. In all these cases it is a question of knowing your act, knowing your jurisprudence, and then applying these rules in a general way in the transaction you have before you.

I do not think it is possible to make this thing more certain, or actually to establish a definite set of tests which can be applied to distinguish the profit from an adventure in the nature of a trade or a profit-making scheme and the profit which results from simply changing your investments.

Mr. WINCH: You are not permitted to give information on a particular individual or a particular company, and there are good reasons for it, but can you go this far; can you tell the committee whether any taxes have been collected on the promotion and the development of oil and gas pipelines? I think that is putting it as fairly as I can. Can you tell us whether or not you have collected anything in the way of taxation on the gas line and the oil pipeline promotions and developments?

Mr. MCENTYRE: Actually, I do not know from personal examination of any file; but I feel almost certain—to begin with there has been a considerable number of pipelines promoted in the last few years, a number of which have been underwritten by the regular investment dealers. I would feel quite certain that all these investment dealers would report the profit they made, the underwriting profit, as income to them. So I have no hesitancy in saying, in answer to Mr. Winch's question, that there has been tax paid on underwriting profits of pipeline companies.

Mr. WINCH: I wish I could delve a little deeper.

The CHAIRMAN: You are certainly open to make any inquiry you would like to make.

Mr. CHAMBERS: This question is a little deeper and may not be able to be answered. Has any tax, as income, been collected as a result of options on shares given in pipeline transactions, apart from the normal brokerage profits?

Mr. McENTYRE: Without looking at the various files, I would not be able to say.

Mr. WINCH: Are there a number of investigations still under way by your department?

Mr. McENTYRE: Yes, there are, as I said in my statement. There have been assessments issued which are under appeal and are not as yet completed.

Mr. WINCH: With particular reference to options, do you find, when your department assesses, that in the majority of cases an appeal is made to the Exchequer Court?

Mr. McENTYRE: Certainly not in the majority of cases. I do not know what the proportion would be.

Mr. WINCH: I am endeavouring to get as close as I can without being told that the question cannot be answered. May I put it this way. Is it the feeling of your department that, in respect of cases such as we have in mind today and had in mind at our last meeting, the promoters, directors and officials under the circumstances outlined at the last meeting had the idea that they are making capital gains and therefore cannot be assessed?

Mr. CATHERS: You are asking him what somebody else is thinking.

Mr. WINCH: But he knows from the reports which come in to him and from his investigations whether or not that is the view.

The CHAIRMAN: Would you repeat your question, Mr. Winch?

Mr. WINCH: In other words, what you are asking is, can I twist that question into slightly different terminology.

The CHAIRMAN: Mr. Winch, I merely asked you to repeat it.

Mr. WINCH: In the reports filed with your department, as annual income tax reports, compared with the knowledge you have, do you find in connection with the promotion and development of oil and gas pipelines any indication that they have made capital gains which they consider should not be reported.

Mr. McENTYRE: Mr. Chairman, these underwritings and promotions are carried on by different classes of persons. We have, for instance, the investment dealers who make a regular business of that. You have a certain number of stockbrokers who either underwrite the issues themselves or perhaps have an investment dealer company put this underwriting through their brokerage account. Then you also have various people who may share with the investment dealer in the underwriting profit.

Mr. WINCH: I am not referring to investment dealers or brokers, I am referring to individuals.

Mr. McENTYRE: These individuals may be brokers, or they may be persons who make a business of perhaps promoting mining companies or oil companies. They would have no hesitancy in showing these profits as being taxable profits on their tax returns. You have the occasional person who may not do this thing as a regular practice. He may have the idea that this is a capital gain and may so allege in making his income tax returns; or he may perhaps contest the assessment notice when he is declared to be taxable on the profit.

Mr. BROOME: In major assessment cases, who determines when a review shall be made of any particular case, and what are the steps that are usually carried out?

Mr. McENTYRE: As I said, we obtain from stock markets and the financial newspapers information about various issues which are being made, and in the ordinary course the district office would make a list of these for follow-up.

In many cases, from examination of the issued price by the corporation and the prospectus prepared by the underwriter, there is no difficulty in finding that the underwriting has been put through an investment dealer who, in the ordinary course, will report on his tax returns any profit he makes on the deal.

Occasionally the examination is not so easy, because there may be a group involved and it is a question of following through each one in the group to make sure that the profit, if it is taxable, has been reported on his tax return.

Mr. BROOME: It is initiated by the district office?

Mr. McENTYRE: Yes, it is initiated by the district office.

Mr. BROOME: From an administrative standpoint, are any investigations initiated from Ottawa? The direction does not always come from the district office? What I mean is, do directives go from the top, down, on that one matter?

Mr. McENTYRE: The responsibility for assessing returns, obtaining returns, and collecting money is all with the district offices, subject of course to inspection and review by the head office staff.

The head office does not have the files and would not in the ordinary course take the initiative unless it inquired in a particular case as to what profits had been reported by any particular taxpayer.

Mr. WINCH: On that point, may I ask which district office investigates if, for instance, a Vancouver lawyer promotes something in Ontario? Which district office investigates?

Mr. McENTYRE: If the corporation whose shares were being issued was in Ontario, the return showing the issuance of the shares would be filed in one of the district offices of Ontario, and they would pass the information on to Vancouver if it was an underwriting firm in Vancouver which had done the underwriting, as that is where you would expect the profit to turn up.

Then the Vancouver office would have the underwriter's file and would be able to find out whether or not those profits had been declared.

The CHAIRMAN: We are dealing with adventure undertakings and their investment primarily in the market. In discussing pipeline or oil company investments, where a high risk factor is involved, it is quite obvious some involve a greater risk than others.

I am wondering how the department assesses the element of risk. We have seen a variety of companies—and I, too, am not permitted to mention names—in which the risk has been to some degree removed and other cases where the undertaking is speculative in nature and which, should it fail, would result in extreme losses to the individual. How do you make any generality of assessment, or can you make any, in that situation?

Mr. McENTYRE: I do not think the factor of risk comes into the consideration of the taxability if a profit is made.

Mr. FISHER: There has recently been an investigation and report in connection with a gas company. The report was filed with the provincial authorities in Ontario.

I am curious as to the question of the district taxation office, or your national office looking into this. Would you not take an interest in that, if you had specific tax returns coming in which might be affected, or would that particular case interest you enough, just as a general problem, to go in and look closely at that particular record?

Mr. McENTYRE: I do not know of a specific case which has come up. It would have to be reviewed by the district office and an examination made as to the price which the company got for the shares when they were initially issued.

Mr. FISHER: Mr. Chairman, in this particular case, there is one aspect which is interesting from the point of view of the federal tax authorities. It involves Francis Shaw.

The CHAIRMAN: Mr. Fisher, might I point out a principle which we have agreed to follow in this committee, and that is not to refer specifically either to individuals or companies unless they are now a matter of record and have been referred to.

Mr. FISHER: It is a matter of record in that I understand Mr. Shaw was penalized, or some assessment was made upon him in a particular case. According to newspaper statements he made, this was a factor in forcing him to act in a certain way in so far as stock transactions are concerned. I wonder if you remember that particular case, where Mr. Shaw was levied an assessment?

Mr. McENTYRE: I am afraid I do not remember it.

Mr. FISHER: Could I bring this up at the next meeting, when I will have more detail?

The CHAIRMAN: Yes.

Mr. BROOME: Would the deputy minister care to state his opinion as to whether or not the whole question of capital gain should be more clearly defined that it is at present, or does he feel that the record of jurisprudence referred to before is adequate for the purposes of his administration?

The CHAIRMAN: Might I add that there is an impression in some areas of the country that in the system of taxation there has been a criticism levied that the game is played first and the rules are made afterwards.

Mr. BROOME: I certainly feel no one knows where he stands until the axe falls. Also on the same basis the department does not know where it stands.

Mr. McENTYRE: Mr. Chairman, that has been a matter of some controversy for a number of years, and I would prefer to leave that for the minister to answer.

Mr. MORE: The thought occurs to me that there may not be enough unification in the district offices in respect of investigations. It seems to me it starts at the district office and there is a great differential between the attitudes towards investigation. I am concerned with the great difference in respect of investigation of these matters by district offices. How do you maintain a particular uniformity in respect of investigations?

Mr. BROOME: In other words, Mr. Chairman, are you likely to be treated differently in one taxation office than, say, where you previously reported to a different taxation office?

Mr. McENTYRE: We have a group at head office who are continually reviewing the work done by the various district officers. It is in the nature of a post-assessment review and is not for the purpose of correcting any errors that have been made. It is merely a study of the plan adopted by each district office, selecting returns for review of the manner in which they have been dealt with.

Over a period of a year this group will be able to review the practices in most of the district offices in the way of their approach to the audit of returns that has to be done. In that way we feel we can hold the various district offices together and assure taxpayers of uniform treatment, no matter in what district office they may file their return.

Mr. BROOME: Further on that point, Mr. Chairman, I would ask this question. I was told of one case—and my information is only as correct as

the person told me—where the treatment the man received in the London, Ontario office was entirely different and much more favourable than he received in the Vancouver office.

The size of the department that you administer, Mr. Deputy Minister, is very large. There are human frailties, questions of interpretation, and so on; but in your opinion is enough emphasis being placed on making district offices treat taxpayers with uniformity?

The CHAIRMAN: I think we should also be reminded on this committee that these statements are hearsay.

Mr. BROOME: Mr. Chairman, I qualified my question by saying that I was told that by this man. He could be incorrect.

Mr. McENTYRE: There are a great many areas in the administration of income tax where the exercise of judgment is required. A man claims that he had travelling expenses and entertainment expenses that may look right or they may look wrong, and the question of calling him to account by producing vouchers is a matter of judgment on the part of the assessor. So to say every person is treated in exactly the same way would not be correct.

The member mentioned the difference between two district offices. We are concerned with the difference between two different assessors in the same office. We try to create a spirit of inquiry which is fairly uniform. We do not want to get into questioning picayune items which do not amount to a great deal of tax, and in so doing annoy the taxpayer. On the other hand, when you see something that is wrong, the officer has a duty to make an inquiry.

In the exercise of judgment I do not suppose there are any two people who are the same, so the only thing we can do is to make these checks continually and from time to time with respect to each district office and each section in each district office in order to make sure that the work is being done on a fairly consistent basis.

Mr. CHAMBERS: Mr. McEntyre, a moment ago you said that you had this reviewing group at head office. I have looked at the plans used by the area officers in assessing the position, and in fact there are different plans, apart from the question of individual judgment. There are different plans and different methods used in each office in assessing.

Mr. McENTYRE: Yes, there are different plans and one wonders whether they should not all be the same. That is one of the problems with which we try to deal.

We find that perhaps in a large urban centre the chief assessor will say, "The way I should approach my work is to sort all the files one against the other and take out ones that look as if they require audit". Then, when you get into a district where the jurisdiction is very much more widespread, the chief assessor says, "I have to plan trips for my assessors, so I have to take the files for a particular area and pick out the likely files so that I can send a squad out in that direction to deal with those files in that area and then come back and do the same thing in another area".

We feel that is not proper, because it is better to screen all the files in the office and then judge the ones that require the work against all the files in the office, rather than taking a small area and trying to judge in this respect.

We have not laid down any specific rules because we do feel that the officers in the locality perhaps have better knowledge and are better able to size up their work than we are sitting here in Ottawa, perhaps 1,000 miles away. But we do review those all the time and we have an inspection staff that goes around and talks to the local people. The inspection staff asks them what they are doing and why they do it that way. As a matter of fact, I am leaving tonight for Kitchener, where we are going to review an inspection that has been going on there for a couple of weeks. We will be discussing the same

problem with the director and the chief assessor in Kitchener tomorrow, why he does his work in a certain way and whether there is not a better way for him to do it.

Mr. CHAMBERS: Apart from the question of individual judgment, would you agree that the moving of people around the country might create the impression that in the result there is a lack of uniformity in the department?

Mr. WINCH: And in the same law?

Mr. McENTYRE: We do know that we cannot audit every return every year and it is a question of picking out the ones that seem to require audit and working on them. At the same time, we have to go around and assure the taxpayers that we are on the job, because we do know that if a taxpayer who is filing his return correctly gets the impression that the tax officials are not checking returns, he thinks that perhaps somebody else is not paying all the tax that he should and he gets the feeling that other people are getting away with something and they should be checked up on.

Therefore, we have to balance our work between working on the files that seem to require audit and at the same time make polite calls on other taxpayers simply to show them we are on the job.

Mr. NESBITT: Mr. McEntyre has partially answered the question I have in mind. I think we all realize that this particular department is an unusually "touchy" type of department, and in view of the differences between human beings there is a great chance for difference in human error and judgment. Very often it is not what is done, but why it is done that way. In the past in this committee I have brought matters to the attention of the committee, particularly in investigations of farmers—this is background, Mr. Chairman; it is necessary because I am leading up to a question—where people have felt that way.

In one instance that I mentioned a couple of years ago an investigator arrived at a farm and said, "We have got so much up the road, and now we are going to see what we can get out of you". No doubt that was meant to be jocular, but that is the kind of thing I am talking about.

The CHAIRMAN: Were you the farmer, Mr. Nesbitt?

Mr. NESBITT: No, I was not the farmer, Mr. Chairman. I was told this by the person who was visited. I understand that in the district I come from this type of thing seems to have been largely eliminated in the last two or three years. I think this, again, gets down to the fact that many investigators stick to the letter of the regulations and they do not, apparently, use a little wider judgment. That is, of course, understandable as we are dealing with human beings.

My question is this. Mr. McEntyre just told us that the head office here in Ottawa sends investigators out to check the various offices and see how they are carrying out their investigations. Mr. McEntyre also told us he is going himself to the Kitchener office this evening to see the methods used. What I am curious about is this. Does Mr. McEntyre's department send investigators from the head office in Ottawa around with some of the officials who are investigating individual cases in order to see how the questioning and the investigation is carried out on the spot, or do they merely go over the file in the district office, such as London, Kitchener, or as the case may be?

Mr. McENTYRE: We have our assessing staff broken down into groups, so that a senior assessor will be working with a group of three or four. We expect the senior assessor to go out with his juniors, perhaps not on every investigation, but from time to time on investigations to ensure that the junior assessor knows his work and has the proper approach and is courteous, polite and fair with the taxpayers with whom he has to deal.

Then over the group head there would be a senior supervisor, who will also be watching his staff. There is then a chief assessor, and finally there is the director of the office. Very often the chief assessor will go out on a particular investigation just to see how things are going along, and some of the directors do this as well.

We have a policy of changing our senior people around. When we have a vacancy for a directorship in one office, very often it is a nation-wide competition, so that perhaps a man from another district will get a promotion and will be transferred. In that way we try to keep as closely knit a group as we can, bearing in mind the over-all policy that, above all, our assessors must be courteous and fair with the taxpayers with whom they have to deal.

Mr. NESBITT: I have another question, Mr. Chairman, along the same line. Does the department ever make a policy of moving a senior assessor, for instance, from one district office, say from district A to district B, and moving a similar person from district B over to district A?

Mr. McENTYRE: These transfers are usually made as the result of a promotional competition.

Mr. NESBITT: It is never done so that people in the same jobs, so to speak, are transferred from one part of the country to another to give a little variety?

Mr. McENTYRE: Moving from one part of the country to another, particularly with a family, even though the treasury regulations will permit payment of the moving expenses, still puts the employee to a certain amount of expense. For instance, he has to sell his house, perhaps, and buy another house. Even if he is moving from one rented premises to another, the rugs do not fit and the curtains do not fit, and it is an opportunity for his wife to ask for some decorating to be done. We find, therefore, that when our employees are transferred from one place to another it leads to additional expense which the treasury regulations, of course, do not cover. It would be impossible for the treasury regulations to cover all these incidental expenses. So we find it a little difficult to compel a man to move unless there is a promotion involved.

Mr. NESBITT: I agree, Mr. Chairman, that it would certainly be unwise. Mr. McEntyre says that shifting officers around constantly would not be practical. But, does not the deputy minister perhaps agree that if officials of this type were moved every, say, five or six years between offices, this might lead to more uniformity in the administration of these regulations?

Mr. McENTYRE: I would hesitate to recommend that we move our officials on a regular pattern, say, every five years. We do feel there is quite a bit of movement going on and, as the estimates will show, we are already asking for considerable money for this moving. I would hesitate to recommend that we develop a pattern of that kind.

Mr. McMILLAN: Mr. Chairman, the minister said in his statement that the more complicated returns were assessed by highly technically trained staff, and that last year they got an extra \$73 million. I wonder if there is any way of giving a rough breakdown of these \$73 million, as to roughly how much of it is due to taxpayers claiming capital gain when in fact it should be assessed as income, and so on. I was wondering what amount this drew.

Mr. McENTYRE: Mr. Chairman, I have a statement that breaks this figure of \$73 million down into increases and decreases and also shows the type of investigation that led to these increases.

The CHAIRMAN: May I suggest, Mr. McEntyre and Dr. McMillan, that we file this with the evidence, and then you will have an opportunity to see it?

Mr. WINCH: Can it be printed, Mr. Chairman?

The CHAIRMAN: Yes, it can be printed. Is your question on the same subject, Mr. Grafftey?

Mr. GRAFFTEY: It seems to me, Mr. Chairman, that in the latter discussion we have gone from capital gains to district offices.

The CHAIRMAN: Proceed.

Mr. GRAFFTEY: I have listened to the deputy minister's report and I hope I am in order in asking this question. Does the deputy minister feel there has been any consistency in the jurisprudence with regard to capital gain?

The CHAIRMAN: Mr. McEntyre does not feel he is in a position to give a legal opinion on that subject, and it is much the same as the subject which we are going to leave to the minister.

Mr. MORE: On this matter of uniformity, Mr. Chairman, I would ask this question. I will not designate areas, but I have a specific case upon which I should like to comment. It is with regard to construction companies.

Two subsidiaries of a parent company, operating under different tax office jurisdictions, bring the machinery in after the work is done for the season. They refurbish it and repair it and bring it up to standard for new work. In one case they claimed the cost on their current year's operations, and it was allowed. The other subsidiary carried out the same procedure, and it was disallowed and they were forced to charge it to the coming year's operations.

That seems to be not uniform and inconsistent, and yet the information given to me was that it actually happened. Would that be over-written at head office by investigators, or would that pattern stand on the interpretation of the district officer's judgment?

Mr. McENTYRE: I am not familiar with the case that is mentioned, but the district office would have the responsibility, and if the companies filed in different offices there is a possibility, on a matter that is doubtful, that one office would exercise its judgment one way and the other office would exercise its judgment the other way.

Of course, we are not happy about any difference of that kind and if we knew of it at head office we would try to develop a pattern that would apply uniformly to all situations of that kind.

Mr. MORE: That was exactly my point. In other words, the department has no set policy that the upkeep and refurbishing should be charged to the current year's operations or to the following year's operations? That is left to the discretion of the district taxation officer, is it?

Mr. McENTYRE: First of all, the taxpayer would claim the expense on his return and unless there was something that showed the income for the year was not being properly declared the officer would have no occasion to question it. I cannot help but feel there must have been some additional circumstance that led the officer to questioning that item.

Mr. MORE: Well, it was questioned in one office and was disallowed, and it went through the other office and it was allowed. The people concerned said to me, "If we had filed both in this certain office, we would have had it for the year".

The CHAIRMAN: Mr. Grafftey, I may say you are certainly open to asking your question again of the minister when he comes in, if he considers it is within his authority.

Mr. CARTER: Following on Mr. More's question, Mr. Chairman, may I ask this question? Does the deputy minister know cases of tax evasion by companies, through subsidiaries, where the parent company will avoid paying taxes, avoid

showing a profit, because they can dissipate their profits to a number of subsidiaries, none of which will show a profit?

The CHAIRMAN: We are having a little difficulty understanding that question. I wonder if you would perhaps try to rephrase it or repeat it.

Mr. CARTER: Is it possible for a company to avoid paying taxes? A company will pay taxes on profits only. Can it avoid showing the profit by setting up a number of small subsidiaries and dissipating the profits in such a way that neither of the subsidiaries will show a profit, and therefore no tax is collected from that company?

The CHAIRMAN: I think you need a tax consultant, sir.

Mr. NESBITT: Perhaps he is looking for information.

Mr. CARTER: Has any case such as that ever come to light?

The CHAIRMAN: The deputy minister replies, no, not to his knowledge.

Mr. WINCH: Going back to the assessments through the district offices, in view of the fact that over 5 million returns are filed during the year and it is impossible to have a complete check on the entire numbers, do I understand from Mr. McEntyre that every once in a while a file is picked out and a study is made? That has come to my attention over the years. Then a few years after they may come back—after four or five years, whatever it is—and the person who filed the income tax return is told “You made a mistake and you owe the government this much money”. The interest is compounded, and they are just not in a position to pay it.

I would like to ask Mr. McEntyre what the policy of his department is under those circumstances. If you had made a review of a certain file over a number of years and said, “You owe us so much money now as the result of this investigation,” what is your policy with the individual with regard to working out with him a method of payment? Do you give any real consideration to the position of the person, or do you just go ahead—not in all cases—and slap down a garnishee, which can have a man fired. I have known occasions when a man has been fired, because there are companies that just will not stand for employees having a garnishee slapped against them.

What is the consideration given in those circumstances, after your assessor has gone back a number of years and says, “You owe us so much money”? And it may go back four or five years.

Mr. McENTYRE: The law now provides that after four years no reassessment can be made unless there is fraud or misrepresentation.

Mr. WINCH: That was a recent change, was it not? Was it last year or the year before? Now it is four years, but even on the four years basis, how do you deal with that?

Mr. McENTYRE: Interest is at 6 per cent, simple interest; it is not compound interest. Then when we have a debit set up on the account we have a duty to collect it as best we can, so we send a notice to the taxpayer advising him that he owes the money and telling him that unless payment is forthcoming, action will have to be taken.

If the taxpayer comes in and explains the situation, shows what assets he has out of which he might possibly realize sufficient money to pay the tax, or if there is nothing immediately realizable, his source of income, we try to make as reasonable an arrangement as we can with him in order to make sure, first of all, that the crown gets paid and also to ensure that the taxpayer is not put to any undue hardship.

Mr. WINCH: I want to go ahead on this question of a garnishee. This notice which you send out says that something has to be done by such and such a date or action will be taken. I am telling you, that scares people. Why

should it scare them? Why not, before you do that, go and find out what the position is? Why not do that before you scare the living daylights out of the man or the woman concerned?

Is it not possible to take the matter up with the person before you tell him, "By heaven, the full force of law is going to come down on you if we are not paid within two weeks or a month"? It is just a matter of public relations. Is that not possible?

Mr. McDONALD (*Hamilton South*): Is it not a fact that you write a kind letter to the person?

Mr. WINCH: I have not seen that.

The CHAIRMAN: Well, Mr. McEntyre has asked that that be referred to the minister, is that satisfactory?

Mr. KORCHINSKI: Mr. Chairman, I was going to follow up the same line of thought as Mr. Winch, because I know of cases where the individual was assessed a little more tax and he agreed that perhaps he should have paid a little more because there were certain circumstances involved there—I am not going to go into them—but the office suggested that he make payment before a certain deadline.

In his job he could not possibly meet the deadline, and they suggested to him that he beg, swipe, steal or borrow, do anything he liked, to make the payments.

He agreed to make payments on an instalment basis, and they would not allow that. I was just wondering whether that is the general practice or whether there are cases where the officials do permit the individual to make instalment payments?

Mr. WINCH: I have had the same experience of cases coming to me.

Mr. McENTYRE: Our district office makes arrangements with taxpayers continually on the basis of their ability to pay at the time.

Mr. HARDIE: Mr. Chairman, I wonder if Mr. McEntyre could tell us how the department arrives at the commencement date of the three-year tax-free period concerning new mines?

The CHAIRMAN: I wonder if we can first of all exhaust the area of discussion? We are endeavouring to complete this. Are there any further general questions on this matter?

Mr. LAMBERT: With regard to collection, where there has been a disputed assessment and/or there is an evasion and a writ of extent is filed which seizes the property, and there is a question as to the legality of the seizure, or any other matter where there is a legal dispute involved—what is the policy?

Does the district officer have the right to refer it to council, or must that go through the machinery of Ottawa here and expend a great deal of time in getting counsel appointed to represent the crown, when there are divergent interests involved, interests, which may be prejudiced as a result of the seizure?

Mr. McENTYRE: The legal branch, consisting of our lawyers, is situated at head office here in Ottawa. When the district runs into a situation where a lawyer is required, the case must be referred to head office. If a lawyer is required to act on it, the Department of Justice would be asked to appoint an agent or appoint some person to attend to it.

Mr. LAMBERT: In your experience, how long does it take to get these men appointed and on the job?

Mr. McENTYRE: Ordinarily if we wrote to the Department of Justice today we would expect an answer back in three or four days. Then the Department of Justice would instruct the legal agent in the locality to act. It would depend, perhaps, on whether that man happened to be particularly busy

at the moment or not as to how soon he could give his attention to it. But certainly as far as the appointment of a legal agent is concerned, that could be done quite quickly.

Mr. LAMBERT: There is a case I have in mind where the point at issue arose in September of last year and the agent has not yet been appointed. There are hundreds of thousands of dollars involved and individuals may be prejudiced as a result of the seizure of shares by the crown. They just cannot get it moving.

Mr. McENTYRE: If the hon. member would like to let me know the circumstances of the case, I would be very glad to look into it.

Mr. NESBITT: Along the same line, could Mr. McEntyre tell us what matters are referred to the legal officers of his department and what matters are referred to the legal officers of the Department of Justice? What is the dividing line?

Mr. McENTYRE: Of course, the administration of justice is entirely within the jurisdiction of the Department of Justice, and in all litigation in which my minister is interested, the Department of Justice has to take a part.

There is an exception to that in that cases before the income tax appeal board are pleaded by lawyers on the staff of the taxation division, except in a case that looks fairly substantial and where it is more or less obvious that the case may go to a higher court, in which case we advise the Department of Justice in order that a legal agent can be appointed who can handle the case from the outset, right through.

Mr. NESBITT: It is a matter of degree?

Mr. McENTYRE: It is a matter of degree.

Mr. NESBITT: Mr. Chairman, I have another question on the same line. There are various people in the department who are qualified barristers and solicitors. Do these officers, take part in any of the investigations prior to commencing some form of litigation?

Mr. McENTYRE: Yes. When the assessor or the investigator runs into a problem that perhaps has legal aspects to it with which he is not too familiar, he may ask for assistance from the legal branch and a man is assigned to help him out. That happens not too frequently, but from time to time.

Mr. MORE: Is there any national training of district collection officers to bring about uniformity in their attitudes to handle collection cases?

Mr. McENTYRE: There have been seminars in which the collection officers have been brought together to discuss policies with officials from head office. Then, again, on these inspection visits that we have, we go into the collection policies. We go into the actual accounts and make sure they are being attended to and that the money is being collected.

Mr. McQUILLAN: Mr. Chairman, may I ask Mr. McEntyre a question? In reviewing income tax returns of a corporation and you find the corporation has filed an erroneous return, where they have been penalized and have overpaid income tax, would you call that to the corporation's attention?

Mr. McENTYRE: Yes, certainly.

The CHAIRMAN: I wonder if I may ask you a question, Mr. McEntyre? Criticisms are received from members, not infrequently, perhaps, with regard to assessors and methods of collection. We recognize that they must, of course, be pretty cold-blooded and that they must certainly pursue their work in the interests of the taxpayers as a whole.

On the question of disciplining those who have overstepped the ordinary bounds, where perhaps courtesies have not been extended, is there any way

in which you are able to keep a check on these incidents, and are the individuals disciplined? By what methods do you review this situation?

Mr. McENTYRE: We certainly watch this very carefully, because we are very much aware of the fact that we are servants of the crown and that certain deportment is expected of us. We are particularly cautious, I think even a little bit sensitive, of this type of criticism.

If an assessor is not behaving himself properly, of course he would have to be taken off outside investigations and given some other type of work, or he might be invited to seek employment elsewhere.

Mr. NESBITT: Has this been done? Have incidents like this actually taken place in the department?

Mr. McENTYRE: What would happen would be that a man would be brought in and we would say, "Now, you do not seem to be getting along in this line of work. We think your advancement here is not very promising." A number of the employees whom we have, particularly assessors, can usually obtain much better jobs outside. So it does not take much coaxing and usually it works out pretty well without our having to dismiss him, or anything of that kind.

Mr. LAMBERT: I have a question referring to an answer given by Mr. McEntyre at the last meeting which has to do with the training of appraisers. You indicated, sir, at that time there were now members of your department undergoing training with the Appraisal Institute of Canada. How many are there?

Mr. McENTYRE: Without knowing exactly, I would say there are about a dozen.

Mr. LAMBERT: Is it the intention to distribute these persons generally throughout the country?

Mr. McENTYRE: No, these are officers on the staff of various district offices at the present time who, to improve their knowledge of valuations, are taking these courses as they are given in various parts of the country.

Mr. LAMBERT: In those places where you do not have trained appraisers, do you consider using professional outside appraisers who are qualified under the Appraisal Institute of Canada to do work on behalf of the department?

Mr. McENTYRE: No, the officers whom we have presently on the staff have had some experience over a number of years and we would not use outside appraisers unless it was a question of going to court, where expert testimony would be required.

Mr. LAMBERT: In that case, do you go out and hire professional qualified appraisers?

Mr. McENTYRE: In a number of those cases, we have hired expert valuers. I do not know what their qualifications would be. It would depend on the locality, who might be available, and who might be employed for that purpose.

Mr. LAMBERT: In the interval would you not think it might be to the advantage of the department, for purposes of unification, to hire such persons until you have fully qualified personnel on your staff?

Mr. McENTYRE: Subject to what the minister may say, I believe we have qualified personnel who are able to do this work. These men are taking these courses just to make themselves better qualified.

Mr. MORE: In answer to my previous question, you said that seminars have been held to train these men in order to bring about some uniformity. How many seminars would be held in the past five years in respect of these district collection officers?

Mr. McENTYRE: We have had eight in the last two and a half years.

Mr. PAYNE: I would like to ask the deputy minister a few questions relative to the qualifications and performance of these men who he assures us are qualified. What men in the various district offices do perform appraisals of real property, and what qualifications do you require them to have before you send them out in this field of work? You answered broadly that, in your opinion, they are qualified. Personally, I am highly skeptical of that. I have seen a great many of them and I am not at all happy with your answer. What experience have these men, which you require, before you send them out for the purpose of appraising real property, and what procedures do they follow?

The CHAIRMAN: Might I ask you how this question differs from the one you asked at the last meeting?

Mr. PAYNE: At the last meeting I asked no questions regarding the detailed qualifications of those who perform this work. That is what I am now asking.

Mr. McENTYRE: In each of our district offices we have one officer of an assessor grade who is doing the valuations of real property. In some district offices there would be two. We have had succession duties in Canada since 1942 and, as a result of experience, officers have been developed who have studied the methods of valuing; some of them have had a little experience in the construction business. They would go to the property and compare it with property nearby which has perhaps been sold within a reasonable time of their valuation, and they could roughly measure the cubic content of the building and get a general idea of the construction of the building. Through experience they have learned the skills which are required in valuing property.

Mr. PAYNE: What performance do you require of these persons before they go in the field to do the appraisal? How do you establish the basis of experience? Is it just at the misfortune of the public, or do you have a firm period of training and call for specific qualifications before they go out to embark on this work which affects not only the succession duties but also income tax?

Mr. McENTYRE: They benefit from the experience of their supervisors, eventually learn the trade and go out on their own.

Mr. PAYNE: Do you recruit them without any basic requirement in respect of their vocational background? Do you take them just from your general staff and send them into the field to appraise real property?

Mr. McENTYRE: They are in the assessor grades and are qualified for the work of assessing in respect of succession duty or estate tax returns. In the course of that experience, they must learn how to appraise real property.

Mr. PAYNE: In what manner do they learn that as an assessor?

Mr. McENTYRE: The ones we have had up until now have learned it through experience.

Mr. WINCH: Is the appraisal based on market value?

Mr. McENTYRE: It is based on market value both in respect of the Succession Duty Tax Act and the Income Tax Act.

Mr. WINCH: At the time of the assessment or at the time of the demise of the deceased?

Mr. McENTYRE: At the time of death.

Mr. CHAMBERS: I believe it was mentioned that about 12 appraisers are taking this course. How many persons in the department are doing appraisal work?

Mr. McENTYRE: About 40 would be a rough guess.

Mr. FISHER: I gathered from your previous answer that you said when you call these assessors up on the carpet they are able to find better jobs outside. Does that indicate a real problem in respect of obtaining persons of that particular grade and capacity?

Mr. McENTYRE: Yes, we have considerable difficulty retaining qualified staff. We are able to get them in the department, give them a bit of training in the meaning of the taxing statutes, and how to proceed with an audit; but very shortly afterwards, on an average of about 2.3 years, they begin to look ahead as to what their future in the department may be, and they find there is a limit under the civil service salaries. Of course, they also have an opportunity of seeing what some of their colleagues are doing on the outside.

We find there is a great inclination to leave the department before too long.

Mr. FISHER: Is there here an aspect of a sort of war of attrition between companies?

It seems that whenever an assessor goes to a large company to do the investigation he always runs into an old colleague who has been hired.

I want to know whether or not the department has any plans to enable it to hold its staff longer and whether or not it has discussed such a plan with the Civil Service Commission, as a means of making the job more attractive in order to hold these able and trained persons?

Mr. McENTYRE: That is something we are continually studying; but in the civil service there is not too much that can be offered.

Mr. FISHER: Why is there so little which can be offered?

The CHAIRMAN: Mr. Minister, do you wish to comment?

Hon. GEORGE C. NOWLAN (*Minister of National Revenue*): I think the deputy minister has answered properly. The department is under the control of the Civil Service Commission as far as salaries and promotions are concerned. I know the deputy feels, as well as the senior officials, including the minister, that there is a great deal of pressure there, and we would prefer to have something more done whereby perhaps we could attract and hold these persons. But of course every department feels their officials are the most important, and there cannot be any salary increases for the Department of National Revenue taxation-wise unless you also have increases for the customs collectors and others. You come back again to the Civil Service Commission and treasury board. Despite everything you can do the result is that even though the promotions are warranted you have to face the regulations, and there is a certain degree of rigidity there. With the importance of taxation as it is today, which affects every corporation, they undoubtedly look forward to getting persons with experience from the department to serve in their employ. I must say, despite the losses, that the number who do remain and serve the department reflects great credit on those who have been recruited.

Mr. FISHER: We will assume there is a continuing sort of efficiency within the department—or have you reached a sort of trough because of such losses at the present time?

Mr. NOWLAN: What do you mean by "trough"?

Mr. FISHER: If you are having difficulty holding assessors, always training new ones and trying to persuade new ones to come in, you have this problem. Is this reaching serious proportions at the present time?

Mr. NOWLAN: Every department, I suppose, is exposed to competition from an expanding economy in an expanding nation such as we have. They are all faced with that problem. I think it is more intense in the taxation

division of the Department of National Revenue because taxation has become more and more important in this last decade or so.

Although there is severe competition, on the other hand I do not think we have reached a trough. However, there are losses of experienced personnel which are sometimes hard to make up.

Mr. PUGH: What is the average annual loss of personnel—the turn-over? Could you give the figures for the last three years?

Mr. McENTYRE: We have actually on strength now 2,265 assessors, and this time last year we had 2,243; so we have had a small gain of 22 in the interval. I think the hon. member has in mind the turn-over.

Mr. PUGH: Yes.

Mr. McENTYRE: We had a survey made of that, not recently, but within the last two years. The average length of stay of the assessors in the department was 2.3 years.

Mr. PUGH: At that rate I would say you should charge them for their education. They are going into bigger and better jobs.

Mr. CATHERS: That is a very big turn-over.

Mr. WINCH: In respect of your assessment policy, to my own personal knowledge there are occasions when the death of a person has a serious impact on the business itself. When your assessors go out on a valuation of a business, is the impact of the death of that particular individual taken into consideration in respect of what you deem to be the market value of the business?

Mr. McENTYRE: The valuation of capital shares not quoted on the stock market in respect of all businesses is done at the head office, for the smaller districts. In the major districts at Montreal, Toronto and Vancouver, they have persons who have been trained at head office and who are experienced; and there is sufficient work for them to be more or less on a full-time basis in those districts.

For the smaller office, where the occasion to do that type of work does not come up very often, it is done at head office. The factor of the loss of perhaps the key man in a business is taken into consideration in valuing the business at the time of death.

Mr. KORCHINSKI: I wish to go back to some of the questions raised by Mr. Payne and Mr. Chambers. I believe Mr. McEntyre said there were something like 40 appraisers in the field. At a future meeting could we have figures indicating how many years these 40 people were appraising, and also indicating how many years they have been with the department prior to their taking on the duties of appraisers?

Mr. CHAIRMAN: That will be obtained. Are there any further questions about appraisers?

Mr. PAYNE: I am completely unhappy about the procedures. Perhaps I should say that in connection with the business in which I am involved a great many of my competitors are quite close friends of mine. I have been astonished by the manner in which market value is established; it is almost frightening. A casual visitor will come in and ask for a very quick estimate of the market value of a rather sizeable property. In one specific case, three of my competitors were approached to discuss the subject last fall. From the point of view of a professional appraiser it would have meant a matter of three weeks hard work to establish whether it was a property worth \$350,000 or \$180,000, because there were so many factors which entered into it.

Is the procedure largely carried out by merely dropping in and calling on people in the real estate profession, and asking them abruptly to give an

arbitrary figure concerning rather complex problems having to do with property? It is positively frightening that this should form the basis of establishing the market value of a sizeable property.

I would like to have an elaboration of the process, procedures, and methods followed, whether it be done today or at some later date, as to how market values are established by these appraisers of real property.

The CHAIRMAN: The deputy minister has just advised me that he will be happy to bring a statement covering the entire operation. Is that satisfactory?

Mr. PAYNE: Yes.

Mr. CHAMBERS: As to the turnover and the average length of service of 2.3 years, it does not seem to me to be entirely consistent that these men, having such a short term of experience, should make very large assessments; 2.3 years experience would not be enough. I see there are 2,406 assessors listed. Could we have some information as to their length of experience?

The CHAIRMAN: This will also be included in the report.

Mr. FISHER: I have a question which stems from an action taken in the parliamentary committee last year which in fact recommended that the minister approach treasury board and the civil service commission because of a specific recruiting problem. Would the minister appreciate a recommendation along this line in this particular field of assessors for taxation?

Mr. NOWLAN: Yes, we always appreciate any contribution for the enhancement of the department.

Mr. WINCH: I wonder if Mr. Fleming would appreciate it.

Mr. NESBITT: On the subject of assessments, if it should be found that mistakes have been made—perhaps “mistakes” is not a happy choice of word—but if an assessment is found which does not prove to be accurate, is there any provision for making appropriate adjustments?

I have a company in mind. I shall not mention the name, although it is past history now. It was a going concern at the time of the death. An assessment was placed on it for approximately \$200,000 and tax was levelled accordingly.

It happened at a time when it was very difficult to sell this type of business. It was an individual proprietorship, and in fact, in order to raise the necessary funds to pay the required taxes, the company had to be sold. It was a machine-shop; and on that occasion approximately \$90,000 was realized.

Is there any provision for making adjustments in cases like this, where the assessment was in fact proven to be incorrect?

Mr. McENTYRE: No. On an opinion as to value we would not ordinarily make an adjustment. But if it was a question of fact as to whether the deceased owned the building, or something of that kind, we would, of course, adjust within the time limit provided.

But we take into consideration the market value at the time of the death. Usually five or six months elapse before the return is received, and another three or four months elapse before the assessment is issued; and perhaps a year later the property is sold. By that time there so much time has elapsed that there may have been a swing in the market. The appraisal originally was of course an opinion based on the best judgment of the facts at that time. So we do not feel, if some event happens two or three months or more afterwards, that it warrants reopening the assessment.

Mr. PUGH: With reference to the 2.3 years service life of assessors in the department, could we have the figures to show how many died in line with the normal death rate, how many were promoted in the department, and how many were told that they had better seek work elsewhere. And if we are

going to be given figures, could we have provided also a breakdown to bear in mind in connection with Mr. Payne's question as to the qualifications these assessors have, which would relate the question to it?

Mr. McENTYRE: I had it in mind to deal with the approximate number of 40 who are doing real estate appraisals and to give their lengths of service and the experience they have had while with the department.

Mr. PUGH: That is just one phase, having to do with real estate. Your whole assessment branch runs to what figure?

Mr. McENTYRE: 2,365.

Mr. PUGH: Could we have a breakdown of these figures, because 2.3 would apply to them as well?

Mr. McENTYRE: Yes, they are rated as assessors.

Mr. BROOME: This question was put to the deputy minister for an opinion and it is passed to you: because of the vagueness and lack of clear definition resulting in uncertainty on the part of both the department and the taxpayer, should the whole question of tax-free gains be more clearly defined? For example, would you have regard to whether or not the element of risk would constitute a factor, or a degree of gain?

Mr. NOWLAN: That is a very involved legal question. I would not want to answer offhand without giving it a lot more consideration and consultation than I can give it at the moment.

Mr. BROOME: Because of the difficulty in interpretation by the department and the uncertainty as to the regulations, could you be a bit more specific?

Mr. NOWLAN: I doubt if it is due to vagueness or uncertainty insofar as the department is concerned. It is a question of changes in our growing body of law, as judicial decisions come down from the income tax appeal board, the exchequer court of Canada, and the Supreme Court of Canada, setting out whatever changes are made, or whatever developments have taken place. What the department tries to do, and does so successfully, is to apply the principles laid down in the courts.

Mr. WINCH: Has any thought been given to a capital gains tax and as to whether a profit is capital gain or not?

Mr. NOWLAN: I suppose everyone who has to deal with taxation has thought about this matter. Taxation journals contain articles about it, and other subjects. But there certainly has been no discussion of policy with respect to this matter.

Mr. WINCH: That is what I meant.

The CHAIRMAN: I would like to give the minister the background of the evidence to date. The committee has expressed some interest in the rather flexible methods by which assessments are made in relation to whether profits are capital gains, or whether they should be interpreted as taxable.

We have had very comprehensive statements, but still doubt has remained as to whether or not there is a greater flexibility than should actually exist. That is the question, is it not?

Mr. BROOME: Yes.

Mr. WINCH: And Mr. McEntyre told us very rightly it was a question which the minister would have to answer.

The CHAIRMAN: It has also been stated that in many instances the taxpayers feel the game is played first and the rules are made afterwards. I wonder if you would care to comment on that?

Mr. NOWLAN: I doubt if the criticism is justified. There have been cases with which we had to deal where there was some degree of uncertainty. But the law is changing, and the department has to apply the law as it is found from day to day.

When it comes to a question on policy, a matter of considering whether there should be a capital gains tax, or a statutory change in the act whereby capital gains from a business should be more carefully defined, that is a matter, of course, for the Department of Finance because, as you know, taxation statutes are really matters of budgetary concern to the Minister of Finance.

In questions in that field, whatever ones personal opinion might be is immaterial, because it is a matter of policy which has to be determined and laid down by the Department of Finance, and afterwards approved by the government.

Mr. WINCH: I have a question of the minister, but it is not on the same subject.

Mr. LAMBERT: Is it not the responsibility of the minister to determine what is income?

Mr. NOWLAN: No; the responsibility of the minister is to administer the act in the light of the statutes, the regulations, and the court decisions; and in the field, although we sometimes find it possible to entertain doubts as to whether the law should be that way, nevertheless the law is there, and it has to be administered and applied.

Mr. PUGH: Can a taxpayer get a decision on a stated case? In other words, suppose a businessman wants to plan a merger. Can he go to the department and say: what will this cost me taxwise, and how are you going to assess this?

Mr. NOWLAN: We do not give advice in advance on these questions, at least, not usually. Experience has shown that when the department tried to be of assistance in matters which might be happening, and on a set of assumed facts laid before the department, sometimes when the officials tried to be helpful and gave information as to what would happen later, almost invariably the facts were somewhat different as disclosed by the way it worked out as compared with the way it was first presented to the department. In other words, we had given advice on what we presumed was the case, and it was held against us when it turned out that actually the facts were entirely different.

So they learned that it was most unsatisfactory to try to work on hypothetical cases about something which might happen in the future, but which never did.

Mr. WINCH: On that very phase of the facts being different, I was interested in what the minister said. Will he now advise the committee on the policy angle that was introduced by Mr. Nesbitt and which Mr. McEntyre answered. In view of what you said, I think this question would be properly directed to yourself. I can see that is a fact in the case where your department establishes at the time of a demise of the deceased a market value as a basis of assessment. But in order to make the payment of the levy, the business had to be sold and was sold. It had to be sold at a price far different from the established market value. Do you think it is right the government should get everything and the heirs nothing?

Mr. NOWLAN: I think the right is immaterial in regard to the application of the law and the carrying out of the duties of the department. If any question arises which has merit, you have the tax appeal board which is commonly referred to as the poor man's court. It costs \$15 to register your case.

Mr. WINCH: It costs a great deal more for the lawyer to appeal it from there.

The CHAIRMAN: Would you mind waiting, Mr. Winch, until the minister has completed his statement?

Mr. NOWLAN: Whether it costs more or not, the court is there. It is a cheap and expeditious court, and if the taxpayer feels that any injustice or wrong has been done, he can take it to the court, and the matter will be dealt with there.

The CHAIRMAN: Gentlemen, we appear to have lost a quorum, so we are going to adjourn. I suggest we continue this discussion next Thursday. Did you have a point to raise, Mr. Fisher?

Mr. FISHER: I wanted to ask the deputy minister questions at the next sitting about the Premium Iron Ore case.

The CHAIRMAN: If you wish to call any witnesses, I would ask that you let me know because we are reaching a point where we are not too far away from completing this area of our examination.

Mr. BROOME: Are questions referring back to the excise tax in order?

The CHAIRMAN: Yes, I advised you to that effect before.

Mr. BROOME: Do you have to have notice of that?

The CHAIRMAN: No.

Appendix "D"

SUMMARY OF ASSESSING RESULTS

T1's, Gift Tax and T3's
for the last three fiscal years

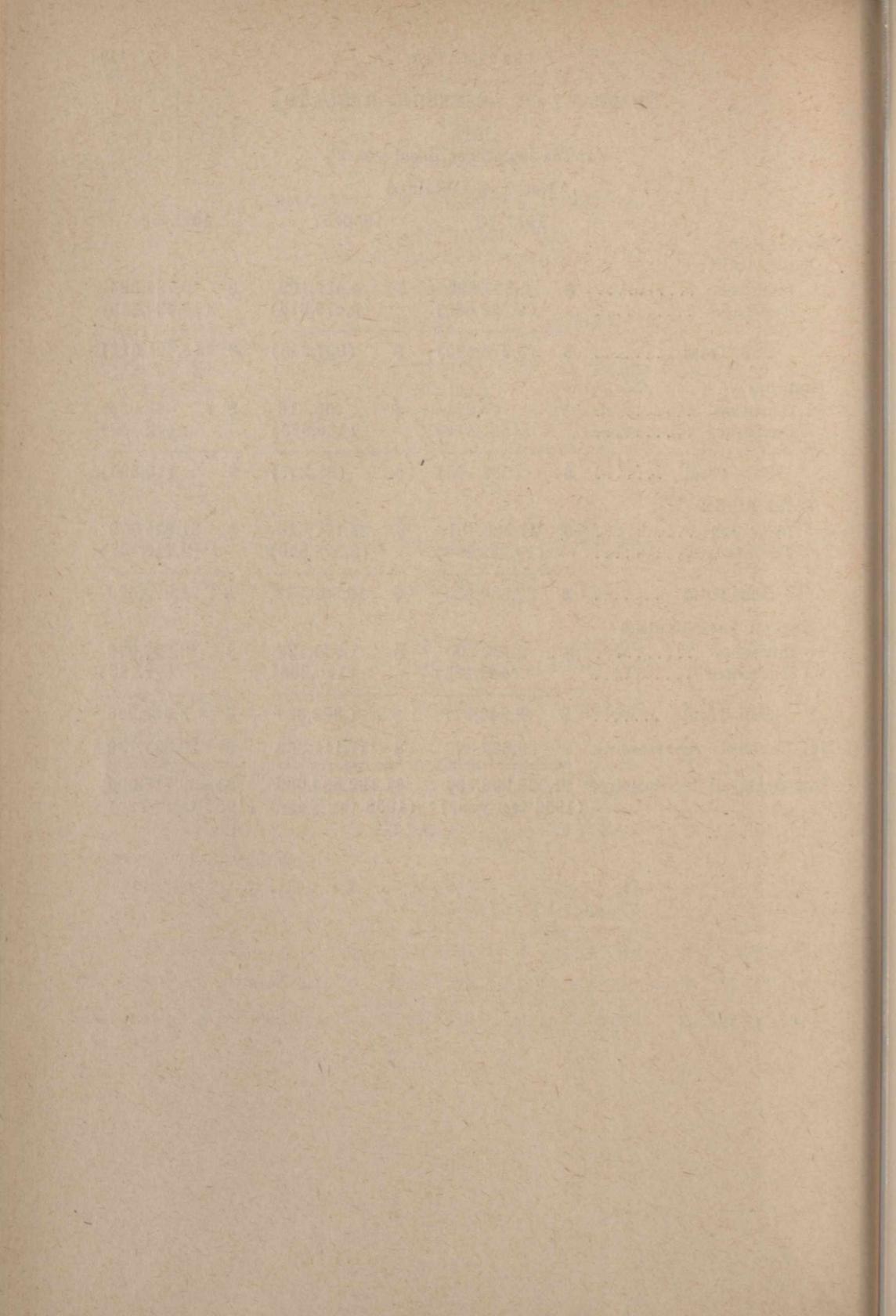
	Net Tax Obtained		
	1957-58	1956-57	1955-56
Immediate Assessing			
Increases	\$ 13,277,000	\$ 11,775,000	\$ 12,386,000
Decreases	(3,541,000)	(3,346,000)	(2,914,000)
Total	<u>\$ 9,736,000</u>	<u>\$ 8,429,000</u>	<u>\$ 9,472,000</u>
Re-Assessing			
Desk Audit			
Increases	\$ 16,737,604	\$ 19,421,575	\$ 23,123,141
Decreases	(12,246,116)	(13,326,961)	(16,644,433)
Sub-Total	<u>\$ 4,491,488</u>	<u>\$ 6,094,614</u>	<u>\$ 6,478,708</u>
Nominal			
Increases	\$ 522,517	\$ 447,467	\$ 650,447
Decreases	(308,813)	(181,785)	(197,236)
Sub-Total	<u>\$ 213,704</u>	<u>\$ 265,682</u>	<u>\$ 453,211</u>
Field Audit			
Increases	\$ 30,680,330	\$ 39,620,300	\$ 32,738,468
Decreases	(5,338,098)	(4,170,732)	(1,151,061)
Sub-Total	<u>\$ 25,342,232</u>	<u>\$ 35,449,568</u>	<u>\$ 31,587,407</u>
Special Investigation			
Increases	\$ 7,714,986	\$ 11,575,044	\$ 13,167,456
Decreases	(255,185)	(644,375)	(169,669)
Sub-Total	<u>\$ 7,459,801</u>	<u>\$ 10,930,669</u>	<u>\$ 12,997,787</u>
Net Revenue, re-assessing	<u>\$ 37,507,225</u>	<u>\$ 52,740,533</u>	<u>\$ 51,517,113</u>
Tax declared by taxpayer	\$1,281,107,000	\$1,136,276,000	\$1,091,244,000

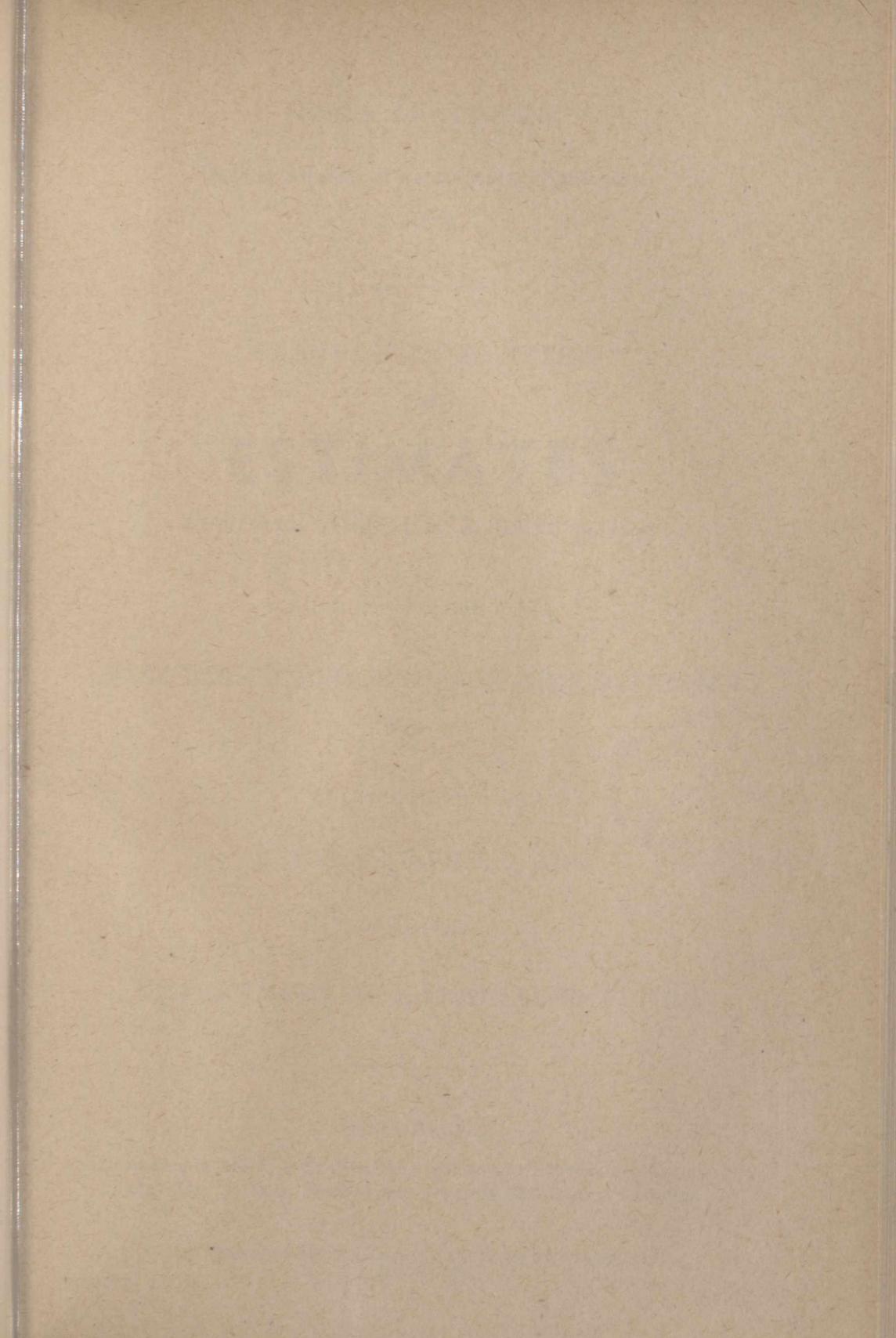
SUMMARY OF ASSESSING RESULTS

T2's
for the last three fiscal years

Net Tax Obtained

	1957-58	1956-57	1955-56
Re-Assessing			
Desk Audit			
Increases	\$ 4,803,608	\$ 4,482,169	\$ 9,734,323
Decreases	(8,480,088)	(5,479,515)	(14,225,835)
Sub-Total	\$ (3,676,480)	\$ (997,346)	\$ (4,491,512)
Nominal			
Increases	\$ 43,971	\$ 55,416	\$ 62,065
Decreases	(626,116)	(136,653)	(72,389)
Sub-Total	\$ (582,145)	\$ (81,237)	\$ (10,324)
Field Audit			
Increases	\$ 47,928,491	\$ 25,177,898	\$ 31,825,772
Decreases	(10,389,556)	(8,375,550)	(2,746,144)
Sub-Total	\$ 37,538,935	\$ 16,802,348	\$ 29,079,628
Special Investigation			
Increases	\$ 2,789,700	\$ 1,574,128	\$ 3,697,076
Decreases	(449,123)	(180,505)	(47,130)
Sub-Total	\$ 2,340,577	\$ 1,393,623	\$ 3,649,946
Net Revenue, re-assessing	\$ 35,620,887	\$ 17,117,388	\$ 28,227,738
Tax declared by taxpayer	\$1,329,900,000	\$1,192,500,000	\$1,020,718,000
	(1956 tax year)	(1955 tax year)	(1954 tax year)





HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, APRIL 7, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue;
and Mr. J. Gear McEntyre, Deputy Minister—Taxation.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959



STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Garland,	McWilliam,
Baldwin,	Gillet,	More,
Bell (<i>Carleton</i>),	Grafftey,	Morris,
Benidickson,	Hales,	Nesbitt,
Best,	Hardie,	Nielsen,
Bissonnette,	Hellyer,	Payne,
Bourbonnais,	Hicks,	Pickersgill,
Bourdages,	Howe,	Pugh,
Bourget,	Korchinski,	Ricard,
Bruchési,	Lambert,	Richard (<i>Kamouraska</i>),
Cardin,	Macnaughton,	Rowe,
Carter,	Macquarrie,	Small,
Cathers,	McDonald (<i>Hamilton</i>	Smallwood,
Chambers,	<i>South</i>),	Stewart,
Clancy,	McFarlane,	Tassé,
Coates,	McGrath,	Thompson,
Dumas,	McGregor,	Walker,
Fairfield,	McIlraith,	Winch,
Fisher,	McMillan,	Winkler—60.
Fortin,	McQuillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, April 7, 1959.

(7)

The Standing Committee on Estimates met at 9.20 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Best, Bissonnette, Carter, Chambers, Dumas, Fairfield, Fisher, Grafftey, Hales, Hellyer, Howe, Lambert, McFarlane, McMillan, McQuillan, More, Nesbitt, Smith (*Calgary South*), Stewart, Tasse, Thompson, Winch and Winkler—(24).

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister of Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister—Taxation; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; Mr. A. V. Neil, Assistant Chief Technical Officer; and Mr. L. E. Hardy, Personnel Officer.

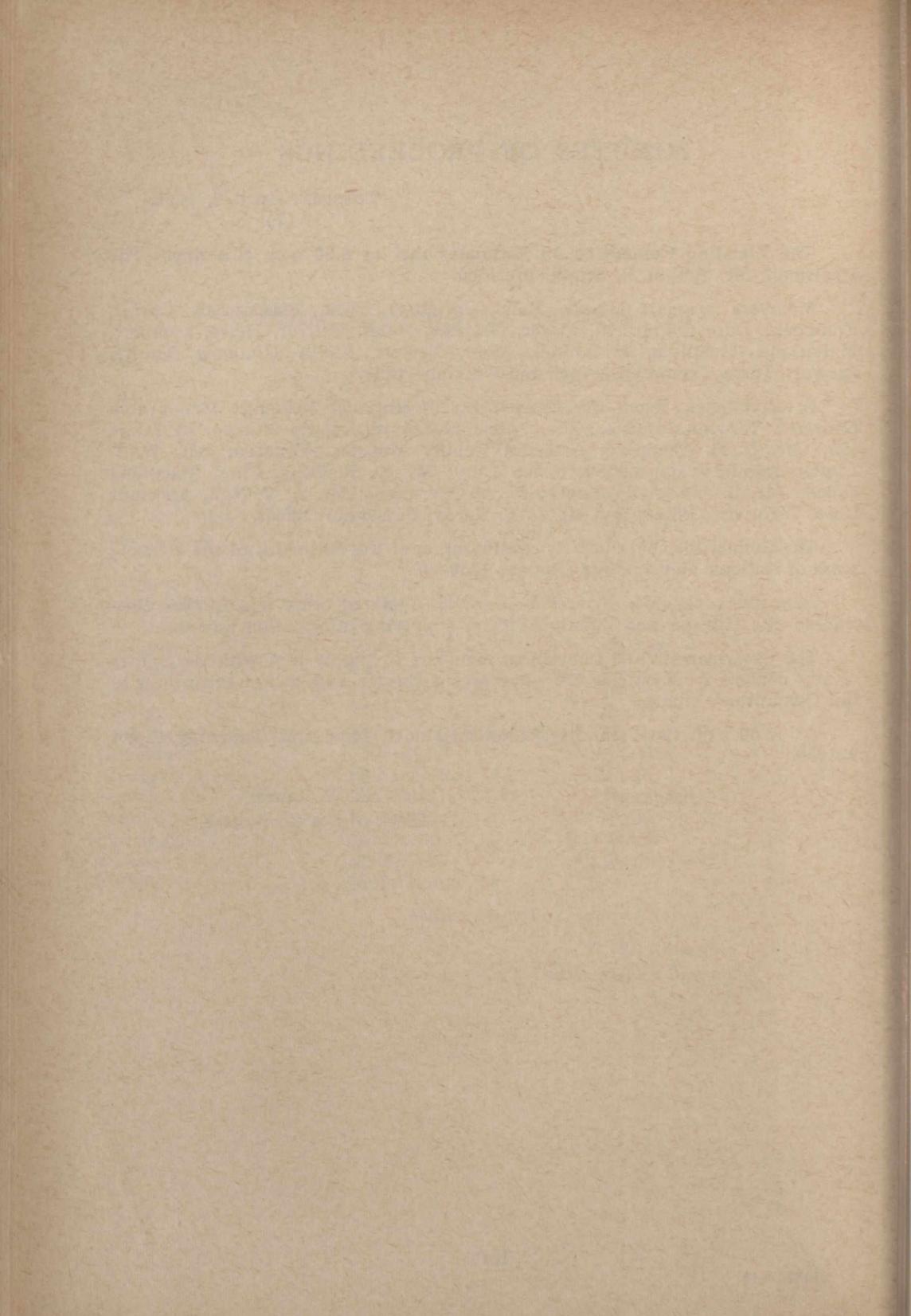
The Committee continued its consideration of the Estimates of the Department of National Revenue for the year 1959-60.

Item numbered 258—*Taxation—General Administration* was further considered, the Minister and Deputy Minister supplying information thereon.

The Chairman invited Committee members to supply him with the names of any persons from outside the government service who might contribute to this Committee's studies.

At 10.50 a.m. the Committee adjourned until 11.00 a.m. Thursday, April 9, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

TUESDAY, April 7, 1959.
9.00 a.m.

The CHAIRMAN: Good morning, gentlemen, we now have a quorum.

The time of meeting this morning is a result or a consequence of the meeting of the chairmen of committees when we were assigned an alternate time on Tuesdays and Thursdays, the mornings being divided from 9 to 11, and from 11 to 1.

From our experience this morning it might be a good idea, if we are assigned to meet the first half of the morning, to meet from 9.30 to 11 rather than nine to 11. We would still accomplish just about as much work as if we actually endeavoured to start at 9 o'clock.

Thursday, which will be our next meeting this week, we shall meet in the second half of the morning, namely, at 11 o'clock.

You will recall that when we recessed we had a number of questions before us. This morning we have the good fortune of having not only the minister but also the deputy minister. However, unfortunately the minister must leave us a little later.

I believe Mr. McEntyre has one or two answers to give in reply to questions. I now call on Mr. McEntyre.

Mr. J. GEAR McENTYRE (*Deputy Minister of Taxation, Department of National Revenue*): Mr. Chairman, I think Mr. Payne was interested in this question.

The CHAIRMAN: Perhaps we had better take advantage of the fact that we have the minister with us now. So let us deal with the questions after the minister has gone. Let us proceed from where we left off. I believe Mr. Fisher gave notice that he had a number of questions.

Mr. FISHER: Mr. Chairman, my questions were on the Premium Iron Ore, but I also had some on the point brought up about the short term of service of the assessors who were in the department, and I wanted to know something more about that. What is the learning period? Has this 2.3 figure been even shorter in the last year, has it been stabilized, or has it been extended? May we have these questions answered now rather than the questions about Premium Iron Ore?

The CHAIRMAN: Let us finish with the examination in the area which has now been introduced.

Mr. McENTYRE: I have with me a statement with respect to the length of time that the assessors have been in service with the department and an analysis of the resignations from the division. This was made in 1956.

The analysis indicates that those resigning voluntarily to seek other employment had an average length of service with the division of 2.3 years. This is not intended to imply that all our assessors remain with us for only 2.3 years. In other words, in the total picture presented by an analysis of the assessment staff for the calendar year 1958 the result is that as at December 31, 1957, the total assessment staff was 2,343.

During 1958 we recruited 161 assessors. During the year separations, for all reasons totalled 139. So it showed a net gain for 1958 of 22 assessors, bringing the total assessing staff as at December 31, 1958 to 2,365.

We then made an analysis of the separations, and found that deaths accounted for 12; retirements for 22; dismissals and requested resignations for 17; and voluntary resignations for 88. This makes a total of 139.

The average length of service of the 88 who resigned voluntarily was 3.3 years. This compares with the 2.3 years quoted from our 1956 survey. The average increase of one year's service might be attributable to the 1957 salary revision which provided rates sufficient to recruit and retain qualified accountants for a comparatively longer period.

Of course, economic conditions have a direct bearing on the retention of staff and on recruiting. During the same period, 1958, there were 310 promotions in the assessing staff. The average length of service of the total of 2,365 assessors, that is as of December 31, 1958, was found to be 9.1 years. Of these, there were 1,296 who had over ten years service. The average length of service of this group was 14.7 years.

There were 1,069 who had ten years service or less, and the average length of service of this group was 3.1 years.

Mr. FISHER: You have a core of people who have had more than ten years service. How many of them would be chartered accountants, public accountants, and so on?

Mr. McENTYRE: I have not got it broken down as to their qualifications by length of service, but of the 2,365 assessors on strength at the end of 1958, chartered accountants numbered 422; certified general accountants 113; certified public accountants, 89; registered public accountants 10; registered industrial and cost accountants, 25; and accredited public accountants, 38.

Others with university degrees in accounting numbered 257; other university degrees, 94; miscellaneous degrees 18; making a grand total of 1,066. So that leaves assessors without formal degrees at the figure of 1,299.

Mr. FISHER: If you look at the area from which I come, Fort William, and at the maritimes, and eliminate them from your analysis of assessors, would you agree that there is a larger turnover in the more highly populated areas such as Toronto, Windsor and Vancouver.

Mr. McENTYRE: Yes. Our experience has shown that it is more difficult to retain staff in the more industrialized areas such as Toronto, Montreal and Vancouver; and we have the same trouble in such places as Sherbrooke.

Mr. FISHER: Your salaries would be more attractive in the maritimes than in Toronto?

Mr. McENTYRE: Yes, I would think so.

Mr. FISHER: Is there any attempt made to try to get a balance on this? Because, after all, the Toronto and Vancouver areas are going to bring in your greatest tax returns, and they are the places where you need your most experienced people. What incentive does the department offer in that regard?

Mr. McENTYRE: In accordance with the treasury board and the civil service rules, we give the same grades to assessors doing the same type of work, no matter where they may be working.

Of course in the larger centres such as Toronto and Montreal our establishment calls for a greater number in the higher grades, because the proportion of the work there would be more technical, and a more difficult type of work.

Mr. FISHER: At our last meeting some remarks were made about the problem of getting more assessors and keeping them longer. A point was made to me by a fellow teacher who has left the income tax department, that one of the reasons for the difficulty in getting assessors and keeping them is that it is an unpleasant job, and that the government does not seem to recognize that there is this unpleasant aspect. In so far as salary and conditions of work are

concerned, he made the point that he knew no one in Fort William who belonged to the income tax department who had ever belonged to or been accepted by or received in any of the service clubs or similar organizations.

In a smaller community such as we have at the lakehead, it is not a pleasant task at all, being identified with the income tax department. You know there is a feeling that one is a sort of snooper. I wonder if that is not a good argument in favour of a higher salary differential in connection with this particular job?

Mr. McENTYRE: We have used that argument, and I think it is true to a certain extent. The work is most interesting because there is a great variety to it. But there is a feeling among a certain small group in a community that the income tax assessor is sort of beyond the pale as far as joining service clubs is concerned.

We do know that a great number of our staff belong to such organizations. Nevertheless there is something about the work which is not too attractive when they have to go and ask an individual a lot of personal questions about his affairs, and when he naturally is a little bit reluctant to give all the information about his family affairs or his personal business. So it does take a man with a particular type of character who appreciates that this job has to be done, and who goes about doing it in as pleasant a way as possible in spite of the reluctance he may run into on the part of the people with whom he has to do business.

Mr. FISHER: Supposing the situation is satisfactory in getting people into the service, what are some of the ways by which they could possibly be retained longer? What are the incentives? What is your ceiling for grade three, for example?

Mr. McENTYRE: Our recruiting classifications have been—I am looking at the estimates book, page 358, and near the top we have the assessor grades with the salary range for each one. Our recruiting grades are assessors grade 1 and grade 3. To the extent that there are persons with qualifications between these two grades, they may be recruited at the assessor grade 2 level. Ordinarily, an assessor grade 3 is a chartered accountant with some, although not much, experience in auditing. Assessors grade 3 are recruited at a salary of \$5,580 annually and through annual increases can go to \$6,780.

Mr. FISHER: That is their maximum.

Mr. McENTYRE: At the grade 1 level we are recruiting bachelors of commerce and others who do not have accounting degrees. Their starting salary is \$4,140.

Mr. CHAMBERS: How long would a man be likely to stay at the grade 3 level before he would go to the next higher salary classification?

Mr. McENTYRE: That would, of course, depend on his experience and whether his work was satisfactory with the department. On the average it would be three years until he would be promoted to assessor grade 4.

Mr. FISHER: Of the 2,300 assessors you now have, how many are in the grade 3 classification?

Mr. McENTYRE: 958.

Mr. FISHER: At the present time how many of them are at their maximum? Are you able to give that figure?

Mr. McENTYRE: No.

Mr. FISHER: It does not seem to be a very rewarding salary for persons who are working in the field to quite an extent. Perhaps this could be used as the important pressure point for increasing the government salaries. Is it correct that you have only four increments in that particular grade?

Mr. McENTYRE: Yes, the initial salary and four annual increases.

Mr. FISHER: How long is it before you decide? Is there a probationary period of six months or one year?

Mr. McENTYRE: Yes. For new employees there is a probationary period of six months and after one year, if they merit it, they are entitled to qualify for the annual increase.

Mr. FISHER: In recent years you have been seeking more chartered accountants, that is, more useful persons from the universities. Is this fact not more true than it was formerly?

Mr. McENTYRE: Yes. We feel that if these persons are going to do the work which the administration of this act requires, they should have accounting degrees.

Mr. FISHER: What about the older persons in the department? The fact remains that the majority of them are still without this type of qualification but they are rated as assessors. In so far as this grading is concerned, how are they managing?

Mr. McENTYRE: A number of them have had many years of service. Of course, book learning is one thing, but experience is something else. Many of them have taken accounting courses which do not necessarily lead to a degree. They have had experience either in our work, in an accounting office, or have had bookkeeping or business experience before they joined the department. Although I would not say that a man who did not have an accounting degree would have an equal chance of getting ahead, I do believe that the lack of an accounting degree can be overcome through application and experience with the department.

Mr. FISHER: Do you not think there is any possible factor involved here in so far as efficiency is concerned? Is there not a certain bitterness among the older personnel, due to the fact that persons with the qualifications are able to move into the grade 3 position so much more easily than an experienced person.

Mr. McENTYRE: Well, even though a man might be recruited at the grade 1 level, as he learned the work and gained experience he would then be entitled to apply for promotion to the grade 2 level and later to the grade 3, and so on up the ladder.

Mr. FISHER: So you do not feel there is any factor there of possible conflict, or that bitter feelings exist between the certain group, with the qualifications, and the older assessors who are probably the core of your whole assessing department?

Mr. McENTYRE: I think if the older man sees that the young man has the capacity, in fairness he could hardly resent the fact that the young man was moving along as quickly as he was or even more quickly.

The CHAIRMAN: Gentlemen, are there any further questions on this aspect?

Mr. FISHER: Do you keep some sort of breakdown or analysis of the assessors' various duties? Have you a statistical breakdown, for example, of the time they spend out in the field?

Mr. McENTYRE: Yes, we keep statistics of the time spent in the office, the time involved working on active assessments, the time giving information to the public and the time spent on supervision. We keep a weekly set of statistics as to how the time is spent.

Mr. FISHER: One of the factors that came up the last time is the suggestion that you must be spending a great deal of time training persons, if there is this turnover.

Mr. McENTYRE: Yes.

Mr. FISHER: From this statistical analysis, is there any way, you could determine how much of the assessor's time is spent in training, educating or supervising these new staff members?

Mr. McENTYRE: We have not the figures available this morning, but we could provide that information for you.

Mr. FISHER: Could you file these particular statistics for the last year?

Mr. McENTYRE: Yes, I think we would have it for the last year.

Mr. FISHER: Which part of the assessors' work is the most remunerative from the department's point of view?

Mr. McENTYRE: Well, I suppose the auditing of returns is the source of the additional revenue which results from the work they do.

Mr. FISHER: You are referring to field audits?

Mr. McENTYRE: Per return, the results would be greater in field audits; but it is possible to audit at the desk in the office the greater number of returns. So, as I remember it, the figures are pretty much the same in regard to desk and field audits.

Mr. FISHER: You would have a breakdown in the amount of time spent on appeals and that type of thing?

Mr. McENTYRE: Yes, that is broken down as well.

Mr. FISHER: The point I am interested in is seeing whether you are moving toward a position where in the various phases of the work which bring in the most returns and which show some sort of increase as compared with other things, such as supervision training and so on, would reflect a sort of decrease in efficiency. Is there some way in which you can present your statistics so that we could have a picture of that?

Mr. McENTYRE: Yes, I think so.

Mr. NESBITT: I have a brief question, Mr. Chairman. For example, how many lawyers are employed in the department here in Ottawa?

Mr. McENTYRE: Twenty-six, Mr. Chairman.

Mr. NESBITT: It is my understanding that there are a number of young lawyers employed for certain types of investigations. Does the department have any difficulty obtaining the services of persons with this training?

Mr. McENTYRE: At the moment our complement of lawyers is complete, and in recent years when we have had a competition there have been a number of applicants. We have not had any particular difficulty in filling our establishment for the legal branch.

Mr. NESBITT: What is the normal starting salary?

Mr. McENTYRE: It is the grade for solicitor 1, and I have not been able to lay my hands on the figure offhand.

The CHAIRMAN: That will be obtained for you, Mr. Nesbitt. Are there any further questions on this subject?

Mr. FISHER: I am interested in this matter in connection with the position Mr. McEntyre holds. I understand you are the fifth person in recent years to hold this position. Before you, there have been Mr. Elliott, Mr. Brown, Mr. Gavsie and Mr. Scully, is that correct?

Mr. McENTYRE: Yes. When I joined the department Mr. Elliott was the deputy minister. He was succeeded by Mr. Brown, Mr. Scully, Mr. Gavsie and myself.

Mr. FISHER: I take it all these gentlemen left for better jobs in terms of income?

Mr. McENTYRE: Mr. Elliott left to go into the diplomatic service. Mr. Brown and Mr. Scully left to go into industry. Mr. Gavsie went to the Seaway and later went back into the practice of law in Montreal.

Mr. FISHER: The turnover interests me. I am wondering if it is an indication that the position which you hold has the required income to keep people. In other words, I was speaking earlier about the assessing department. I wonder if it is also reflected at the top of this service.

The CHAIRMAN: Are there any further questions, Mr. Fisher?

Mr. FISHER: I would like to ask some questions in connection with the statistics in this book.

The CHAIRMAN: First of all may I ask if there is anything further on this subject?

Mr. BISSONNETTE: I see on page 356 that you pay typists \$1,860 a year. I received a letter yesterday from a constituent who complained the salary was \$2,400 and has been reduced to \$1,800. He has six children. How is he to live? I cannot see how a man today with a family can live on this salary. I was surprised. I answered him that I thought it impossible that the government or the revenue department would pay a salary like that. I sent this letter to the Civil Service Commission to look into.

The CHAIRMAN: So that we might fully understand your point, you are in effect, as I understand it, complaining that this salary is too low. Is that it?

Mr. BISSONNETTE: Yes.

Mr. GEORGE C. NOWLAN (*Minister of National Revenue*): We do not fix the salaries, they are fixed by the Civil Service Commission. If the salary is less than shown here, then I can only suggest that this person must have worked only part of the year. That is my understanding.

Mr. BISSONNETTE: I sent the letter to the Civil Service Commission.

Mr. NOWLAN: The Civil Service Commission fixes the salaries.

Mr. NESBITT: I have another question in respect of the legal employees in the department. I assume most of these employees very often would be required to work in the evenings and weekends on their assignments.

Mr. McENTYRE: Sometimes these lawyers have cases to prepare which requires that they work on weekends and in the evenings, perhaps working with outside counsel and so on. However, they have regular hours of work. When overtime is worked they are entitled to the same benefits in respect of overtime as are other civil servants.

Mr. NESBITT: That is what one would expect. It is my understanding that, as would any lawyer, a lawyer in the department sometimes has to work in the evenings and then he has to punch the clock in the morning. I understand they are fined 25 cents for each hour they are late. I wonder if that is actually the practice?

Mr. McENTYRE: The Civil Service Commission have provisions for recording attendance. We do require that our staff come into the office on time and work regular hours. However, if there is something out of the way such as having to attend at court or having to work late in the evening, if they decide to take the morning off, those things are all accounted for on the attendance sheets. As far as being fined 25 cents is concerned, I do not believe our legal staff is subject to those fines any more than are any other responsible officers of the department.

Mr. NESBITT: But they are in the same division?

Mr. McENTYRE: Yes.

Mr. NESBITT: How far up the scale would you go—grades 1, 2, 3 and so on?

Mr. McENTYRE: All civil servants are subject to the civil service regulations in respect of attendance.

Mr. NESBITT: Surely not deputy ministers?

Mr. McENTYRE: Yes, certainly, deputy ministers.

Mr. THOMPSON: Are promotions made to fill vacancies or are they made by reclassification?

Mr. McENTYRE: Of course there cannot be a promotion unless there is a vacant position in the grade to which the employee is being promoted. It sometimes happens that a position may be reclassified after an examination by the Civil Service Commission and that would create a vacancy at a more senior position. In that event there would be a promotional competition to fill that vacancy.

Mr. THOMPSON: Is the reclassification done in order to give a promotion? If not why would there be a reclassification?

Mr. McENTYRE: In order to establish the need for reclassification it would have to be shown there were additional duties or additional responsibilities which had grown up perhaps through increased volume being handled or an increase in the number of staff, or for other reasons on which the Civil Service Commission bases their decision that reclassification is required for a particular position.

Mr. THOMPSON: For instance here in the category of assessor 4 I notice the number has been increased by six. I gather that would create six vacancies.

Mr. McENTYRE: There would be six vacancies but they might not necessarily all be filled. We have tried to hold our establishment to what we might reasonably expect to be able to fill during the year, through recruiting. So that there are a few vacant positions which are not filled in order to permit recruiting. Then there are some positions which are vacant presently which we do not feel we have the staff qualified to fill. Therefore, if there are vacant positions it does not necessarily mean that we feel we should have a competition to fill all those vacant positions.

Mr. THOMPSON: Could you tell me why there are six more assessors class 4 in 1959-60 than there were in 1958-59?

Mr. McENTYRE: This is in the general administration vote, is it?

Mr. THOMPSON: That is right.

Mr. McENTYRE: We have been feeling that we should strengthen our head office assessing staff, and actually we feel that we need perhaps about 40 new assessors. This year we asked the Civil Service Commission to give us six. We hope that over a number of years we will be able to build up the strength of our head office staff in that way.

Mr. CARTER: Does the Civil Service Commission impose a limit on the number of staff? Are you limited to a certain number of assessors, say by salary, or can you have any number you wish, provided you do not exceed the total?

Mr. McENTYRE: No. Actually, the establishment is worked out in detail and a study is made of the work-load throughout the division, the number of clerks required to do it, the number of assessors required to do the work, the number of solicitors, and so on. After discussion and study, the actual number of each classification is set and then the estimates are worked out on the salaries required to pay for that number of staff in each classification.

Mr. CARTER: My point was, is there any maximum number that you cannot exceed? For example, instead of 13 class 7 assessors could you have 15 or 20, and have a reduction in the class 6 assessors?

Mr. McENTYRE: It is possible, where you have a vacant grade at a higher classification, to "cover off" with a man in a lower classification. So if you had an establishment of 10 assessors grade 4 and there were only eight in that position, it would mean you would have two vacant positions that might be "covered off" with lower grade assessors.

Mr. CARTER: But not higher?

Mr. McENTYRE: But not higher.

Mr. CARTER: That is what I wanted to get at.

Mr. McMILLAN: Mr. Chairman, could we ask something here about the duties of the personnel, or must we stick strictly—

The CHAIRMAN: Just a moment. Are we through with this area, first of all, gentlemen? All right, Dr. McMillan, proceed.

Mr. McMILLAN: I was wondering, whether or not the department had officers who go out and give instruction to taxpayers. I am thinking about farmers. In their purchases a good many of them do not know whether or not certain articles are to be charged off this year or amortized over a certain number of years, and they do not know how many years. Also, with their purchases of cattle there seems to be quite a lot of difference of opinion, and so on.

I just wondered if the department sent out men to give talks and lectures to farmers, fruit growers, or any group of citizens. I think it would be an excellent idea if they did so.

Mr. McENTYRE: Early in the year, just before the filing period, there are groups of farmers who are organized, and very often an officer from the local district taxation office will be invited to go and address them on tax matters. We try and accept as many of these invitations as possible so as to give as much assistance as we can.

Mr. McMILLAN: And you do for other groups as well?

Mr. McENTYRE: We do not get perhaps as many invitations from other groups; but we do try to help out by providing speakers at various meetings. Then there are these professional groups such as the Canadian Tax Foundation and the Canadian Bar Association and so on, and we always try to have representatives there. Very often representatives will appear on panels or forums and try to provide information on our activities as best they can.

The CHAIRMAN: I wonder, Mr. McEntyre, if I might follow up the question of Dr. McMillan in a somewhat related field. At our last meeting we dealt rather extensively with the method of assessment and the flexibility of certain assessments which were made. I believe the minister stated that the department had not considered giving pre-tax decisions. It was also stated that there was an area in which many people were concerned, where often the game was played and the rules were made afterwards in so far as tax assessment. That was stated as a view by taxpayers, especially in those areas where resources were under development.

In the recess I found a great many people who are concerned with this. They say the situation is this, that often in cases of stock promotions of undertakings in which the principals are engaged in developing resources, they find themselves having their books reopened, new assessments made, and the appeals pile up. In some instances these individuals who have developed resources face a state of ruin. Conceivably, the tax should have been paid in the first instance.

The question I pose to you, Mr. McEntyre, is this: Do you not think perhaps we should be reaching a point—these are responsible people, who are performing a service—where, if there are not people to give pre-tax

judgments, we should follow up Dr. McMillan's suggestion of arriving at some basis so that the flexibility within the methods of procedure and assessment would be more clearly defined for those taxpayers? Otherwise there is still a very great state of uncertainty in their minds as to what is taxable and what is not.

I know you dealt extensively with this subject in an opening statement; but on the matter of procedure is there no way of clearing up in many instances what is taxable income and what is not, before we put some of these people out of business? Can the procedure not be improved in any way, shape or form?

Mr. McENTYRE: Well, it is simply a question of knowing the law. This law on taxable profits and profits made from changing investments has been in existence for a long time. Persons who are promoting natural resources usually have the very excellent advice of professional accountants and lawyers. I do not know that we in the department can do very much better than they do.

The CHAIRMAN: It is the professional accountants who have brought the matter to my attention and who maintain that there is this difference of opinion in interpretation of the law. I agree that you can only follow the law. What I am getting at is, let us not necessarily accept your argument. I am wondering if, to avoid the misunderstanding that exists—if we cannot give pre-tax judgments—the method of education which Dr. McMillan indicated should be done at the farmers' level should not be done more extensively outside the department, with other groups.

Mr. McENTYRE: It is certainly a matter of considerable controversy, and I know that at meetings such as the tax foundation and the Canadian Bar Association it is continually brought up and discussed. I do not know that we in the department can really add to the already great volume of opinion that exists on this subject.

Mr. FISHER: Have you studied, or have any of your people studied very closely how the Americans administer their capital gains tax?

Mr. McENTYRE: No, we have not. We have spoken informally to them, simply asking whether there was a great deal of administrative difficulty connected with it. They have mentioned to us the fact that we did not have a capital gains tax and how lucky we were, and we have replied, "Well, it results in a lot of litigation". They have said, "Well, our capital gains tax results in litigation too".

Mr. FISHER: That is the point I was interested in, whether there was any opinion that a capital gains tax—which is clear and definitive—might clear up this confusion that is bothering some of these promoters?

The CHAIRMAN: Do you want to answer that question, Mr. McEntyre?

Mr. McENTYRE: Yes. We do know, for instance, that in the United States internal revenue code, I think the part dealing with capital gains tax covers 51 sections. So with that much statute law there is bound to be a considerable difference of interpretation, and it does lead to litigation.

We have never gone into it in any detail with our friends in Washington, but they do tell us that there is considerable litigation. Apparently the volume of litigation from their capital gains tax is at as high a proportion as the litigation on the same subject in Canada.

Mr. FISHER: This of course would be just one factor, and a small one, in considering a capital gains tax.

Mr. McENTYRE: That is right. It would lead to greater reporting on the tax return, and the question of verification of additional information. That is the part we were more interested in.

Mr. CARTER: I was more interested in the answer given earlier.

Mr. MCQUILLAN: In British Columbia and in Ontario as well I believe we have a ten per cent logging tax, and it is now extended to all phases of the operation. There are two different assessments made. For instance, we run into two different methods of writing off the roads and that sort of thing. The federal taxation division insist on one method while provincial taxation divisions require another, and it makes necessary duplication of accounting. Has any effort been made in your assessing to try to get together with the other provincial governments which have a special tax like that?

Mr. MCENTYRE: I understand there is an officer of the Department of Finance who looks after provincial tax relations, and that on occasions the matter has been brought up as between the Department of Finance and the various provincial treasury departments to see whether something could be done about it.

Mr. MCQUILLAN: It is extremely costly.

Mr. CARTER: I wonder about the position of fishermen viz-a-viz farmers. Does the fisherman have a five-year period in which his tax may be reviewed?

Mr. MCENTYRE: The farmer is subject to the same rules as any other taxpayer as far as reassessment of his return is concerned. The four-year rule applies to farmers as well as to any other taxpayers.

Mr. CARTER: I was talking about fishermen.

Mr. MCENTYRE: Fishermen are the same.

Mr. CARTER: Do you have any set scale so far as depreciation for equipment for fishermen is concerned?

Mr. MCENTYRE: The fisherman has the option of calculating his capital cost allowance under part 11 or under part 17 of the income tax regulations. Under part 17 there are set out specific rates which cover a certain amount of equipment that would be used by the fishermen.

We also have the Farmers and Fishermen's Guide which is published each year. I see on the last page of this guide there are set out the rates of depreciation which are allowed under part 17 for the various items which are used by farmers as well as by fishermen.

Mr. CARTER: The fisherman, I take it, has an option of using either one or the other of these sections, whichever is the more favourable to him?

Mr. MCENTYRE: That is right.

Mr. CARTER: In the case of a total loss of equipment, is that covered by either one of these sections? I mean that in the case where the fisherman has suffered a total loss of equipment, the scale only allows the same percentage of depreciation? Is there any way by which he can claim full loss, or must he spread it over a period of years?

Mr. MCENTYRE: Actually once he makes an election to be taxed under one or other provision of the regulations, then he must stick to that rule and he cannot change back and forth.

Now, on the two bases, if, for instance, a weir is washed to sea, and the taxpayer is under part 11 of the regulations, then he could claim a terminal loss, if that was his last weir. But if it was not his last weir, he would continue to claim capital cost allowance until the cost of the weir had been wiped out.

Under part 17, if the weir is washed to sea, then there is no further right to claim depreciation, and it is simply a capital loss which is non-deductible.

Mr. CARTER: How often can he exercise his option to choose which section he is going to use? Does he make one choice and then have to stick to it every year, or can he switch around?

Mr. McENTYRE: If the taxpayer has chosen to be taxed with the allowance under part 17 of the regulations, he is entitled to change to part 11. But once he has chosen to be taxed under the regulations under part 11, he is prevented from changing over to part 17.

Mr. CARTER: He can never again change back. He is stuck with that forever?

Mr. McENTYRE: That is right.

Mr. FISHER: According to last year's statistics, they made pretty good choices in Newfoundland, because only ten fishermen paid taxes in Newfoundland. But the question I am interested in is that of various occupational groups. When you see, Mr. McEntyre, that there seems to be a pattern of heavier returns from one area than from another, or from one group in the same occupation than from another, do you make studies to try to determine why those in one area are bringing in more than those in another, or why there seems to be much less?

Have you got your finger on the pattern across the country, trying to equate it so that one part of the economy is not contributing more than another? The reason behind my question is this: over 60 per cent of the farmers in Canada who pay income tax live in Alberta or Saskatchewan, yet we have very prosperous farms in Quebec and in Ontario, but with many fewer taxpayers.

Saskatchewan had over 20,000 farmers in the last year who paid income tax, while Quebec had only 780. This disproportion arouses my curiosity. What steps do you take to make sure that there is not an inordinate burden falling in one place as compared to another?

Mr. McENTYRE: We would presume that if a farmer in Alberta or Saskatchewan reported a profit and paid a tax, that it would be correct. Whenever they pay this tax we continue to investigate in Alberta and Saskatchewan, to make sure that all the farmers are paying their proper taxes.

In the province of Quebec the same thing would go on. We know there are a great number of farms in the province of Quebec which are just subsistence farms, and we do go through the country enquiring from various farmers. Probably we take returns that have been filed, or we enquire from farmers who have not filed returns, as to what return they are getting from their farms, and what they have in the way of dependents for whom they are entitled to exemption, to make sure that any farmers in the province of Quebec, or anywhere else in the country, are properly paying their taxes.

Mr. FISHER: These figures seem remarkably disproportionate in view of the size of the province and the number of people therein. I might say that this was brought to my attention by some of the farmers who were down here on the march to Ottawa. I said jokingly to them: look at the income tax statistics; you are doing fairly well compared with these eastern farmers. That, of course, was when the wellgates opened, with a great deal of bitterness.

Their point was that they are stuck on such matters. They cannot evade, because everything has to go through the wheat pool clearances and that sort of thing, and there is a check. The point they made to me was that one of the greatest areas in which the income tax department is falling down is in the fact that they are collecting a far less proportion of income tax from the farmers in other parts of the country than they are from those on the prairies. Do you think that is a fair rebuttal?

Mr. McENTYRE: At one time we made a study of the average gross national product of a farm; and on the average we found that in the eastern part of the country the average return that could be expected from a farm was well below what a man and his wife could claim by way of exemption. It was only in the west that the average income from the farm was high enough, even if

spread across the number of farmers in the province, that it would produce a taxable income. So we came to the conclusion that a farm in eastern Canada, unless it was of considerable size, did not produce a taxable income.

Mr. CHAMBERS: Then they need help.

The CHAIRMAN: How long ago was that study made?

Mr. McENTYRE: Perhaps nine or ten years ago.

Mr. FISHER: I suggest to you, in view of the figure of 20,538 farmers taxable in Saskatchewan with only 780 taxable in the province of Quebec, it is time there was another investigation.

Mr. McENTYRE: I would like to say that although we do not get very many taxable returns in the province of Quebec, we do get a great number of returns from farmers which show that they have not earned sufficient to be taxable. Perhaps I should not hazard a guess, but if there are 780 taxable, I would say that we would have four or five that number of returns made.

Mr. FISHER: You say 780 are marked as taxpayers. It may be that the people in Quebec have an advantage, or a natural disadvantage because of their economy, but this sort of thing would tend to create suspicion nationally between regions. That is why I think an investigation would be very timely. I am especially concerned with it because I know of farmers in Quebec where there is an injection into certain regions of the province of millions of dollars. This is a personal opinion, but there is a tremendous amount of money going into certain regions where the pulp and paper companies are buying millions of cords. And when I see this figure of 780 taxpayers, I feel we are within our rights in asking your department to take a very close look at this to see if it is not time for a real reassessment.

Mr. BISSONNETTE: Can you tell me, of the many farmers who report from Quebec, how many have Cadillacs?

The CHAIRMAN: You are asking for the return on Cadillacs?

Mr. BISSONNETTE: Yes.

The CHAIRMAN: I rather doubt if the department will have that information. As we appear to be through with this, do you wish to proceed to the next one?

Mr. FISHER: Could I start on the Premium Iron Ore matter?

The CHAIRMAN: Proceed.

Mr. FISHER: Mr. McEntyre, would you agree that the fundamental starting point of this Premium Iron Ore case is back in 1942, when certain rulings were made by the Department of National Revenue in connection with this company. I understood that in September, 1942, the income division of the Department of National Revenue issued a ruling in connection with the development at Steep Rock, and my question is: in so far as the government is concerned, is that the first indication in connection with what later became the Premium Iron Ore case?

Mr. McENTYRE: I am afraid I am unfamiliar with any opinions which were given by the department in 1942, because I only joined it in September, 1942.

Mr. FISHER: Well, let us start from this end then. I have here sessional paper No. 204, which I imagine you took some part in preparing. It contains the correspondence and other documents exchanged between the Minister of National Revenue or officials of his department and officials of the United States concerning the Consolidated Premium Iron Ore Company, the Premium Iron Ore Company, Cyrus Eaton and F. Daley. The point in which

I am very interested in regard to certain remarks contained in a number of these letters. The letter of April 9, 1958 contains this remark:

I would think that this would ease the situation on the propaganda front for the time being.

Mr. McEntyre, this is a letter addressed to Mr. Delk and signed by you.

Mr. NOWLAN: This is a pious hope, apparently, that worked.

Mr. FISHER: Here is another letter signed by Mr. McEntyre. It is dated April 9, 1958:

I received a long letter from Gordon Delk which confirmed the strong impression that I had formed that Harry Swanson and I were being made the goats of a propaganda drive based on false statements.

The CHAIRMAN: Mr. Fisher, when you are quoting, would you mind giving us the reference.

Mr. FISHER: The last one was a letter from Mr. McEntyre to Mr. Delk, who is acting commissioner of internal revenue of the treasury department in Washington.

The CHAIRMAN: What date does that letter bear?

Mr. FISHER: April 9, 1958. There is a letter here dated March 18, 1958 to Mr. Russell C. Harrington, commissioner of internal revenue, treasury department, Washington, D.C. It is signed by Mr. McEntyre. The following is contained in the sixth paragraph of this letter:

I was rather surprised that your service would make a statement of this kind because it is obviously erroneous and smacks of passing the buck. On either count, it does not ring true of your philosophy or of that of any of the members of your service with whom I have discussed this case, I believe that our respective services have gone out of their way to handle this case in a correct and proper fashion. I can only conclude that your service has been misquoted in this statement and I would be pleased if you would let me know if a statement of this nature was indeed made on the date referred to or if you would let me have the complete text of any statement from which the quotation above might have been taken.

Now, Mr. McEntyre, these quotes indicate that you have had certain fairly strong feelings with regard to this particular case, and since I have been probably one of the persons mounting a propaganda drive, I thought maybe we could get to the roots of your feelings, and your attitude in this particular case.

Mr. NOWLAN: I do not think it is a question of feelings or attitude in this committee. They are not concerned with that. This is a committee set up to deal with facts.

Mr. FISHER: Let us approach it this way. Maybe the minister would approve this. If I have been involved in a propaganda drive,—and I will not rule out that possibility at all,—I would like to know more about the relationship between the Department of National Revenue in this particular case and the United States officials.

The CHAIRMAN: Would you be specific, Mr. Fisher, and come to a point in your question.

Mr. FISHER: Mr. McEntyre, when did the investigation begin, in so far as it began to affect your department?

Mr. WINCH: First of all, could we have a clarification of the issue involved in regard to taxation. I am not quite clear.

Mr. FISHER: What I want to come to finally is the statement of the minister in the house last year to the effect that if the appeal of the United States government against Premium Iron Ore in the United States courts is successful, there will have to be a rewriting or redrafting of the tax agreement.

Mr. NOWLAN: That is not a matter for Mr. McEntyre or even for me. Perhaps what I said was—and this is a matter of record,—that any change in convention is a matter for the Department of Finance and any inquiries in that connection should be directed to the officials of the finance department rather than the Department of National Revenue who, unfortunately, have only the responsibility for administering the act. They have no responsibility in regard to any change which might be made.

Mr. FISHER: Well, I gather, Mr. Minister, that the actions of the departmental officials throughout in this case have been under that convention. Your officials feel they have acted properly all the way through under this convention, and that to a degree has been a bone of contention in the actual case in the United States. I will put it this way: what does Mr. McEntyre interpret that convention requires him to do in this particular case? Could he give us some illustrations of how he cooperated in this case with the American officials?

Mr. McENTYRE: In the sessional papers to which Mr. Fisher referred, there is a copy of a letter dated February 20, 1950, from Mr. Martin, the acting commissioner of the internal revenue service, to Mr. Scully, the deputy minister of taxation, in which the commissioner asked for assistance. In that letter he says:

It will be appreciated if, in accordance with the provisions of article XXI of the tax convention between Canada and the United States, the necessary information can be obtained from the books and records of the above-named corporation and the several brokerage houses in Toronto where Mr. Eaton's stock transactions were consummated.

Now, in our interpretation of the double taxation convention we feel that we may provide to the United States authorities any information which we can obtain under the Income Tax Act. So that if this information was obtainable by the Canadian authorities under the provisions of the Income Tax Act, then that information could be passed on to the United States authorities. We operated on that basis throughout.

Mr. FISHER: Did you at any time discuss with the American officials the question as to how far you should go in this? We have heard remarks in connection with this case to the effect that this investigation went on for months and months. I heard one statement to the effect that a Canadian assessor worked with an American official for seven months.

Mr. McENTYRE: Following this letter I think an American official did go to Toronto and did confer with the officials in our Toronto district office as to what information was available. He was there for a short time at the outset. He went back to his home office and did some additional work on the case, and then he may have come back to Toronto or written to Toronto for some additional information. The investigation was being carried on by the United States authorities; but as they came to different phases of the information as it turned up and wanted more clarification they would come back to us and ask us if we could help them out by providing some information to explain the matters they were finding as they went along. So I do not think it is correct to say that the United States official was in Toronto for seven months steady, but I think over a period of years we kept receiving inquiries as to further information having to do with this case.

Mr. FISHER: In any relationships between the two governments through the official channels of communication, the State Department and the Department of External Affairs, did you at any time initiate anything within the department that led to the writing and the sending of the two aide-memoires that were sent by the Canadian government to the United States government expressing their feeling. Do you know the ones? I am referring to the one Mr. Heeney took down in 1956, and the more recent one.

Mr. McENTYRE: Well, in conjunction with the minister at the time and his colleagues in the cabinet, these aide-memoires were worked out.

Mr. NOWLAN: It is a matter of policy on the part of the minister and the government. Mr. McEntyre has nothing to do with that in any way, shape or form except to provide such information as he may be asked to provide or any assistance he may give in the drafting of it.

Mr. FISHER: This aide memoire in fact set out two things: first, the fact that the Canadian government cooperated should not be an understanding that the Canadian government agreed with the merits of the United States government's case. Is that one point in the aide memoire?

Mr. NOWLAN: I have not it here and I would not want to give an interpretation here; it speaks for itself.

Mr. FISHER: So this aide memoire is not because of what Mr. McEntyre refers to in his letter in regard to the propagandist front and the propagandist war?

Mr. NOWLAN: I suppose there were many factors which prompted the sending of the aide memoire, which I do not recall at the time. There were discussions between the various parts of government, External Affairs and others. There was some publicity on the matter and obviously there was a great deal of misunderstanding about it and therefore the aide memoire was sent. I think Mr. Fisher referred to Article XXI, and it is just as well that it be put on the record:

2. If the commissioner in the determination of the income tax liability of any person under any of the revenue laws of the United States of America deems it necessary to secure the cooperation of the minister, the minister may, upon request, furnish the commissioner such information bearing upon the matter as the minister is entitled to obtain under the revenue laws of Canada.

That is subsection 2 of Article XXI. Subsection 1 is exactly the same except that the order is reversed. If I, as the minister, require any information in respect of the income tax affairs of any person whom we deem to be an income tax payer, I have the right to ask the commissioner at Washington to furnish anything which he has bearing upon the matter, such as the commissioner is entitled to obtain under the revenue laws of the United States of America. This is a standard practice between the two departments and is not done through the Department of External Affairs. These procedures have been adopted in scores of instances dealing with scores of cases in both countries.

Mr. FISHER: Would you go on to say that, in so far as your knowledge of this case has been concerned, the treaty has been followed by Canada completely and thoroughly all the way through?

Mr. NOWLAN: My official knowledge of this matter, as you know, arose within the last twenty months. However, in so far as I know, the treaty or convention has been followed fairly, completely and absolutely.

Mr. Fisher: Mr. McEntyre, do you remember a meeting with Mr. Hertzog and Mr. Stowe in Ottawa on December 8, 1955.

Mr. McENTYRE: I remember a meeting; I do not remember the date. Perhaps there is some reference to it in the sessional papers.

Mr. FISHER: There was reference to it by an American senator that on this date these officials were assured by Mr. McEntyre that Canada had no objection to the course being pursued by the United States taxing authorities; that you had no objection to the way they were proceeding in the case in the relationships under the treaty, or that you had no objection to them trying to get double taxation. I wonder whether or not you gave any assurances at all at that particular meeting?

Mr. McENTYRE: The provisions in the convention are designed to eliminate double taxation. As I understand it the United States authorities had alleged a tax liability against Mr. Eaton and Mr. Daley and alternatively Premium Iron Ore Company. The only forum in which a difference of opinion as to the liability of the tax could be determined would be the courts of the United States. I think at the time I discussed it with Mr. Stowe and Mr. Hertzog in this connection there did not seem to be any way out of this, except to go before a court in the United States. To that extent I could not see any other procedure which could be followed. I may have my opinions as to whether or not their case is good, but the matter is before the courts and I do not suppose I have any authority or any right to say what I think about the case.

Mr. FISHER: In effect, I think you did express your opinion on this case in one of these letters, to the effect that you thought the appeal ruling was a good one. I have here a copy of a letter from Mr. Charles K. Rice, Assistant Attorney General, to the Hon. E. D. Fulton, Minister of Justice, dated January 30, 1959. This letter states:

I enclose herewith a copy of our main brief and reply brief in the Consolidated Premium Iron Ores case. I am sorry that we do not have an extra copy of the taxpayer's brief. I am, however, enclosing a photostat copy of pages 45 and 56 of the taxpayer's brief wherein reference is made to the position of the Canadian government on this matter. As you will see, our briefs make no reference to the position of the Canadian government.

I have checked with the two attorneys who made the oral argument on behalf of the United States. They confirmed my belief that no reference was made by them in oral argument to the position of the Canadian government. They advise, however, that counsel for the taxpayer, in oral argument, referred to the footnote material in his brief on the matter.

In summary, the contention that this government advised the court that the Canadian government's position is in accord with our own is incorrect. On the contrary, the court was advised (by counsel for the taxpayer) that the Canadian government's position is not in accord with our position.

Then the letters ends with the usual pleasantries. Was this particular point of great concern to you, Mr. McEntyre, or to you, Mr. Minister, in this case? I am referring to this question as to whether the argument was being used in the United States courts that the Canadian government by its cooperation in this case under the treaty was in a sense identifying itself with the validity or worth of the case.

Mr. NOWLAN: As I recall it, at the time there were newspaper stories emanating from some place in the United States to the effect that the Canadian government had no objection to the United States government proceeding

and, as a matter of fact, that the United States solicitor had stated in court that the Canadian government had no objection to their proceeding in this matter. There were wires, telegrams and letters received from persons concerned in Premium Iron Ore Company and I believe representations were made by you, Mr. Fisher, asking if the Canadian government had taken this attitude.

Mr. Fulton was in Washington at that time on other matters. We knew of this and discussed it with the assistant attorney general, who was responsible for the case. Therefore, we received this letter from the assistant attorney general which Mr. Fulton brought back from Washington, stating that there was no truth in the allegations whatsoever. Not only had the United States government not represented the position of the Canadian government as being favourable, but the taxpayer has represented that the Canadian government was proposing to prosecute. This file was being returned at this time and I thought it should be included so that you would have the statement of the deputy attorney general of the United States.

Mr. FISHER: This letter clears up one contentious point. In so far as your department is concerned the whole case is closed except in respect of what you said last year in the house on the possibility that if the appeal goes to the government Canada would have to again look at the convention. Is that true?

Mr. NOWLAN: Naturally we always take looks at these conventions when there is litigation, and when decisions are made. Undoubtedly we would after a decision is brought down in this matter.

Mr. FISHER: The general propaganda value, if we can use that phrase of Mr. McEntyre's, has been that this has been a United States raid on Canadian taxpayers. If there is no substance in these allegations which have been spread, I regret it possibly as much as anyone else. Is there any feeling at all on the part of the government or you, Mr. Minister, that there has in any sense been a tax raid by United States authorities on Canadian taxpayers?

Mr. NOWLAN: I do not think my feelings or personal opinions enter into a matter such as this. This a matter, as Mr. McEntyre has said, which is properly, in their opinion, before the United States courts. Certainly, if we in this department or the government or any other Canadian citizen initiated proceedings before a Canadian court, we would feel that the United States should not declare war on us, or something else, in order to prevent our court rendering a decision.

There is, I understand, an appeal to the highest tax court in the United States and the matter will be decided by a competent judicial authority in that country. Whatever our feelings may be, the best legal opinion is to that effect, that it is a matter for the courts there to determine.

Mr. FISHER: As a result of your experience in the department in respect of this particular case, is any consideration being given to changing the regulations or relationships with the United States authorities?

Mr. NOWLAN: In respect of changing regulations or relationships, the relationships and regulations are in accordance with the convention, which has a certain period to run. It is then a matter of negotiation at the expiry of the convention. Undoubtedly changes are made in these conventions from time to time as experience dictates.

The CHAIRMAN: Gentlemen, may I ask Mr. Fisher if he is nearly through?

Mr. FISHER: Yes.

The CHAIRMAN: I am going to suggest that, as there is another committee sitting at eleven o'clock you may wish to adjourn our meeting fifteen minutes prior to the next meeting.

Mr. FISHER: I have just a couple of small questions.

The CHAIRMAN: Would you ask them now? The point I make is that we endeavour to complete the page-by-page consideration of the taxation question on Thursday. A number of members have indicated a desire to have Mr. Sim back in his capacity as Deputy Minister of Customs and Excise. The thought I have is we might have Mr. Sim on Tuesday.

Would you proceed, Mr. Fisher?

Mr. FISHER: I would like a yes or no answer to this. The fact that I read these sentences does not mean I am identified with the sentiments.

The McEntyre correspondence discloses the shocking situation of a deputy minister making confidential commitments . . .

The CHAIRMAN: From what are you quoting?

Mr. FISHER:

. . . with a foreign government in defiance of his own Prime Minister and cabinet.

This is a letter addressed to me from Mr. Cyrus Eaton, dated July 15, 1958. Do you feel you made any confidential commitment with a foreign government in defiance of your own minister?

Mr. NOWLAN: I do not think that is a fair question, but I think Mr. McEntyre had better answer it.

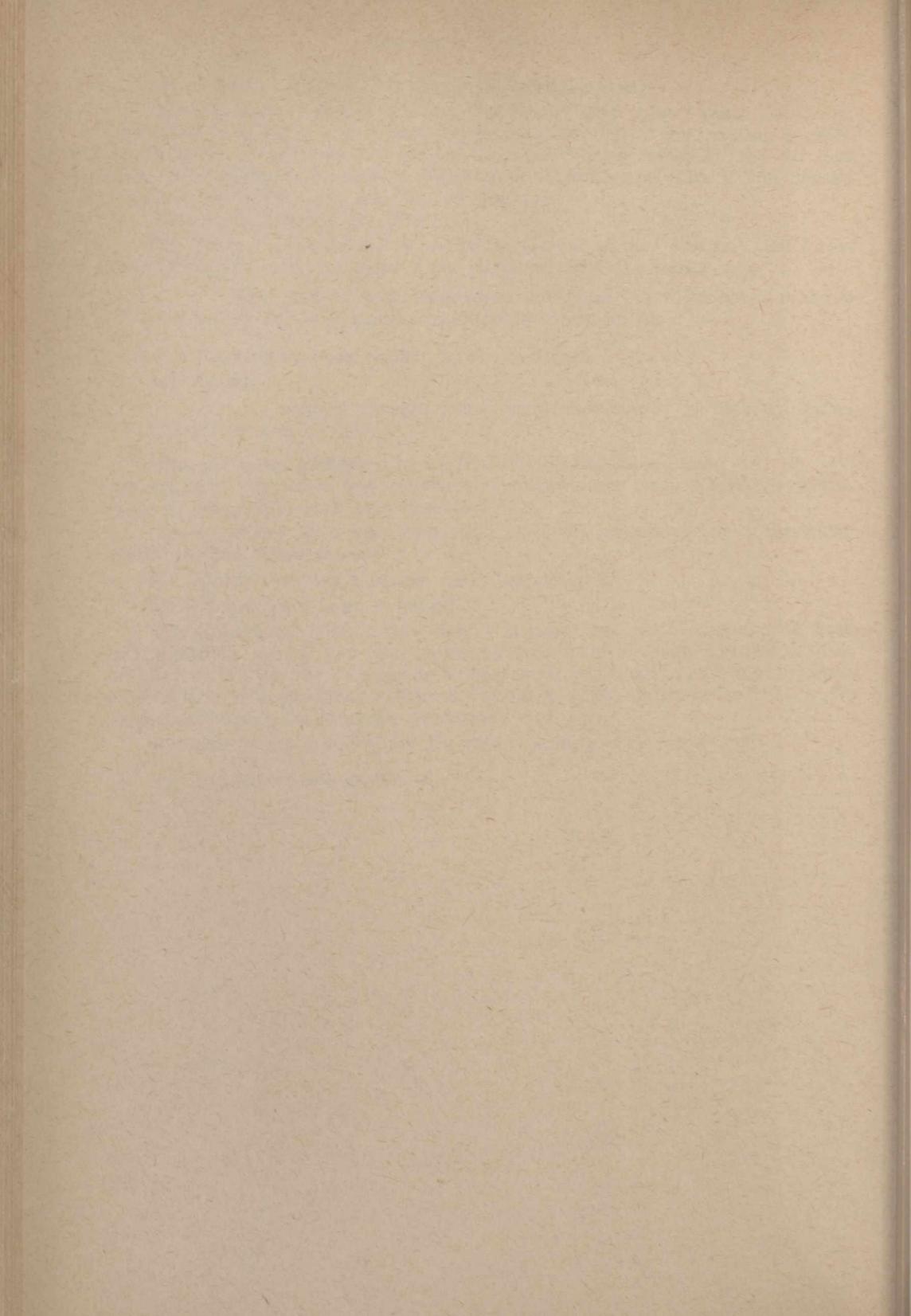
Mr. MCENTYRE: I would say very definitely, no.

Mr FISHER: That is good enough.

The CHAIRMAN: Gentlemen, may I suggest that you endeavour to have any questions which you may have on this page-by-page consideration of taxation ready for our meeting on Thursday. If you wish to call any witnesses outside of the departmental officials, would you let me know so that it can be discussed with the steering committee.

Our next meeting will be on Thursday morning at eleven o'clock.

—The committee adjourned.



HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament
1959

STANDING COMMITTEE
ON
ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, APRIL 9, 1959



DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue;
and Mr. J. Gear McEntyre, Deputy Minister—Taxation.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,
Vice-Chairman: Ernest J. Broome, Esq.
and Messrs.

Anderson,	Garland,	McQuillan,
Baldwin,	Gillet,	McWilliam,
Bell (<i>Carleton</i>),	Grafftey,	More,
Benidickson,	Hales,	Morris,
Best,	Halpenny,	Nesbitt,
Bissonnette,	Hardie,	Nugent,
Bourbonnais,	Hellyer,	Payne,
Bourdages,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Jorgenson,	Ricard,
Cardin,	Korchinski,	Richard (<i>Kamouraska</i>),
Carter,	Lambert,	Rowe,
Cathers,	Macnaughton,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Winch,
Fisher,	McIlraith,	Winkler—60.
Fortin,	McMillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, April 8, 1959.

Ordered,—That the names of Messrs. Halpenny, Nugent and Jorgenson, be substituted for those of Messrs. Walker, Nielsen and Macquarrie on the Standing Committee on Estimates.

Attest

LEON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, April 9, 1959.
(8)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur E. Smith, presided.

Members present: Messrs. Anderson, Bell (*Carleton*), Bourget, Broome, Bruchesi, Cathers, Chambers, Clancy, Dumas, Fairfield, Fisher, Hales, Halpenny, Hardie, Hellyer, Hicks, Howe, Jorgenson, Korchinski, Lambert, McFarlane, More, Nesbitt, Payne, Small, Smith (*Calgary South*), Stewart, Tasse, Thompson, Winch, and Winkler.—31.

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister—Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister—Taxation; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; A. V. Neil, Assistant Chief Technical Officer; and Mr. L. E. Hardy, Personnel Officer.

The Committee resumed its consideration of the Estimates of the Department of National Revenue for the year 1959-60, the Minister and Deputy Minister supplying information thereon.

Item numbered 258—*Taxation Division, General Administration*—was further considered.

The Deputy Minister tabled, for distribution to the Committee and inclusion in the record, five charts showing the organization of the Taxation Division (*See Appendix "E" to this day's Proceedings*)

During the meeting the Vice-Chairman, Mr. Broome, occupied the Chair for a period of time.

Mr. McEntyre tabled the following information for inclusion in the record, (*See Appendix "F" to this day's Evidence*):

1. Statement respecting the following:
 - (a) Assessors (appraisers of real estate)
 - (b) Appraisal Courses
 - (c) Co-ordination with provincial appraisal
 - (d) Method of appraisal
 - (e) Special review section
2. Time analysis of Assessment Branch district offices

Item numbered 258 was allowed to stand.

Item numbered 259—*Taxation—District Offices* was considered and adopted.

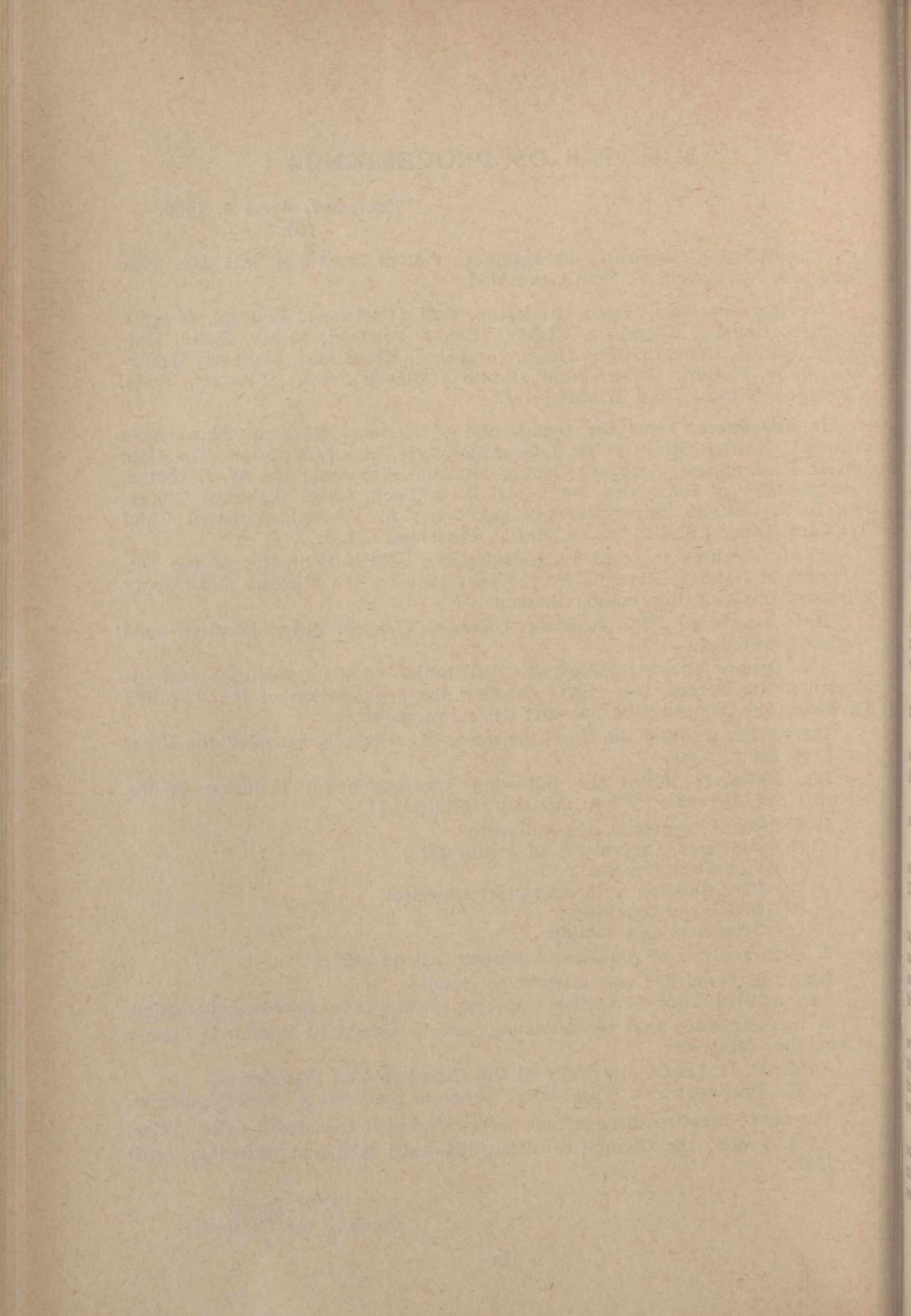
It was suggested that the following persons should be invited to appear before the Committee:

1. Mr. C. H. Leach, President of the Canadian Tax Foundation,
2. The President or a Trust Officer of one of the leading Trust Companies.

The above-mentioned suggestions were referred to the Steering Committee.

At 1.05 p.m. the Committee adjourned until 9.30 a.m. Tuesday, April 14, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

THURSDAY, April 9, 1959.
11 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum, so we can commence. Thank you very much for your prompt attendance this morning.

Gentlemen, first may I welcome two new members to the committee. I see Mr. Halpenny and Mr. Jorgenson who have been added to the committee. Mr. Nugent—who I imagine will be here later—is also a new addition. We are happy to see you here, gentlemen.

Mr. HALPENNY: Thank you, Mr. Chairman.

The CHAIRMAN: The minister will be here shortly, but I see no reason why we should not proceed. As I indicated to you at our last meeting on Tuesday, we will now commence with a more orderly examination and take each of the pages, commencing at page 357. This is under "Taxation division, general administration".

I suggest that in the interests of continuity we should proceed at this point now with one page at a time. Are there any questions to ask the deputy minister on general administration, page 357?

Mr. J. GEAR McENTYRE (*Deputy Minister of Taxation, Department of National Revenue*): We have an organization chart which we have prepared. It might be of assistance to the members in just seeing how we use all the staff we have.

The CHAIRMAN: I think that would be useful. Do you have it for distribution? (*See Appendix "E" to today's Evidence*).

I might mention, gentlemen, that we are going to hold the general item open so you will have an opportunity, if questions do develop out of the chart itself, to direct any questions to the minister or the deputy minister.

Have you any questions on page 358 with regard to any of the amounts, or related problems?

Mr. STEWART: Why is there the increase in administrative officers as set out on page 358? There is an increase from 11 to 13 in one case, and from 9 to 13 in another.

Mr. McENTYRE: The reduction in administrative officers, grade 4, balances against the increase in the administrative officers, grade 3. With respect to administrative officers grade 2, where there is an increase from 9 to 13, there is one additional position in the collection branch, and one additional position in the legal branch.

We felt that in the legal branch there should be a kind of business manager who would look after the administrative details so that the lawyers could spend their time on their actual legal work. It will be noted further down the column that there is a personnel officer grade 3 that has been cancelled, and that is replaced by one of the administrative officers grade 2.

Then we asked the commission to reclassify one of the positions and that was turned down. So unless we are successful in having them change their mind, one of those administrative officers grade 2, one of the increase, apparently we will not be able to use.

The CHAIRMAN: Is that all right, Mr. Stewart?

Mr. STEWART: Thank you, sir.

The CHAIRMAN: Are there any further questions on page 258?

Mr. CHAMBERS: If you would go back to all the administrative officers, there is an over-all increase of 8. You have to go back to the other page.

Mr. McENTYRE: As far as the administrative officer grade 8 is concerned, that is actually a reclassification of a position that was previously a director grade 5. So that balances off against the director grade 5.

On the administrative officer grade 7 we required a special research job done at head office. Our head office housekeeping has been sort of left to the last. We have been cleaning up the housekeeping in the district offices and our general administration files—clerical positions generally—had not been given a fair review for some time. So we moved in one of our district officers to head office to do this particular job, which might take perhaps two years. He is really an additional member of the head office staff, but he will be there on a temporary basis, and his position is administration officer grade 7.

The administrative officers grade 6 remain the same. I am sorry. Although the administrative officers grade 6 look as if they are the same, actually last year we had an administrative officer grade 6 for a member of the staff and the Civil Service Commission refused to qualify him for that grade; so we have to restore that position to the administrative officer grade 5. So that actually we took one position from administrative officer grade 6 and placed it in administrative officer grade 5. That means we have an additional position, which is actually an administrative officer grade 6 position, for our planning and development section.

The CHAIRMAN: You may recall, gentlemen, the difficulty we had in understanding the classification procedures in examining National Defence in the last department. It seems to me that this is a rather similar situation in its classification.

Are there any questions on this point, or is there any further study on it?

Mr. BELL (*Carleton*): Are these additional positions filled by promotion?

Mr. McENTYRE: They are either filled by members of the staff who actually hold that classification in some other section of the division or, if it is a new position or a reclassification of a position, they are filled by competition.

Mr. BELL (*Carleton*): Held by the Civil Service Commission?

Mr. McENTYRE: Held under the regulations provided by the Civil Service Commission, yes.

Mr. BELL (*Carleton*): What is the distinction you make in your answer as opposed to my question, Mr. McEntyre?

Mr. McENTYRE: Well, Mr. Chairman, the Civil Service Commission regulations require a board to be set up to consider the candidates for the various positions, and very often these boards consist of members of the taxation division with, or without, a member of the staff of the Civil Service Commission being present. So that to say that the competitions are held by the Civil Service Commission might not always be correct, because there might not actually be a member of the staff of the Civil Service Commission on the board that examines the candidates.

Mr. HARDIE: Mr. Chairman, some time ago I asked a question and I think you said it would be answered at a later date. I wonder if the minister or the deputy minister could tell the committee the procedures or regulations used in arriving at the commencement date for the tax free period under section 83?

The CHAIRMAN: Mr. McEntyre has a reply for you. Would you like to deal with that now?

Mr. McENTYRE: Certainly. Section 83 of the Income Tax Act provides that the three-year exception starts "with the day on which the mine came into production", and "production" is defined as "production in reasonable commercial quantities". The time, therefore, is a question of fact and must be determined in the light of the information available in each case.

The taxation division would not ordinarily have any reason to gather all the information that is necessary to determine the date production commenced and it is not practical for the division to regularly gather detailed reports about mining or have mining engineers inspect mine facilities. However, the Department of Mines & Technical Surveys does have the necessary services, so it is the practice of the taxation division to ask that department for information and advice in all cases.

Then, where milling operation is involved, I would say that although these cases do fall into two very broad classes, each one has its own variety of circumstances that must be considered. The first group includes those mining operations which require a mill to be constructed specifically to mill the ore from the particular mine. In general, it is held that reasonable commercial production is reached when the mill begins to operate at about 60 per cent of capacity. However, one must consider whether difficulties are then encountered showing that the mill is not operating properly and a great deal of tuning-up or changing is necessary before it will work properly. These difficulties could delay the date. On the other hand, because of market conditions or because the milling capacity is too great for the size of mining operation finally undertaken, it may be that commercial production will be carried on without any intention of using the mill to 60 per cent of its capacity. Then again, with some types of ore, smelting and refining, as well as milling, may be essential. It might not be reasonable to say the mine has come into production when the mill is fully tuned-up and ready to operate if it cannot be operated because the smelting facilities are causing trouble.

Where no milling is involved, the position is as follows: where milling facilities are not a factor, one must generally examine the capacity of the mining equipment, the extent to which shafts and runways have been prepared in underground operations to determine whether the point has been reached where continuous commercial operations are possible. The extent to which suitable shipping arrangements have been made may also be significant. The point where the mining equipment is used to about 60 per cent of capacity is a general guide but, here again, market conditions or the corporation's financial conditions may cause the corporation to carry on operations on a scale much lower than would usually be anticipated or to commence regular mining and shipping before the usual amount of preparatory work has been done.

Mr. HARDIE: With regard to the tune-up period—say a mine started production and started off with a 60 per cent figure in tune-up. They may have difficulties with their mill anywhere from a month to six months after they have started the 60 per cent production; during the six-month period they may drop to 20 per cent or 30 per cent because of difficulties in the mill. Would you then consider a new commencement, based on the facts, as far as this tune-up period is concerned?

Mr. McENTYRE: As I explained, we have to take into consideration the difficulties that the mine may run into in operating its mill at the outset, and I suppose that if, for instance, they only operated at 60 per cent for a very short time and then dropped way off again, we would have to submit the question to our technical officers in the Department of Mines and Technical Surveys to see whether they would consider that perhaps this 60 per cent they had attained for a very short time was an actual production rate of 60

per cent, or was something temporary which could not last because of the difficulties which they ran into in carrying on the operations.

Mr. HARDIE: Would the Department of Mines and Technical Surveys inspect those properties during the tune-up period?

Mr. McENTYRE: I understand they have a staff visiting the mines from time to time. Whether they would actually send a man to inspect each property as we received requests for the three-year exemption and required advice for determining the commencement of operations, I would not be sure.

Mr. HARDIE: How many mines would have applied for exemption under this section, say in the past two years?

Mr. McENTYRE: I have not that figure here with me, Mr. Chairman. We could obtain it in a few minutes, if that would be helpful.

Mr. HARDIE: Perhaps you could give it to me later; I am agreeable to that.

Mr. SMALL: On page 359, ending up the general administration, you have got full-time positions from last year as 529, and this year it is 553, an increase of 24. Has there been that much necessity in the department for that increase in staff of not quite 5 per cent?

Mr. McENTYRE: The increase in the number of returns filed runs between 4 and 5 per cent each year, or has for the last few years. This is on—

Mr. SMALL: It is on page 359, full-time positions. I am not including the seasonal ones.

The VICE-CHAIRMAN (*Mr. Broome*): Could we dispense with page 358 and come to page 359?

Mr. SMALL: That finishes up the general administration.

The VICE-CHAIRMAN: That ends up on page 359.

Mr. SMALL: That is right.

The VICE-CHAIRMAN: I believe the practice is to carry on page by page. Can we deal with the details on page 358 first.

Mr. HALPENNY: Mr. Chairman, I was wondering about the IBM equipment. It looks as if in headquarters we have approximately 10 punched card personnel, district offices have six, although further on we see reference to upkeep of equipment, and the figure is only \$300. That would show, would it not, that we are not using modern IBM machinery very much.

Mr. McENTYRE: The main IBM equipment is at head office here at Ottawa and is used to gather the statistics showing numbers of returns filed and average tax paid by individuals and allocation of the tax as between the provinces in connection with the Tax Rental Agreements Act, and also in the preparation of our green book. It is of assistance to the Department of Finance and other departments of government and to members of the public who are doing research in various lines, where income tax results are an indication and are helpful.

In the district offices the only place where we have IBM equipment is in our Toronto office, where in the last year we have introduced some of this equipment to handle payments of tax deductions at source from salaries and wages. These deductions at source are remitted monthly, and we feel that there should be a fairly close follow-up on that type of payment because the amounts involved are considerable and there is a danger that if the employer is short of funds a delay in remitting the tax deductions is quite a temptation. So with this IBM equipment in Toronto we feel we have been able to make our operation quite efficient; and although this is the first year that we have had it, the staff operating it now feel it does the job very well and that there may be a saving in staff as a result.

Mr. HALPENNY: You have not made the saving as yet, because last year there was approximately the same number? You must have had it two years in the district offices.

Mr. McENTYRE: We have had it about a year and a half, and this was the first place where we tried it; so there were a number of bugs in the procedure that had to be worked out. These were not in the machine, but in the procedure. So we really feel we have finished this testing period and are now beginning to realize the saving.

Mr. HALPENNY: Do you intend to use more of this modern equipment in other places as well as Toronto—in the larger places, such as Montreal?

Mr. McENTYRE: Yes, it would be practicable to use it in the larger places. We have also thought of perhaps centralizing this work in one office. Instead of having it distributed among a number of small offices, we have thought of centralizing the operation in one location in a larger area, when we could use equipment and process these items with resulting saving.

Mr. HALPENNY: You could have your punched cards at your district offices and do all your correlation at the larger offices?

Mr. McENTYRE: That is presently under study by our development branch.

Mr. HALPENNY: Thank you very much.

Mr. WINCH: Mr. Chairman, although on page 358 there is not included administrative officers and taxation, it follows on the taxation division. In view of the fact that both Mr. McEntyre and the minister are present, I would like to ask—I think I am correct in this—what taxation is involved in gold-mining revenue, in view of the fact that under the Emergency Gold Mining Assistance Act there are, under certain circumstances, a number of subsidies paid on gold mining.

Is that subsidy, by authority of parliament, included as part of the revenue of the gold mining operations for the purpose of taxation? In other words, is it only paid if there is no corporation tax paid by the gold mine?

Mr. McENTYRE: Mr. Chairman, if we could delay the reply to that question for a matter of fifteen minutes we could get some proper, technical advice on it.

The CHAIRMAN: Is that satisfactory, Mr. Winch?

Mr. WINCH: Yes. Of course, you understand the question? I want to know whether or not any company that receives a subsidy has that subsidy included as part of the revenue of the operations for the purpose of taxation; or is it only paid if there is no corporation tax paid by the company? If so it raises a rather peculiar question—or a most interesting question. There is only one point I am after. Is there a collection in the taxation division from an industry which the government is subsidizing?

The CHAIRMAN: The answer is yes.

Mr. McENTYRE: Yes.

Mr. WINCH: Then may we have a direction to the minister in respect of the situation whereby he collects on a taxation bill that there should be money returned because of profits which are being subsidized in the mining industry?

Hon. GEORGE C. NOWLAN (*Minister of the Department of National Revenue*): That is a question which should be directed to the Minister of Finance. He lays down the policy with respect to taxation. All I do is administer the act.

Mr. WINCH: You are learning fast.

Mr. HELLYER: I would like to ask the deputy minister whether, in preparing the balance sheet for taxation purposes, companies are allowed to value their securities at cost or market value, whichever is lower?

Mr. McENTYRE: Corporations which have securities may fall into two classes. There are corporations which have securities simply for investment purposes and others which are traders in securities. In respect of those which simply have securities for investment purposes, where they are simply investing their surplus funds that they do not require for the time being, the valuation of those securities for balance sheet purposes would not be of particular interest to the taxation division because there would be no tax implications involved there. Whereas, if the securities were in the nature of an inventory, a trading inventory, then of course the rule in the law in respect of the valuation of inventories would apply and that is provided in the regulations as being the lesser of cost or market.

Perhaps I should refer to that section. Section 14 of the Income Tax Act reads:

(2) For the purpose of computing income, the property described in an inventory shall be valued at its cost to the taxpayer or its fair market value, whichever is lower, or in such other manner as may be permitted by regulation.

Then there is a regulation which also deals with that item. Regulation 1800 reads:

For the purpose of computing the income of a taxpayer from a business

- (a) all the property described in all the inventories of the business may be valued at the cost to him; or
- (b) all the property described in all the inventories of the business may be valued at the fair market value.

Mr. HELLYER: If a building company takes back second mortgages on the sale of properties, can the company value those mortgages on its books at the fair market value for taxation purposes?

Mr. McENTYRE: The amount of the second mortgage which is taken back by the building company would be considered as and would be a receipt from this trade which would be taken in at its face value. Then, its being in the nature of an account receivable, provision will be allowed for a reserve for doubtful debts.

Mr. HELLYER: How do you establish the reserve for doubtful debts?

Mr. McENTYRE: There has to be a valuation made of the mortgages or other accounts receivable.

Mr. HELLYER: If the mortgages are in fact not worth anything like their face value, why do they have to be considered at face value for taxation purposes?

Mr. McENTYRE: If they are not worth their face value, there must be some doubt as to their collectability; and under those circumstances the taxpayer would be entitled to the reserve. So for tax purposes he would be entitled to deduct his reserve in establishing his profits for the year.

Mr. HELLYER: This is a matter of some concern, because from time to time these mortgages are taken back for various reasons by the builder. Sometimes there is an employee involved and sometimes the market is such that the property cannot be sold without taking back a security of this nature.

Under those circumstances, as you know, a builder or entrepreneur or owner selling property would, if he had a cash customer, take considerably less cash in most cases than if he was taking back one of these securities. The difference is represented by the discount, which is well known in the trade. Each kind or class of mortgage, particularly the second and third mortgage, has a going rate of discount, depending on the location of the property, terms of the mortgage and so on.

The reason I am raising this is because of a recent experience within my knowledge, where the department would not allow or says it will not allow a general reserve against the uncollectability, or the difference between market and face value, of these mortgages. They say if they are worth less than face value, sell them.

That is not always necessary or desirable because in some cases if the security held is against an employee the builder might not want to put the purchaser in the hands of what we might call the "money sharks", whereby if the mortgage was sold to some other person, when that became due that person would insist on another bonus of several hundreds of dollars.

There may be reasons why the company might not want to dispose of these securities; and yet the income tax division seems to make it necessary in order not to pay tax on an unrealized profit.

The CHAIRMAN: Do you have a specific question or do you wish a comment on that situation?

Mr. HELLYER: No, I want to know why it is so; why they make us pay the tax on a profit which is not earned. I know it is not government policy to play into the hands of these loan sharks; I am sure it is quite the contrary. If this is an exception I know you want to rectify it.

Mr. McENTYRE: To begin with, if a man is a builder his stock in trade presumably is buildings; and the price which he gets when he sells his building has to be taken in, in full, in his statement of profit and loss for tax purposes. There is provision in the act for an allowance for doubtful accounts; but of course this allowance can only be made if there is some doubt as to the collectability of the account or the mortgage.

Mr. HELLYER: You do not always have to sell something for cash. You can take cash and kind. If the builder took 90 per cent cash for a building and 10 per cent value in eggs, butter or cheese, would the department allow him to value that kind which he took at market value?

Mr. McENTYRE: There is no doubt about it; if he took something other than money, they would have to establish a value for it. Where you have a mortgage, where the money value is established on the face of it, I think the element of judgment is removed and it is simply a question of looking at the face value of the mortgage. If there is some doubt about the collectability of the mortgage, then the reserve for doubtful debts can be allowed.

Mr. HELLYER: You say the value is established on the face of it. If the builder took back government bonds at their market value, would you accept their market value, or would you write them up to their face value?

Mr. McENTYRE: I think on this question of government bonds we would have to recognize them as being worth whatever the market value was on that day. But it has been pointed out to me that where there is a question of taking back a mortgage and a balance left unpaid, that means that the debt is not discharged. So that presumably a price has been established for the house and the sale is made at this price.

Then there is a question of a balance of sale represented by the mortgage which has to be paid. This is the same type of thing as would be involved in what you may owe at a store on a charge account. They have an account receivable; the amount is fixed, and it is simply a question of paying the balance of the price eventually. If there is any question that the customer may not be able to pay, then the merchant has a right to take a reserve for the doubtful element of collecting the full amount.

Mr. HELLYER: I do not think the analogy holds water, for these reasons: when these buildings are sold under these circumstances there is a two-price system. There is a cash price system and a system where a security, or paper

of a questionable value, is taken back. Actually the price of the building would be the apparent price less the difference between the face and market value of the security taken back. That is the real price of the building.

The only reason there is a price apparently higher is to represent the bonus or the discount between the market and face value of the mortgage itself.

Mr. NOWLAN: This is a highly legal and technical question which has been raised and one which it is assumed, may be in litigation in the near future, where either the member proposes to institute litigation on this or, if not, perhaps somebody else. I do not think the deputy minister should be asked to give legal opinions which may be a matter of discussion in the courts in the near future.

Mr. HELLYER: I object to that.

Mr. NOWLAN: Just a minute, please. Let me finish. If there is any question of policy here I do not expect, nor do I think would the committee expect, the deputy minister to give opinions on things which may be raised later in the courts. If anybody wants to raise these questions, that is why the tax appeal board is there; it is there to deal with these things; it is the so-called poor man's court.

Mr. HELLYER: The minister is resisting what is an attempt to give him some good advice and to attempt to improve a situation which works to the disadvantage of the taxpayer, and not of the department, because what they do not get one year, they get the following year.

I am suggesting this to the minister because he is responsible for the administration of the department. If this is a matter which does not come within the scope of his department, then it is something he could represent to one of his colleagues, pointing out that the present practice is not equitable, that there is discrimination between different kinds of securities, that the mortgages are not in fact worth their face value, and that the department should allow them at their fair market value. If this is not the case, then it should be, because the present policy works to the detriment of many taxpayers.

I think a minister should welcome this suggestion. It probably has not been brought to his attention previously.

Mr. THOMPSON: Is it a fact that the total value of a mortgage is chalked up against taxable income in the year the mortgage is given, or is it that just as the mortgage is paid off it is taxable income?

Mr. MCENTYRE: As we see it, the merchant has sold an item of goods for a certain price, so that that price must be taken into the revenue side of his accounts as being a receipt from his business. There is a balance of price remaining unpaid secured by the mortgage. If that is doubtful, then there is provision in the law for allowance for a reserve against that and a reduction for profit temporarily, until it is paid.

Mr. LAMBERT: I have a supplementary question arising out of what Mr. Hellyer has said. If the tax is levied on the builder at the face value of the mortgage, when he will likely dispose of it in the discount market—which I think is what Mr. Hellyer is getting at—why is it, then, that the purchaser of that discounted mortgage is also assessed the difference—the discount—as income? In other words, you are getting at it twice.

Mr. NOWLAN: That matter is going to the appeal court now. I know very well the case to which you are referring.

Mr. LAMBERT: It arises out of two things.

Mr. NOWLAN: It might be determined in the court.

Mr. LAMBERT: The matter of the discount as income is a matter which is before the court. The point I am raising is in respect of getting it twice.

Mr. THOMPSON: Would there be any objection to allowing these payments, if they are made, to be taxable income rather than the entire mortgage in that particular year? Then if the builder holds a mortgage for a year or two he can chalk up the payments he actually receives against taxable income. Then if at any time he sells the mortgage at a discount, he just accounts for the difference between what he has already received by way of payments and what he receives for the balance of the mortgage as income in that year in which he received it.

Mr. McENTYRE: It would be very difficult to make a distinction between persons dealing in buildings and other types of merchandise. It is recognized as proper accounting for tax purposes that the price at which the sale is made must be taken into the revenue side in determining the income subject to tax. As far as the buildings are concerned, there is provision in section 85B which allows a reserve for the uncollected profit if the term for payment exceeds two years; so that the profit element, in the unpaid balance where the contract provides for payment over a period exceeding two years, is not taken into account at once, in that a reserve is allowed against it.

Mr. BROOME: I have a question on the same point. It appears to me that eventually the purchaser pays the full price and somebody is making this extra profit out of the building. Would it not have some effect if a second mortgage is written on a basis where the mortgage itself specifies the discount which the purchaser would be entitled to on cash payment within a certain period of time? In other words, if a \$4,000 second mortgage had a cash discount of \$1,000 if the mortgage was paid in full in three years' time, then that would set the value within that period as \$3,000 to the person who held the mortgage and also extend to the purchaser the discount if he was able to raise that money some other way and take advantage of the discount.

Mr. McENTYRE: I have not seen a contract drafted in that way.

Mr. BROOME: However if it was it could be interpreted.

Mr. McENTYRE: I would like to consult our legal branch before giving an opinion on that.

Mr. CATHERS: Is it not a rather dangerous practice if we in this committee are going to be allowed to bring in any case which is being dealt with? For instance, if there is a case being dealt with before the tax appeal board, and it is brought up in this committee and questions asked pro and con, the evidence might be used. I think we are getting into a dangerous situation.

The CHAIRMAN: As chairman, I take the position that if the minister feels that such situations exist he is perfectly at liberty to say so.

Mr. CATHERS: In this particular case the minister is here and he has stated that; but we have had meetings when the deputy minister has been here and the minister has not. I would like to know what will happen in cases like that.

The CHAIRMAN: Mr. McEntyre, I hope that you would tell us if you thought the matter was the subject of litigation.

Mr. McENTYRE: If I knew, I would so advise.

Mr. HELLYER: Is it not true that many of the matters which might be raised in this committee might have been in the past, or may be in the future, the subject of litigation? It is pretty hard to exclude all such subjects.

Mr. WINCH: Mr. Chairman, I would like very much to ask the minister, since he is here, a question on the subject of gold mine taxation, in view of the fact that there is by order of the House of Commons a subsidy paid under certain circumstances. The information has been given this morning to the effect that a number of the gold mining companies which receive the subsidy

are also in the position of being taxable, which is only possible where there are profits.

The minister told us a few moments ago that the question of taxation is up to the Minister of Finance and that he only does the collecting. This is a question which I think is of the utmost importance in respect of the department collecting revenue from an industry which is being subsidized.

As the minister responsible for the collection of taxation, can the minister inform us whether or not, when he finds that a company which is being subsidized by the taxpayers is being taxed, he draws that matter to the attention of the Minister of Finance, who is responsible for the act itself? If so, has he done so in respect of all companies taxable, although subsidized by the federal government?

Mr. NOWLAN: As far as I know, personally, that question has not been raised. I certainly would advise the Minister of Finance of any such instance to which you refer.

Mr. WINCH: In view of the circumstances, does the minister not think it is a matter he should draw to the attention of the Minister of Finance?

Mr. NOWLAN: I do not have the legislation in front of me and I do not recall the exact terms of the act. I am not sure whether, under the gold subsidy act, it is a matter of subsidizing for loss. I think it is a matter of policy by way of giving employment to the gold mining industry generally. That would be in a different category from the industry receiving a subsidy just because of its losses.

There may be gold mining companies which are actually suffering loss even after the subsidy, and there may be others making profits before subsidy. I think they are all entitled to subsidy, depending on a certain formula which is prescribed in the act.

Mr. WINCH: In view of the information given, according to Mr. McEntyre, and from the advice of departmental officials, there are companies which are receiving gold mining subsidies but which are taxable and which are paying taxes.

Mr. MORE: Would it not be that the companies would advise the Minister of Finance, and that he would be aware of their situation with respect to profit and loss?

Mr. NOWLAN: I am sure they have to submit statements to the department, and they must submit statements in connection with the subsidy.

Mr. WINCH: I am only referring to the statements made to Mr. McEntyre and his officials that there are companies in Canada which are receiving federal subsidy and which are paying taxes on their profits. Is that not a point worthy of consideration by your department?

Mr. McENTYRE: I do not think we have said categorically that there are companies receiving assistance under the Emergency Gold Mining Assistance Act which are taxable. But at the same time, I could not deny that there were or that it is not so.

There is no doubt about it that the subsidy paid to them must be taken into account in the matter of calculating their income tax. The Emergency Gold Mining Assistance Act is administered, I believe, by the Department of Finance, and there are certain conditions which have to be fulfilled in order to entitle them to receive the gold mining assistance subsidy.

I believe that those who are administering this act would have the same information as the taxation division and would be in a position to determine whether those particular companies were operating at a profit or not. If they are operating at a profit, then they are subject to tax, and if they are not, they would not have to pay any tax. I believe those who are administering the

Emergency Gold Mining Assistance Act would have the same information that we have.

Mr. WINCH: I fully understand that the taxation division, under the hon. minister, cannot give any information about individuals or companies, but I would like to ask through the chairman, without naming the individuals or the companies, if it is possible for the minister or for his deputy to have, at a future meeting of this committee, a report on the gold mining companies which receive the subsidy and who have been taxed in the year under review. Is that possible? If so, I think it would be very interesting information for this committee to have, concerning the broad principle of taxation and subsidy.

The CHAIRMAN: Yes, that will be done, Mr. Winch.

Mr. CHAMBERS: This opens up a much wider question than gold mines. The logical extension would be to the farmers who pay income tax, that they should not have the protection of floor prices. Subsidies are in our economy, and I do not think we should make up a taxation policy.

Mr. NOWLAN: I think that is a question to be asked of the Minister of Finance when he is putting through his estimates; or should he appear before this committee, he could deal with gold subsidies.

Mr. WINCH: We cannot do that, because this is the Department of National Revenue.

Mr. NOWLAN: This is a department which has nothing to do with it.

The CHAIRMAN: May I suggest that the information will be provided, and you can direct your questions to the Minister of Finance.

Mr. LAMBERT: On a matter of procedure: has the minister or anyone in the department power to compromise an established claim for income tax? I have in mind the case of a farmer who had a claim eight or nine years ago, but the matter was not dissipated for one reason or another, and now he is in a position where he cannot pay. There is a writ against the title of that man's land, and due to credit difficulties and one thing or another, with unpaid taxes—he would like to be able to go to a farm loan board and obtain and clear everything up, and put the place into shipshape order. Yet there is this claim by the Department of National Revenue which precludes any possibility.

Does the Department of National Revenue enter into a composition of creditors to enable a man to get back on his feet again or are you denied that power by the statute?

Mr. McENTYRE: There is nothing in the Income Tax Act which empowers the minister to compromise a claim that has been established under the terms of that act. Of course, if the taxpayer wishes to take advantage of the Bankruptcy Act or some other statute of that kind, then the minister would be bound by whatever the result would be upon a procedure of that kind.

Mr. LAMBERT: But it cannot be done voluntarily without resort to bankruptcy. That is the sort of thing you do not want to have to go through.

One other thing a farmer cannot avail himself of the Bankruptcy Act.

Mr. McENTYRE: There is no provision in the act for a compromise.

Mr. LAMBERT: Would it not be advisable to have a provision put in the act so that you can? I think this is a hollow victory for the Department of National Revenue. They say: we will stand on our rights. It does not matter whether we collect or not. Maybe we will not collect. But I put forward that suggestion.

Mr. NOWLAN: It will receive careful consideration, Mr. Lambert.

Mr. NESBITT: If the department had a claim against a taxpayer or against a farmer as Mr. Lambert suggested, would it not be possible to lodge a caveat

in the proper province against, let us say, part of the land which would cover the claim of the department, thus leaving other parts of the land free?

Mr. McENTYRE: Naturally, in collecting and receiving, we do not feel that we should impose any undue hardship on the taxpayer and we try to have him make reasonable arrangements for payment over a term which will ensure the revenue being collected, and at the same time leave the taxpayer free to carry on his trade, or business, or his farming.

Mr. HARDIE: I wonder if the officials have answers to the questions I asked in respect to the number of mines who had applied for exemption in the last two years.

Mr. McENTYRE: Yes. In the year ended March 31, 1958, there were 21 mines granted the three year exemption. In the year ended March 31, 1959 there were another 21, making a total of 42, during those two years.

In addition, in each of the two years mentioned there were five requests for exemptions which were denied, making a total in the two years of ten.

Mr. HARDIE: That is a very small figure when you consider the vast resources of the country. I am sure the minister has caught the vision of his colleagues, and I suggest to him and to them that the tax-free period of three years be extended to five. I think this would do a great deal more to promote conditions in the north than some of the fantastic ideas of the government.

The CHAIRMAN: Please keep to your question.

Mr. HARDIE: Such fantastic ideas as a plastic dome over Frobisher.

The CHAIRMAN: You are on page 358, general administration. Are there any further questions?

Mr. CHAMBERS: I notice there are 27 clerks with salaries of \$1,860 to \$2,640, and five typists in about the same range, and I would imagine there are about 600 of them in the district offices. Could the deputy minister tell us if the department experiences difficulty in finding people at that salary? And how long is a person liable to stay in the lower range of that salary?

The CHAIRMAN: Your question may require some research.

Mr. CHAMBERS: Perhaps it would. I do not see how you can hire anyone at those salaries today.

Mr. McENTYRE: These are mostly girls who are engaged at this salary, and they are recruited through the Civil Service Commission. We have not had any particular difficulty in finding the staff that we need in that grade.

In order to be promoted to the next grade, clerk grade 2, or typist grade 2, the Civil Service Commission's regulations require that some sort of examination be taken in order to qualify for promotion.

Mr. CHAMBERS: That was not my question. There was a range of salary in there, and I wondered how long an employee would stay at the lower end of that range before he got up.

Mr. SMALL: He probably would not start.

Mr. CHAMBERS: Do they actually start at \$1,860?

Mr. SMALL: I do not think you could get them to start at that price.

Mr. McENTYRE: They may be started anywhere in the range. I noticed that with respect to the clerks, under authority 519-606 dated July 5, 1957, salary increases are made semi-annually up to \$2,400 per annum. So starting at \$1,860 there would be semi-annual increases up to \$1,950 and \$2,040, \$2,130, \$2,220, \$2,310, and \$2,400; and then annual increases to \$2,520, and \$2,640.

The CHAIRMAN: Is that satisfactory? Have we finished with page 358? On page 359 I think you come to district offices. Are there any questions on the first half of page 359?

Mr. SMALL: I asked about the increases in the staff of 24 of full time positions, and what is the extent of the expansion in the office needed to take care of that?

Mr. McENTYRE: The general administration vote covers the staff at head office and the operations at head office. We have felt that our head office requires to be strengthened in order to give proper supervision and advice to the district offices. Every year the Income Tax Act becomes more complicated, and more technical advice is required in the district offices. Then there is the natural growth of about five per cent per annum in the number of returns filed and the volume of work to be done which also requires additional help at head office.

Mr. NESBITT: On a point of order, I am not quite sure of this, and I enlist information on a question of procedure. Is it the intention of the committee possibly to call other witnesses who may deal with the matter of general administration? If so, shall we pass this item or allow it to stand?

The CHAIRMAN: I pointed out that we did not intend to carry item numbered 258 but rather to allow it to remain open, and that we would proceed to discuss district offices on page 359 which would be the last item for today, so as to leave the discussion open for such witnesses that we may wish to call.

Mr. HOWE: Does the matter of travelling expenses cover the buying of cars or anything like that in connection with this department? How are these travelling expenses arrived at? Is there so much provided for the car, for travelling expenses or other accommodation?

Mr. McENTYRE: The taxation division has one piece of automotive equipment and that is a truck in Montreal. Otherwise the division does not own or control any other piece of automotive equipment.

When a member of the staff travels in his own automobile, he is informed of the treasury board regulations which indicate what remuneration per mile is permitted, and what he can charge by way of mileage. Those treasury board regulations are very complete, and when claiming for mileage, the claimant must fill out quite a long form explaining where he has been, what the mileage has been, and so on; and according to those regulations he is entitled to receive so much per mile.

Mr. HELLYER: I wonder first of all if the treasury board regulations with respect to mileage could be made available to the committee. That is something that would be of interest.

Mr. NOWLAN: I think I should ask the Minister of Finance because the treasury board comes under him as you know. Personally I do not think there would be any objection to it at all; but as a matter of proper practice, I think I should first clear it with him. I shall speak to him about it. I have seen the regulations, as you undoubtedly have, and I do not think they are overly generous.

Mr. HELLYER: They are not too generous.

Mr. NOWLAN: I do not think they have been changed in that particular phase in the last two or three years.

Mr. HELLYER: Maybe it is time they should be changed.

Mr. McEntyre stated that the Income Tax Act was getting more and more complicated each year. What would be the reason for that?

Mr. McENTYRE: I suppose each year certain groups feel that perhaps there is some discrimination in certain terms of the Income Tax Act, so that every year we see a number of amendments to the Income Tax Act being presented

to parliament which provide for certain revenues and certain provisions which have to be interpreted by the officials.

Mr. HELLYER: Every year the Department of National Revenue gets after certain anomalies or certain loopholes which they wish to plug up to make sure that the law is more universally applicable.

The CHAIRMAN: I think we can agree on that.

Mr. BROOME: My question has to do with law costs. I am not interested in what the cost is here, but in the legal end, and whether attempts are being made to phrase the regulations in your dealings with the taxpayers in such a way as to get away from what seems to be complicated wording, and to put your statements in simple words which an ordinary taxpayer can understand. I think there has been a lot done in that way in the last few years, and imagine it is continuing practice with the department.

The CHAIRMAN: Before there is a riot, the explanation of your question is: is there any simplification?

Mr. BROOME: A simplification in the wording, pointing towards words of one or two syllables being used if at all possible. It might cut out some of the legal work which comes on later, but it would certainly be a boon to the ordinary common citizen who may receive a letter quoting certain sections, when he just cannot understand it until he has to pay somebody \$10 in order to explain it to him.

Mr. McENTYRE: We are continually trying to make simpler the explanations we have to make on income tax return forms. I understand what you are getting at, and in our correspondence with the taxpayers, we wish to make it as simple as possible and at the same time to guard against a possible misunderstanding. Income tax is not an easy thing to understand and we want to make sure that the message gets across according to what the law says. Very often it seems that there is no better way to explain the law than to quote it, because there is a danger that if you use your own words, possibly misunderstandings or misinterpretations may arise as to what is said. We are continually struggling with this problem and we hope that we can make some progress.

Mr. BROOME: Lawyers live on this sort of thing, and as it seems that lawyers are the ones who write the law, they like to write it so that it will take two or three interpretations.

Mr. LAMBERT: On March 17, in answer to successive queries by Mr. Payne, Mr. Korchinski and myself, Mr. McEntyre indicated that he would make a statement in connection with appraisers. I have examined the record, and unless it happened within the first fifteen minutes of this meeting, there has not been any statement given as yet.

The CHAIRMAN: There are several unanswered questions. Would you like to deal with that now? May I suggest that since it seems to be fairly lengthy, that you be given an opportunity to examine it. Would that be satisfactory?

Mr. McENTYRE: Certainly, that would be fine.

Mr. CHAMBERS: Anyone who has ever tackled the American income tax form would have more of an appreciation of the forms used here. Could we be told what "other professional and special services" mean? Are there any outside appraisers?

Mr. McENTYRE: Actually it is principally the commissionaires at head office. In addition to the commissionaire service at the head office, there are the court reporters fees. The provision for court reporters fees in appeal cases and other miscellaneous services is \$5,500. A great deal of the increase in the need

for reporting services has been experienced in the past year and is expected to carry on. The rate per page of transcript has risen considerably.

Mr. CHAMBERS: There is an item further on for court reporters fees under the tax appeal board.

Mr. McENTYRE: The tax appeal board is administered separately from the taxation division. When cases are heard before the board and a reporter is required, the chairman of the board or the sitting member would arrange for this. But these court reporter fees are required by the taxation division perhaps when an enquiry is held, or some kind of an investigation is going on and we require a transcript of what is said at the meeting.

Mr. CHAMBERS: You do not have any sort of outside appraisers or anything like that that you would put under these general items?

Mr. McENTYRE: They are in the district office votes.

Mr. CATHERS: What about that 432?

The CHAIRMAN: Would you mind holding back Mr. Cathers? We are still on page 359, and that is on the next page.

Mr. FISHER: Two years ago an amendment was introduced to the act in so far as construction workers building away from home was concerned. Has that been touched?

Mr. NOWLAN: No.

Mr. FISHER: Have you any indication to show that advantage is being taken of this by construction workers, or by workers in the logging industry? The Minister of Finance said that people in the logging industry were actually on construction work. I have been informed by pulp and paper companies that they were adamant about not becoming involved in a mix-up as to determining whether a man was on construction or on logging. Have you any information?

Mr. McENTYRE: We are just presently getting in the returns for the 1958 taxation year, which is the first full year following the enactment of the amendment. So we have not gathered together information from our various district offices sufficient to give an opinion right now.

Mr. FISHER: Is this a sort of thing on which you will have an opinion as to how it is working out and how much advantage is being taken of it?

Mr. McENTYRE: We would be very concerned to learn of those who are entitled to take advantage of it, and also to see that employers are properly advised so that they will properly be able to work out the deductions at the source, and the other items which have to do with it in order to make our system work.

Mr. FISHER: Have you, before you, at the present time, any difficulties at all in relation to what is called an error in chain saw logging? There is an allowance of so much per cord for the man who provides his own chain saw. I have heard that this is one way in which the department is actually being rooked by the men, and that it is a bonus which is unfair. Have you heard anything in this particular regard?

Mr. McENTYRE: We worked out a procedure with the industry at one time and as far as I know it is working all right now. But it may be that I have not been informed about it.

Mr. FISHER: Might I suggest that this particular point ought to be checked, because I understand there are discrepancies in the collection.

The CHAIRMAN: That will be done. The suggestion is that you check and look at it.

Mr. McENTYRE: One of my officials tells me that there were representations made from one source last week to the effect that this arbitrary rule which the

department had worked out with the industry was being unnecessarily generous to a certain group in the industry.

Mr. FISHER: I do not want to try to comment on your generosity, but it was set up by a chain of evidence under which we might get a different union agreement. That is why I would ask for that check.

Are you in a position yet to make any assessment as to how the new deduction of \$100 across the board is going to work out? I think every member has probably received protests from churches and places like that against the new \$100 package. I wonder if you would be in a position after this year's returns are in to make an assessment as to whether there has been any appreciable lessening of charitable contributions because of the \$100 ceiling. Is my point clear?

Mr. McENTYRE: Yes, you mean where the taxpayers are entitled to a special deduction to cover miscellaneous items, and whether it has had any effect on their giving to the churches. We were interested about that at the time it was put in. We consulted with our opposite numbers in Washington as to whether their standard deduction there had had that effect and they said they did not think it had. After one year's experience we do not believe it has had any substantial effect on charitable giving.

Mr. FISHER: May I ask the minister if he has received fairly sizeable representations on this particular matter from churches or from other organizations?

Mr. NOWLAN: I think some have appeared in the press from time to time.

Mr. FISHER: You are going to give it continued study.

Mr. NOWLAN: Surely.

The CHAIRMAN: Let us continue.

Mr. SMALL: That would lead to a consideration of the abuses which you might then find have been made.

Mr. NOWLAN: The department is always giving consideration to abuses which are reported to it, or which are alleged.

Mr. FISHER: Is there any way within the act whereby we could get more information from your taxation statistics as to contributions to education? I have in mind especially corporate giving.

Mr. McENTYRE: We have allocated it in the green book as between corporations and individuals, and as far as giving is concerned, I do not think our statistics break it down as to the nature of the gifts, whether they be to hospitals, churches, or universities. We have them lumped all together. It simply sets out the claim of the taxpayer for charitable donations.

Mr. FISHER: Does the minister consider that it would be worth while information for the people involved in taxation to have, in order to get a better pattern of what the situation is?

Mr. NOWLAN: That information, I should think, should have some merit. I think it is a question of fact to see under our system, how much additional work and additional cost would be involved in a further breakdown of these things for charity. I certainly would check on it with the officials to see if it could practically be done within the limits of the strength that we have and the staff, and the time factor, and all the rest of it.

The CHAIRMAN: We shall leave page 358 open. You are now on page 359.

Mr. HELLYER: Is there any regulation or published document as to the method in which the interest payments are calculated on overdue taxes, and as to the method in which the interest payments due to the taxpayer are calculated on pre-payment?

Mr. McENTYRE: There are only the provisions in the Income Tax Act which provide that overdue payments are to bear six per cent interest. It is simple interest, because there is no provision which provides for interest on interest. And similarly there is a provision as to the interest that has to be paid on refunds.

Mr. HELLYER: Does the act set the time for which the refunds are to run?

Mr. McENTYRE: Yes, the act sets the rate at which the interest has to be paid and from what time to what time.

Mr. McFARLANE: There are law costs stated at \$1 million. Since we have a legal department in the Department of National Revenue, what is the explanation for that item. It is under four items. I may be a little ahead or a little behind you.

The CHAIRMAN: You have made a sum out of the totals?

Mr. McFARLANE: That is right.

The CHAIRMAN: Perhaps it would qualify it if you were to speak of law costs in general.

Mr. McFARLANE: Why is this in here since we have a legal branch in the department?

Mr. McENTYRE: The law cost on the general administration vote provides for the expenditures incurred for legal processes involving writs for overdue taxes and so on out of the Exchequer Court of Canada, and also with respect to appeals from their assessments to the Exchequer Court and the Supreme Court of Canada, either by the department or by the taxpayer. In our understanding with the Department of Justice as to the division of responsibility in legal matters relating to taxes, the defence of objections that are taken to the tax appeal board are handled by the legal staff of the taxation division. But if there is any other litigation, that must be the responsibility of the Department of Justice, and in that case the Department of Justice may assign a member of its own staff to look after it or may decide to engage an outside legal agent. If the legal agent is appointed and works on a case that has to do with the work of the taxation division, the expense or the remuneration of that legal agent is charged to the taxation division and thus to this vote.

Mr. FISHER: Did the deputy minister file the information in connection with the statistical breakdown as to time spent on field investigations?

The CHAIRMAN: We have a number of questions; the information will be filed. This item will be held open.

TAXATION DIVISION

259. District Offices \$29,792,055

Mr. WINCH: I have one general question. I presume that the majority of income tax returns are filed with the district offices. I would like to ask if each form is nominally reviewed to determine whether the persons who file owe the government more money or the government owes them money; and is there any other review beyond the district office—unless there is an appeal before the tax appeal board—or does it stop at the district office?

Mr. McENTYRE: The district office has the responsibility to deal with the matter completely. But there may be occasions when advice of a technical nature is required from head office, either from the assessing or the legal staff; and in that case, of course, the district office is invited to write to head office and get advice on these points. Then, in addition the head office has a staff going around to the district offices which tests their work in order to ensure that the work is properly done, and the provisions of the act are being properly interpreted and applied. This is more of a post-review audit.

The intention is not for the head office people to do over again the work that has been done, but simply to size up the quality of the work.

Mr. DUMAS: I wonder if Mr. McEntyre could give me the total number of personnel at the Rouyn district office; also, I would like to know how many are permanent and how many are seasonal?

Mr. McENTYRE: At Rouyn the establishment for the 1958-59 year was 55, and the new establishment is 54. Now, those are partly permanent and partly temporary. Actually, there are only 37 persons on strength at the moment.

Mr. DUMAS: Could Mr. McEntyre tell me, for instance in 1956-57, the total amount collected by the Rouyn district office?

Mr. McENTYRE: The figure I have here is for the 1957-58 fiscal year and the total amount collected at the Rouyn office was \$7,360,495.

Mr. DUMAS: How many taxpayers are there? Possibly you could give me this information later.

The CHAIRMAN: I was going to suggest if there are any specific requests such as yours for information concerning specific areas, you might ask them and have this information filed. Do any other members wish to refer specifically to particular areas?

Mr. HALES: I would like the same information for the Kitchener office. Are these district offices rated as to the collection per man-hour or per person working in them, and if so, could we have that tabulated? Do you compare one district office with another?

Mr. McENTYRE: Well, in trying to determine the number of staff that should be assigned to each district office various factors are taken into consideration, the revenue collected, the number of returns broken down as between individual returns, T.1 short returns as against T.1 general returns and also corporation returns. An effort is made to try to establish the quality and the volume of work that has to be performed by the staff.

Mr. HALES: Have you an efficiency rating of these various branch offices?

Mr. McENTYRE: I am not quite sure whether this is the efficiency rating of the individual members of the staff.

Mr. HALES: No, the whole staff.

Mr. McENTYRE: Or between district offices.

Mr. HALES: Comparing office for office; for instance, the Kitchener office has a certain number of employees and they collect so much money; Rouyn have so many employees and they collect so much money. Can you break it down so you can compare them on the returns collected.

Mr. McENTYRE: Well, each year when the estimates are being prepared a committee consisting of a member from the Civil Service Commission and our own people look at all these factors as between different district offices and they come up with an organizational chart as to what is required in relation to the types of returns being received, the money being collected, the number of outstanding accounts that have to be collected, the number of employers who are reporting tax deductions at source and, perhaps, the geographical location of the district office, whether it is an urban centre where all the taxpayers are quite close to the district office or whether it is a large rural section where a great deal of travelling has to be done. All these things are taken into consideration and as a result of that the establishment for each district office is determined. Then, of course, the cost is determined

and that is the figure that goes into our estimates because, Mr. Chairman, as can be seen, the important item in our estimates is the salaries.

Mr. HALES: I am not sure of this. Can you tell me how much it costs the Kitchener office to collect one dollar's worth of money compared to what it costs the Rouyn office to collect one dollar's worth of money?

Mr. HELLYER: What is a dollar's worth of money?

Mr. HALES: By what standards do you judge your district offices? Are they doing a good job for you or are they doing a poor job for you?

Mr. MCENTYRE: Of course, we do know that in a district office such as Toronto, where you get a large number of taxpayers paying large sums of money, if you simply take the cost of the salaries paid in the Toronto district office as against the revenue received by the Toronto district office, a figure which might be called cost would be very low, whereas in the case of Rouyn where you do not have a large number of taxpayers paying large amounts of money in a lump sum, there would be a great difference. Where you have a large number of small taxpayers, the cost of collection on the same basis would be considerably higher.

Mr. HALES: I can see that.

Mr. WINCH: Would it not be governed by the circumstances of that office itself, its geographical location, population and so on?

Mr. MCENTYRE: Yes; no two offices are exactly alike in that respect. They all seem to have special factors that have to be taken into consideration.

The CHAIRMAN: Mr. Hales, before you proceed with your next question I would like to state that Mr. Fisher was endeavouring to point out that this book is available to all of you and much of the information for which you are asking is contained in it. These are naturally busy times for the department and may I suggest you relieve them of that responsibility and look for this information yourself.

Mr. HALES: Well, that answers one of my questions. In connection with the district offices, I take it that the assessors are responsible to the district taxation officer for the work in the field; is that correct? Do they come under the district officer?

Mr. MCENTYRE: On this organization chart which was circulated, a typical district office organization is shown on the last page. It will be seen that the director of taxation is the chief administrative officer in each district, and under him he has a chief assessor who looks after the assessing of returns. He has a supervisor of administration who would look after the collecting of the accounts, the files and general housekeeping of the audits.

Mr. HALES: I am in receipt of some complaints in connection with the assessors in the field. I am informed that they go into, we will say, a factory to make a review of their books. He arrives at ten o'clock in the morning, leaves at twelve noon, comes back at two and leaves at four, thereby putting in four hours a day. Public opinion is that the job is a soft touch, and the whole policy of the department is more or less established on that man's work in the field. Are those men subject to certain working hours?

Mr. MCENTYRE: Oh yes, they have regular hours of work, especially in our district offices, totalling so many hours a week, according to the requirement of the Civil Service Commission or the figure set down by the Civil Service Commission. When assessors are calling on taxpayers it may be that they would report to the district office in the morning in order perhaps to make a preliminary review of the return filed by the particular taxpayer they were going to visit, and it may be they may not arrive at his place of business at the opening of work. On the other hand, we do try to encourage

them not to go to the district offices first if they know what work they have to do at the taxpayer's office, so as to lose as little time as possible in traveling back and forth.

Once they have completed their examinations, they may return to the district office and work on the schedules which have to be placed on the files as to the results, or they may work in preparing assessment notices and at other work which has to be done on the files. So although we cannot expect our staff to be perfect, we do feel that they have to be supervised, and we do supervise them as best we can. I do not think it is fair to say that simply because a man arrived at ten and left at four, that necessarily the other hours of work which he owed to the government were not performed during that day.

The CHAIRMAN: You would no doubt be interested in learning of any example where conceivably an individual was not performing his duties. You would be happy to have that information.

Mr. HALES: I suggest there is a little laxity in the field and that these hours should be checked. I do not think that these men are putting in much more than four hours a day.

Mr. FISHER: I have received complaints from exactly the opposite score—two specific complaints. Why do not the rascals go home?

The CHAIRMAN: Yes, I am glad you reworded that.

Mr. FISHER: I understand that the Civil Service Commission offers a service by way of analyzing efficiency operations in their various aspects. How many times in recent years have those services been used, or have they ever been put to use to analyze the operations of the various auditors?

Mr. McENTYRE: We have had two visits from that group at the head office in the last year; and it was a group from that section that also visited our Montreal district office. But we are doing it all the time ourselves through our inspection staff, and we do feel that perhaps we are better equipped to do that work, particularly in view of the technical nature of the work that we are doing, but we do work in cooperation with them.

Mr. FISHER: When you get a complaint like Mr. Hales', I suppose this is a very good place to start, because this kind of complaints is the very thing we would need to nail down most of all; and if this Civil Service Commission group could work with your group in that very district, it might clean things up.

The CHAIRMAN: Mr. Hales brought to our attention a similar situation in another department and it was cleared up.

Mr. WINCH: We have heard over the past few months a lot about efficiency. I am curious to know why on the chart of a typical office organization, the most important branch, the stenographers pool, comes under the assessment branch and the chief assessor, instead of being under the personnel branch or under the administration branch? I happen to know something about that, not only in your department but in some other departments as well.

Mr. McENTYRE: We feel that more efficient use could be made of typists and stenographers if they worked in a pool.

Mr. WINCH: I agree with the pool. I am asking under whose direction they come. I completely agree with the pool idea.

Mr. McENTYRE: Particularly when you have assessors who may be out, or who may not require the service of a typist or a stenographer for days at a time; so that this pool exists for the men of our district offices who do work on assessments, and it is for that reason that we find the stenographers

pool coming under the assessment branch. There are of course stenographers and typists who would be doing work for the administrative branch.

Mr. WINCH: Would they also come from the pool?

Mr. McENTYRE: No. The administrative branch would be served by its own typists and stenographers who would not be in the pool, because the type of stenographic work which would have to be done in the administrative branch would be more of a regular nature and the personnel required for that type of service would be required on a more or less steady basis.

Mr. WINCH: You have not found it to be the same as it is in the Department of Public Works where they have an architects and an engineering branch in the same office, with one pool of secretaries, typists, and bookkeepers, and where they have the head of that department who is responsible for allocating the work according to the reported need at the moment? Do you think a broad general pool is a good idea?

Mr. McENTYRE: We have not found that it would work in our district offices because, in the administration branch, they are in the collection section, and there might be a typist attached to a unit, but that typist would have a certain regular amount of typing to do each day; and when it is done, she would be able to do other clerical duties and in that way her time would be completely taken up. But if she were placed in a pool, then when she had finished her typing, presumably she would either have to be assigned to some other section, or would sit with nothing to do. Whereas we find by assigning typists to a group who have a function to perform, that when the typing work is done, or when it dies off, the typist can do clerical duties as well.

Mr. BOURGET: I would like to ask Mr. McEntyre if any consideration has been given for the establishment of a new district office in the Lake St. John area, since this district has developed very greatly in the last ten years and now has a population of over 300,000.

Mr. McENTYRE: We have continually under study the possibility of new district offices being required in various parts of Canada. I think we had representations made to us by the board of trade of Jonquiere and of Chicoutimi, and a careful study was made at that time as to the possibility of opening an office there. But we did not feel that the cost of that office was warranted for the time being. However that question will be kept under consideration and perhaps later on we will be able to do something about it.

Item 259 agreed to.

It is now a minute or two before one o'clock.

Mr. HALES: On page 360, which district office has the chauffeur?

Mr. McENTYRE: That is the chauffeur who drives the truck in Montreal.

The CHAIRMAN: I assume you have some questions on item 260 which is the only other section left. You have carried item 259. Have you questions on item 260? If so, we shall continue with them at another meeting.

Now, on the question proposed by Mr. Nesbitt, we have had a number of suggestions made as to a variety of people that you might specifically like to hear as witnesses following the examination of taxation which will end with item 260. We shall of course keep item 258 open, as I suggested earlier.

One suggestion which seemed to have the most merit was that rather than calling on a number of individuals, you might prefer to hear from Mr. C. H. Leach, the head of the Canada Tax Foundation. My point is that as the deputy minister, says this is indeed a complicated business, and as the layman endeavours to examine the estimates of this department, it was thought that you might like to hear from an outside source, from an individual who would express his view point purely as it affects the Department of National Revenue. Of course it has to be contained within that area.

The suggestion I am going to make for what it is worth is that this matter be referred to your steering committee, which is made up of representatives of the various groups. Does that generally meet with your approval? Is that agreed. Agreed.

Our next meeting will be—

Mr. NESBITT: There is one point I would like to bring to your attention, and to stress to the members of the steering committee. I think the suggestion you made is a very excellent one, that Mr. Leach be invited to come before this committee; but due to the fact that there are certain problems which have been raised in the committee particularly with reference to succession duties, problems which Mr. Leach could not reply to, such as having to do with the valuation of estates, I wonder if you might consider the possibility of inviting the head or trust officer of one of the more important trust companies in order to deal with estates and to give the other side of the picture, so to speak. That would be something with which Mr. Leach would not have much connection.

The CHAIRMAN: I can say that it will be considered by the steering committee, without comment at this time.

The next meeting will be on Tuesday at 9.30 when we will take up the tax appeal board, and I hope that Mr. Sim can be on hand so that we might conclude the excise and customs division. Is that satisfactory? We shall meet in room 112N.

Mr. MCFARLANE: Would it be possible for the steering committee to meet with the secretaries of the other committees so that there may not be a conflict of times when the committees meet? Prior to this time we have run into a situation where the mines, forests and waters committee met at the same time as this committee. These committees are also important to us and we would appreciate it if you could kindly work out a system for us.

The CHAIRMAN: I wonder if you would permit me to say that we have already done so. We sat for two hours considering the matter. There are fourteen committees at present and there are two additional ones planned. We worked out a schedule. That is one of the reasons we are sharing the morning hours. I can only say that I did the best I could in negotiating for us, under the circumstances. But I shall endeavour to see if we can avoid further conflict.

HEAD OFFICE ORGANIZATION

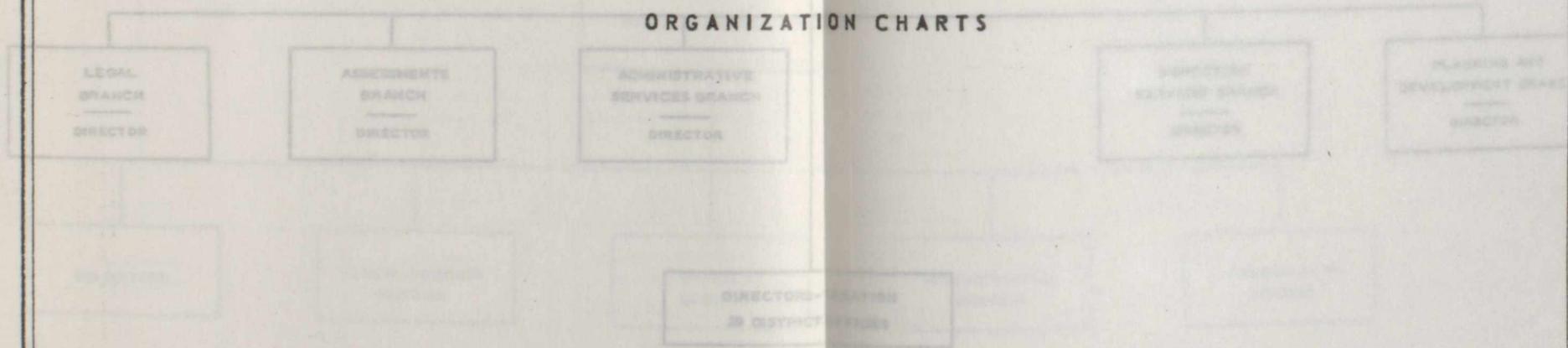
APPENDIX "E"

MINISTER OF NATIONAL REVENUE

DEPARTMENT OF NATIONAL REVENUE
(TAXATION)
TAXATION DIVISION

ASSISTANT DEPUTY
MINISTER

ORGANIZATION CHARTS



May, 1958

ST. JOHN'S, Nfld.
CHARLOTTETOWN, P.E.I.
HALIFAX, N.S.
STONEY, S.A.

QUEBEC, P.Q.
MONTREAL, P.Q.
SHERBROOKE, P.Q.
SOUTH, P.Q.

OTTAWA, Ont.
KINGSTON, Ont.
SELLEVILLE, Ont.
TORONTO, Ont.

WATERLOO, Ont.
ST. CATHARINES, Ont.
LONDON, Ont.
STONEY, Ont.

PORT DUFFERIN, Ont.
WILLOW, Ont.
REDA, Sask.
SASKATOON, Sask.

EDMONTON, Alta.
VANCOUVER, B.C.
VICTORIA, B.C.
REDFORT, B.C.

APPENDIX

DEPARTMENT OF REVENUE

TAXATION

ORGANIZATION

May, 1928

HEAD OFFICE ORGANIZATION

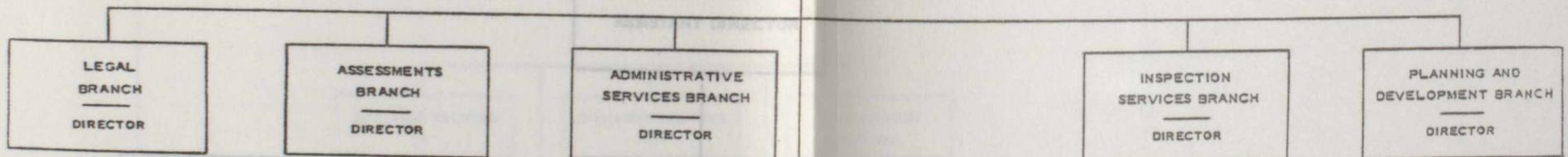
HEAD OFFICE

LEGAL BRANCH

MINISTER OF NATIONAL REVENUE

DEPUTY MINISTER
(TAXATION)

ASSISTANT DEPUTY
MINISTER



SOLICITORS

LEGAL PROCESS SECTION

DIRECTORS-TAXATION
29 DISTRICT OFFICES

ADMINISTRATIVE SECTION

PERSONNEL SECTION

ST. JOHN'S, N.F.L.D.
CHARLOTTETOWN, P.E.I.
HALIFAX, N.S.
SYDNEY, N.S.
SAINT JOHN, N.B.

QUEBEC, P.Q.
MONTREAL, P.Q.
SHERBROOKE, P.Q.
ROUYN, P.Q.

OTTAWA, ONT.
KINGSTON, ONT.
BELLEVILLE, ONT.
TORONTO, ONT.
HAMILTON, ONT.

KITCHENER, ONT.
ST. CATHARINES, ONT.
LONDON, ONT.
WINDSOR, ONT.
SUDBURY, ONT.

FORT WILLIAM, ONT.
WINNIPEG, MAN.
REGINA, SASK.
SASKATOON, SASK.
CALGARY, ALTA.

EDMONTON, ALTA.
VANCOUVER, B.C.
VICTORIA, B.C.
PENTICTON, B.C.
WHITEHORSE, Y.T.

HEAD OFFICE

LEGAL BRANCH ORGANIZATION

DIRECTOR

ASSISTANT DIRECTOR

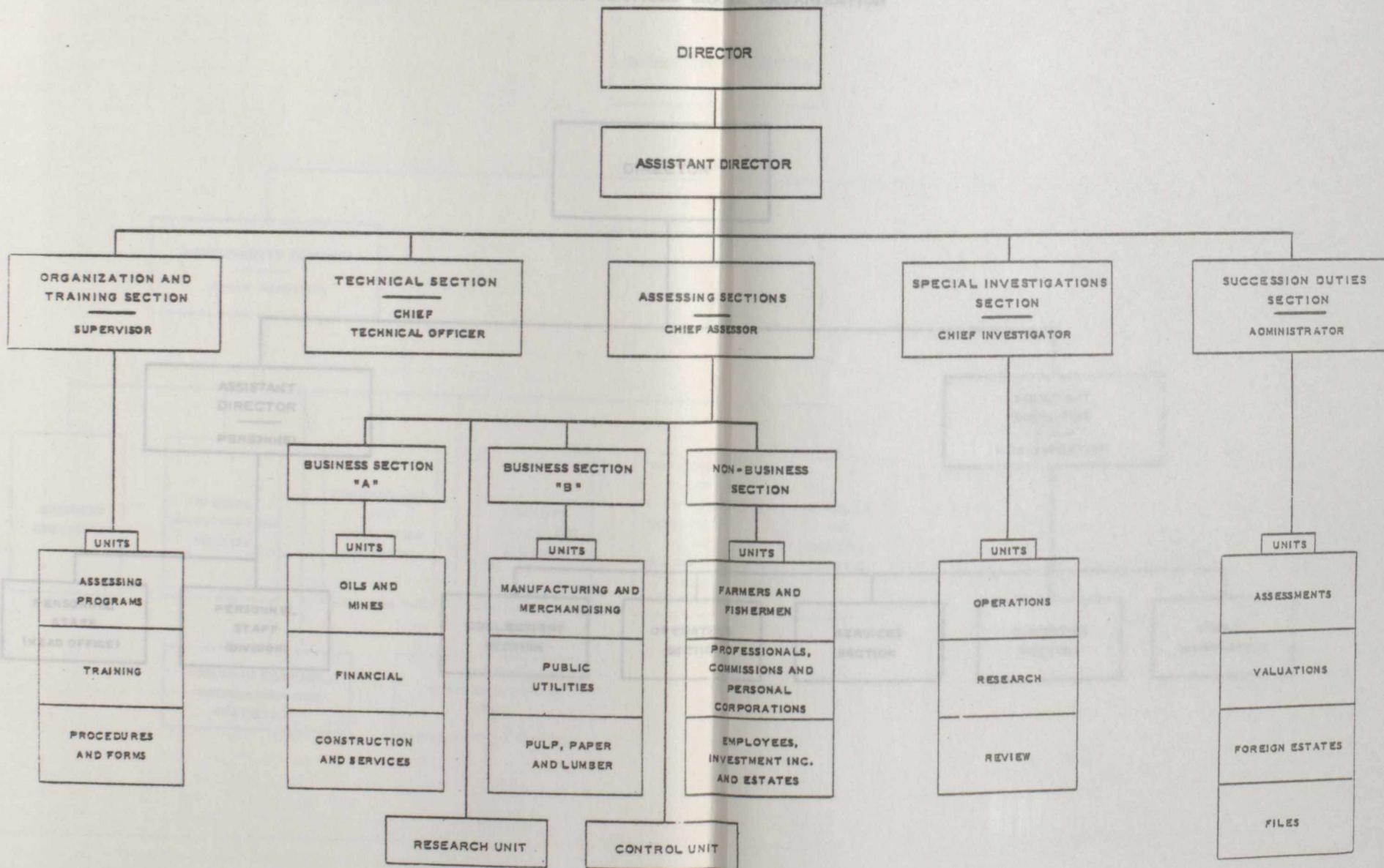
APPEALS SECTION

LEGAL PROCESS
SOLICITOR SECTION

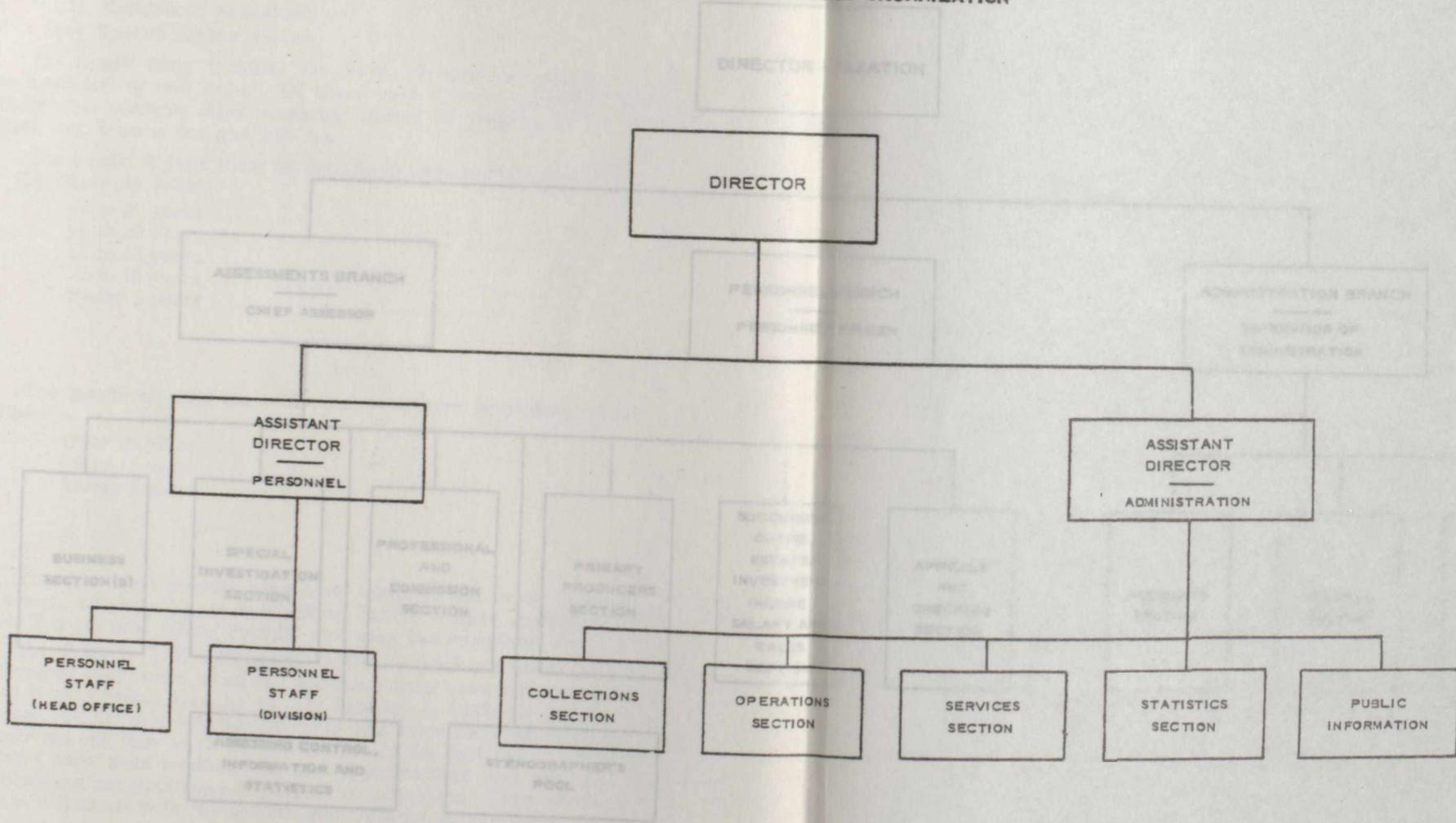
SOLICITORS

100
110
120
130
140
150
160
170
180
190
200
210
220
230
240
250
260
270
280
290
300
310
320
330
340
350
360
370
380
390
400
410
420
430
440
450
460
470
480
490
500
510
520
530
540
550
560
570
580
590
600
610
620
630
640
650
660
670
680
690
700
710
720
730
740
750
760
770
780
790
800
810
820
830
840
850
860
870
880
890
900
910
920
930
940
950
960
970
980
990

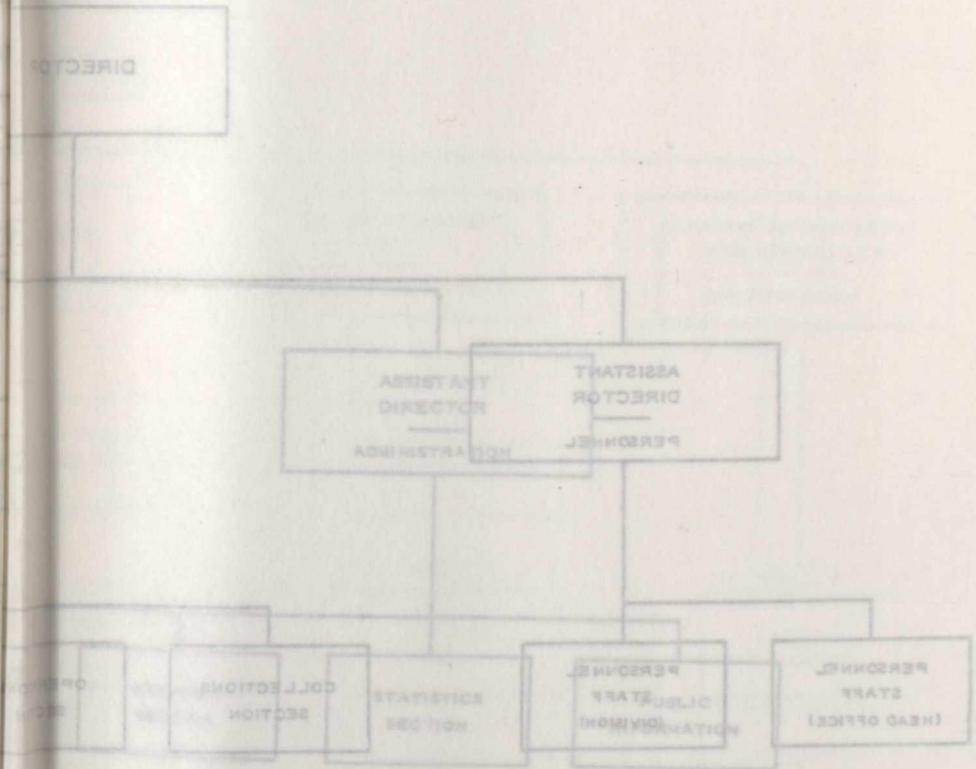
HEAD OFFICE
ASSESSMENTS BRANCH ORGANIZATION



A TYPICAL DISTRICT TREE ORGANIZATION
 HEAD OFFICE
 ADMINISTRATIVE SERVICES BRANCH ORGANIZATION



ADMINISTRATIVE SERVICES BRANCH



A TYPICAL DISTRICT OFFICE ORGANIZATION

1. Statement submitted by the Deputy Director:
 - (a) Assessments (assessors of real estate);
 - (b) Appraisal courses;
 - (c) Co-ordination with provincial appraisers;
 - (d) Methods of appraisal;
 - (e) Special review method.

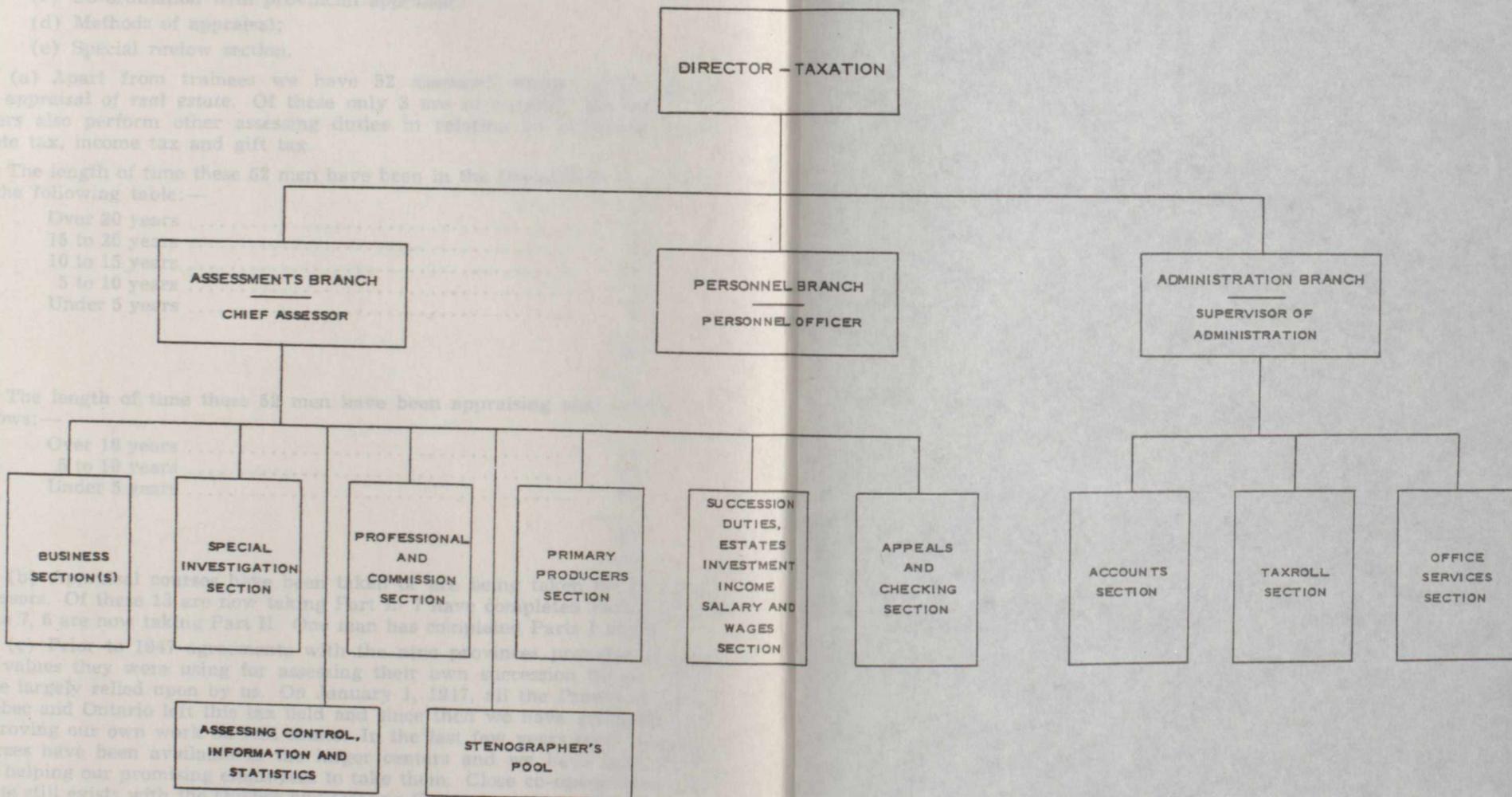
(a) Apart from trainees we have 52 assessors who perform the appraisal of real estate. Of these only 3 are also assessors of other taxes, income tax and gift tax.

The length of time these 52 men have been in the Department is in the following table:—

Over 20 years	.....
15 to 20 years	.....
10 to 15 years	.....
5 to 10 years	.....
Under 5 years	.....

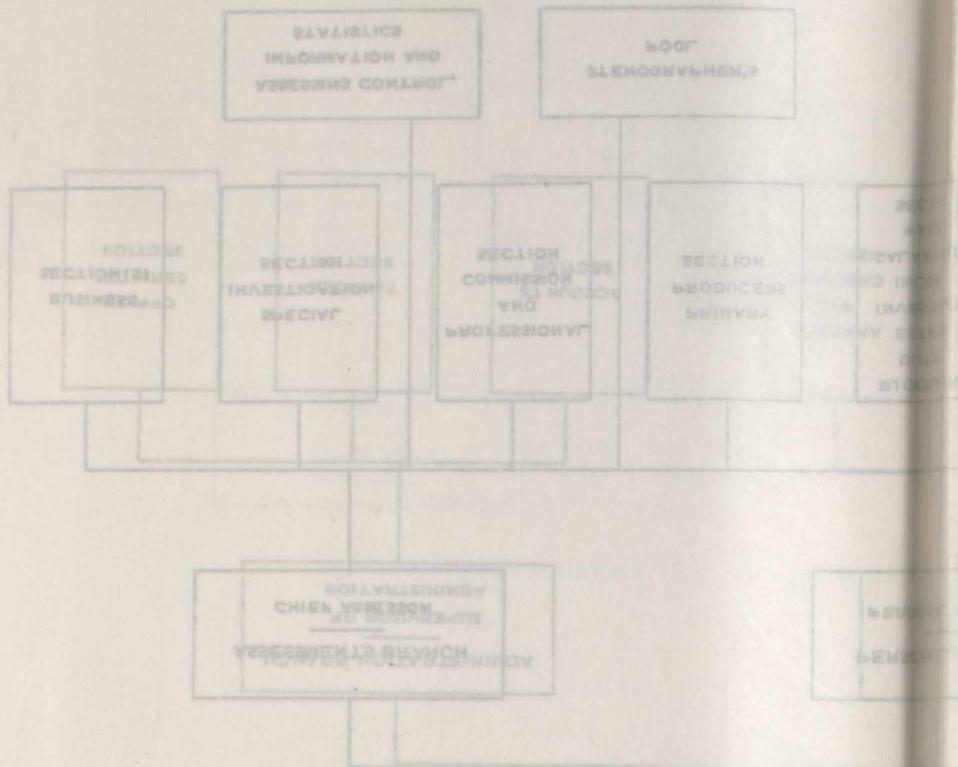
The length of time these 52 men have been appraising real estate is in the following table:—

Over 15 years	.....
10 to 15 years	.....
Under 10 years	.....



(d) A question was asked about the methods followed in the appraisal of real estate. Most of this work is encountered in the appraisal of succession duties, gift tax and estate tax. In all such cases a representative or the taxpayer is required to declare a value. This value is accepted by the Department and if it seems reasonable it is accepted and the tax is prepared accordingly. If the Department's assessor does not accept the amount declared is fair market value he makes his valuation.

In doing this he has reference to all the factors that may be relevant to the situation. The best of these, when it can be found, is a list of comparable property. This is not always available and is often very difficult to obtain.



APPENDIX "F"

1. Statement submitted by the Deputy Minister respecting the following:

- (a) Assessors (appraisers of real estate);
- (b) Appraisal courses;
- (c) Co-ordination with provincial appraisal;
- (d) Methods of appraisal;
- (e) Special review section.

(a) Apart from trainees we have 52 assessors whose duties include *the appraisal of real estate*. Of these only 3 are so engaged full-time. The others also perform other assessing duties in relation to succession duties, estate tax, income tax and gift tax.

The length of time these 52 men have been in the Department is set forth in the following table:—

Over 20 years	2
15 to 20 years	7
10 to 15 years	30
5 to 10 years	7
Under 5 years	6
	52
	52

The length of time these 52 men have been appraising real estate is as follows:—

Over 10 years	11
5 to 10 years	17
Under 5 years	24
	52
	52

(b) Appraisal courses have been taken or are being taken by 21 of our assessors. Of these 13 are now taking Part I. 7 have completed Part I and of these 7, 6 are now taking Part II. One man has completed Parts I and II.

(c) Prior to 1947 agreements with the nine provinces provided us with the values they were using for assessing their own succession duties. These were largely relied upon by us. On January 1, 1947, all the Provinces except Quebec and Ontario left this tax field and since then we have gradually been improving our own work on real estate. In the last few years these appraisal courses have been available in the larger centers and we have been urging and helping our promising employees to take them. Close co-operation on real estate still exists with the Quebec and Ontario Governments.

(d) A question was asked about the methods followed in doing real estate appraisals. Most of this work is encountered in the assessment of succession duties, gift tax and estate tax. In all such cases the estate's representative or the taxpayer is required to declare a value. This is examined by the Department and if it seems reasonable it is accepted and the assessment is prepared accordingly. If the Department's assessor does not agree that the amount declared is fair market value he makes his valuation.

In doing this he has reference to all the factors that may have a bearing on the situation. The best of these, when it can be found, is a recent sale of a comparable property. This is not always available and arguments can arise

as to what is comparable. In these circumstances references are made to the assessed value and the usual relationship of that to market value in the area involved, to the age of the buildings and their condition and situation, to the location of the site in relation to development and future prospects, to the income, if any, from the property (which is capitalized at what has proven from other sales to be a normal rate for the kind of property involved), to the replacement cost and depreciation, and to any other relevant factors. Sometimes assistance is sought through the use of the experienced valuers of the Veterans Land Act administration. In very difficult cases, especially those likely to go to Court, professional valuers are sometimes employed. From all these and any other sources that may be available in a particular case, a value is prepared and discussed with the estate's representative or the taxpayer.

After taking into account any representations, a final determination of value is made for assessment purposes.

(e) If the representative of the estate or the taxpayer disagree with the value used on assessment they may enter an appeal or a notice of objection. These are then referred to a special section of the Taxation Division for review. If an agreement on the valuation cannot be reached the decision of the Minister is sent to the representative of the estate or the taxpayer. The matter may then be referred for determination by the Income Tax Appeal Board and/or the Courts.

2. Information previously requested by Committee members

TIME ANALYSIS

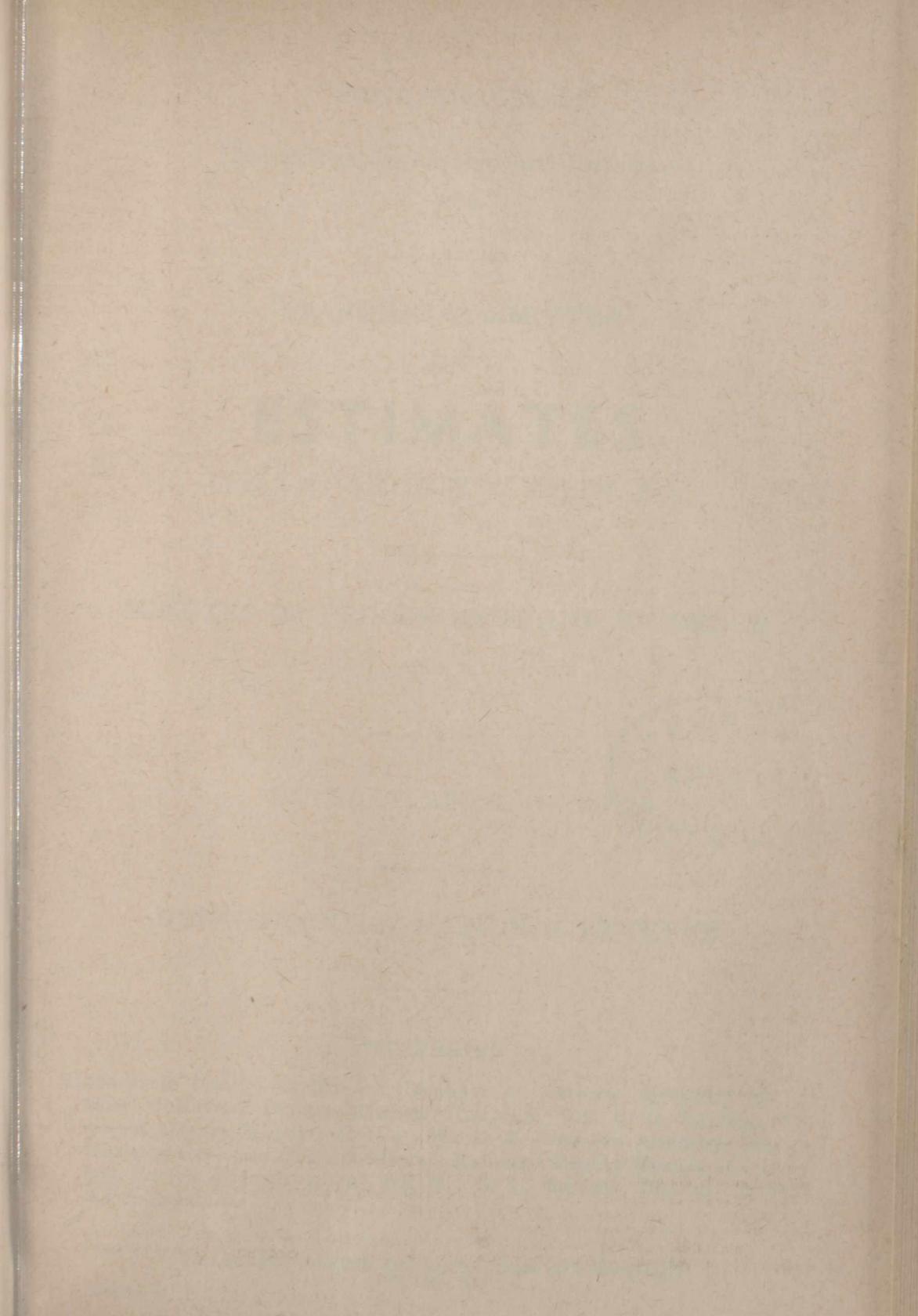
TAXATION DIVISION—ASSESSMENTS BRANCH—DISTRICT OFFICES ONLY FOR THE FISCAL YEARS ENDED 31ST MARCH, 1958 AND 31ST MARCH, 1957

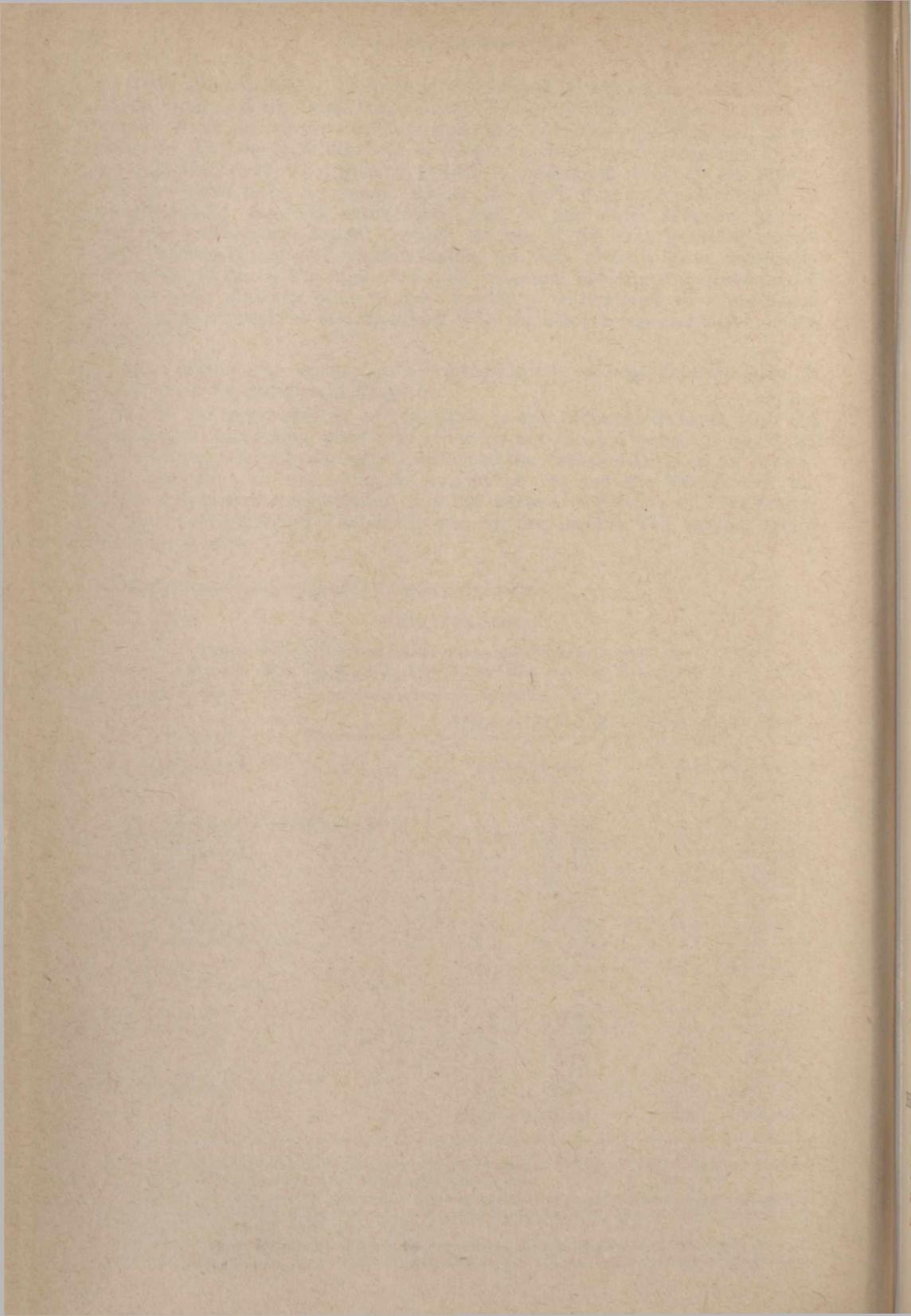
	Year ended 31 Mar/58		Year ended 31 Mar/57	
	%	hours	%	hours
Hours available for work (1).....		4,415,675 hours		4,306,060 hours
Percentage thereof spent on Special investigation	8.5	375,330	9.2	396,160
Field audit—T2.....	9.1	401,830	7.5	322,950
T1 General.....	17.6	777,160	19.4	835,380
Desk audit—T2.....	3.5	154,550	4.0	172,240
T1 General.....	11.1	490,140	12.6	542,560
Nominal—T2.....	.2	8,830	.3	12,920
T1 General.....	.7	30,910	.7	30,140
"Immediate" assessing (1).....	15.9	702,090	14.8	637,300
Miscellaneous assessing functions.....	9.1	401,830	8.9	383,240
Subtotal.....	75.7	3,342,670	77.4	3,332,890
Supervision (2).....	8.2	362,080	8.0	344,480
Checking.....	4.4	194,290	4.5	193,770
Appeals.....	2.3	101,560	2.1	90,430
Enquiries.....	3.5	154,550	3.9	167,940
Training (3).....	2.6	114,810	1.1	47,370
Miscellaneous functions.....	3.3	145,715	3.0	129,180
	100.0	4,415,675	100.0	4,306,060

NOTES (1) Exclusive of seasonal employees who are engaged in the "immediate" assessing program and of regularly employed stenographic and clerical employees.

(2) This includes time spent by supervisors or group heads in advising assessors on general matters, or in the preliminary planning or the final review of a specific case and also the time spent by them with senior officials on planning and organization matters.

(3) This is time spent in formal training duties by training officers, coaches, lecturers, supervisors and group heads, as well as the time spent by the trainees themselves. It does not include on-the-job training.





HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, APRIL 14, 1959



DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue; Mr. J. Gear McEntyre, Deputy Minister, Taxation; Mr. R. C. Labarge, Assistant Deputy Minister, Excise; Mr. L. R. Younger, Assistant Deputy Minister, Customs; Mr. J. G. Howell, Assistant Deputy Minister, Customs and Excise Administration; and Mr. G. L. Bennett, Director of Port Administration.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Garland,	McQuillan,
Baldwin,	Gillet,	McWilliam,
Bell (<i>Carleton</i>),	Grafftey,	More,
Benidickson,	Hales,	Morris,
Best,	Hardie,	Nesbitt,
Bissonnette,	Hellyer,	Nugent,
Bourbonnais,	Halpenny,	Payne,
Bourdages,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Korchinski,	Ricard,
Cardin,	Jorgenson,	Richard (<i>Kamouraska</i>),
Carter,	Lambert,	Rowe,
Cathers,	Macnaughton,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Winch,
Fisher,	McIlraith,	Winkler—60.
Fortin,	McMillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, April 14, 1959.

(9)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Baldwin, Bell (*Carleton*), Benidickson, Best, Bourdages, Broome, Carter, Cathers, Chambers, Clancy, Coates, Garland, Grafftey, Hales, Hicks, Jorgenson, Korchinski, Lambert, McFarlane, McGregor, McQuillan, More, Morris, Nesbitt, Payne, Ricard, Smallwood, Smith (*Calgary South*), Stewart, Winch and Winkler—(32).

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister, Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister, Taxation; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; Mr. A. V. Neil, Assistant Chief Technical Officer; Mr. L. E. Hardy, Personnel Officer; Mr. R. C. Labarge, Assistant Deputy Minister, Excise; Mr. L. R. Younger, Assistant Deputy Minister, Customs; Mr. J. G. Howell, Assistant Deputy Minister, Customs and Excise Administration; Mr. G. L. Bennett, Director of Port Administration; and Mr. A. Cumming, Administrative Officer.

On behalf of the Steering Committee the Chairman reported a recommendation that the Committee invite Mr. C. W. Leach of the Canadian Tax Foundation, or his nominee, to appear before the Committee.

On motion of Mr. Winch, seconded by Mr. Cathers, the said recommendation was approved.

The Committee resumed its study of the Estimates, 1959-60, of the Department of National Revenue, the Minister and his officials supplying information thereon.

Item numbered 260—*Tax Appeal Board—Administration* was considered and approved.

The Committee reverted to Item numbered 254—*Customs and Excise—General Administration*. The Minister and his officials were further questioned and the item was approved.

The Departmental officials were thanked for their attendance and assistance and they were permitted to retire.

At 11.00 a.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

TUESDAY, April 14, 1959.
9.30 a.m.

The CHAIRMAN: Good morning, gentlemen, we have a quorum. Once again may I thank you for being as early as you are, but naturally I would appreciate if you would still be a little more prompt so that we might commence on time.

Perhaps you will recall that the steering committee at our last meeting was asked to give consideration to two additional witnesses. Unfortunately we have not settled on the second one, which had to do with a request of Mr. Nesbitt concerning the Estate Tax Act. We have not found a convenient time to meet with Mr. Nesbitt in order to find out what he has in mind. However, the steering committee were unanimous in their recommendation that Mr. C. W. Leach, president of the Canadian Tax Foundation, be invited to appear to discuss the administrative aspects of the taxation division of the Department of National Revenue. Perhaps I should say Mr. Leach or his nominee, because it might possibly be the director of the Tax Foundation who would wish to appear.

I would ask for a motion to endorse the recommendation of the steering committee.

Moved by Mr. Winch, seconded by Mr. McQuillan.

Motion agreed to.

The CHAIRMAN: You will recall that during our last meeting we were on page 361. I should also tell you that Mr. Leach will of course be invited at a date to be set to suit his convenience. You will be notified when it will be possible for him to appear.

We are now on the Tax Appeal Board, other than the general items. The tax appeal board administration is item 260.

TAX APPEAL BOARD

Item No. 260. Administration Expenses \$ 110,700

The CHAIRMAN: We will have the minister a little later in the morning. Now we may proceed with the deputy minister and his staff. Are there any questions?

Mr. BROOME: I have heard that the Tax Appeal Board is the poor man's court; yet I have also heard from various persons who specialize in tax matters that this just is not so, that you do need lawyers and so on to appear before the Tax Appeal Board, and it becomes a rather complicated and expensive process. Could we have a comment on that?

Mr. J. G. McENTYRE (*Deputy Minister, Taxation*): Mr. Chairman, the appeal to the tax appeal board requires the deposit of \$15 by the taxpayer. If the taxpayer succeeds in his appeal in whole or in part the \$15 is returned to the taxpayer. Therefore as far as the actual court costs are concerned, if the taxpayer loses the court costs are \$15; if he wins there are no costs.

The tax appeal board is a travelling board. It sits in most of the main centres throughout Canada during the year and in the larger centres more often than that. So the taxpayer is not put to any great expense in travelling to the place where the board sits. The actual expense which the taxpayer may incur would depend on the professional advice which he seeks and the lawyer or

accountant he engages to help him in pleading his case before the tax appeal board. Compared with regular courts, the proceedings before the tax appeal board should be very much less expensive.

Mr. McQUILLAN: May I ask how the members which constitute this appeal board are appointed?

Mr. McENTYRE: The Income Tax Act provides for the appointment of the members of the board. In section 86 it is provided that the tax appeal board shall be appointed by the governor in council, consisting of the following members, namely a chairman and not less than two or more than four members, of whom one may be appointed as assistant chairman. Every member holds office for a period to be fixed by the governor in council and not exceeding ten years from the date of his appointment, but may be removed for cause at any time by the governor in council upon address of the Senate and House of Commons.

Mr. McQUILLAN: Are the present members of the Tax Appeal Board former employees of the Department of National Revenue?

Mr. McENTYRE: Two of the present members previously were officers of the taxation division. Mr. Fisher was head of our legal branch for a number of years. Mr. Fordham served with the legal branch for a short time before his appointment to the board.

Mr. CATHERS: How many are on the board now?

Mr. McENTYRE: There are five members on the board now. Mr. Snyder is the chairman.

Mr. CATHERS: What was his previous position?

Mr. McENTYRE: Mr. Snyder was previously a practising lawyer. He was never on the staff of the taxation division. Mr. Boisvert was previously a member of parliament. The fifth member, Mr. Panneton, has recently been appointed. He was previously a practising lawyer.

Mr. CATHERS: I see on this memorandum that in 1958 you had 443 appeals before the Tax Appeal Board and 432 appeals were disposed of. Have you the figures of wins and losses?

Mr. McENTYRE: Yes. The figure of 4,430 was the total number of objections to assessments which were filed with the taxation division. Actually during the year there were 448 appeals received by the tax appeal board. As at January 1, 1958, there was a carryover of 510 appeals then within the jurisdiction of the board. So, adding the inventory at the beginning of the year and the number received during the year, that made a total of 958 appeals. Of the appeals disposed of during the year 1958, there were 205 in favour of the Minister of National Revenue and 197 in favour of the taxpayers. There were 110 appeals which had been heard and on which judgment had not yet been rendered, making a total of 512. So at the end of the year there were outstanding 446 appeals.

Mr. CATHERS: These figures of 205-197 do not look too good for the department. You are winning, but not by a great deal.

Mr. McENTYRE: I think in fairness it should be noted that of the 197 which were decided in favour of the taxpayers, 108 gave the taxpayer his claim in full and 89 only allowed him his appeal in part. When a case is going to court very often some item which might be doubtful and on which perhaps a settlement might be arrived at is left on the assessment with the thought that it would be better to have an impartial judge pass on the item. Very often if the case is going to the court in any event we leave these items in. The board sometimes decides in our favour and sometimes in favour of the taxpayer. So those are the cases in which the taxpayer may succeed only in part.

Mr. CATHERS: Did some of these 205 cases not go to another court, by way of appeal to another court outside the appeal board?

Mr. McENTYRE: Yes.

Mr. CATHERS: What would be the score on them?

Mr. McENTYRE: Unfortunately I have not got that score here this morning.

Mr. CATHERS: It was common gossip that you were losing an awful lot of these cases. I had this experience, that if one, as a taxpayer, said: I want this taken to the tax appeal board, you fellows backed off quite frequently. I had two cases myself.

Mr. WINCH: Whose side are you on?

Mr. CATHERS: I am a taxpayer now, but I wonder if you have any comments to make on that?

Mr. McQUILLAN: The deputy minister said if there was some doubt about a tax appeal case, it would be better to pass it on to an impartial court. Are you suggesting that the tax board was not impartial?

Mr. McENTYRE: I meant an impartial board, because the tax appeal board is administered quite apart from the taxation division. We do look after the administrative technicalities for them, such as their pay lists and so on; but the court is administered quite apart from the taxation division. I, as deputy minister, have no authority over the carrying on of the board's business.

Mr. BROOME: Does that mean it is passed on to a non-impartial court? I am rather concerned about the backlog. It would appear that the board is about one year behind all the time. Would you know of any attempt by the board, or any proposal to catch up with this backlog. There is a carryover of 510 cases as at the beginning of this year, and right now the carryover amounts to 446 cases. I imagine that the number of cases is increasing rather than decreasing. The question is: how does this board propose to catch up, if they continue to hear appeals on the current basis?

Mr. McENTYRE: According to the statistics given to me by the registrar, I notice that the carryover at the end of December 31, 1957, was 510 appeals; and on the same date at the end of 1958, outstanding appeals numbered 446.

Mr. BROOME: That is right.

Mr. McENTYRE: So there seems to have been a reduction during the year.

Mr. BROOME: Yes but there is still roughly a year's backlog of work.

The CHAIRMAN: The reduction is pretty small. That is Mr. Broome's point.

Mr. McQUILLAN: It would take ten years for you to become current.

Mr. McENTYRE: I do not think the board would ever be in a position where it had no appeals before it. There would always be a certain volume passing through in various stages. I notice in the statistics given to me that of the 446 appeals, 91 are listed for hearing; 94 are postponed or reopened or awaiting further argument; 73 are on the reserved list; and 188 are not yet dealt with at all.

Mr. COATES: Would there be a number of those 446 which were dependent upon a ruling in one of these cases which would place them all in the same position either for or against?

Hon. GEORGE C. NOWLAN (*Minister of National Revenue*): Very often these cases are held up at the request of the taxpayer. I suppose every month I receive requests which come in after a case has been set down for a court, and the court is ready to go ahead, asking if it would be possible to have it put over for a while, because the taxpayer is not ready, or something of that kind.

Very often the fault is not entirely with the department, because there has to be a great deal of preparation for these matters. Very often the lawyer of the taxpayer is tied up somewhere else.

He had a case not too long ago when the court was sitting in British Columbia. There was a certain lawyer whom the taxpayer wanted to argue his case, but he was tied up in a session of the British Columbia appeal court. The lawyer of that taxpayer asked us—he wired me—if it would be possible to have this matter stood over to another term. I said it was up to the court as far as I was concerned, because I had no influence on the court one way or another. But of course we do get these requests quite frequently.

I think, as far as possible, the court tries to meet them. We had another case in British Columbia again—I am not picking on that province particularly—where the court went a considerable distance out of its way in order to have a session for the convenience of two taxpayers who lived up there. The court made arrangements to go and to settle everything up. They moved up there.

In the meantime I was getting frantic wires from the taxpayers asking to have the hearings adjourned. Obviously we could not do that, with the court officials moving in, and the expense and all the rest of it of moving to a considerable distance away from the other centres. When the court got there, both taxpayers unfortunately were sick, so they had to adjourn both cases. That was one very drastic way of dealing with the matter.

Naturally the next time the case is heard those taxpayers will have to come down to Vancouver, or to a nearer centre.

Mr. BROOME: In view of the fact that cases are postponed upon request, there must be other cases which could be brought forward to fill in the time of the board. With the number of hours that the board has been sitting, if it has been working to capacity, then we will never get caught up.

Mr. NOWLAN: I think that the court is in much better shape than most other courts in that respect. You can get a case sent down and disposed of in little more than a year. This court travels. They suit the individual; but you have to take advantage of the sessions in Halifax, Vancouver, Rouyn or wherever they may be, centres where tax personnel are assembled. Even if they are ready, you have to wait for a special term of the court in that place. The members of the board have to have considerable time in which to write their decisions. There is this other factor as well, which will not apply this year, I hope: that last year there was a vacancy on the board for a considerable time through the death of the chairman. The board was short one member for a considerable time during that year, which would account to some extent for the backlog.

Mr. BROOME: I notice that under court reporters there will be an increase received from \$8,000 to \$24,000 or thirty three and one-third per cent. I imagine that the fees are directly dependent on the number of hours of testimony. I assume that the board, from that, will be sitting about one third more this year than last year.

Mr. NOWLAN: That is not entirely a correct assumption. It may be in part, however. I know that the treasury board has raised the fees for the reporters. These reporters are fairly tough individuals, but there are not too many of them who are qualified, and we have reached the stage where they said: you raise our fees or else. As a result, I forget the exact amount, there was a fairly substantial increase in reporters fees authorized a few months ago, and they will be reflected in these estimates.

Mr. CATHERS: I have two questions. One is supplementary to your statement about those two taxpayers who were sick when this three of four man court moved to their district.

Mr. NOWLAN: It was only a one-man court, but the officials of the court had to go along as well.

Mr. CATHERS: Why should the government go to the expense of moving this court to the taxpayer instead of the taxpayer going to the court?

Mr. NOWLAN: Of course the court does go to the taxpayer insofar as it is possible. It sits all over Canada. It is not a court which just sits here in Ottawa. It sits in Halifax and all through the provinces in Canada. In the smaller provinces they usually sit at the capital, but in the larger provinces they sit at various places within the province, because there would be a large group of taxpayers, and it is for the convenience of the public. These people would have witnesses to bring, and the court tries to accommodate them within a reasonable degree. They try to accommodate the taxpayers.

Mr. CATHERS: How many cases are appealed to other courts from this appeal board? I notice that in 1958 we have 5,662,000 taxpayers, with only roughly speaking 500 appeals. That sounds like a pretty satisfied bunch of taxpayers.

Mr. McENTYRE: Mr. Chairman, this is the report of the appeal section of the taxation division, and it is made up on a fiscal year basis; so, at the end of March 31, 1959 there were 3,245 appeals on hand, and during the year there were received 4,430; and there were disposed of during the year by various procedures, 4,398. So that as of March 31, 1959, there were 3,277 on hand and in process, through all the various sections of the tax division and the courts.

Therefore during the year we received 4,430 appeals. I notice in the previous year we received 4,804 appeals, so there was a slight reduction this year; but the number of appeals disposed of during the year was exactly the same as in the previous year.

Mr. CATHERS: I commend the department on those figures, when we have five million odd taxpayers and only four thousand cases for dispute. You are either good or persuasive.

The CHAIRMAN: We are on item 260. Are there any further questions? Item agreed to.

Thank you very much Mr. McEntyre. That covers the area of taxation.

We shall leave item 258 open until such time as we have heard from the Canadian Tax Foundation. In the meantime I am sure you will wish to join with me in thanking Mr. McEntyre and his officials for the time they have given us. Thank you very much gentlemen.

We now revert to Customs and Excise, and to the *general item* 254. We shall ask Mr. Sim's officials if they will take their places here. Unfortunately the deputy minister is unable to be with us this morning but we have all the officials of the department, and the minister will be with us until he has to leave for a cabinet meeting.

Mr. NOWLAN: Yes, I have to leave in half an hour.

The CHAIRMAN: We have with us Mr. Bennett, the Director of Port Administration, sitting beside the minister, and also the three assistant deputy ministers—Mr. Younger, Mr. Howell and Mr. Labarge. Gentlemen, I will ask you to address your questions with the same continuity which you have in the past, and you may direct your questions to any of these gentlemen.

Mr. BROOME: I have a question which may have something to do with the Department of Finance, although there may be a regulation of the Department of National Revenue. My question has to do with the sale of machinery to an industry which is exempt, that is an industry which is exempt from sales tax. The sale is consummated through the buyer who supplies a tax exempt form to the seller and purchases the machinery less sales tax. If that machinery is resold by the original purchaser to an industry which is not exempt the onus of correcting the sales tax falls back on the original distributor who has no control over that machine once he has sold it to the person who is sales tax exempt.

It is right and proper that the distributor in making the original sale should be sure it is used on a tax-exempt basis. But how can he possibly control further sales of that equipment; and yet under the present regulations, the department holds that seller responsible.

The CHAIRMAN: May I interject. I believe actually it is tariff item 848 specifically?

Mr. BROOME: This is sales tax.

Mr. R. C. LABARGE (*Assistant Deputy Minister of Excise, Department of National Revenue*): Mr. Chairman, it could arise in both the case of customs and sales tax. The case to which you refer, Mr. Broome, is a sales tax ease. The way the land lies at present the circumstances are such as you have indicated. It arises not only in the case of exempted purchases of production equipment in a licensed business, but also arises in the case of exemptions granted on a conditional basis.

In respect of the sales tax case referred to, the department is quite conscious of the fact that in certain instances, more so in the field of conditional sales, there appears to be a hardship on a person who in good faith sold the goods to someone who professed to intend to use them for the exempt purpose. We have endeavoured to propose an amendment to the law. In fact this year we made an effort to do so. The drafting of it is rather difficult.

However, all I can say at the moment is we are working toward something which will be feasible. Probably the answer will lie in something comparable to the diversion clause which are in the Customs Act, where you would have the choice of deciding which party is really responsible for having made himself taxable. In other words, you cannot have instances where various items of equipment are sold on certificates indicating that the purchaser could get it exempt and the purchaser is tempted by this tax free purchase, does not read the small print too well and the sale is consummated at much greater speed than if the tax were included. There have been instances of that.

Then there is the other case where the vendor rightly feels aggrieved. That is where he has been completely hoodwinked. A person comes in to buy a piece of equipment for a specific purpose and you have every reason to believe that is the purpose to which it will be put; and instead of going into farming or logging it goes straight out into competition with other contractors on the road who have paid the tax.

Mr. BROOME: My point is the seller receives an actual statement from the buyer that it will be used on the farm or for logging. It seems to me the department must go after the person who has perpetrated the fraud. Now you go after the person who has acted in good faith and the person who has perpetrated the fraud goes off scot-free.

Mr. LABARGE: The law makes it possible legally for us to go after that person. We do not do it immediately. You called it a fraud where a false certificate is produced with a view to the purchaser getting the equipment tax free when he had no such right. Where it seems evident that this has happened we endeavour to collect the tax from him if we can.

Mr. BROOME: But you can collect it from the seller because you must protect the interests of the department?

Mr. LABARGE: Yes. We are trying to amend this by proper legislation.

The CHAIRMAN: One of the cases of defrauding have been in instances where oil well casings or tubing used in oil exploration in some instances has been pulled out of the well and re-used on water wells. You have to find out whether this is used in a water hole for instance, or on a farm or something of that order.

Mr. LABARGE: The same thing would apply in that case.

Mr. MORE: You said it is the law. I have had cases where it was felt it was an interpretation by the department.

Mr. LABARGE: Looking at this from purely an administrative point of view, if the vendor had no responsibility, you can imagine the enforcement problem and the problem of tracing every piece of equipment and making sure the person was using it for the purpose for which it was purchased. There has to be some responsibility on both parties. When you get two persons you are apt to fall between two stools, you might have a law which puts it upon the person who diverts it. We have had trouble in customs where, when you go to look for the person who diverted it, it means you have to cover the whole country from the top of the bush-line right down into the large farms, not to mention others.

Mr. LAMBERT: I would like to emphasize the hardship arising out of a case which came to my attention where, as a result of negotiations with a federal government department which I will not name, a contractor entered into an agreement for land clearing. He bought two bulldozers. There was a change of policy in that particular department and the project was abandoned. Therefore this man had two bulldozers on his hands which he had bought tax free. He was perfectly bona fide in his original intention. Here he was with two bulldozers and he turned them to use in clearing operations in the oil industry. It came to the attention of the department that these were not being used for logging and farming and they made a claim for tax on the vendor, whose immediate recourse was to issue a statement of claim in which he set out the particulars of the claim from the department, the penalties and what-have-you.

Now, here is the difficulty. The Department of National Revenue were denied information on a question of privilege from the defense lawyer. Here I would say that two firms were put to unnecessary legal expense. I may say through the fault of the government department involved, because of this type of enforcement.

The man paid, but only after going through quite a lot of trouble and considerable legal expense. Is there no more simple way which could be devised?

Mr. LABARGE: If there is I would be happy to have suggestions. Let us look at it from his competitors' point of view.

Mr. LAMBERT: There is no denying the justification of the payment of tax; nothing like that. It is a matter of the unnecessary expense of having to issue a statement of claim and so on.

Mr. BROOME: Could he not go back and pay the money to the seller and have the seller remit it?

Mr. LAMBERT: He wants to get information as to how it is made up.

Mr. LABARGE: The vendor should know because he is asking him for that tax.

Mr. LAMBERT: Privilege was asked.

Mr. LABARGE: There is one possibility which we have juggled around in the light of the Australian system. Where a vendor knows this has happened, it is always possible for him to have a contract with this person to the effect that he will be responsible to him for the payment for the tax should he divert the equipment. Some of them have done it very wisely in the certificate.

The other thing is that there are not enough people doing it, perhaps. Under the Australian system, instead of contracting with the supplier, the certificate is so worded that they contract with the Department of National Revenue. That is another possibility.

Mr. BROOME: Could that certificate not be made mandatory? Could a printed form be set up that way and have that as the only way of claiming?

Mr. LABARGE: This is what we are contemplating at the moment. We have advised those people to put in a contractual arrangement and whatever else is necessary to protect them against this call upon them for tax. We think that would overcome their headaches to a large extent.

People tend to do all this in a rather careless way. We might consider drafting a new certificate provided it is enforceable. The question is, who enforces that certificate. Then, do we have them all filed with the collector of customs? We are looking into this.

Mr. LAMBERT: I would suggest if the contractual obligation is enforceable between the vendor and the purchaser as to the indemnity if the crown calls for it, surely this engagement can be entered into by the crown just as well. If you find the purchaser is using the machine outside of the purposes set out, then you could go and put it right on him.

Mr. LABARGE: If we have that contract.

Mr. LAMBERT: Yes.

Mr. LABARGE: There is a great deal of administrative work involved in it.

Mr. LAMBERT: You have already covered it because you found the machine.

Mr. LABARGE: I am thinking of the others which we do not find. This is a large volume.

Mr. BENIDICKSON: What is the basis of your claim against the manufacturer if you are not familiar with the facts as to the use, and it is contrary to the exempted purpose?

Mr. LABARGE: We cannot do anything in that case. That has to be established.

Mr. CATHERS: Is there not a good reason for putting the onus on the vendor, because it is to his advantage if he sells a machine to a certain man and the vendor has a chance to sell the machine to somebody else?

Mr. LABARGE: The taxpayer in the first instance; the taxpayer, under the law is the person who either imports or manufactures or sells the thing first. There are some conveniences which the department has allowed the suppliers of some of this equipment. This does not come out, because it is signed in a contractual form with the importer of equipment which he believes will all be sold for exempted purposes. He cannot know, and we would have the right to say to him, "We are sorry but you do not know that piece of machinery is going to an individual who is exempted and therefore we will not accept the certificate at the time of importation." He admits he does not know and therefore he signs an agreement with us saying that if this equipment is sold to someone whom he considers to be taxable he will immediately pay us the tax. Should it later be established that someone has used it for other than exempted purposes, he will still be responsible for the tax. I admit this is under agreement as compared to his responsibility under the law. The only thing is, we have given him a blanket certificate when the odds are that 90 or 95 per cent of them will be exempt in the long term.

Mr. BENIDICKSON: Is there any limitation in respect of the time for using the article in an exempted way to avoid repetition of the demand for a tax after the use changed? Is there any time limit?

Mr. LABARGE: In practice, yes. If it errs, and you might think it does, I think it is on the generous side. Generally, three years is the period in respect of the kind of tractors used on farms. When you get into the heavy equipment such as bulldozers, and so on, used in logging operations and it is about five years.

The CHAIRMAN: The minister is here and he will be leaving shortly. If you have questions with which you wish him to deal, this might be a good opportunity.

Mr. LAMBERT: This is a problem which I have discussed with the minister in the past. It concerns claims for excise tax which was paid. It is a refund under section 57 (4) of the Excise Tax Act, involving the fixing of the one year period. The taxpayer objects and when he negotiates with the department the department insists the tax is payable. Then because of some ruling by the tariff board or some other body it is found that the goods in question were not taxable. There has been a lapse of time and the taxpayer files a writ asking for a refund. That refund is dated from the date of his writ. There may have been a considerable period during which he was passing it back and forth with the department in which he has paid the tax and for which he is not able to recover.

Is there not consideration being given to opening up the rigidity of section 57 (4) under the circumstances of the type of case I have generally indicated?

Mr. LABARGE: We are studying the act with a view to complete revision. However, generally our practice is to include in there the practices which have been in existence. Those are our terms of reference.

This section is pretty specific in the act. It is definite. I think it is a shorter period of time than used to exist. But there were these fortuitous raids on the treasury, because for a long time persons who had not taken care of their own interests were able to make a wholesale raid for money they had not expected.

In the case you have here I would not have any doubt that both these parties were contesting the opinion of the department but one says, "Well, I am not going to deal with you any more; I am not going to waste my time any longer discussing this with you. I am going straight to the tariff board." He does this to protect his right and to get his money back as soon as possible.

The other man could have done the same thing. So he is not going to be able to benefit any more than the fellow who made the appeal.

Mr. LAMBERT: My suggestion is it is wrong for the department to continue to accept moneys when it knows, or should know, that the tax is not payable.

Mr. LABARGE: I wish we did know; but this is the same as in respect of income tax where there is always going to be room for differences of opinion on fact and on law and it seems to be fair that we should not take the attitude that what we say is right and that we are always positive about a thing. There may be cases where we are 90 per cent positive, and in such a case I think it should go to an independent body because it sets the rules for us to follow.

Mr. MORE: How long do you hold the vendor responsible under the law now? For how many years?

Mr. LABARGE: As I tried to indicate before we have a lifetime use of equipment figured out.

Mr. MORE: Is it five years in respect of all equipment.

Mr. LABARGE: Yes, unless the five years as I say in terms of this particular piece of equipment seems to be too short. If the piece of equipment has been doing nothing but sitting around without usage, what this is based on is a rough guess of the lifetime use, instead of until it really falls apart. We say that it has fulfilled the law in that its term of usefulness in some cases is three years and in others five.

Mr. MORE: I want to go a little further. In these cases where claims are made, it seems to me the department is aware that the machine has gone into a taxable usage and I think it is a terrific and improper hardship on the original vendor to hold him responsible for five years. I think in the dis-

cussion of blanket allowances and agreements we get away from the facts. It only comes back on him when the department is aware that the machine is being used in a taxable element, and I do not see why they cannot go after the purchaser of the machine rather than have to impose additional hardships on the vendor.

Business today has plenty of hardships without this, and it seems to me it is most unfair.

Mr. BROOME: In respect of United States contractors coming into Canada and bringing in equipment, I know the regulations have been changed in the past two years to prevent the United States contractor getting the advantage of lower-cost equipment on which he has not paid Canadian taxes, import duties and so on. In the opinion of the officials, are the regulations now rigid enough so that there is equity between the Canadian contractor and the American contractor.

Mr. BENNETT: As far as the American contractor is concerned, are you dealing with equipment which is being imported by an importer in Canada?

Mr. BROOME: Yes, but just for one job, and then it is to go out.

Mr. BENNETT: The situation, first of all, is that the department must be satisfied that there is no Canadian contractor who has this equipment available to do the work in Canada.

We would consult with the various Canadian contractors' organizations to see whether this equipment is available. If it is not available, then the Canadian importer may bring in the equipment on what we call a one-sixtieth basis, which is looking on a machine as having an estimated life of over five years. Then it is appraised by the appraisers, and the duty is taken on 1/60th of the appraised value for each month it is in Canada. There is a waiver, then, of the duty collectible on this importation apart from that payable on the proportionate value, by way of a ministerial recommendation to Council.

Mr. BROOME: I am not referring to that. I mean where you say there is no equipment available in Canada. I refer to an American contractor who brings in standard machines of which there are thousands in Canada. He has taken on the contract on a low bid basis, and he brings in equipment to do that job, and he is going to take it out again after the job is through.

Mr. LABARGE: He would pay the full duty and the taxes on it.

Mr. BROOME: When he takes it out again?

Mr. LABARGE: There would be no refund.

Mr. MCGREGOR: How long has that ruling been in vogue?

Mr. LABARGE: For ever.

Mr. MCGREGOR: Oh no.

Mr. HOWELL: I would say it has been in practice for about three years.

Mr. MCGREGOR: Was the law changed about three years ago?

Mr. LABARGE: There are three areas here. We have now refined the discussion to a point where I am quite sure this is one where the customs tariff applies, and I think this would be in Mr. Younger's field.

Mr. YOUNGER: This point rather amuses me in many ways, because in so far as customs is concerned, the duty is paid on the full fair market value, in the condition as imported; and if the equipment is taken out, there is no refund. The answer is just as simple as that.

What Mr. Bennett was getting at was that, in abnormal conditions where the well-being of Canada might suffer if a particular job were not done under more attractive conditions, and it is a single job, in the event where there is no equipment available, then the government will listen to an application for

an order in council to go on what Mr. Bennett mentioned as the one-sixtieth basis. But normally, duty is paid on the full fair market value.

Mr. MCGREGOR: I would like to ask a question: how long has that law been in effect?

Mr. HOWELL: The law was never any other.

Mr. MCGREGOR: I wish you would check up to make sure that is right, and give us your answer at the next meeting.

Mr. LABARGE: You have some suspicion?

Mr. MCGREGOR: There are a lot of contractors working under a misunderstanding in this country.

Mr. HOWELL: This is entirely a different problem. You are on defence projects now, and you are quite right.

Mr. MCGREGOR: I am not on any project. I am on the question of whether an American can bring equipment into this country, work it, and take it out again? It has been done in the past, and I want to know if they can do it now.

Mr. HOWELL: No.

Mr. BROOME: What about defence projects?

Mr. LABARGE: On United States defence projects, there were certain contractors of the United States government who were carrying out contracts in Canada, and they could bring in the equipment free of tax.

Mr. MCGREGOR: That is right.

Mr. LABARGE: Because this was in fact taxing a foreign government, and there is an international principle that you do not do that. Then they took the equipment out, having erected the defence project.

Mr. BROOME: Would it be taxing a foreign government or a foreign contractor?

Mr. LABARGE: In this case it was definitely the government.

Mr. MCQUILLAN: Did they have to take the equipment out?

Mr. LABARGE: Yes, and if the equipment were sold in Canada, as some of it was, then the full duty and taxes were paid on the appraised value the same as if it was an importation.

Mr. PAYNE: It was paid on the depreciated value.

Mr. BELL (*Carleton*): The appraised value at what period?

Mr. LABARGE: At the time of the sale.

Mr. BELL (*Carleton*): Not at the time of the original importation?

Mr. LABARGE: It would be on the same basis as if a Canadian imported and used the machine.

The CHAIRMAN: Thank you.

Mr. HALES: My question has to do with different types of machinery such as diesel motor coaches. I know a case where two young fellows were fortunate enough to take over a motor coach line, but they have not sufficient capital to buy new motor buses. They want to buy second hand equipment, but they are unable to buy second hand diesel equipment in Canada. However, they can buy good second hand diesel buses in the United States but they are not allowed to bring in a second hand diesel bus to Canada. This seems to me to be curtailing private enterprise. What can be done about it?

Mr. NOWLAN: Nothing can be done about it under the law as it stands now, because there is an absolute ban or prohibition against them. It was put in by parliament a good many years ago. I understand they were permitted to be brought in—such things as diesels and others—but some Canadian

dealers put on a show on parliament hill when they bought scores of them in the United States, brought them up here and showed the competition what they were faced with, and then took them out and burned them.

Parliament decided there should be some protection given to the Canadian industry and placed a ban on them.

The CHAIRMAN: I have a situation almost in reverse, where we see a vast amount of second hand drilling equipment brought into Canada from the United States where it has been written off. It is coming in to compete with Canadian drilling equipment, making it very difficult for the Canadian manufacturer of equipment to compete when faced with the vast resources of United States second hand drilling equipment.

Mr. BROOME: Would it not apply to army surplus equipment too?

Mr. NOWLAN: Army surplus is different. The ban is with respect to motor vehicles.

Mr. HALES: I do not think that diesel buses are made in Canada.

Mr. NOWLAN: I think they are. The ban is on the importation of these motor vehicles. In any event, I think you will find they are made in Canada too.

Mr. CATHERS: I would like the minister to answer the chairman's question.

Mr. NOWLAN: Mr. Younger will deal with it.

Mr. YOUNGER: There is no specific exclusion of the use of second hand equipment except motor vehicles or aircraft. So when used drilling equipment comes to the border, whether it be used in drilling for natural gas or oil, it is free of duty and exempt from sales tax.

The CHAIRMAN: The question I raised really deals more with the Department of Finance, because there the law is made. Might I suggest perhaps that your department should have some sympathy with a situation where this equipment has been written off in the United States many times, and in many cases it has even been declared surplus. You can understand the situation in the Canadian industry when they are trying to compete with this material when there is a ban placed on second hand aircraft and vehicles.

Mr. YOUNGER: We can be very sympathetic but it does not help you very much until the law is changed.

Mr. CATHERS: Is there any thought of changing that law?

Mr. NOWLAN: That is a matter you had better discuss with the Minister of Finance.

Mr. MCGREGOR: How much of that equipment is made in this country?

The CHAIRMAN: I would say a very small percentage of it.

Mr. MCGREGOR: That is the answer.

The CHAIRMAN: We are talking about oil well drilling equipment here, and very little of it is made in Canada.

Mr. BROOME: I was in a company when we tried to make this stuff, but we just could not compete with this second hand material coming in. Here was something which could have provided a fair amount of employment in Vancouver, but which just went by the board. We tried to do something which was found to be impossible under the regulations.

The CHAIRMAN: This comes under the Department of Finance.

Mr. CARTER: On this point of used motor vehicles, does that prohibit an American service man who has brought his car into Canada from selling it in Canada?

Mr. HOWELL: No.

Mr. CARTER: Is it not the same thing?

Mr. HOWELL: No. Under certain conditions, he is permitted to sell the car in Canada after appraisal by the department.

Mr. BENEDICKSON: And it has to be here for a certain length of time.

The CHAIRMAN: Are there any further questions?

Mr. GARLAND: I wonder if we could have some explanation of how the department looks on a manufacturer in its appraisal of goods of a class or kind made in Canada where, in fact, it was only assembled in Canada, where it was manufactured outside the country but was brought here to be assembled, and when the firm assembling it is given protection against importation, and the goods pass as Canadian made in Canada? Is that not a fact? Is it very general? What does your department think about it?

Mr. YOUNGER: There is a higher rate of duty on machinery in general when that machinery is of a class made in Canada as distinct from machinery of a class which is not made in Canada.

Mr. GARLAND: When is machinery made in Canada?

Mr. YOUNGER: There is no fixed rule for it; there is no definite yardstick, but before we make any adjudication, we sift the case most thoroughly. In a general way we insist that there be some Canadian material in it, either produced by the machinery manufacturer, or produced by some other Canadian manufacturer. But there is no fixed amount or fixed percentage required. On top of that there is the labour and material and factory overhead that is incorporated in that company's plant, that is, in the final assembly, which, when supplemented by the parts or materials which were produced in Canada, would make a Canadian content of possibly 30 to 35 per cent on the value of the machine as sold by him. Then, of course, he must have secured at least ten per cent of the normal Canadian market before we would change, that is, give him the protection.

I think the main point you are getting at is: what yardstick we use, to determine what constitutes a class of goods made in Canada.

The CHAIRMAN: The onus or responsibility is on the manufacturer to prove this.

Mr. YOUNGER: We make him give us the figures. We have a full breakdown of that machine or machines before we rule on it as of a class made in Canada.

Mr. GARLAND: As I understand it from what you have said, it is not precisely spelled out.

Mr. YOUNGER: No.

Mr. GARLAND: You look at each case.

Mr. YOUNGER: Exactly, we would look at each case.

Mr. GARLAND: I have one more question on an almost related matter. There may be motor manufacturers who buy a piece of used equipment in the United States which five years ago cost about \$10,000. But today that equipment if bought in the United States, because of what has transpired in the meantime, would cost \$15,000. The value, because of the passage of time, and, let us say, with five years of progress in the manufacture of equipment, the true market value for which he could sell it in the United States today would be around \$2,500. What figure would you people arrive at in the amount you rule for duty for the Canadian purchaser?

Mr. YOUNGER: Again, there is no single measurement on it. We work depreciation on the normal lifetime of the machine, and that varies greatly depending on the machine. Some machines will have a life depreciation which is very rapid.

Mr. GARLAND: All these decisions are at your discretion?

Mr. YOUNGER: That is right. But we have a pattern in this country. We use standard depreciation figures, and the pattern that we use is fairly well known by importers and users. Over and above that we are always willing to help these prospective importers in giving them an appraised value that we will put on the machine if and when it is imported. They have that protection.

Let me give you a specific case. Suppose the machine which had a value originally five years ago of \$10,000, has a current replacement value of \$15,000, after five years it is in good average condition, and it is a machine with an average life, we would probably get down to 25 per cent.

If it were average, we might arrive at something around \$7,000 on a machine like that. But I really think, if we are talking about the same thing, that you would never be able to buy that machine that we are speaking of for \$2,500. But let me say this: we have a floor value for the duty on a used machine. We feel that if a machine is worth anything at all that if it is worth buying, it should be worth 25 per cent of the value when new. So in the case you mention the floor would be somewhere between \$3,500 and \$4,000.

Mr. GARLAND: The key to it is the condition of the machine. It may be worth \$500 or \$5,000. That is my argument. It seems that the department arrives at an unusually high figure. I am curious to find out what is the basis?

Mr. YOUNGER: Of course the main factor—and I did not even mention it, but you are bringing it out—in valuing for duty is the examination of the machine in the condition as imported by the proper appraiser at the port of entry. That is basically the true value.

Mr. GARLAND: You have said that you would spell out your advice to the importer as to just what treatment would be given him. Now you say that it would depend on an examination at the border.

Mr. YOUNGER: I prefaced what I said, that it would be a fairly close value, but I should have completed that sentence by saying that the final value would be subject to the appraiser's examination at the time the machine was brought in. I can assure you of this: if we make a ruling at headquarters where we have great experience and a wide variety of precedent in making decisions on particular machines, and if the machine is in normal condition, the usual thing is that the appraiser will come to about the same figure that we have arrived at too. If the machine is used for three shift operations, naturally wear and tear on the machine is terrific and we make full allowance for it. But if it has been scarcely used at all, then you are liable to a higher appraisal.

Mr. GARLAND: I am curious, and I want to come back to the case where this equipment is advertized from coast to coast in periodicals, perhaps in periodicals which have international coverage, and the best price that can be procured for it is \$2,500, but the department sets a figure of \$7,000.

Mr. YOUNGER: We have full authority under the Customs Act, the invoice or the purchase price notwithstanding, and not only is it our duty but we must appraise the goods at their full fair market value and condition as imported.

Mr. GARLAND: What justification is there for setting a price of \$7,000 when the top price at which it can be sold is only \$2,500?

Mr. YOUNGER: If there were no provisions, or if we had no authority, then you would have chaos in Canadian industry.

Mr. GARLAND: I am asking what justification you have for setting a price of \$7,000, when it is only worth \$2,500.

Mr. YOUNGER: We appraise goods at their fair market value, and the value we come up with is the fair market value. The value you speak of may be a newspaper value.

Mr. CATHERS: In the case of goods manufactured in Canada there is a great deal of confusion in the industry, and I believe there is a great deal of expense on the department to carry out research on it. It is a great disadvantage to a Canadian manufacturer who tries to get started in this field.

What serious objection would the government have to making certain that the piece of machinery is the same whether manufactured in Canada or not? Would that not eliminate a lot of this confusion and expense, and at the same time bringing some revenue to the government?

Mr. YOUNGER: Up until 1930 there was such an item. There was no difference in the rate of duty on a piece of machinery whether it was made or not made in Canada. There was a standard rate of duty of 27½ per cent. But a change was made in 1930. That was the first time it happened; they differentiated between machinery made and machinery not made in Canada. It has an obvious objective. Granted, in so far as we are concerned administratively, it would be a tremendous help to us if we did not have to make class or kind rulings on machinery.

We currently have about twelve people who do nothing else but classify machinery.

Mr. CATHERS: Do you hear that? Where would the objection come from if that was reverted back prior to 1930?

Mr. NOWLAN: I will let you answer that, Mr. Younger.

Mr. YOUNGER: Suppose you are starting up a new industry, or commencing a new industry. You are going to use some automatic machinery which is not available in Canada, or not made in Canada at all. If you had to pay 22½ per cent rate of duty, there would be a lot of complaining—probably a lot of loud complaining—before you paid it. You would think that you should get it not only at 7½ per cent, but free, because it was a class not made in Canada.

Mr. CATHERS: That was quite true in 1930.

Mr. YOUNGER: I am speaking of right now.

Mr. CATHERS: But since 1930 we have come a long way in industrial development and are now manufacturing a lot of equipment in Canada, or could manufacture it, and we are not in the same position we were in in 1930.

Mr. YOUNGER: I have worked on machinery for over forty years, so I know a lot of questions and a lot of answers. Canadian industry has developed very, very much and is capable of producing almost anything right now. We have big industry, small industry and so on. The government in this budget took a move to do away with the class or kind by inserting some six or eight items in the budget fixing the rate on certain machinery so that there would be no controversy on it at all.

Mr. BROOME: On this same subject and getting down to something rather specific, automobile transmissions are of a class or kind not made in Canada because the people who manufacture automobiles have control of the manufacture of transmissions. Therefore, they are the people who decide it is of a class or kind not made in Canada, because it cannot be made in Canada unless they want to make it. So they are automatically protected by an artificially low rate of duty when, if it were a freely competitive enterprise

and anybody could obtain a set of drawings and go ahead and make this, it is quite conceivable they would be made in Canada in view of the trend toward more automatic transmission. That is just one item.

There are thousands of items of a class or kind not made in Canada because the foreign manufacturers have decided they will not be made in Canada.

Mr. YOUNGER: At one time, when you had standard transmissions on automobiles they were practically all made in Canada. Since then we have got into the automatic transmission and the claim is made by all concerned that, as no one uses a standard automatic transmission, and there may be a dozen different kinds, Canadian industry cannot concentrate on it. Bear in mind I am only repeating what has been told to me.

Mr. BROOME: It is not quite true.

Mr. YOUNGER: The minister brings to my attention the fact that the Canadian producer of automobiles is still obligated to the 60 per cent common-wealth content.

Mr. BROOME: It started in 1937 on a production basis based on 1937 figures.

Mr. NOWLAN: I would suggest we are pretty far afield on matters of tariff policy over which neither Mr. Younger nor I have any control.

Mr. BROOME: This was of a class and kind made in Canada, and the rulings in respect of class or kind are in many instances under the control of the manufacturer. Backing up Mr. Cathers, he should not have this protection of a very much lower rate of duty.

Mr. LAMBERT: In arriving at a valuation for import purposes on machinery, do you use technical staff such as engineers who would determine the actual value of a machine to study, shall we say, its operating logs? If it is a complicated piece of machinery it will have an operating log. Such a study would help you determine the actual value of that machine. So you do it by an arbitrary yardstick of an administrative kind?

Mr. YOUNGER: In the first place, it will be a happy day in our department when we are able to hire engineers. We have not been able to buy engineers for a long time; they are too high priced. We are just sea lawyers and so on, and have to do the best we can in our appraisal.

Mr. CATHERS: Which are the higher priced, the lawyers or engineers?

The CHAIRMAN: There can be no definite conclusion to this subject. Will the witness proceed.

Mr. YOUNGER: We have a pattern. There is only one publication of which we know which sets up any clear pattern of the average life of specific machines. That pamphlet which we examine when we feel we need some special information is the United States internal revenue booklet, which has been used for years and years. It is not our bible. Nevertheless it is a fair guide as to the average life of machines. That is the only specific information I can suggest of which we do avail ourselves.

Mr. LAMBERT: May I ask a question referring back to the problem raised by Mr. Garland.

The CHAIRMAN: Gentlemen, we are going to lose a quorum and I would like to close this item.

Mr. LAMBERT: The real market value of a machine is determined a lot by its condition; that is, on the basis of the price at which it was bought. I will use as an example, say, a linotype, disregarding whether or not it is a type or kind made in Canada. Say you have a linotype machine being brought into this country, which was purchased in the United States. Because of its actual

condition its market value is so many dollars. In your assessment of duty that might be placed on that machine, have you any technically qualified men to make an assessment of that machine, or do you go by a certain administrative yardstick to arrive at a value for duty?

Mr. YOUNGER: In many ways we develop precedent. That is, we have had linotypes before and we know what is there average life. We have the report from the appraiser who examined the machine, who is able to tell us the condition in which it was imported.

Mr. LAMBERT: How is he qualified to tell?

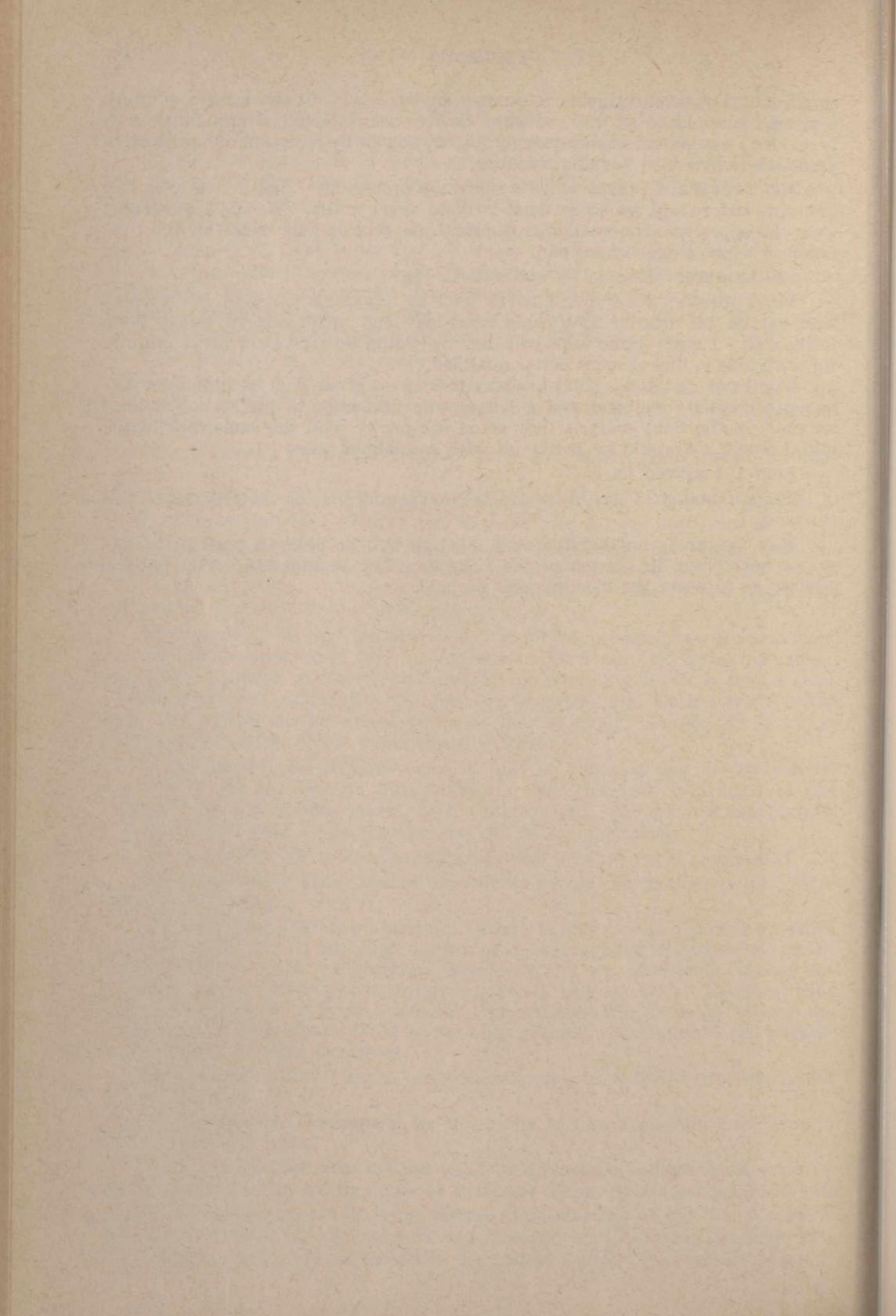
Mr. YOUNGER: He is qualified as well as any practical man can become who spends his life in appraising machines and who gets to know them fairly well. I quite agree with you that we would be far better off if initially we were able to hire persons better qualified.

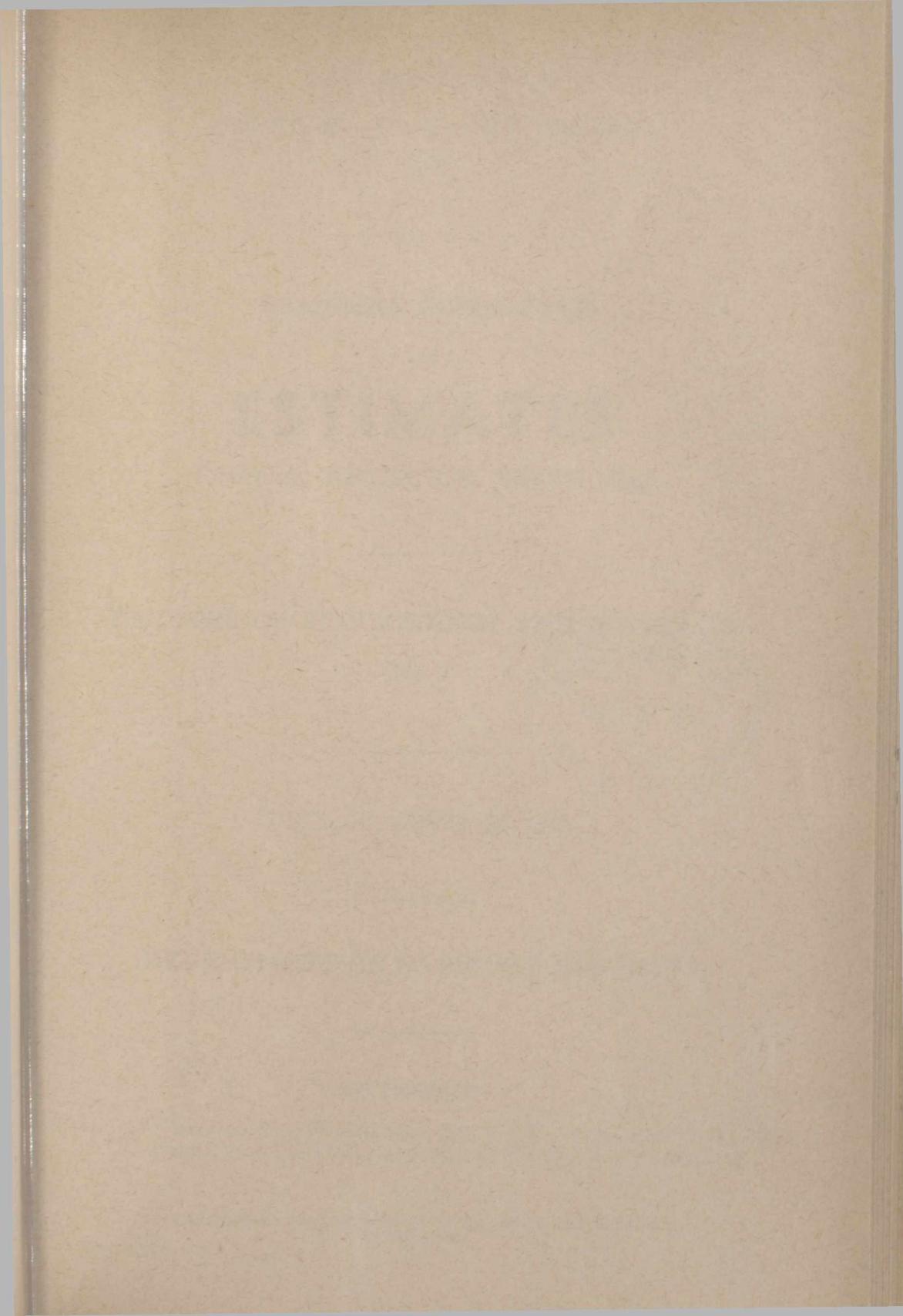
I will not say in the final analysis there is a great deal of difference between a graduate engineer and a fellow who graduates in the school of hard knocks. In the final analysis they come out pretty well the same, but in the initial stages we would be better off with a qualified man.

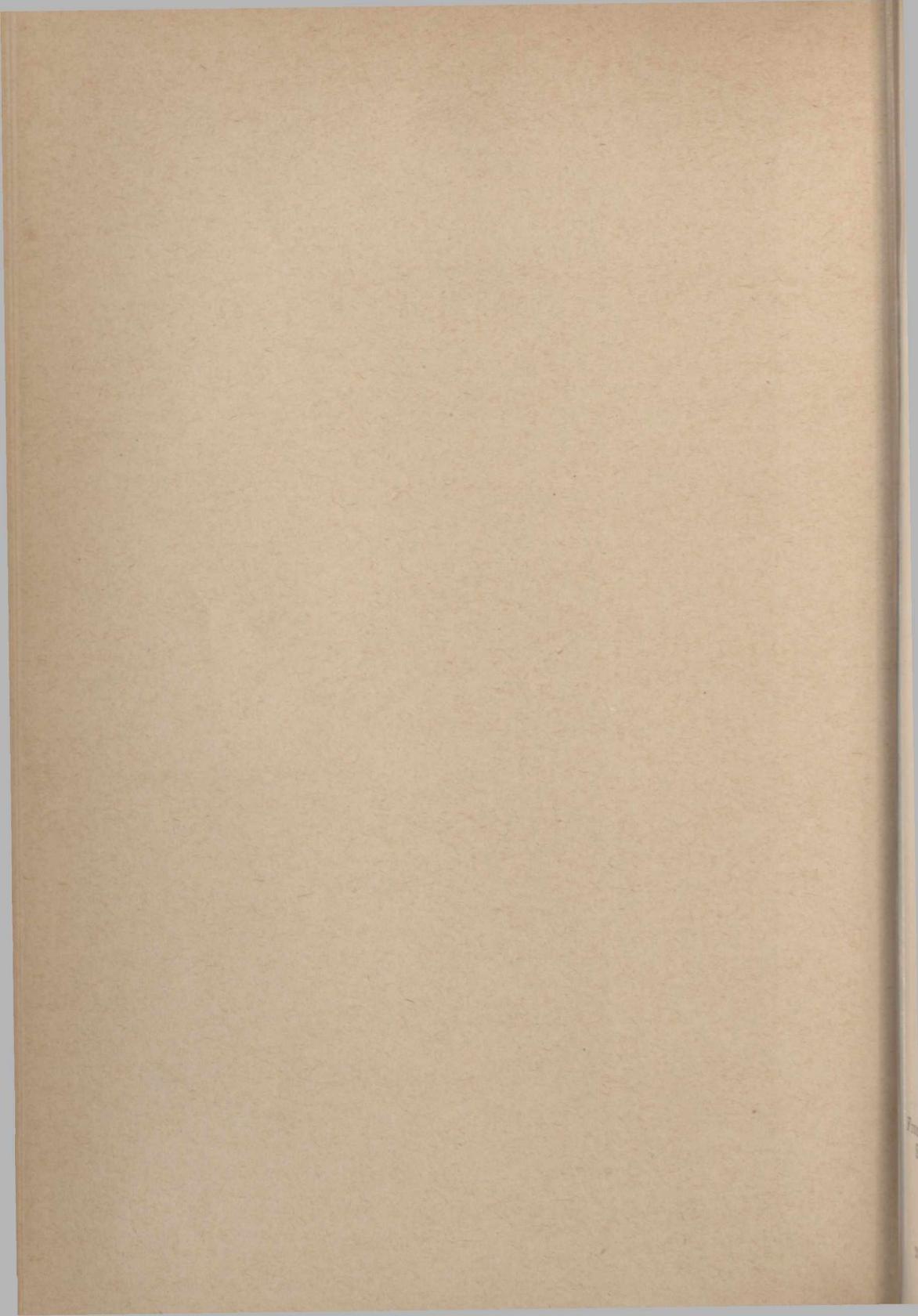
Item 158 agreed to.

The CHAIRMAN: I would like to thank the officials for their evidence this morning.

May I remind you that the next meeting will be delayed until such time as we hear from Mr. Leach of the Canadian Tax Foundation. You will be advised as to when the meeting will be held.







HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

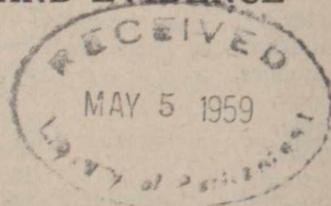
ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9



FRIDAY, APRIL 24, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

From the Canadian Tax Foundation: Mr. C. W. Leach, President; Mr. S. B. Thom, Vice-President; and Mr. J. Harvey Perry, Director.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,	Garland,	McQuillan,
Baldwin,	Gillet,	McWilliam,
Bell (<i>Carleton</i>),	Grafftey,	More,
Benidickson,	Hales,	Morris,
Best,	Hardie,	Nesbitt,
Bissonnette,	Hellyer,	Nugent,
Bourbonnais,	Halpenny,	Payne,
Bourdages,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Korchinski,	Ricard,
Cardin,	Jorgenson,	Richard (<i>Kamouraska</i>),
Carter,	Lambert,	Rowe,
Cathers,	Macnaughton,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Winch,
Fisher,	McIlraith,	Winkler—60.
Fortin,	McMillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, April 24, 1959.

(10)

The Standing Committee on Estimates met at 9.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Baldwin, Bell (*Carleton*), Benidickson, Best, Bissonnette, Bourbonnais, Bourdages, Broome, Bruchesi, Carter, Cathers, Chambers, Clancy, Coates, Dumas, Fairfield, Fisher, Fortin, Garland, Grafftey, Halpenny, Hicks, Korchinski, Lambert, McFarlane, McGrath, More, Morris, Nesbitt, Nugent, Payne, Pickersgill, Pugh, Ricard, Small, Smallwood, Smith (*Calgary South*), Tassé, Thompson and Winch.—(40)

In attendance: From the Canadian Tax Foundation: Mr. C. W. Leach, President; Mr. S. B. Thom, Q.C., Senior Vice-President; and Mr. J. Harvey Perry, Director.

The Committee resumed its consideration of Item numbered 258 of the Main Estimates 1959-60 respecting the Department of National Revenue.

On motion of Mr. Bell (*Carleton*), seconded by Mr. McFarlane,

Resolved,—That the Standing Committee on Estimates call and hear evidence from Messrs. Leach, Thom and Perry on Friday, April 24, 1959.

The Chairman introduced the witnesses and invited Mr. Leach to present his preliminary statement.

Messrs. Leach, Thom and Perry were questioned extensively on many matters related to the various fields of taxation.

At 11.00 a.m. the Committee recessed to permit members to attend the Prayers and Routine Proceedings of the House.

At 12.03 p.m. the Committee resumed.

The Chairman, on behalf of the Committee, thanked the witnesses for their attendance and assistance and they were permitted to retire.

At 1.00 p.m. the Committee adjourned until 9.30 a.m. Tuesday, April 28, 1959.

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

1900

The following is a list of the names of the members of the Board of Directors of the [Organization Name] for the year 1900. The names are listed in alphabetical order. The names are: [List of names]

E. W. [Name]
[Title]

EVIDENCE

FRIDAY, April 24, 1959.
9.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum, so we can proceed. It is a great pleasure to have with us representatives of the Canadian Tax Foundation. Before introducing them, I have a motion, which I am required to introduce at this time.

On Tuesday, April 14, the committee approved a recommendation of the steering committee that Mr. C. W. Leach, Mr. J. Harvey Perry and Mr. Stuart B. Thom, Q.C., be invited to give evidence before this committee. I have received certificates from members of the committee requesting that these gentlemen be called and heard. To regularize the committee's proceedings, may I have a motion to the effect that the committee call and receive evidence from Messrs. Leach, Thom and Perry?

Moved by Mr. Bell (*Carleton*); seconded by Mr. McFarlane.

Motion agreed to.

The CHAIRMAN: As I said at the outset, it is a pleasure to have these gentlemen with us. You will recall at our last meeting we received a number of requests from committee members to have various people appear, and it was suggested that perhaps we could serve the purpose of the committee best by having representatives of the Canadian Tax Foundation here.

I think I might at the outset read one of the objectives of the foundation, so that you have clear in your minds exactly who these gentlemen represent.

The purpose of the foundation is to provide both the tax-paying public and the governments of Canada with the benefit of expert impartial research into current problems of taxation and government finance.

In my correspondence with the president Mr. Leach, he has pointed out what really amounts to a qualification in so far as the appearance of these gentlemen is today concerned, so I am going to let Mr. Leach deal with that subject himself. May I just make one further point? As you well know, we may be required to go on later than the time at which we would normally adjourn for the sitting of the house. Perhaps it might be as well to clear up now whether you wish to continue this sitting or adjourn, conceivably for the period of the orders of the day, and return, or adjourn until 2.00 o'clock this afternoon, or how would you like to proceed? Alternatively, would you like to make that decision at 11.00 o'clock?

Mr. CATHERS: At 11.00 o'clock.

The CHAIRMAN: We could proceed until 11.00 o'clock and then decide. It is a pleasure to introduce, first of all, Mr. C. W. Leach, in the centre here, the president of the foundation; the senior vice-president, Mr. Stuart B. Thom, Q.C., on Mr. Leach's extreme right; and the director of the foundation, Mr. J. Harvey Perry. Gentlemen, you are indeed welcome visitors and we very much appreciate the fact that you have come here to help us. I am going to ask Mr. Leach if he would proceed. Mr. Leach, I believe you have a short statement with which we can begin.

Mr. C. W. LEACH (*President, Canadian Tax Foundation*): Thank you very much, Mr. Chairman. It is a great pleasure for us to appear before you and we certainly welcome the opportunity of making any contribution that is within our powers.

The Canadian Tax Foundation, as you may or may not know, is a body that was formed and organized jointly by the accounting and legal professions. It is sponsored by them, and they are referred to as the sponsoring professions. It is financed in large measure by subscriptions from corporate subscribers, from industry and commercial companies.

In order to preserve its independence, its charter provides that its governors—numbering 30—shall be drawn from the two sponsoring professions and, in fact, from the practising members of those professions. No representative of industry serves on this board. In this way we felt—and have so found—that we are able to maintain absolute independence from any pressures.

The governors are drawn from all provinces, and for reasons of distance they cannot meet very frequently. Consequently, the foundation's activities are managed by and large by an executive committee. So it becomes the case that the prime functions of the governors and, in fact, the executive committee, are to raise finances for the foundation and to see that the money is well spent. They also, of course, take a keen interest in matters of policy and the broad approach to research activities.

The governors change regularly; the normal period of service is two or three years. So to that extent continuity is preserved, but it is not complete in the sense that it is the same group of people who are acting and speaking for the foundation every year.

The governors of the foundation are interested, as individuals, in taxation in varying degrees in a professional way, according to their individual backgrounds and practices; but very few of them have, in fact, devoted their careers to the subject of taxation alone as, particularly, an economist would. The real work of the foundation, therefore, depends to a very considerable extent upon Mr. Perry, our director—who is on my left here—who has devoted all his life to this subject and in whom we have the greatest confidence.

As a corollary to this, you will appreciate that it is impractical, and probably impossible, for the foundation to have any official views on a particular subject. It is a research organization which accumulates facts and opinions, provides opportunities for discussion, issues publications based upon the studies of others and, to a considerable extent, upon the studies of its staff. Almost all of them come under the authorship of the individuals who have compiled them; few of our publications come forward under the authorship of the foundation and nothing more.

Therefore we appear today, in the final analysis, as individuals. We are officers of the foundation, but essentially any opinions that might be expressed or any information we might offer, comes to you as a statement from ourselves as individuals, but from information derived from our contacts with our members, the taxpaying public, officials of the government, and so on. Anything we say, however, we will endeavour to express in such a way as to represent, in so far as we can, a cross-section of what we consider to be the views and opinions of our members and, in particular, our governors; although, again, you can appreciate that we have had no opportunity to discuss the matter with our governors before coming here, even in the most general way.

We see from the minutes of the committee that there has been considerable discussion on three broad areas: the administration of the department, the question of advance rulings, and the question of capital gains. We have had discussions on all three of these subjects at our various annual conferences. For example, the capital gains question was discussed at our 1951 conference,

and again in 1956. In addition there have been several articles in our bi-monthly publication, "The Canadian Tax Journal." On advance rulings there was a panel discussion in 1955, and again in 1958; and on tax administration, in 1956 and 1958.

So you will see that over the past years we have promoted discussion on these points. But we never conduct a crusade for any particular point of view, nor do we come before you on this occasion with any fixed ideas. We have not come with any prepared statements that can be read, and therefore, Mr. Chairman, we will put ourselves in your hands and make ourselves available for any questions that might be asked.

The CHAIRMAN: Thank you, Mr. Leach.

Gentlemen, as I suggested to you at the close of our last meeting, you have had an opportunity in the interim to look at the evidence to determine the area of examination which you wish to pursue. Perhaps we might follow the same principle of exhausting one area at a time in order to maintain continuity.

I will now ask for any questions which you would like to direct to any one of these gentlemen. I will assume you, Mr. Leach, will determine which of you will reply to each question.

Mr. BROOME: I would like to start off with what is perhaps the most difficult area, that of capital gains. If you gentlemen have been following the minutes of the committee, you will see there seems to be no clear ruling in regard to what is or is not a capital gain, that it is supposedly being developed by legal and court decisions and this body of jurisprudence has built up something by which the department has a background to work and on which to base their decisions. Yet it all seems very vague and hard to comprehend. There does not seem to be anything in the way of a degree of risk; that does not seem to be fair. The degree of capital gain does not seem to be a factor and a number of the things which to me seem to be a matter of common sense in respect of this subject apparently do not receive any consideration.

I would like to open up this field with a rather general question to any one of the three gentlemen in respect of capital gains and what are the factors which make or do not make for some gain, be it a capital gain or otherwise.

The CHAIRMAN: You wish an expression of views on the capital gains situation from one of the gentlemen present?

Mr. BROOME: On the question of capital gains and the way it is handled.

Mr. LEACH: As I understand the question it has a certain legal flavour. I would ask Mr. Thom to answer it.

Mr. STUART THOM (*Senior Vice-President, Canadian Tax Foundation*): The question of capital gains has engaged the attention of members of the foundation on more than one occasion. A very quick answer would be that we have not yet been able to come up with a pattern of words which could be generally accepted as a definition of what should be or should not be taxable in this field.

As a result of some ten years of discussion, fairly frequently repeated, we have not been able to devise words which will serve as a definition. Individuals have said it can be done, but no individual has come up with a pattern of words which can stand criticism from those on the tax collection side or those on the paying side of the picture.

As a result of decisions in the courts over the past ten years, there is now quite a sizable body of jurisprudence. I think the main principles of that body of jurisprudence are becoming reasonably well understood. Do not let me say they are completely understood. However they are certainly far better understood than they were ten years ago. That has resulted because the

problem has been taken into the courts where public reports emanate and in this the public benefits and the tax department has a better knowledge of the principles than they had ten years ago. We think that is certainly an improvement.

In respect of an attempt to establish a definition of capital gains, it seems to me as a taxpayer that the officials of the government would probably cast as wide as possible a net rather than as narrow as possible a net. Personally, I would just as soon think that the courts should be left with the problem of applying certain principles, and if words were devised it would merely be a question of having to interpret those words and we would probably be back to the position we are in now.

In their comparable tax system in the United States, they have dealt with the matter by declaring that when sales are affected it is a sale of a capital asset unless it is of a certain character that is entering into a trading activity which is exactly our question. Are we trading in goods or selling investments? The United States practice has not achieved a definition. What it has done is to reduce the area of taxation from between 50 per cent and nothing to between 50 per cent and 25 per cent, which is perhaps of some advantage to taxpayers who are about to engage in a transaction which might or might not be taxable. But nowhere in any other country have they devised a responsible formula which can be read, for instance, by the average man in the street and applied to a transaction which he has in mind so that he can tell himself that it is or is not taxable.

The cases which find their way into the courts, and which I think the hon. member has in mind, I believe are, the cases where the individual has a strong suspicion he is engaged in a taxable activity but would like to be assured he is not if he possibly could be so assured.

I think from our deliberations over the past year there is a feeling that there is inevitably going to be a "no man's land" between clear taxability and clear non-taxability.

I do not think we can come before you with the proposition that this "no man's land" can be eradicated. We have the general idea that the courts are busy hammering out principles which are narrowing the extent of that "no man's land", and to that extent there has been an improvement over the past ten years.

The CHAIRMAN: The point which has concerned the committee during its previous hearings is that perhaps, through jurisprudence and probably to some extent by administrative rulings of the tax department, this "no man's land" was being considerably narrowed and, in fact, probably to the extent of encroachment to the point where we were accomplishing a great deal but not in the field which is taxable.

Mr. THOM: The principle, generally speaking, is if you achieve a gain in the course of a trading activity, even though an isolated activity, you have acquired a taxable profit. The problem is that frequently that taxable gain has built up over a period of several taxable years. You apply to that taxable gain to individuals very high, progressive rates. Therefore you may have been taxed in the \$10,000 to \$20,000 bracket, find an opportunity to make a killing, shall we say, and that killing which is achieved over a period of three or four years and which results in a profit of \$50,000 is taxed at very high rates. It is felt that is unfair.

One very strong reason for a capital gain tax is to give consideration to the fact that many capital gains take more than a year to develop and therefore you should not tax them in the one year at the full annual rate applied to business or individual profits.

Have I answered the question adequately?

The CHAIRMAN: I think so. However, I am sure there will be questions supplementary to it.

Mr. PICKERSGILL: There is one question which occurs to me. I am not yet a lawyer. I have no knowledge of these cases and therefore, to the best of my knowledge, I never have had a capital gain. I am wondering whether or not there is a good deal more jurisprudence in the United States than in Canada because they have a capital gains tax. I am also wondering if our courts pay any attention to the American decisions?

Mr. THOM: There may be more jurisprudence because there are many times more people and they are very litigious people in the tax field in the United States. They have exactly the same problem to answer. Is it a small trading activity which gives rise to the gain? The nature of the litigation is the same. There may be more of it because there are more people and they are more litigious.

Mr. SMALL: How does the United Kingdom handle it?

Mr. THOM: We have accepted without qualification in our courts the principles established by the United Kingdom. If you cite a United Kingdom court case in Canada it is accepted as though it were a decision of our own Supreme Court. What you have in Canada you have in the United Kingdom.

In 1955 there was a royal commission to inquire into the taxation of profit. Its report which came out in 1955 reviewed all the aspects of this capital gains matter, the alternatives, the various solutions put forward, and came up with a conclusion that there was inevitably an area where there would be a difference of opinion. About all that could be done was to leave it to the principles which can be found in the cases and then when parties cannot agree to take it to court. This is a burdensome and time-consuming thing, but from a lawyer's standpoint I think it is probably satisfactory.

Mr. LAMBERT: So far I gather that the difference between Canada and the United States is that in Canada it is determined on the basis of all or nothing and in the United States it is a question of something or something more.

Mr. THOM: Quite right. By delaying a realization of your gain for an appropriate period of time you can reduce the known tax to 25 per cent. I think that is a fair statement.

Mr. CATHERS: I have a question, Mr. Chairman. Mr. Thom, your foundation has made a survey of this matter and has had discussion on it. Would you recommend to Canada that we have a capital gains tax?

Mr. THOM: Our only knowledge for comparable purposes is the United States, and the law, the body of regulations, and the jurisprudence with regard to capital gains tax in the United States is so confused and so voluminous—almost incomprehensible—that I would say we would saddle ourselves with a burden that we would be very sorry about later on. That is a personal opinion.

Mr. LEACH: I would agree with that, Mr. Chairman.

Mr. J. HARVEY PERRY (*Director, Canadian Tax Foundation*): I would like to say, Mr. Chairman, that this is quite an interesting question from an economic point of view, because the very same set of reasons that are advanced in the United States for having a capital gains tax are the ones that are advanced here for not having one—rapidly developing economy in which it is possible to make these gains.

The Americans have taken the attitude that if it is possible to make such gains regularly, they should be taxed. We have taken the attitude, on the other hand, that it is desirable for the development of the country that this opportunity be left open; therefore, it would not be advantageous to tax capital gains.

My own view is that if there is any argument leaning towards our side, we should continue not to tax capital gains.

Mr. PAYNE: To a very large degree, Mr. Chairman, the last witness has answered my question. From strictly the legal point of view, the former witness indicated that there was a very great similarity of the problem as between Canada and the United States. All I wish to get is a statement regarding the difference in the tax basis that exists here in Canada and the investment needs of the country.

I would like very much if the gentleman on your immediate right would enlarge further on his statement, keeping those points in mind.

Mr. PERRY: Mr. Chairman, the basic tax structures of the countries are very similar in the sense that each has a corporation tax that is not a withholding tax in the British sense, which is a personal income tax. The main difference comes in the scope of the definition of what is "income" in their income taxes.

The American laws, going back to some temporary taxes that were introduced during the Civil War, have always stated, or implied, that gains made on the sale of property were taxable income. This probably represents a different sort of attitude towards the economic process. It has always seemed to me it is more the sort of attitude of the frontier, where it is recognized that people are going to make these big increments perhaps easily and accidentally, and the state has some right to claim tax. On the other hand, the people who are interested in investment in the United States will criticize a tax on capital gain, just in the same way that many economists would criticize it here, because it is always a deterrent to risk taking. The possibilities of large gain that exist in our kind of economy has been the thing that has stimulated risk taking on a large scale, where the prize was substantial, where the risk may not be worth the 20 per cent that would be left after an 80 per cent rate of income tax were applied.

You cannot reduce this to very concrete terms. It is almost a matter of the psychology of investors. My own feeling is that that psychology cannot help but be affected by a tax factor.

The CHAIRMAN: Do I gather from your remarks, Mr. Perry, that you have some sympathy for the philosophy that the risk factor is important in a country where we are developing resources, certainly in so far as the taxation structure is concerned?

Mr. PERRY: I think, from an economist's point of view, yes.

Mr. PAYNE: As a supplementary basis for your statement, certainly a number of your points are based on the land increment tax in the United States. You make that statement, recognizing the fact that a number of provinces in this country do, in fact, charge the same tax?

Mr. PERRY: Alberta did at one time; it no longer does.

Mr. PAYNE: They have surrendered it?

Mr. PERRY: Yes, they have given up that tax. I do not think there is much left in that connection.

Mr. FISHER: With regard to capital gains difficulties, there seems to be a maze of jurisprudence cases and a certain amount of confusion. Is that your basic reason for the argument against having capital gains tax in Canada?

We have roughly parallel situations. We can draw the conclusion from the American example that the introduction of this does create difficulties and some confusion. Is that one of the strongest forces against having that tax in Canada?

Mr. THOM: Mr. Perry knows the figures better than I. I will answer your question indirectly. The yield of a capital gains tax has been shown to be not as substantial as one might think from just looking at the last few years of rapid increase of values in this particular area, and so on.

The complexities of a capital gains tax imposes on the taxpayer a tremendous cost by keeping professional advice at his elbow. Everything has a base; every single asset has what they call a base, because it is there that you mount up or down and determine whether you suffered gain or loss. The resulting complexity of business transactions is really quite substantial. That is the United States situation.

Mr. FISHER: Have you any idea how much of this tax is in the investment field and how much is in the property field? It seems we have a sort of schizophrenia.

Mr. THOM: I must say that I am giving a personal opinion here, but there seems to be more emphasis on the taxation of real property gains in Canada than there is on the taxation of security profits—I do not attempt to explain why that should be—if that is the schizophrenia you are referring to.

Mr. FISHER: Is it not possible to divide capital gains up into two projects; that is, capital gains on real property, and on investments and securities?

Mr. THOM: Not in theory, no. I think it is all property, which is bought and sold.

Mr. FISHER: Do you not think it would be possible to introduce a capital gains tax which could put real property outside this general operation.

Mr. THOM: Yes. In the United States they have some rules which determine when you are liable for capital gains tax—if you hold property for six years, and that kind of thing. It is a series of mechanical steps.

Mr. FISHER: Do not quite a number of Americans, in their whole tax approach, take advantage of the capital gains set-up in order to so regulate the kind of income that is coming to them? They use the capital gains tax because the 25 per cent is much less.

In the United States, to people in certain kinds of enterprises, is not the capital gains tax looked upon as a perfectly legal and valuable means of tax avoidance?

Mr. THOM: The capital gain in the United States is income. It is a variation of the income tax at a lesser rate. From my reading of United States tax literature, one of the great efforts is to handle your business affairs in such a way as to bring the greatest part of your profits into the capital gain rates, yes.

Mr. PICKERSGILL: There is quite a different aspect in the question I would like to put to Mr. Perry. The only argument that ever seemed to me to have much substance in favour of a capital gains tax in Canada was that many of the capital gains were made in Canada by persons who were not subject, or apt to be subject, to any other kind of taxation here because they were non-residents. I just wondered if Mr. Perry had any observations to make on that point. I think he understands quite clearly what I mean.

Mr. PERRY: Yes; although in our normal concepts of tax liability, non-residents would not come within the scope of income tax.

Mr. PICKERSGILL: No, I quite understand that. But if there is only a capital gain, and no income?

Mr. PERRY: We would have to depart from our normal concepts of tax liability, which depend primarily on residence, to put on a tax which did not depend on residence and which taxed only capital gains.

Mr. BALDWIN: Do I understand from Mr. Thom that in the United States the statutory definition of capital gains is either enlarged or abridged by judicial

definition, or judicial decision, in those areas which are similar, while in Canada, it is done by administrative decision or a decision of the tribunal? Otherwise there is a similarity.

Mr. PERRY: All our income tax here, generally, is comparable to what in the United States is construed as capital gain.

Mr. THOM: I am really pretty rash, attempting to comment on the United States system; but as I understand it, it starts possibly with the theory that all gain from the disposition of property is income, which, of course, we do not follow; that is not our principle. We say that some part of it is capital gain and is not taxable. In the United States all gain is income and is taxable.

Then they say that if the disposition is in the course of a trading activity, or a disposition of inventory, then it is a business profit and is taxable at ordinary corporation or individual tax rates, or otherwise is taxable at the capital gain rate. In other words, they still have to grapple with the problem, "Is this a sale in the course of trade?", which is exactly the question we ask ourselves in Canada. So basically it is the same issue.

Mr. PERRY: I might supplement Mr. Thom's remark by this. At one time in the last year or two I had a member of the staff summarize some of the American cases on whether or not some of the transactions on real property were taxable. It was very difficult to differentiate them from our Canadian jurisprudence in the same field: the same considerations came in. That indicates that in this great area we are dealing with the same uncertainty, whether there is a capital gains tax or not.

Mr. HALPENNY: I was wondering, Mr. Chairman, whether the capital gains tax in the United States is worth while. Approximately what percentage of the total tax dollar collected is capital gains tax?

Mr. PERRY: I have a copy of the statistical abstract of the United States for 1957, which is comparable to our Canada Year book. It does not give the figures of tax revenue, but it indicates that for the latest year here, 1953, about \$230 billion of adjusted gross income was reported on individual income tax returns, and only about \$2 billion of that was income from sales of capital assets. So it is less than 1 per cent of reported gross income. These are large figures, in our terms, but relatively the capital gain receipt is quite small.

Mr. LAMBERT: Assuming one is determining the tax in the United States as a result of a trading venture; is the same provision for loss made in the determination of the capital gain under the capital gains section?

Mr. THOM: They recognize loss, but not nearly as effectively or with the vigour with which they recognize capital gains.

Mr. FISHER: Coming back to this question again, do you know of any estimates or studies, either by your group or perhaps by government agencies, that have tried to determine what sort of yield we would get from capital gains tax? I know it would depend on the percentage; but has there been any analysis of that?

Mr. PERRY: No, we have not attempted any study. This royal commission in Great Britain that was mentioned earlier made an estimate of that. They decided it would be so trivial that it would not be worth the troubles of enforcement.

Mr. FISHER: If they are getting less than 1 per cent of the income from taxes on capital gains, according to your figures there, what do you think is their theory, or basis, for keeping it? Why are they continuing to apply this tax that seems to provide so relatively little for all the difficulties involved?

Mr. PERRY: I do not know that this question is very often faced overtly over there. It is just part of their system; it is just part of their mentality.

Mr. THOM: It stems back to the fact that when their courts first grappled with the definition of "income"—which was effectively done after their 1913 act—they came up with the concept of "income" which was not the British concept. In other words, "income" included all gains, however realized.

Mr. FISHER: In other words, this stemmed from a legal situation rather than from any theory or principle?

Mr. THOM: Then, when they found they were taxing all gains, the voice of the taxpayer said, "You cannot tax those gains at the same rate that you take for the annually recurring type of gain". Then they put in a lesser type of rate—this is speaking very generally—which has come to be known as the capital gain tax.

Mr. FISHER: This may be asking for an opinion, but we have been ranging fairly widely here. It seems to me that, if we are going to go into the capital gains tax field in Canada, we must have some basic idea of the principle behind it. What would you suggest is the principle behind it? That is why I was interested in the American question. It always seemed strange to me that the Americans, with, let us say, their devotion to free enterprise, should have any kind of tax that would tend to be a restriction on it.

Mr. THOM: I think I am correct in saying that it is the outcome of judicial interpretation of the word "income" in the sixteenth amendment. Is that the one that led Congress to impose the income tax? I think it is.

Mr. FISHER: You do not see any parallel in Canada at all?

Mr. THOM: Our concept of income derives from the community of individuals whose wealth at the time the law was developed was founded largely on land; this comes from these papers; it is not a personal idea—interpreted by judges who came from the same group of people. You had, therefore, such a thing as depreciation in value, which had no relationship to income, so they did not tax it.

Mr. FISHER: Do you think that if we were planning on going into the capital gains tax field we would have to have a basic reason for going in other than the one that it is going to create complicated regulations and a complicated situation?

Mr. THOM: Let me express a personal opinion. I would hope it would be because there was some feeling of inequity in the present law, or some necessity to raise revenues, and that this was the proper way to do it. These are questions outside my scope.

Mr. FISHER: In other words, you suggest that if there was a strong argument that certain types of transactions are carried out in order that a fair share of the profits shall not get into the treasury, then it should be introduced?

Mr. THOM: No; I assume that parliament would hear the views of the people.

Mr. CATHERS: We have been comparing Canada with the United States with regard to capital gains tax, and I am going to try and answer my colleague's question in this way. Is not the basic reason for our not going into a capital gains tax, as compared with the United States, because they have a capital surplus and we have a capital deficit? We need capital, and they have it. Is that not really the basic reason for our not entering into the capital gains tax field in Canada?

Mr. THOM: Well, sir, you look at me and you look at a lawyer; you look at Mr. Perry and you look at an economist. I think perhaps it is Mr. Perry's question. Historically, we have not got it because judicially, the courts went in different directions.

Mr. FISHER: And you look at Mr. Cathers and see a true conservative.

Mr. PERRY: I think I can substantially agree with that remark, with the reservation that the Americans did have a capital gains tax during the period when they were just as badly in need of investment as we are now. In other words, it is less a matter of deliberate policy as it is of a general attitude towards what should be taxed.

Mr. CATHERS: But, I might add, because the Americans made a mistake, that does not mean we should follow.

The CHAIRMAN: I wonder if I might supplement it to this extent. There is a body of people in Canada, I think it is safe to say who would welcome a capital gains tax, if only to clear up the uncertainty which exists. They maintain it would clear up this uncertainty of whether they were, or were not, taxable. However, the experience of the United States does not altogether support this. At least, they would know that all income, as such, was taxable. If that premise could be accepted for the moment, would not a partial solution of this be the adoption of one American regulation, which permits an advance tax ruling to determine the taxability of the income? Would that be a partial solution?

Mr. PERRY: I would like to suggest, Mr. Chairman, that there is a basic fallacy in your argument, and that is, that a capital gains tax automatically provides an answer to all these questions. I think Mr. Thom's remarks bear this out—and it is certainly my own feeling—that most people in Canada make this assumption, that if a capital gains tax is introduced, automatically all the things they are worrying about will be taxed as capital gains. That is not the case at all.

The United States treasury are just as eager to establish that the transaction has produced income as is our own treasury.

The CHAIRMAN: I raise that point, and I am not arguing for a capital gains tax; I am pointing out that there is an area of uncertainty in the minds of the taxpayers.

Mr. BROOME: In regard to Mr. Cathers' statement, do you think, Mr. Perry, that foreign capital comes in here to set up newsprint mills, develop mines, establish manufacturing plants, because we have no capital gains tax, where the capital gains tax is 25 per cent and corporation tax is 47 per cent?

What I am trying to say is, they are not coming in on capital gains; they are coming in here because of the natural resources to be developed, expanding markets and stability of government.

Mr. CHAMBERS: Mr. Chairman, I want to go back to something Mr. Thom said earlier on this question of deterrent to investment and his position as a lawyer, allowing jurisprudence to determine what was capital gain and what was income.

Is this element of uncertainty—which admittedly also exists in the United States—not in itself a deterrent in some cases? Would we not perhaps be better off in encouraging investment, from that point of view, if there were somewhat tighter rules drawn, or if it were possible to get more or less fixed advice in advance from the department that such and such a transaction would be considered capital gain if a profit developed? Do you agree with that, or not?

Mr. THOM: Answering the first part of your question, the theory of "taxable or not" is pretty well established. The litigation results because people just struggle against the bonds, not because they do not understand what the principles are.

The second thing, about advance rulings or some pre-knowledge about what might be the outcome of a transaction: I do not think they do give advance rulings of that sort in the United States, and I think, personally, it

would be impossible to do so. My own knowledge of the matter is that people come to me and relate a transaction and say, "Am I taxable?" Then I spend a great deal of time getting out the rest of the facts.

Mr. GARLAND: In respect to the matter of what percentage of the total tax dollar is produced in the United States from this capital gains tax, I wonder if there is any information available as to what percentage of the tax dollar was produced when the tax was initiated? Do you know what the trend has been? Are there any figures which would indicate the trend over the years?

Mr. PERRY: Yes, these figures are available. There is one thing for which the Americans cannot be criticized, and that is inadequacy of information. It just happens that I do not have the volume with me that shows that.

Mr. PICKERSGILL: If I apprehend Mr. Thom's answer correctly, the capital gains tax in the United States was not an additional tax, but it was in mitigation of the severity of income tax. I think almost every Canadian who does not know anything about these things thinks of a capital gains tax as something superimposed on our existing tax structure; in other words, an entirely different thing. I am not talking about the experts; I am talking about people like Mr. Fisher and myself.

The CHAIRMAN: Mr. Pickersgill, we have been endeavouring to couple you two for a long time, and you have done it.

Mr. PERRY: You are absolutely right. The original law made no distinction whatever; all gains were taxable as income. It was only after three or four years that alleviation was introduced, not in specific terms of capital gains, but for kinds of income which had accumulated over a period of years and which it was unfair to tax all in one year.

Mr. LAMBERT: Mr. Chairman, I was interested in Mr. Perry's answer to Mr. Cathers, that the United States, at the time they introduced the capital gains tax, was in a capital deficit position. Mr. Cathers made the point that possibly the positions were different because there was a surplus of capital in the United States and Canada was in a deficit position. Yet Mr. Thom indicates that capital gains came in with the sixteenth amendment in 1913.

My question is, when did the United States go from a capital deficit position to a capital surplus position?

Mr. PERRY: I was taking a little liberty there, based on my earlier remark that one can see this attitude in income tax laws that were enacted in the United States 100 years ago, during the Civil War, when it was mentioned specifically that gains from property would be taxed. Although these were temporary measures—during most of the latter quarter of the century in the United States there was no income tax—it came on in one form or another towards the end of the century. What I should have said, perhaps more guardedly, is that it has always been in their thinking that this kind of gain would be taxed, although in fact during their period of greatest development it was not being taxed.

Mr. NUGENT: Mr. Chairman, the witnesses have indicated by their remarks that the introduction of a capital gains tax might lead to the necessity of further legal advice, et cetera, in managing companies' affairs. In other words, it would bring in another complication in companies as to their tax position. I wanted to be sure that I had not misunderstood them.

My own view is that now it is a case of either paying no tax or being taxed as income, and this would merely put in an intermediate step. I wondered if I had misunderstood the answer given in that regard, as to whether this would bring in another complication because of the need for advice from the legal group.

Mr. THOM: That comment came from me. As the so-called capital gains tax has developed in the United States it has become a very complicated thing wherein every item of property has a basis—that is what it costs to acquire it. That governs your subsequent taxability when that property is disposed of or moved around inside of an organization, or something of that sort.

For instance, it becomes a complicated matter when partners break up and so on, when corporations are dissolved and when estates fall in. What is the basis? The basis runs like a thread through the whole scheme in the American taxation. It is not of the same importance to us.

Mr. NUGENT: Those same problems have to be taken into consideration in Canada. We have many of those same considerations. I wonder if there is a difference in this way, that the result in the United States has been broadened to what we might call an intermediate definition of a capital gain.

Mr. THOM: There has not been any effective study of the two systems to compare them on these terms. I am afraid what we are saying is largely personal. Perhaps to one immersed in the United States taxation system it does not seem as formidable as to the outsider.

Mr. PERRY: I think there is the point to be made that the measurement of a gain of a capital asset applies to the actual valuation. The calculation of income is a relatively simple thing as compared, I presume, to an establishment of valuation, particularly where it is in the interests of the taxpayer to create an artificial valuation. That mere fact introduces a whole realm of complications.

Mr. LEACH: As an accountant I can tell you that the amount of paper work generated by this capital gains in the United States is enormous. You would be appalled at the amount of paper work. That is not to be underestimated.

Mr. CHAMBERS: Have we sufficiently buried the questions in respect of the capital gains tax?

The CHAIRMAN: I believe there are other questions on this subject.

Mr. FISHER: If we are to have a capital gains tax is it your opinion that in the definition the loss would have to be looked at as well as the profit.

Mr. THOM: It is in the present act now. I would assume that principle would extend into any new tax.

Mr. FISHER: I believe you made a suggestion that the taxpayer really not knowing where he stood is batting his wings within the regulatory framework and has to go through a legal process. Is it not generally true that the percentage of successful appeals is large enough to indicate that the thing is not too confining?

Mr. THOM: There are enough successful appeals to keep the taxpayers trying.

Mr. CATHERS: We do not have—I do not think it is emphasized—in Canada what we speak of as a capital gain being a one-way street; but this capital loss is certainly to be considered at this time. There is also the point in respect of a man who makes a capital gain, say on a piece of real estate or investment, and converts it into something which gives him income. The other thing is that the reaper comes along and collects it, so it is really only a delayed tax.

Mr. PERRY: I would like to make a comment on this business of losses under the United States system. It is almost a one-way street in the United States. Losses can be offset against capital gains. The net losses beyond that can be offset against income only to the extent of \$1,000. Any remaining losses can be carried forward and offset against the income on the following

five years, so that they really get revenue on this by very rigidly restricting the loss offset. This goes back to the days of the depression when the Rockefellers did not pay any tax because they offset their income by large capital losses.

Mr. PICKERSGILL: Is there not a fundamental difference between our system and the United States system in that the United States system allows for the deduction in the sale but the gains are taxed whether capital or current, but under our system only current gains are taxed.

Mr. THOM: I agree with that.

Mr. HALPENNY: If we admit less than 1 per cent of the total is on capital gain a lot of people down there take advantage of the capital gain.

The CHAIRMAN: Are you speaking of anyone in particular? Have you a question?

Mr. HALPENNY: No.

Mr. PAYNE: Inasmuch as the Canadian system is one where a capital gain is interpreted inside or outside, it seems the decision must be based on the records of jurisprudence. Would there be an advantage in clarifying this and more clearly defining by statute whether or not it is in fact in the field of capital gains or whether it is in the field of income. Would it not be easier to administer and be easier for those who are engaged in the field, in which you are, to serve clients on a basis of that nature?

Mr. THOM: Well, sir, I think that possibly the tax administration feels it knows what the principles are. Yes; if the definition could be phrased in a manner that would not require another whole flood of litigation.

Mr. PAYNE: Have you given any thought to this and have you any recommendation to make?

The CHAIRMAN: I should point out that the gentlemen have made it very clear they are not speaking for the foundation but purely as individuals.

Mr. THOM: A number of individuals have made the assertion it should be possible to state the principles in clear language. However, I think I am correct in saying that no one yet has ever come up with anything which would withstand criticism.

Mr. PERRY: Our own experience at our annual conferences in this field has been extremely illuminating. In 1951 there was a thorough discussion of this during our annual conference and there was almost unanimous opinion at that time that there should be some attempt made at a statutory definition. No attempt was made of that nature. We did go back to it again in 1956 and it was extremely revealing that by that time the thought was almost unanimously in the opposite direction, that statutory definition might only add to the confusion rather than illuminate it.

Mr. PICKERSGILL: Would you say that capital gains are rather like obscenity, very difficult to define.

Mr. THOM: I am not an expert on obscenity.

The CHAIRMAN: We have it clear in our minds that there is some area of uncertainty in the minds of the taxpayer and that that is perhaps important to those persons undertaking small ventures and in some instances this uncertainty is a deterrent to their undertaking them unless they know what their tax position is.

You have stated some objection to advance tax rulings. Do you not think there is an area where it would be useful in respect of the tax gain to have an advance ruling as practiced in the United States?

Mr. THOM: I do not think the advanced tax ruling which they now have in the United States is available in respect of a determination of a capital gain.

I do not think they make their services available in that particular part of the tax field.

Mr. FISHER: I would like to come back to the question of losses. You said there already is a provision for taking care of losses. You do not mean in so far as stock transactions are concerned?

Mr. THOM: What I referred to there is that in the scheme of undistributed income under the Income Tax Act, when you are setting up your income in any period you deduct from it your net capital loss over the same period which is your excess of capital loss over capital gain over the period of accumulated income with which you are concerned.

Mr. LAMBERT: That applies to a corporation?

Mr. THOM: Yes.

Mr. LAMBERT: But not to the individual?

Mr. THOM: No.

Mr. MORE: Could we have an opinion from one of the gentlemen as to whether or not they consider there is any area of income in Canada under our tax laws which is exempt from tax today which casts an unfair load on on the other taxpayers?

The CHAIRMAN: I do think that question takes us outside the area which we are discussing now.

May we advance now, gentlemen? Are we through?

Mr. LAMBERT: No. There is the question whether, from the taxpayers' viewpoint—which is the prime factor—he will appeal a ruling if the need arises? Or, to put it the other way, what can he gain from it? It is true he may save \$5,000 in tax, but he may have to put out \$4,000 to get it, thereby only saving \$1,000. In the United States where the grading area is only from 25 to 50 per cent, is there less encouragement to appeal income tax rulings than there is in Canada where it is either nothing or 50 per cent?

Mr. THOM: There are no comparable studies of which I know to give a basis for answering that.

Mr. LAMBERT: This arises out of Mr. Leach's observation that the introduction of what I would prefer not to call capital gains causes a terrific amount of accounting paper work and also calls for the services of a tax consultant.

Mr. LEACH: I certainly could not say what the effect is on the pattern of appeals.

Mr. LAMBERT: Or even in respect of the cost?

Mr. LEACH: I think the costs are certainly higher in the United States—if that answers the question.

The CHAIRMAN: Mr. Thom, in reply to my own question, you mentioned there were no applicable advance tax decisions in the United States. The question was really irrelevant to the United States. Is there not some practical method by which this could be introduced in Canada?

Mr. THOM: I will now have to speak quite personally. I think it is a judicial question. It requires that a mass of facts be reviewed in court. One almost introduces a tax appeal tribunal into the machinery of the tax administration. I think it is pretty difficult.

The CHAIRMAN: Gentlemen, I think we have adequately covered this area.

Mr. CHAMBERS: Mr. Chairman, at earlier sittings we have heard evidence in respect of the appeal procedure and there was some questioning as to whether a taxpayer wanting to appeal could have his case heard in a reasonable time. I am wondering whether or not one of the witnesses would care to

comment on that aspect. I am thinking of the time lag in respect of appeals and whether or not the feeling is that our machinery at the present time is inadequate to cope with appeals from the viewpoint of time and cost.

Mr. THOM: Dealing with the machinery as it is, let me first say that the individuals who make up the tax appeal board are very hard-working conscientious men who give up their home life to travel backwards and forwards across Canada and who every day face a terrific back-log of appeals with which they cannot deal. I think that is a problem. However I do not think we could add any useful comment on it.

Mr. CHAMBERS: Would you suggest there be more members?

Mr. THOM: I do not have the statistics so I do not know. One feels that these individuals are quite burdened. I think the idea of a tax appeal board is a good one. That is a general statement with which many people agree.

Mr. CHAMBERS: Dealing with tax appeals, do you find it takes too long, from the taxpayer's point of view, bearing in mind that the members of the board are working very hard, and so on?

Mr. THOM: In some areas, possibly; but the delay is a rather relative one. What is too long?

The CHAIRMAN: Might I say this. Mr. Chambers is not casting any reflection in respect of the board not being efficient as such. The aspect is the volume of work they have to meet.

Mr. CHAMBERS: I think there is a back-log of roughly 400 cases as of the end of last year. I am wondering whether or not it is the feeling that perhaps a larger board, or something of that nature, would be justified at this time.

Mr. THOM: I think I did feel in the legal profession a certain stirring of dissatisfaction not with the individuals but with the machinery of the system. However I do not think I am in a position to make categorical statements to the effect there is too much delay or that it is not satisfactory in a particular way. It is only physically possible for a certain number of men to do a certain amount of work. Possibly one comment is that they are attempting to elaborate the disposition of cases which could be dealt with a little more quickly; but that is a matter of their internal feeling as to how they should deal with the individual taxpayer's matters.

Mr. CATHERS: I think the information we had was that out of 432 cases the department had won 208 and lost 198. There was very little difference. Have you any comment to make on what the feeling on the part of the public is towards that score? Does it indicate that the taxpayer will not go into these cases because of the time it takes and the cost?

Mr. THOM: No. I think that the board has been of tremendous advantage in respect of the understanding of the administration of the tax act in Canada. I think the tax department should win many more cases than it loses because it does not have to fight the bad cases; they can settle them. The fact that they lose cases I think shows there is a healthy condition in the tax department. Certainly we would not want them to settle every doubtful case as that would be giving away too much money.

Mr. CATHERS: I think that 190-odd cases out of 400 is a pretty poor record.

Mr. THOM: I could not say.

The CHAIRMAN: In the same vein, may I ask in respect of the system of assessments, have we provided too much flexibility within the department in permitting these assessments to be based on a compromise system? In other words, have we given too much authority in permitting the department to compromise with the taxpayer?

Mr. LEACH: I have been thinking about this a little in the last few months. It opens up quite a wide area. I think rather that more assessments could be settled at the lower stages. As I say, it opens up a wide question because in thinking over what might be said in this area—and this goes back a matter of months—I have been thinking whether the department could not improve its public relations very considerably in that way and perhaps also promote better relations between the taxpaying public and the department.

In Winnipeg we had a panel on this subject of tax administration and one very interesting suggestion came up there. That is the practice of the department to rate assessors for advancement according to the amount of assessments which they had turned out. Mr. McEntyre, who was confronted with this criticism, admitted that it was done to an extent. He defended it very well. He said they have to have some criterion for promotion and advancement. He said that he thought this is a reasonable one.

I am sure the feeling is quite widespread across the country that assessors are raising unnecessary questions in order to establish a good record for themselves. I suggest there are plenty of other ways of rating personnel than on this sort of thing. I think it would be a tremendous step forward if the department should find some way of getting that idea out of their rules and also out of peoples' minds. There is a large body of feeling that assessors are doing this in order to achieve a good rating and are going by the book, as they call it.

Our panel felt that there is judgment lacking at the local or assessor level. After all, a great many of the questions raised on assessment merely boil down to whether or not an item of expense or income falls into one year, the next year or the next year. The government is here for a very long time. It seems to me it would remove an amount of irritation if somehow it could bring into the assessing system the idea that these petty things be not raised.

The CHAIRMAN: The comment of the government being here for a long time was spoken in a general vein.

Mr. PICKERSGILL: I was going to raise a question.

The CHAIRMAN: Yes I noticed you wake up.

Mr. LEACH: I do not know whether or not I have strayed off the subject. I felt it was the best contribution I could make to the whole thing.

Mr. BROOME: It is similar to the situation where a traffic officer is promoted based on the number of tickets he issues or the number of arrests he makes.

Mr. LEACH: Yes. I am in this business of auditing and our most important area is in the determination of income just as is the tax assessors'. We realize there are legitimate differences of opinion on many subjects. We try not to raise arguments on any points which are not material. There is the question of whether or not it is material.

We have very vague rules of thumb, and for the sake of illustration, if we had a difference of opinion with some company as to the amount of something, or whether it is income, whether it was less than 5 per cent, and there were legitimate grounds for a difference of opinion, we would say that is not material and we will not argue with you on that.

I cannot help thinking it would be a wonderful thing if the tax assessors could approach this in some similar way, particularly when they are convinced they are dealing with a sincere taxpayer who has an honest point of view.

One of the sore points is inventory of stock and trade and the extent to which you can break down a piece of obsolete material, when you can do it, and when you can mark it down without disposing of it. I believe in the department in recent months there has been quite a campaign on in respect of this inventory question. I think there might be some greater latitude allowed on this.

Then you have the question of some small capital assets being charged off to expense. What does it matter if typewriters are charged off to expense? I do not bring this forward as a complaint but like to think of it in terms of public relations in respect of the department. There must be many areas in which better public relations could be developed.

The CHAIRMAN: Gentlemen, we now have reached the point where we must consider whether we wish to adjourn, or come back after the orders of the day.

An hon. MEMBER: I move that we recess and come back after the orders of the day.

Agreed.

The CHAIRMAN: Would you please be good enough to return immediately after the orders of the day?

—Upon resuming after orders of the day:

The CHAIRMAN: Gentlemen, we can call our meeting to order again as we have a quorum. At the adjournment we were discussing the question of appeal board and assessments. We will continue in this field until we have exhausted either the subject or the questioners.

Mr. FISHER: I was wondering about this: did you read the evidence given by Mr. McEntyre at our previous meeting concerning assessors and the problem in that regard?

Mr. LEACH: Only a very small portion, I am afraid.

Mr. FISHER: More than one committee member felt some concern about the position of assessors and the attitude towards them. Stemming from the point you raised, have you any suggestions of a practical nature, shall we say, to improve the work of the assessors and to cut down this very large turnover in personnel which they have?

Mr. LEACH: One point which Mr. McEntyre made is that you can always get better people to do a job if you can pay them more.

Mr. FISHER: Has this ever been a recommendation of the tax foundation, or a point which they have taken a position?

Mr. LEACH: No, it has not. The question of the administration of the department has not had the same attention, nor has it attracted the same attention as has been the case in the United States where there has been a great deal of study and attention given to this problem by a lot of people. Perhaps this indicates that our administration is quite good. Be that as it may, we have not given it the same attention in this country.

Mr. FISHER: You would not like to push the interpretation of your remarks as being a sort of general reflection on assessors as a group, in so far as this particular attitude is concerned?

Mr. LEACH: I was only putting it as an attempt to be helpful rather than critical. I think the department as a whole does a good job. In regard to the matter of public relations, I think they might also give a little more attention to personnel relations. That is a very important factor in a business of any size and it draws a tremendous amount of attention. It is most important to keep persons interested in their jobs and in everything they do. This is an area which they might examine, but it is an idea, I think, that is not very well developed in their minds.

Mr. FISHER: On the analysis of what assessors do, have you looked at the statistics to see how much time is spent on specific investigation, and how much time is spent on field audits? It is very low in relation to the total time of the assessors, and I am wondering if this has been part of your consideration.

Mr. LEACH: No. I have seen the statistics, of course, but nobody that I know—certainly not the tax foundation—has given this matter very close

study. We had those two sessions which I mentioned—in different years—when all these things were put on the record, but from our point of view not very much has been done about it.

Mr. FISHER: You have two points of view to study: one, concerning this incentive matter or to reconsider adjusting it and two, higher pay for the assessors in order to get assessors who are better qualified servants.

Mr. LEACH: I do not know if I can make the latter point as a suggestion. It is an obvious thing. I do not know whether we are permitted to make a suggestion along that line. I think it is obvious.

Mr. LAMBERT: Considering it from the point of view of the taxpayer, has the tax foundation experienced any difficulty concerning the ability of appraisers or in the type of appraisers? Have you had any difficulty with the quality of the appraisers?

Mr. LEACH: I know that was touched on in your minutes. Personally I would not feel qualified to comment on it. Perhaps Mr. Perry would care to.

Mr. PERRY: It certainly is not an aspect of the estate taxation which very often comes to my attention. I read the minutes, and I must say I was taken a little bit by surprise to find it expressed by members of the committee. I cannot speak from personal experience as to the quality of the appraisers.

Mr. FISHER: I take it from your comment that the quality of the work carried out by the department has never been an issue which has deeply disturbed the tax foundation?

Mr. PERRY: Perhaps I could speak on that point, as to the part which the administration has played in our studies. We have not yet done an organized study of any important aspect of administration in the way in which we do a great many other things. This was not through lack of will, nor do I think it arose from any resistance on the part of the department. I think they would be quite ready to have us cooperate with them in any such study. It is partly because matters of policy inevitably attract more attention, and partly because the people who have the equipment to do a study of a vast administrative organization, like the Department of National Revenue, are fairly few and far between.

We certainly do not have anyone on the staff who could do it. We would have to hire someone on an assignment basis, and who would probably spend months making himself familiar with the internal operations of the taxation division. This would mean having him almost in the position of an employee in the department to enable him to do a thorough job. However, this is something, speaking as one in charge of research, which I would dearly love to do. It badly needs doing, but we simply have not reached the point yet where we feel we could do it.

Mr. FAIRFIELD: Surely your foundation must have been concerned though with a lot of rulings and appeals as to net worth statements. These are directly concerned with appraisals, are they not?

Mr. PERRY: All I can say is that with individual members of the foundation, this inevitably would be the case. This is a very important feature in their daily work. As an organization we have not done on it what we regard as an adequate piece of research.

Mr. FAIRFIELD: You have no comments to make on the facilities of the department in so far as their appraisals are concerned, whether they agree with your ideas or not?

Mr. THOM: I have met assessors in various offices. That is part of my business. There is such a thing as the tax collector's point of view, or the assessor's point of view. From the point of view of good government in this

county I think it is a good thing that there should be those points of view. People do not willingly pay taxes. Most of them pay them honestly; and if you do not have the tax collector's point of view, there would not be as much taxes collected, and I suppose that would be a bad thing.

The assessor's work comes long after the tax collector's point of view, and it does not impose any undue amount of personal prejudice on the work which they do from day to day.

I think, without appearing to be patronizing in any way, that considering the opportunities for employment elsewhere at higher remuneration, the staff of the department is of a high order, particularly when you get up in the higher levels of it.

When you come to the matter of assessments such as net worth, you probably should bear in mind—that with these net worth assessments—that when they meet a man who has assets which are not explained by any tax returns he has ever filed, it means that he is either a flagrant or an inadvertent defaulter. So when they start out to collect the tax from that man—the same as they would from you or from me—he is inclined to be put out with the treatment he gets, and he will start to complain.

I think you will find in these net worth assessments and in following them up, the officials of the department have gone to an extraordinary amount of trouble to get as close as they can to that man's income.

In the United Kingdom they will take a look at a business or an individual and they will say: We think your income last year was 1,000 pounds. He may be quite surprised at that, and if he pays his tax on the 1,000 pounds, they may say the next year: We think your income was 2,000 pounds. Eventually it gets to the point where the taxpayer will bring in his books and records for audit, and may attempt to show that it was something else.

As far as I am aware, our tax department has never gone into that kind of assessment. However, they do make an effort to get at the real position of that man's income. They probably try harder where the man is an inadvertent defaulter than where he is a flagrant defaulter. I think there are a lot of people whose names are not on the tax roll at all.

The CHAIRMAN: May I return to the question of the compromising of assessments? I gather this is done at two points: one, even before the assessment specifically may have actually been made, and the other, following it.

It appears that the percentage of compromise assessments is some three per cent, but we shall be meeting with the tax officials again and we can get that figure confirmed.

Do you have any views as to whether or not the procedure which the department is using is a satisfactory one? Should there be a separate tribunal or board, or should it be left to the discretion of the district office or the senior office? Are you happy with the compromise of assessments as such, and should we have some type of pattern or some type of plan, or have you looked into this matter at all?

Mr. THOM: I could speak for the larger centres, Toronto particularly. There is in the Toronto office an appeal section, and there is an individual on our staff who is in charge of the appeal section. They review the assessment if the taxpayer objects to the department's assessment and chooses to seek their assistance. From that appeal section you can come to this city, Ottawa, to what we call the appeal committee, and they will further review the conclusion or recommendation of the group in the local office. I think that is a fairly general part of the machinery.

My only comment is that perhaps that internal machinery might be a little more "formalized", but it is working.

The CHAIRMAN: Are we placing in the hands of an official, too much authority, too much discretionary power, in so far as his ability goes, under the terms in which he purports to make compromise assessments?

Mr. THOM: If we do not like it, we can always say to him: we will meet you in court.

The CHAIRMAN: That seems reasonable.

Mr. BELL (*Carleton*): Mr. Perry indicated that he would dearly love to conduct an administrative survey of the department. Would it be his view that we should have an efficiency survey conducted, and that this committee should so recommend it?

Mr. PERRY: In my mind I do not think it is a matter of timing. I simply feel it is part of the function of our organization to put more attention on the administrative aspects of taxation than we have in the past. It is largely that feeling that motivated me. I would not want it to be implied in any way that we feel a deep concern over the present administration of the Income Tax Act. I think, as the Chairman has said, we are probably extremely fortunate in this country in the calibre of our administration. Undoubtedly there are problems with which they would appreciate assistance; I am quite sure of that.

Mr. BELL (*Carleton*): May I turn to another aspect and ask you to comment on the administration of the capital cost allowance provisions, and the efficacy with which this department is presently administering the section?

The CHAIRMAN: First of all may I ask if there are any more questions on the subject we have been dealing with? If not, very well. Kindly proceed, Mr. Bell.

Mr. BELL (*Carleton*): Would Mr. Leach care to comment generally on the capital cost allowance provisions?

Mr. LEACH: These are very complex and ingenious, but I have no complaint about the way they are operating. I cannot think of any instance where there has been any particular trouble. Perhaps Mr. Thom could say a word about it.

Mr. THOM: No, except if you accept the validity of the scheme, which I think most people do.

Mr. BELL (*Carleton*): You think that the present technique of recovery is working satisfactorily both from the point of view of the taxpayer as well as that of the tax collector?

Mr. LEACH: By and large, yes.

The CHAIRMAN: Do you agree, Mr. Thom?

Mr. THOM: When you say "the point of view of the taxpayer", I think it costs him taxes, and if that is satisfactory, yes, it does. I think the mechanism of the capital cost allowance scheme is working quite well.

Mr. BELL (*Carleton*): Is there any means of simplifying it?

Mr. LEACH: As I said before, it is complex. It could be simplified, but whether it could be improved or not, I do not know. We had a much simpler scheme before this one was brought into force, but a lot of problems and a lot of argument developed, and what happened was that the whole thing has been codified. I think it is working well and I suppose it is being well accepted.

Mr. BELL (*Carleton*): You find it more satisfactory than the old provisions for depreciation?

Mr. LEACH: Yes, I think that is true.

Mr. CATHERS: I would like to ask if the gentlemen here have comparative figures as between England, the United States and Canada, on the total taxable income—I mean, on all taxes. I am trying to find them. You will hear it said that the man in England pays terrifically higher taxes than we do in Canada. But there are a great many different taxes in this country. Have you any figures on that?

Mr. PERRY: It is still a matter of great argument among economists and fiscal experts as to what the proper measurement should be. The one most commonly used, is to apply the tax burden as a percentage of the gross national product. Those are figures that are quite easily obtained. I do not have them with me, but I believe they would show that the United Kingdom level is slightly higher than the Canadian or the American levels. Again, this is just one side of the story. The quality of the expenditure is a very important aspect too.

You could have a tax system which was taking away a large segment of the national income and handing that segment back, but not directly to the individual taxpayers. Our own tax system does a lot of this in the way of welfare payments which are just coming in and going out again. It is increasingly my view that the tax burden itself must be offset against that kind of expenditure which the government is making, and which keeps increasing the real burden on the economy.

Mr. CATHERS: Would that include tariffs on imports?

Mr. PERRY: Yes; it is just the calculation of taxes, which are a by-product of the computation of the national income. We have a publication here which gives the Canadian percentages over a long period of years. It would take a statistician only five minutes however, to gather the facts. There is no mystery about it at all. This was made 25 years ago, before national account figures had developed to their present position. I do not know any more about it, but these figures are available.

Mr. CATHERS: Have you figures to show our percentage of tax?

Mr. PERRY: Last year our own figure ran to around 27 per cent of the gross national product.

Mr. PUGH: Does that take into account any provincial taxes?

Mr. PERRY: Yes, this included everything.

Mr. PUGH: What would it cost the individual taxpayer, per man, per annum?

Mr. PERRY: This included the whole mass of taxes collected within the country, federal, provincial and municipal.

Mr. CHAMBERS: My question is on a slightly different subject. At earlier meetings of the committee the question arose as to the impact of the estate tax, particularly on smaller or medium sized estates, where there might be, for instance, a single ownership of a company, and where the assessed value and the realizable value were sometimes different, depending upon the time when the death occurred, and so on. I wondered if you had any suggestions to improve the machinery or the operation of this thing which seems, to some people at any rate, to mitigate against small businesses, forcing fire sales and so on. Has this been the subject of any study by you?

Mr. PERRY: Our publications are quite extensive. They are largely devoted to analyzing and distinguishing; but I think it probably can be said that the foundation membership at large would support an alternative date of valuation, possibly a date one year after the death.

Mr. CHAMBERS: With a choice?

Mr. PERRY: Yes, I think there would have to be a choice, otherwise it is not an alternative.

This is not a very original contribution, because almost everyone who has made any submission whatever on estate taxes, has suggested that feature. That would not be the whole answer to the problem. However, it would be quite a substantial answer.

Mr. CHAMBERS: What about the question of the easy payment plan?

Mr. PERRY: You mean by three payments, or an extension of the instalments? We made no specific recommendation on that, although again it did seem a longer installment period than even the six years would be desirable. However, it is very difficult to tell now just what this six-year period does mean.

Mr. LEACH: That does not help you if you are assessed on a higher valuation and can realize later on it.

Mr. CHAMBERS: It can be assessed at a certain figure, but when you go to sell it it is perhaps not the right time and the market for this type of business is off and may be off for two or three years. That can cause a hardship on the taxpayer. I do not think there is a question here of anyone avoiding what they actually should pay, but rather that there should be some method of spreading it out or putting in a different time period so that the assets which a man may have built up over a lifetime are not thrown away.

Mr. LEACH: If you have marketable securities perhaps there should be alternative valuation dates.

Mr. NESBITT: I have some questions which perhaps I should address to Mr. Thom. This is in line with the matter which Mr. Chambers brought up. First of all, I would like a general comment and then I have one or two specific examples on which I would like Mr. Thom to comment. In the former Dominion Succession Duty Act, in respect of the valuation of certain assets of estates—and I have in mind stocks, mortgages, fixed assets of companies, and so on, and I also have in mind small companies where shares do not trade readily on the market—there used to be discretion on the deputy minister and his officials in respect of the valuation.

Under the new section 27 in the estates tax act, that is no longer possible. Would you make any general comment on that, Mr. Thom, from your experience?

Mr. THOM: The professions I think advance the arguments that there should be some recognition of what they call blockage where you have an individual who may have a large holding of shares of a commercially-owned company and that sort of thing. The tax officials bring up cogent arguments to support their position that you must go by the market or quoted value as of the date of death. I think it would be better to take the suggestion of Mr. Leach that there should be alternative valuation dates if possible.

Mr. NESBITT: I have examples of one or two special cases. The first is in respect of a large bloc of shares in a company which may be stock which appears on the stock exchange but is very seldom traded. Under the new act I believe it is mandatory to take the last sale value of this stock. It might take two or three years to sell stock of this nature and even then you might have to sell in a large deal because sometimes these shares are traded one, two, or even five or six times.

Under the new section of the act, do you think it would be an improvement from the point of view of the taxpayer, or do you think it works an unreasonable hardship?

Mr. THOM: I do not know. The argument is that you cannot sell the shares at the quoted price in small numbers and that it takes years or months and by that time the market may have gone to pieces. On the other hand, sometimes

you can get a larger price than the market price because of the size of your holding, which is something which the administrators of an estate do not like to be forced to admit.

Actually, I do not think there is enough of a sort of objective study of the issue to permit of a conclusive answer. I am thinking of hardship on the government as well as on the taxpayer.

The CHAIRMAN: Would you say there is too short a term to give it a reasonable trial?

Mr. THOM: The province of Ontario has had a very rigid position on this for years before the dominion took the same attitude. The dominion act is only brought in in conformity, as I understand it, with the Ontario act. The Ontario officials for years have just set their face against any departure from market value in the evaluation of shares.

Mr. NESBITT: Are you certain of that?

Mr. THOM: I know in certain instances they may make an adjustment, but their initial approach is to resist any variation from market value if there is a market value. They are very difficult to move from that position.

Mr. NESBITT: What about the situation where you have a private company? Of course the value of the assets in a case like that is on some sort of book value. We all know it is not possible to transfer the shares in a private company without the approval of the directors, and if a person is a minority holder this refusal can work a considerable hardship and the shares, in effect, might be worth nothing because very often in private companies if it is the desire of major shareholders to squeeze out a minority shareholder they could do so by raising their own salaries and not paying dividends. In that type of a situation it does arise from time to time. Do you think that the present terms of the act are loose when such a case arises?

Mr. THOM: This is a very personal opinion. I am not in sympathy with the law as it now reads. I gather that the committee which sat on this bill was not in sympathy because it introduced into the bill that phrase of something about arm's length by the majority and minority holders of a company, which has almost reduced the section to incomprehensibility. I think they will have great trouble in administering it.

Mr. NESBITT: In respect of mortgages, perhaps in a prosperous period a first, second or third mortgage is put on a piece of property. Then you run into a period of falling values and the mortgage has to be disposed of at a considerable discount.

Under the present terms of the act the assessment is on the face value. Do you think that is a reasonable term in the act?

Mr. THOM: I think I have to qualify my answer by saying that most of my clients think it is not.

Mr. LAMBERT: I have a corollary here in dealing with what I would classify as a higher risk investment such as when mortgages and agreements for sale are deemed to be at their face value, but where actually at market value there may be a discount of up to 40 per cent on them. Has there been a study or has there been any view expressed in the tax foundation as to the manner of treatment by the Department of National Revenue for taxation purposes of this type of investment?

Mr. THOM: These are relatively new considerations which arise directly from the new statute. I know the bar and probably the accountants have committees working on it, but it has not been developed to the point where conclusions have been arrived at by any committees of the bar or the tax foundation.

Mr. LAMBERT: It not only arises through the Estates Tax Act but also through valuations for purposes of income tax on the sale of a property, where for instance a builder has to take second mortgages on agreements for sale, and he is taxed on the basis of the face value of his security when in actual fact he has to dispose of it in order to carry on business. In the meantime he is losing capital and there is a considerable discount.

Mr. THOM: As I understand the law, does not the tax department give the builder the benefit of the reservation in section 85 (b)?

Mr. LAMBERT: It did not seem to appear that way from the testimony of the deputy minister. It seemed that was considered as direct revenue at face value.

Mr. THOM: Subject to the reserve of the profit element in the unpaid parts of the mortgage which might never be realized.

Mr. NESBITT: Take the situation where a company has very substantial assets in both plant machinery and possibly inventory, but because of domestic or international conditions has been operating for a number of years on a deficit basis or at the very best never makes any money at all. When the valuation of the shares of a company of this type takes place, usually a firm of chartered accountants is asked by the department to make some valuation of the assets of the company. Very often the stock is actually worth very little if the company has never been making any money, and you may have assets which perhaps cost millions of dollars. If they are written down actually because of their operations, the assets are not worth very much at all and have to be sold for scrap. Do you think that approach has been a reasonable one?

Mr. THOM: I would be glad to hear a chartered accountant answer this question.

Mr. LEACH: I do not know that I recognize the approach because the evaluation of shares is almost a science in itself. The investment people are very skilful at this. Everyone recognizes that the earnings record is probably the vital factor. Sometimes you come across companies with no earnings and the department people will approach it from the point of view of trying to go behind and evaluate the plant or the real property. If, as you say, it is demonstrated these really are not saleable or valuable, you would run into trouble; for instance in a case where you have valuable real estate, although it has no earnings as an industrial enterprise. The problem arises when you have valuable real estate and the department feels that could be disposed of. In this way the company could be wound up and a good return of capital shown.

Mr. FISHER: I have a general question, Mr. Chairman. I am interested in whether the tax foundation has taken any interest in the kind of legislation we have in reference to the Canadian Vessel Construction Assistance Act or the Emergency Gold Mining Assistance Act which, in effect, give special privileges to certain kinds of corporations or companies; and as to whether from a point of view of principle the foundation has examined this type of legislation and has any comments or views to make in connection with it.

Mr. PERRY: Well, generally the concessions coming under this kind of legislation are an acceleration of write-offs which are going to be obtained in any event. I think we have reached the point in this country where we are no longer shocked at this. It does not represent a tax concession to allow a man to write off more speedily something which he is going to write off in any event, and quite often under the present capital cost allowance provisions the normal write-off is over a much shorter period than it would have been in the past. Therefore, these concessions are not as large as one would imagine.

Mr. FISHER: I was not expressing myself from that point. I am wondering about a question of principle; did it ever bother the tax foundation?

Mr. PERRY: I do not think it has.

Mr. THOM: It encroaches on those bills of government policy which, I think it is correct to say, the foundation considers is not its business. I am referring to rates of tax and things of that kind.

Mr. BROOME: In regard to concessions, there used to be a special concession given to companies who were wholly-owned outside of the country. That was eliminated. There has been the odd suggestion in financial papers that actually it should be the other way; that is, there should be special taxes against such a company in order to promote Canadian participation in ownership of its companies.

Mr. PERRY: I would think you are referring to the recent change in the budget affecting foreign business corporations, the withdrawal of the right to create new business corporations; and I would not want to comment on that change.

Mr. BROOME: There was a lower tax rate.

Mr. PERRY: Oh, I see; it is in connection with the non-resident.

Mr. BROOME: Yes. If a company did have Canadian shareholders but approximately 99 per cent were in foreign countries they had a different tax rate if they had Canadian shareholders than if they did not.

Mr. PERRY: I think that problem has been cured by a reduction of the requirements of ownership to 50 per cent rather than 95 per cent.

Mr. NESBITT: I would like to revert to the estates tax question again. I would like to ask Mr. Thom for his general views on certain questions of valuation of assets in estates, and I mentioned certain examples. The former Dominion Succession Duty Act used to give considerable latitude and discretionary powers to officials of the department in dealing with particular cases, such as those I have mentioned, and also other valuation of things such as mortgages and so on. It used to give discretionary powers in connection with valuation and the taxpayer was able to present his side of the case. However, the new act cuts out these discretionary powers. Would you think it would be a good or a bad thing if these discretionary powers were returned to officials of the department to take care of unusual cases?

Mr. THOM: I do not know that I have any developed opinions on that point, Mr. Chairman. I read Mr. Linton's little book on the tax act a few days ago. He felt it was an improvement to put rules in the act; and I think theoretically one should agree that rules are a good thing, if they are workable. However, my experience certainly has been to the point where I can express an opinion on the validity of the rule, or the efficacy of the rule.

Mr. NESBITT: I have a further question, and it has no reflection on you. In the course of your ordinary business, do you deal very much with estates?

Mr. THOM: Not to a great extent; not as much as many lawyers do.

Mr. BELL (*Carleton*): I have one general question on the estates tax. In the brief period of four months the act has been in force, have there been any special administration problems come to the attention of any of the witnesses which they would like to draw to the attention of this committee?

Mr. PERRY: I have one which I think is only a temporary one, and that is the forms are not available. I think this will be or has been already corrected.

Mr. CATHERS: Before we leave this question of succession duties, I would like to say I advanced a proposal to authorities here that if some effort could be made to overcome this duplication as, for example, between the Ontario and the federal governments—and this is going to get into politics—there would be a

great saving if one was eliminated. It would also be to the benefit of the taxpayer. I think succession duties should come under the federal government because they have the man's income tax over a great many years, and surely they are in a better position to get what they should get.

The CHAIRMAN: What is your question, Mr. Cathers?

Mr. CATHERS: What would be the opinion of these witnesses if the provincial governments were eliminated from this field? I believe there are only two provinces in Canada—

The CHAIRMAN: I am going to suggest that is hardly within the purview, unless you wish to answer it.

Mr. THOM: Of course, we could all go out and live in the golden provinces of the west.

The CHAIRMAN: Is that your answer? Mr. Pugh, have you a question?

Mr. PUGH: I want to revert to concessions in regard to mining companies which are taking over old properties; what is the test now? I suppose this is another example of dealing at arm's length; but what is the test? We have a great many mines in our area and I am occasionally approached. Could we have the write-offs which would apply to a new mining venture, if it was started up again.

Mr. PERRY: Are you inquiring in regard to a test of whether or not it is a new mine?

Mr. PUGH: Is that one hundred per cent? What about a new incorporation?

Mr. LEACH: There are two facets to this. A three-year exemption could apply only to a new mine; the other is the carrying forward from one owner to another of developing expenditures on a given property. I think the latter is the one you are talking about.

Mr. PUGH: Let us take it a step further. Would any concession be made where the mining property may have been out of existence for a period of fifteen years and you have a brand new set-up coming in? Will they treat that as a new mine? We have many examples of this in my area and there has been a great deal of discussion about it. What is the test?

Mr. PERRY: Frankly, I will admit I do not know.

Mr. THOM: Some litigation concluded in the supreme court about a year ago on that point. I would not like to say it settled all the issues that could be raised.

Mr. PUGH: That would be based on arm's length, I imagine.

Mr. THOM: That would certainly be a factor. If the same company revived a former working, one might think it was not a new mine, or the same may be the case if the old company incorporated a new subsidiary to revive an old working. However, if the old working is revived by new people, it might be said the significance of this legislation was to the effect that this was a new mine.

The CHAIRMAN: Are there any further new subjects?

Mr. BELL (*Carleton*): I think many of us have been concerned about the increasing complexity—indeed, the almost incredible complexity—in the draftsmanship of taxing statutes generally. Is that inevitable, or in the opinion of Mr. Thom or the other witnesses, is it possibly to simplify the draftsmanship of taxing statutes?

Mr. THOM: I once crossed swords at a meeting of the tax foundation with a very highly placed and competent servant of a government department, and I must say he somewhat routed me. He said, in effect, that 10 years ago we had a statute that was all discretionary and everybody complained bitterly; and now we have a statute with the rules in the statute—parliament does the taxing.

If we want to have equity and allowances for all variations and circumstances of particular cases, our rules are going to be complicated. If we want to make rules that can stand up to interpretation by the courts so they mean what the draftsmen meant them to mean, we get the kind of thing we do not like.

Mr. NESBITT: And they do not cover unusual situations either.

Mr. THOM: No.

Mr. MORE: Mr. Chairman, I was wondering if, in the opinion of the witnesses, there are areas of income that they consider should be taxed and which escape taxation now, casting an undue burden on other taxpayers?

Mr. LEACH: Well, there is a very, very old example of that which has been talked about lots of times, and that is, people who trade in the stock market. If you would like to find some way of getting those out of trading operations.

Mr. PUGH: We could not get losses on that.

The CHAIRMAN: Mr. More, would you like to pursue this subject?

Mr. MORE: I am not only thinking of trading in the stock market, but it seems to me that bonuses and other things escape taxation. They are not likely to get it exactly as a capital gains tax, but it seems to me there are possibilities that what might be considered large incomes do escape taxation.

I wonder if, in your reviews of our tax laws and the impact of tax on certain areas, you have considered that question.

Mr. LEACH: Mr. Chairman, would we not be getting into the area of policy there?

The CHAIRMAN: We really are moving into the responsibility of finance, as far as concerns what is taxable in that sense. Mind you, we have been on that border line on several occasions.

Mr. CHAMBERS: Mr. Chairman, there is just one other thing that arose from the previous evidence, and that is the apparent difference in assessments and the method of dealing with assessments in the taxation offices across the country. I was wondering if in your seminars, and so on, anything had come up on this matter, and whether you would like to make any comment. It was suggested that more uniformity might be arrived at if somewhat more general rules were put down at different offices. The situations, of course, differ in various offices. Have you any comment in regard to that?

Mr. LEACH: It is a question of centralization or decentralization. If you want to have everything administered precisely the same way, everything has to be funneled up to the top to be checked to see that it has been done uniformly. On the other hand, uniformity is an excellent thing. What the department has been trying to do in the last few years is decentralize and give the men in the district offices a certain amount of latitude. They have done that by means of the famous Assessors Guide, which is given to them as a guide and not as positive instructions. It is an attempt to combine the best features of both systems.

If you are going to decentralize, it enables you to get on with the whole operation much more rapidly. There has to be some latitude given locally, and this inevitably leads to slightly different treatment in some cases.

I think the alternative of having everything controlled rigidly from the top would not be particularly good.

Mr. CHAMBERS: On the basis of your investigations, does the foundation recommend any particular part of Canada where one should live to pay the least tax?

Mr. PERRY: A chastening thought on this idea of uniformity is that in the country that was the mother of income tax, the United Kingdom, they still have local commissioners, who are essentially groups of businessmen. They

act as appeal boards on assessments within the area. I do not know how many there might be in the city of London; there might be one for every half a dozen blocks. They give decisions based on their own judgment and the facts of the case, which may produce twenty different kinds of treatment on the same transaction within one city. That does not shock the British people.

Mr. CATHERS: They are shock-proof.

Mr. MORE: Does it shock you?

Mr. PERRY: Well, there is something genteel about it.

The CHAIRMAN: I rather feel you are conceivably reaching the end of your questions, gentlemen. Mr. Bell, have you any further questions?

Mr. BELL (*Carleton*): Yes, Mr. Chairman. While the witnesses are here, I do not think we should leave the matter without asking them if they have any suggestions with regard to the sales tax and excise tax generally. Are you satisfied with the progress that has been made regarding the Carter report recommendations?

Mr. PERRY: I suppose in recent years we have probably done more on sales tax than we have on income tax. We have attempted to maintain interest in the work that is being done in implementing the Carter report. In my position, they do speak to me with, perhaps, greater confidence and greater disclosure of some of their inner thoughts than they would to an average citizen. I am satisfied that a sincere effort is now being made within the Department of National Revenue to not only implement the Carter report, but to undertake a general review of the provisions of the sales tax, for which we have agitated now for five or six years. I think this is a period of waiting and we must be patient, as long as it seems clear that the department is genuine in its protestations that it is continuing its study.

It is a massive undertaking, to revise a large statute of that kind. The implications of it are enormous. Our present position is one of alertness for any sign that the process of revision has come to a stop, and I think, as of today, we are satisfied that it has not, that it is going forward.

Mr. BELL (*Carleton*): Do you think the procedure adopted in connection with the Estates Tax Act might be a good thing for the revision of the sales tax; in other words, introduced at one session, held over for review by all interested organizations and then proceeded with at a subsequent session?

Mr. PERRY: Certain features of it could be handled that way. The only feature is, it does affect business transactions. One does not plan to die by a certain date simply because new legislation is coming in, but the colour of transactions could be changed if it were thought that a new kind of legislation were coming into effect by a certain date. So there is a real problem there. Otherwise I think it would be desirable.

The CHAIRMAN: Gentlemen, the situation is this: It was intended, if there were additional subjects, to come back after lunch. This, of course, is Friday afternoon, and we must face the fact that many of our members have returned to their homes. Am I correct in assuming that you have completed your examination?

Some hon. MEMBERS: Agreed.

Mr. LAMBERT: I think so, Mr. Chairman, to this extent, unless the witnesses themselves have any particular points they would like to draw to our attention which have not been brought forward by our questions.

The CHAIRMAN: I had planned to ask them that question, and I suggest that any additional statement might be included. Is there anything else you wish to bring to our attention, gentlemen?

Perhaps, while they are discussing that point, I might give you an indication of what I think should be the pattern of our meetings in the future. I thought that on Tuesday we would come back to close the general item on taxation with Mr. McEntyre and the minister, and, of course, give the committee an opportunity to make any comment on today's meeting. I thought we could consider on Thursday the report on the Department of National Revenue. The report would then be written over the weekend and the first draft of it would be presented on the following Tuesday. Does that meet with your approval, gentlemen?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Have you any comments you would like to make, gentlemen?

Mr. LEACH: May I say, Mr. Chairman, before we adjourn, what I said at the outset. We have been very pleased to be here, and we could not like anything we have said to be considered as criticism of the department, because we are more than well satisfied that we are in good hands. Anything we have said is only in a desire to be helpful to you and to the department.

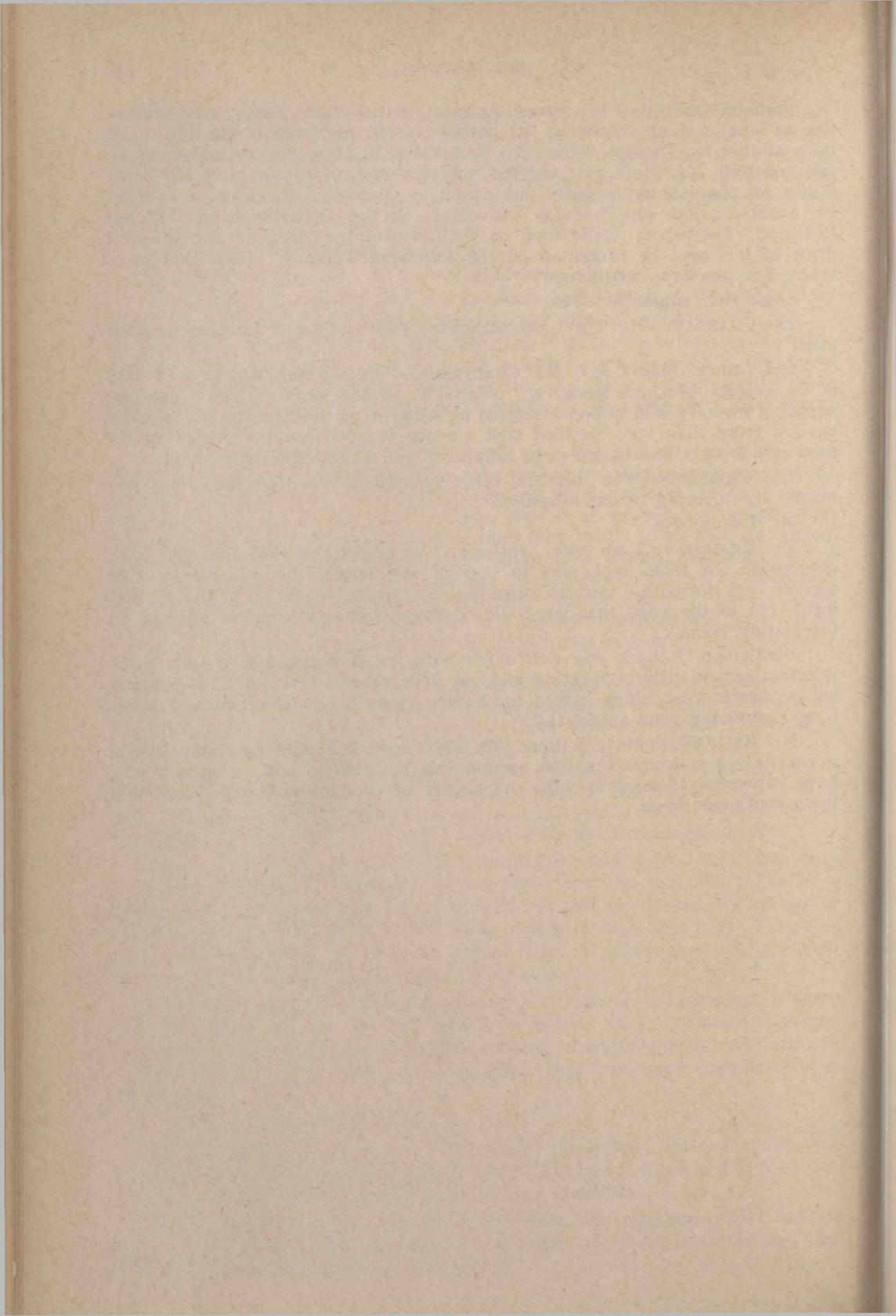
The CHAIRMAN: You have no other general comment or anything you would like to bring to our attention?

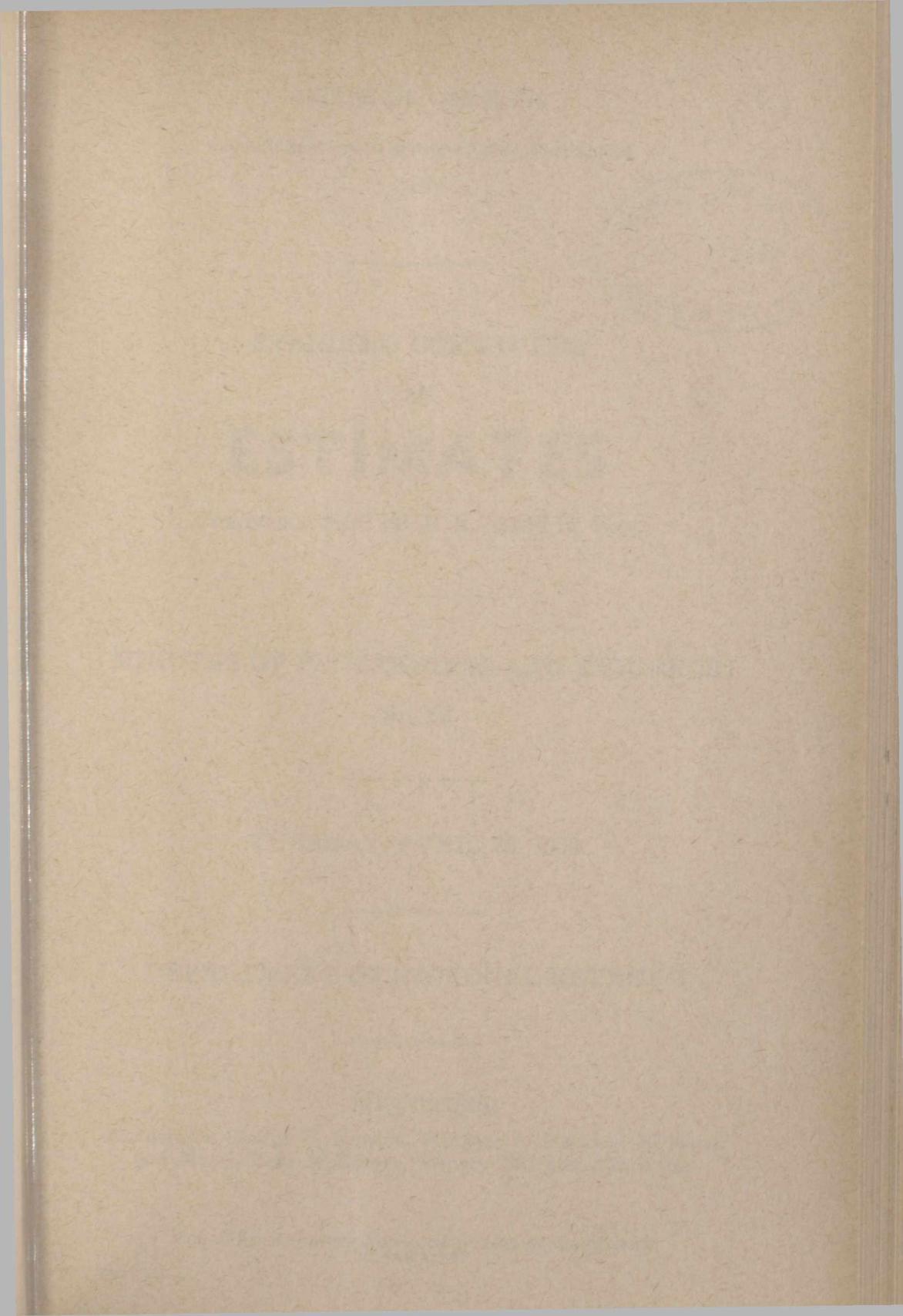
Mr. LEACH: No.

The CHAIRMAN: I am sure, gentlemen, we accept the view that you have expressed. In fact, as I said to you in my letter, the purpose of this meeting was not with a view to attacking any particular section of the department, but in the hope that we could, perhaps, improve what is already on the statute books.

Gentlemen, I think you will agree with me that this has been a most informative and helpful meeting and, on your behalf, I would like to thank our witnesses very much indeed for having come here. Gentlemen, I know I am expressing your approval.

Mr. BELL (*Carleton*): I think, Mr. Chairman, it should be stated that it is certainly a welcome situation around this building to have witnesses who have expressed themselves with the clarity of thought and expression that these gentlemen have.







HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959



STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

TUESDAY, APRIL 28, 1959

DEPARTMENT OF NATIONAL REVENUE

WITNESSES:

Honourable George C. Nowlan, Minister of National Revenue;
and Mr. J. Gear McEntyre, Deputy Minister—Taxation.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,	Garland,	McQuillan,
Baldwin,	Gillet,	McWilliam,
Bell (<i>Carleton</i>),	Grafftey,	More,
Benidickson,	Hales,	Morris,
Best,	Hardie,	Nesbitt,
Bissonnette,	Hellyer,	Nugent,
Bourbonnais,	Halpenny,	Payne,
Bourdages,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Korchinski,	Ricard,
Cardin,	Jorgenson,	Richard (<i>Kamouraska</i>),
Carter,	Lambert,	Rowe,
Cathers,	Macnaughton,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Winch,
Fisher,	McIlraith,	Winkler—60.
Fortin,	McMillan,	

(Quorum 15)

E. W. Innes,

Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, April 28, 1959.
(11)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Bissonnette, Broome, Carter, Cathers, Chambers, Coates, Dumas, Fairfield, Fisher, Grafftey, Hales, Halpenny, Hicks, Howe, Jorgenson, Korchinski, Lambert, McDonald (*Hamilton South*), McFarlane, McGrath, McGregor, McQuillan, Morris, Nesbitt, Nugent, Payne, Smallwood, Smith (*Calgary South*), Stewart, Tassé, Winch, and Winkler—33.

In attendance: From the Department of National Revenue: Honourable George C. Nowlan, Minister; Mr. J. Gear McEntyre, Deputy Minister of Taxation; Mr. D. H. Sheppard, Assistant Deputy Minister; Mr. W. I. Linton, Administrator of Succession Duty; Mr. D. R. Pook, Chief Technical Officer; Mr. D. J. Costello, Supervisor of Operations; Mr. A. V. Neil, Assistant Chief Technical Officer; and Mr. L. E. Hardy, Personnel Officer.

The Chairman outlined the Committee's agenda for the next few meetings, including the preparation of the "Report to the House" respecting the Estimates of the Department of National Revenue.

On motion of Mr. Winch, seconded by Mr. Halpenny,

Resolved,—That a Report be made to the House recommending that the Items relating to the Department of the Secretary of State, and to the Civil Service Commission, as listed in the Main Estimates, 1959-60, be referred to this Committee.

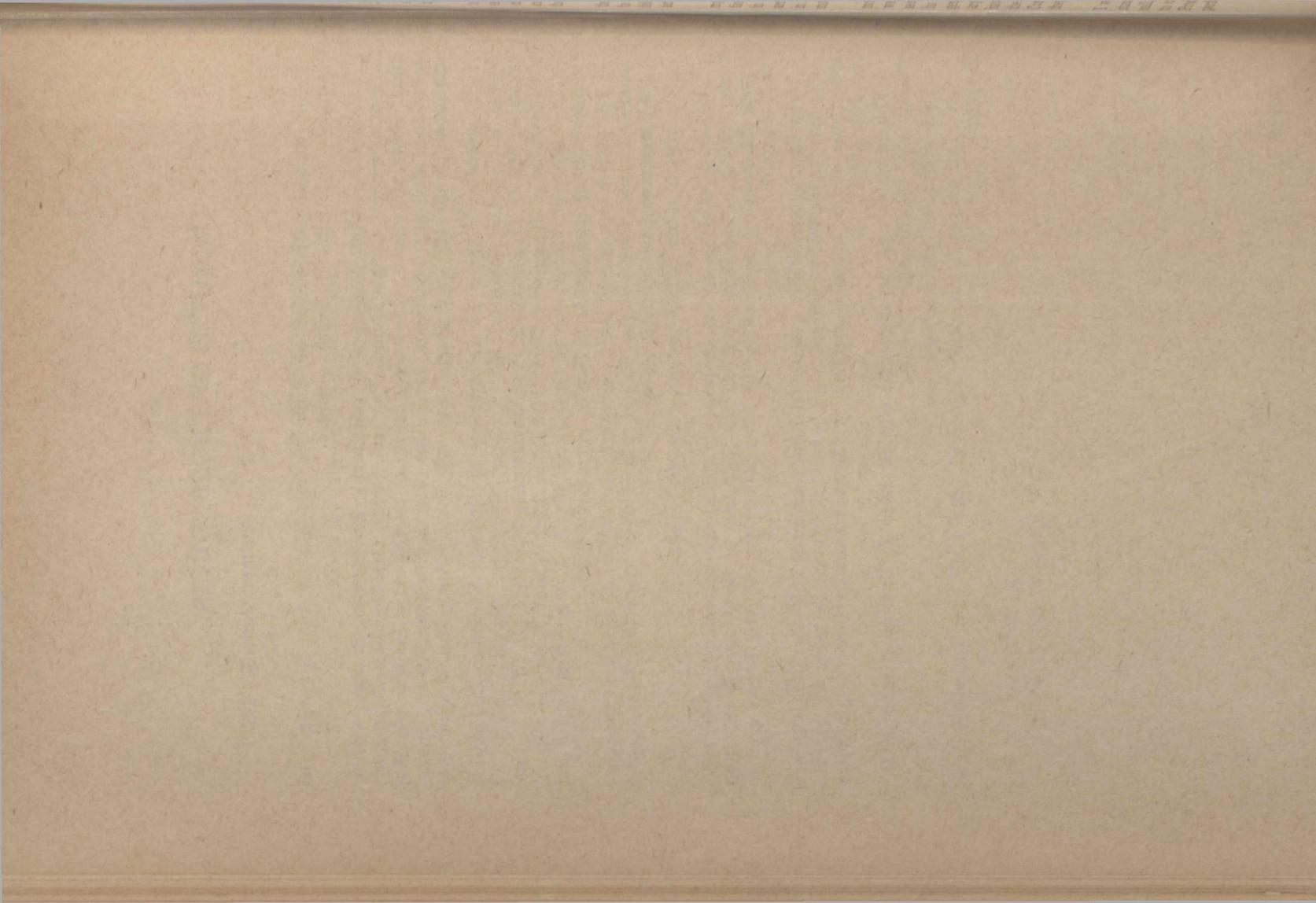
The Committee further considered Item numbered 258—*Taxation Division—Administration*. Mr. McEntyre made a brief statement in reply to observations made at the previous meeting by the representatives of the Canadian Tax Foundation.

The Minister and departmental officials were further questioned on the operations of the Taxation Division.

Item numbered 258 was approved.

At 11.15 a.m. the Committee adjourned until 11.00 a.m. Thursday, April 30, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

TUESDAY, April 28, 1959.
9.30 a.m.

The CHAIRMAN: Good morning, gentlemen. You are becoming remarkably prompt; thank you very much.

As you will recall, after the adjournment of our meeting on Friday, I mentioned we would have the officials of the department back with us again for two purposes; the first was to permit them to make any comment or perhaps a rebuttal to any comment made by the officials of the Canadian Tax Foundation; but, more important, it is our desire to close the general administration item, of the Taxation division, item 258, which we still have under review. That item is found on page 53 of the Estimate Book.

However, before we do that I should point out to you that we are drawing to a close in the consideration of the Department of National Revenue estimates. So that we do not run out of business, I think we should give some consideration this morning to the department which we intend to call next—and I use this term advisedly—which we would recommend to the house for their consideration.

For your information, I have cleared with the house leader in regard to the principle of our making a recommendation to the government. He suggested to us that since this is the pattern we have followed, we should continue to follow it in the same manner. Of course, the government has every right to act as it wishes, but it is purely a matter of indicating our desire.

Assuming that we close the general administration item 258 this morning, my thought was that we would then on Thursday, in camera, give consideration to the report itself. Then over the week-end the report could be written in its first draft and on Tuesday you would have an opportunity to reject or accept the report as such. Possibly on the following Thursday we would be in a position to commence our study of the department which we select this morning.

Therefore, the purpose of determining what that department will be this morning is twofold; first of all, it would give you an opportunity during the week-end to do a little research in connection with the department and, secondly, it would give the department concerned an opportunity to straighten its own house before coming before us. I use that term advisedly because, gentlemen, not that they are required to make any detailed preparation of any evidence to be given to us, but in regard to the three departments we have thus far examined you will see that it does disrupt the department to the extent of having to have officials continuously on hand before the Committee. In all fairness to them I think we should give them notice that they will be expected to appear before us at a certain time.

Perhaps I might refresh your memories as to what departments are open. I would ask you to keep in mind that about half of them have their own standing committees; consequently they are not in the category that we might call, in principle, technical. Technically, we are open, and entitled, of course, to call all of them. Last session we had before us the Department of Defence Production and the Department of National Defence. I suggest that we have performed our service in that respect and, therefore, it seems unnecessary at

this point to go back to them. Perhaps in another session it would be advisable to have a look at these same two departments again.

The Post Office Department is open; Justice is open; Finance is open; Trade and Commerce is open; the Secretary of State Department and the Department of National Health and Welfare are open. Without attempting to guide the committee, a number of the members have suggested that we might have a look at the Secretary of State Department, in view of the fact that, amongst other things, it incorporates the Civil Service Commission in which, I believe, some major changes in their regulations will be introduced, and I am referring to the Prime Minister's statement.

Each of these departments would present an interesting study and I am going to leave it to the committee to make their own selection. I would be happy to receive any motion in regard to the department that we should next take under consideration.

Mr. WINCH: Mr. Chairman, because I think it would be both interesting and informative—and in view of the Prime Minister's statement that perhaps not this but next session changes may be made in the Civil Service Act—I think it is both logical and advisable that a committee of this nature should have a look at a department before major changes are made; it does not seem quite reasonable to start dealing with it immediately afterward. I would like to move—if I can get a seconder—that we make a recommendation that the Department of the Secretary of State and the Civil Service Commission be referred by the House to this committee.

Mr. HALPENNY: I will second the motion.

The CHAIRMAN: Are there any comments?

Mr. BELL (*Carleton*): I would like to say one word, Mr. Chairman. I find myself in full agreement with the submission Mr. Winch made. In addition to what he has said, I might say there are the patent, trade mark and copyright offices under the the Department of the Secretary of State. I think it might be useful for us to follow the precedent we established in calling the Canadian Tax Foundation, in that when these estimates are before us we might call the officers of the Patent Institute of Canada. I think these officers would welcome the opportunity to come before us, and would make a very interesting presentation.

I am in full accord with the suggestion that the Civil Service Commission should be before us. I think it has a twofold advantage; first, as Mr. Winch has mentioned, it would lay the groundwork for the review and revision of the Civil Service Act, which the Prime Minister has indicated will be undertaken at the next session of parliament. No doubt that will be a major and important task in connection with the public service of Canada; and I am sure a preparatory review by this committee will be helpful at the forthcoming session. The second point is that I think an objective review of the Civil Service Act may help to take away some of the misapprehensions in regard to the role and functions of that act, and in that respect it will be good for the commission itself as well as for the public service generally. I think if we approach the task in an objective way, we can achieve much that is good for the public service of Canada and, all in all, performs a most useful function.

The CHAIRMAN: Are there any further suggestions?

Mr. CATHERS: What about the crown companies?

Mr. CHAMBERS: They come under various departments.

The CHAIRMAN: That is the problem. As you recall, under Defence Production we had a group of crown companies; Polymer Corporation was one. There were three or four of them.

Gentlemen, I would like to make this point clear. It is quite obvious from the Prime Minister's statement, when he outlined the business of the house, that we are going to be here for some time to come, and I see no reason why this committee should not sit continually throughout, provided the house is still in session. There is nothing to prevent our studying yet another department after we have concluded with the Secretary of State, which includes the Civil Service Commission. I think these things are important and that is the reason we are discussing them now. We do not want to find that after discussing the estimates of a certain department we have run out of work. I would like your views from time to time as to what you think we should have before us.

If there are no further comments, I will ask you to register your approval or disapproval of the motion made by Mr. Winch and seconded by Mr. Halpenny. All those in favour of the motion? Opposed, if any?

Motion agreed to.

The CHAIRMAN: We shall make the recommendation to the House that the Department of the Secretary of State, which includes the Civil Service Commission, come before this committee. That motion will go to the House at approximately the same time as we present our report in connection with this business.

As mentioned, we have the deputy minister, Mr. McEntyre, together with his officials, back with us this morning. Item 258 is still open. Perhaps I might ask you, Mr. McEntyre, if you have any general comment or any rebuttals you would like to make following the evidence presented by the officials of the tax foundation.

Mr. J. GEAR McENTYRE (*Deputy Minister of Taxation, Department of National Revenue*): Mr. Chairman, I have had an opportunity of reading the transcript of the evidence taken last Friday, when the officials of the tax foundation were here, and I do not think there is anything in that testimony that requires rebuttal.

We were not in any way surprised at what the officials of the tax foundation had to say. We, in the taxation division, meet them quite frequently. Many of their members are practitioners in the tax field and they have frequent opportunities to express their opinions to us. Of course, we pay a great deal of attention to what they say because they represent the more important taxpayers of Canada.

There was one remark by Mr. Leach, in which he spoke about the public relations aspect of our work. I would like to say that we, of course, are very much aware of how much we rely on public relations to assist us in our work because income tax and estate tax depends on the self-assessment principle, so far as our law of Canada is concerned. We do have to rely on the information which is provided to us on the tax returns, and the calculations made by the taxpayers. This is in working out their tax, and paying it voluntarily. We strive continuously to improve our public relations; and in all our contacts with the taxpayers our officials are instructed to be fair and courteous, remembering all the time that we have a duty to collect the tax as imposed by the statutes passed by parliament.

I do not think I have anything more to say about the testimony taken last Friday.

Mr. FAIRFIELD: My question is along that line. Because of the significance of some of Mr. Leach's extemporaneous remarks about public relations, I think the public ought to know that actually there is a certain amount of courtesy often lacking in the assessors. I have wondered if the department as such has instructed its assessors as to their approach to the taxpayers, or is it left to

them to develop their own line of approach, keeping in mind always of course that the taxpayer is actually the employer of the assessors, as he should be.

Mr. McENTYRE: Mr. Chairman, in all our meetings with the staff of the taxation division every opportunity available to us is taken to develop the fact that we rely on the co-operation of the taxpayer, that we are working for the people of Canada, and that they are entitled to every possible courtesy. So I think there is never an opportunity missed to stress that point.

The CHAIRMAN: Mr. Lambert?

Mr. LAMBERT: I do not have the transcript of last Friday's evidence, therefore I speak subject to correction in detail: but I would like to have Mr. McEntyre's views on the observations made by Mr. Leach with respect to the promotion of assessors. It seemed to develop that there was a method of promoting assessors based on, shall we say, the number of files they handled, where they may have raised objection, or where they drew the attention of their senior officials to certain aspects of those files. I may have received the wrong impression, but it seemed to me Mr. Leach suggested that there might be a different way of promoting assessors. It came out that there was a tendency to become an "eager beaver", and I wondered if Mr. McEntyre could comment on that particular aspect?

Mr. McENTYRE: Mr. Chairman: we have a great number of returns to audit each year, and we do expect our assessors to be courteous. After all, they are being paid their salaries by the people of Canada, and they are expected to do some work for us. The question then is whether you should measure their productivity by the number of audits they do, or by the increase in taxes which result from the audits they do, or from the fact that they can deal with taxpayers without arousing any antipathy to our work. We feel there are many factors which have to be taken into consideration in determining whether an assessor is worthy of promotion.

When a vacancy occurs and there is a promotion, we have a board appointed to screen and review the applicants. Many of their qualities are considered. We have an annual efficiency rating which is made every year for each employee, by his immediate supervisor, and which is reviewed by a senior supervisor. After this annual rating is made, the member of the staff is called in and his rating is reviewed with him. Any weaknesses he may show are explained to him and he is given such advice as may be thought proper in order that he may prepare himself for possible advancement.

The factors considered in this annual rating are: (a) job performance; (b) general ability; (c) personal qualities; (d) work habits; (e) potential growth. That seems to cover pretty well, or in a general way, all the qualities which should be expected of a good employee.

Then the members of the board, if they do not know the candidates personally, may call them before them and have an interview, with each candidate. On the basis of that interview a determination is made as to which of the candidates is entitled to promotion to the higher position.

As I say, I think that perhaps in determining the factor of job performance obviously the members of the board will take into consideration whether the candidate is able to perform the audit and bring it to a conclusion in a reasonably short time, depending on the amount of work involved. So the ability to complete an assessment in reasonably short order and to get on with another one, is one of the factors which would have to be taken into consideration.

Mr. LAMBERT: Supplementary to that, it is obvious that job performance is one of the factors. I think that was given to us in the testimony. But I thought perhaps a little undue emphasis was given to it, and that the assessors tended to go by the book—in other words, that they were inflexible. Here

was something by means of which they could show that they were on their toes, and that this, combined with what was felt to be a degree of rigidity in determining whether or not an item should be or should not be allowed, affected not only the quality of the promotion but also public relations.

Mr. McENTYRE: Mr. Chairman, I was not quite sure what Mr. Leach meant when he said "to go by the book". We have the statute and the regulations which are made by order in council, and we presume that when we have something which is clearly laid down in law as to whether or not an item is or is not allowable, or whether or not an item is taxable, we have a duty to follow out what the book says. In that area it would seem that there is no discretion left to the officials of the department.

On the other hand there are a myriad of other items which are not laid down in the book. For instance, what is a reasonable expense, and how will profit be determined, and the rules with respect to capital cost allowances and research expenditures, and all the other various items which may not be defined in definite terms, and where the assessor has to use his judgment.

Certainly in that field we try to be as reasonable as possible, so that I do not think that our assessors can be criticized for following the direction of the law, where the law is clear.

On the other hand, where it is a matter of exercising judgment, we have a review procedure whereby, if in the initial contact with the taxpayer, the taxpayer is not satisfied, and the assessor has to use his judgment, there are senior persons above the assessor who can be approached and who will give an unbiased opinion. Eventually there are the appeal procedures to the tax appeal board and to the courts.

So even when the assessor is exercising his judgment, he may have it in mind that if he cannot come to a satisfactory settlement with the taxpayer at that point, his opinion is subject to review. Obviously he would not want it to be reversed because that would be reflecting on him. If he should get into an argument with the taxpayer which he could not eventually substantiate, that also would be a reflection on him to the extent that perhaps he was not using proper judgment. So the assessor is always between two stones. He has the taxpayer on one side and he has the fact that he has his superiors on the other. So what he does is to try to narrow the line to make sure that his decisions will not be subject to contradiction at a later time.

Mr. CHAMBERS: Well, just to follow this line, I got the impression from Mr. Leach that some cases were taken up—and he mentioned questions of judgment specifically—where there was a question of whether this item should be in this year or next year. He pointed out that the amount involved in the tax in some cases was so small as not to be worth the administrative costs of going through the procedures outlined, and that if these small items were taken up, a lot of time and expense was used up in determining whether they should be paid this year or next year, when in fact the returns in payment were not worth the trouble, both to the department and the officials, as well as to the taxpayer and his accountants. This seemed to be the tenor of his comments.

Mr. McENTYRE: Of course we have the responsibility to assess the tax correctly and in accordance with the terms of the law. However there are some instances where there is a question of whether some item should fall into one year or another. But if it is a question of income, of course it is in the interest of the taxpayer to put it into a later year, because that postpones the payment of the tax on that particular item. But if that item is of a substantial nature, we feel it is important that it should be put into the proper year, because if a taxpayer is able to postpone his tax for a year, that means that he has additional capital with which to carry on his business in the

calendar year. Perhaps this gives him an advantage, as compared to some other taxpayer down the street who is paying that year. We feel that one taxpayer should not have an advantage over another in that way.

If an item is not of a substantial nature, as the hon. member has just said, I do not think it would be worth our time and trouble, or that it would be worth putting the taxpayer to the necessary procedure of having to discuss it, and fight it out with the officials of the department. So we do try to adopt a reasonable attitude where that type of thing comes up.

Mr. MORRIS: Has it been established—I do not recall seeing it in the earlier testimony—that in cases of gross overpayment the assessor would draw it to the attention of the taxpayer?

Mr. McENTYRE: I do not think that has been brought up, but it is something we are interested in.

Our assessors feel their responsibility to assess a correct tax, and that means that if there are errors in the return, whether in favour of the department or the taxpayer, they should be corrected, and an assessment issued for the amount of the correct tax. In that regard I must say that when we are selecting returns for examination we are more likely to select one which shows a promise of underpayment of tax rather than one which shows a promise of an overpayment.

Once the assessor has the return it is certainly his responsibility to assess the tax correctly. If there is an underpayment he should reach an assessment that will assure the collection of the tax that is due. If there is an overpayment he should reach an assessment to make sure the taxpayer receives his refund.

Mr. MORRIS: You would assess all returns asking for a refund?

Mr. McENTYRE: Yes. We try to give preference to those and get them out of the way as quickly as possible because very often the taxpayer needs the money. The government should not hold it any longer than is necessary.

Mr. LAMBERT: I believe it was the tenor of the evidence that, perhaps in order to eliminate some of the difficulties in respect of the assessment, the remuneration to the assessors might be improved. I am wondering whether or not any consideration has been given to this or if any representations have been made to the Civil Service Commission with a view to upgrading the relative standing of assessors, as against employees in other departments who are performing duties which are just about the same? This is with a view to maintaining good assessors and eliminating what has been felt—both in the department and elsewhere—that there is quite a high turnover.

Mr. McENTYRE: Yes, Mr. Chairman, we have made several studies. About three years ago, when there was a question of regrading the salaries in the civil service we went to considerable trouble to find out what good employers, outside the government service, were paying for the same calibre of staff that we require. At that time we did make representations to the Civil Service Commission that our staff are a little different from employees in other departments of government. I must say that I think probably all deputy ministers do that. However, we stressed it as hard as we could for our division, and I think we made a fairly good case. On the last reclassification of the government service I believe our staff were dealt with quite satisfactorily.

I think I may say that we have a very good staff association in the taxation division. In that association qualified persons stand for and gain office. That association has also made studies of salaries paid by good employers outside the government service and they also have made representations to the Civil Service Commission and treasury board in this connection. I believe

the powers that be have been very sympathetic to the representations which have been made in that way.

Mr. MORRIS: The minister appears in his usual affable mood this morning. In the current edition of *Saturday Night* there is an article by a former official of the Department of National Revenue claiming that the minister has had discretionary powers which take away from the citizen the right to plead innocent and not to be adjudged guilty without a proper examination. Would the minister tell us something about this discretionary authority?

Hon. GEORGE C. NOWLAN (*Minister of National Revenue*): I did not realize I had any discretionary authority. At one time the act, as I am told and as I know from practice in years gone by, gave the minister some discretionary powers. I presume as a result of pressures brought to bear at all times and because of the difficulty of establishing a pattern of standard administration, the act was revised and the tax appeal board, formerly the income tax appeal board was set up—the so-called poor man's court. Thereafter the discretion was taken away from the minister and any questions would be resolved by this impartial tribunal rather than left in the hands of the minister who, for the time being, occupies this portfolio.

The CHAIRMAN: Perhaps I might be permitted to follow up on this. This is a line of examination which I also put to the tax officials. I think you will find, Mr. Minister, that you do have discretionary powers. Perhaps I might explain the situation. Suppose I am in a position where I have been assessed—and may I point out, Mr. McEntyre, when you receive my return, that this is purely hypothetical. I may be a small corporate body, or I may be an individual. Then suppose you have come to the conclusion that for various reasons you are not likely to extract that last drop of blood out of me. There is an area of compromise entered into, and a very small fraction of the total may be involved. Then we come to the question of exercising judgment and discretion.

I would be interested to learn what is the system by which any compromise has been made after an assessment has been levied. Is there any attempt at compromise before the direct assessment is technically made? Could you give us what percentage of the total this would represent? Where is the authority? Is it at district level or at Ottawa, and do you have any particular rule of thumb? These matters are all questions in the broad field. I am interested to know whether or not there is any principle behind your procedures.

Mr. McENTYRE: In the statute there is actually no provision for compromise in assessment; but in the ordinary course of assessment many questions come up where it is a matter of opinion, and certain expenses are allowed if they are reasonable.

For example an assessor might go into a small company and, in looking through the books, see that perhaps \$1,000 had been charged as having been paid out to the president. The assessor would go to the treasurer and say, "What about this item of \$1,000? I do not see where it has been charged to the president's salary account. What does that represent?" The treasurer might say that there had been a convention in Montreal and the president thought it would be good for the business of the company if he went to this convention, because he would meet a number of associates in the field of business he is in. The treasurer adds, "When he was about to leave he came to me and said, 'I will need some money at the convention; give me \$1,000.'"

The assessor might think that \$1,000 is a lot of money. He might wonder how the president could possibly spend \$1,000 in three days. He might say, "What about transportation?" The answer might be, "He has a credit card

with the airways; but he did have his meals as an expense, and a certain amount of entertaining."

The CHAIRMAN: This is not the type of case about which I was speaking.

Mr. NOWLAN: This is where we assume some discretion.

Mr. McENTYRE: The assessor might say, "Well, I suppose possibly he might have had a suite in which to do his entertaining. Probably \$50 a day might be allowed, which would total \$150, and \$50 a day for meals and entertaining". That would add up to about \$300. He might throw in another \$200, which would add up to \$500 which he might feel would be sufficient. Then he would say that the additional \$500 should be charged against the president as salary and that he should pay tax on that. At that time the treasurer would probably feel he should bring the president into the discussion. The president would come in and would be asked some questions. At that point he might say, "Perhaps you are right, that I did not spend that much." On the other hand he might have done a lot of entertaining and he might be quite sticky about it. At that point the assessor would say, "Have you any vouchers and receipts?" The president would probably say that the convention took place a year and a half or two years ago but that perhaps the hotel account might be around. They might hustle around and try to find the hotel account.

However there are many items for which you just do not get vouchers; and it gets down to a question of what is reasonable. The assessor might say, "Well, I am going back to talk to my supervisor about this and unless you have any further representations to make the assessment will be issued on the basis that \$500 will be added to your salary account."

At that point the taxpayer may consult an accountant or a lawyer to see what he can do about it. There may be further representations made at the assessing level, and at that point if no agreement is arrived at the assessment will be issued. Then the taxpayer has the right to file a notice of objection. The notice of objection will be transferred at the district office to a special group who deal with these and the taxpayer and his representatives will have an opportunity of discussing it with a fresh member of the staff who has not been faced with this problem before.

Perhaps at that stage a settlement will be arrived at. If not, the district office will then report to a group which we have at head office in our legal branch. That group will study and review the case and once again the taxpayer and his representatives may have an opportunity of meeting this group and going over the problem again. If we still have not reached a compromise, then the case will be submitted to the tax appeal board and the taxpayer and his representatives will appear there to argue their case.

Of course, the example which I have given is just one of many which could arise. This pretty well shows the procedure which is followed.

The CHAIRMAN: I think perhaps that interesting dissertation could be sold as a plot for a novel; but you have missed my point. I am speaking of a case where an assessment has been made on an individual and for reasons—perhaps it might be the age of the person or conceivably it may be the volume of money which he owes the department. Am I not correct in stating that often a compromise is worked out with the taxpayer; not often, but it is worked out on occasion?

Mr. McENTYRE: No. We have no authority to compromise in an assessment which is proper and due. We can negotiate with the taxpayer in respect of terms of payment.

The CHAIRMAN: What about just prior to the assessment? Where is the area of elasticity about which we often hear, where there is some horse

trading—perhaps that is the expression I might use—which is done between the taxpayer and the tax department.

Mr. McENTYRE: We do not like to think there is any horse trading. However, as I say, in these areas of judgment there has to be a certain amount of give and take.

The CHAIRMAN: Where is the give and take done? Is it at the local office?

Mr. McENTYRE: It is done all along the line from the time when the assessor finds the item right up until the time it gets to court.

Mr. McGRATH: There is a case in point of which I know. This is not a hypothetical case. It points up the fact that in the act a man is guilty until proven innocent, as far as the department is concerned. I have an example of a gentleman in a small town who was a very successful salesman and who was a consistent winner at a card game and various other games of chance. He was assessed on an increase in net worth. Apparently in this case the department was unable to reach any sort of compromise with the individual and, of course, he had to—I am not really up on the particulars of the case; I could get them—deposit a fairly substantial amount of money until he had a chance to make his appeal before the income tax appeal board.

He made his appeal and the appeal was successful and, of course, the deposit was reimbursed. My point is this: it was argued, unsuccessfully, that this gentleman was in the category of a professional gambler. Of course, this had the effect of practically ruining his reputation as a successful salesman in the neighbourhood. However, as I say, his appeal was successful. But you can see the point I am getting at, Mr. Chairman. He had to prove his innocence, whereas the onus should have been on the department in this case to prove that it was an increase in net worth, that he really was a professional gambler, which of course he was not.

This particular case, I might say, even though it was fairly isolated, received fairly prominent attention at the time in the newspapers, both in press clippings and editorials.

The CHAIRMAN: Is there any comment, Mr. McEntyre?

Mr. McENTYRE: Mr. Chairman, our system, of course, does place the obligation on the taxpayer to prove the error in any assessment that is made by the minister. That system is open to controversy and it has been discussed over the years. But the feeling is that the taxpayer is more aware and has greater opportunity of knowing his own particular situation than the tax officials would have. So that in any controversy the taxpayer is in a better position to establish whether or not certain circumstances exist.

I do not think I am quite prepared to defend which system is the best. But that is the system we have, and I think that is the main argument in its favour.

Mr. WINKLER: Mr. Chairman, further to your previous point of discussion: if the man's ability to earn has been removed, where the volume of assessment is large in the item found by the assessor, and then the assessment is made and the man's ability to earn has been impaired or removed, what, in your "give and take" attitude, Mr. McEntyre, happens in that instance?

Mr. McENTYRE: Our tax rates do not take 100 per cent of what a man earns, so that presumably the tax is only a part of the profit which has been earned. Therefore, in the ordinary course, the taxpayer should be able to pay the amount of the assessment.

The CHAIRMAN: That does not work out in practice, though.

Mr. WINKLER: You mean that the tax department would go to the extent of seeing that the man's source of income was not disturbed?

Mr. McENTYRE: We have a duty to collect the tax, and theoretically the tax money should be there, because the profit is there. If the money has been spent, then it becomes a collection problem, which we have to deal with as best we can. Naturally, we do not want to put taxpayers out of business, but we do have to use whatever methods are open to us to ensure that the crown receives the revenue.

Mr. WINKLER: But from time to time you do find it necessary to put them out of business; would that be correct?

Mr. McENTYRE: I would say it is very rarely that we actually put a taxpayer out of business.

Mr. LAMBERT: In that particular field—it is a point I raised with Mr. McEntyre in the absence of the minister on a previous occasion, and it deals primarily with farmers—where the farm is a going operation, you cannot sell off little bits in order to satisfy a tax claim, and you have a situation where you have a confirmed assessment which has not been, and cannot be, paid. Is there no discretion or power for the minister to arrive at some compromise on the payment of that, by reducing it so that the man can stay on his feet and continue to be a taxpayer in the future?

The suggestion that he can go through bankruptcy is not available, because the Bankruptcy Act does not apply to farmers. I would also submit to you that perhaps the tax department fails to take into account such statutes under properties and civil rights exemption acts as we have in the province of Alberta, where you cannot touch a farmer's quarter section, and yet they do place caveats against his title. I think that should be looked into.

My main point, however, is: has it been considered, or is it being considered, that the minister should be empowered, under whatever limitations may be necessary, to enter into such compositions or consolidations of debts in order to assist a taxpayer to remain on his feet?

Mr. McENTYRE: That is a matter of policy.

Mr. NOWLAN: It is a policy question. Going back to what I said to Mr. Morris a few minutes ago and the discussion that has followed since, I do not think there is any conflict between the two. I said there was no discretion in the matter Mr. McEntyre was discussing, and that it was a matter of arriving at the assessment. The negotiations which went on prior to that, although they may nominally be in the name of the minister, are carried out by the assessors in the field. There is, of course, "give and take" in the information, and assessments are made on the information received.

Once the assessment is made, there is no compromise permitted under the act, and the act requires money to be paid in full. When it comes to the farmer, to whom Mr. Lambert referred a few moments ago, the caveat is registered; but when it goes to the collection department there is a wide latitude given to the collection department to exercise discretion. I know of my own personal knowledge since I have been with the department that in many cases the collection has not been enforced because the man is in circumstances that would not permit it. We do not want to foreclose a mortgage. I know that in Nova Scotia there are several mortgages which have been outstanding for some years—I happened to run across these—and they have simply been allowed to stand there as security for the department. But the man has not been put out of business and he is still carrying on as a farmer. Very often, when he has reached that position, his farming activities are somewhat limited; but we have not done anything to dispossess him or foreclose the mortgage. Ultimately, when he dies—or perhaps before, depending on the circumstances—collection would be enforced. But I again say that once the assessment is made, the theory of the act, why it was changed and why the appeal court was set up, is to relieve the minister of the pressures

which would be bound to ensue from those who perhaps had the money to come to Ottawa, or had the connections, or had the lawyers to act on their behalf to get an assessment changed, and others could not. Therefore, the appeal court was set up, which gave everyone an opportunity of getting those assessments changed, if the court decided they should be changed.

Mr. LAMBERT: To continue on that particular point, if I may. We have had an increasing number of cases over the years among our farmers, where there is no doubt the assessment is there. I am getting at this question of whether a composition cannot be made with the taxpayer in order to get him on his feet. We have people who have missed two or three crops in a row and who have got back taxes. They could go to the farm loan board and obtain a longer term mortgage of a somewhat limited amount, which would take care of their taxes and would take care of the tax department in part. But because you have no ability to compromise on the claim, he will take more than the mortgage he can raise from the farm loan board, and you have a caveat against his title.

Mr. NOWLAN: That is true.

Mr. LAMBERT: That is the point I wish to make.

Mr. NOWLAN: There is an area of discussion there which could well be debated; I admit that. But as the act stands, and as it stood when I came in, there is no statutory authority under the Income Tax Act for a compromise. In many cases one would like to be able to make a compromise, but I would hate to think of the position of the minister once he started to make one. It would be said, "You did it for John Brown, and Tom Jones' circumstances are almost the same, but not quite. You should do it for Tom Jones". I think the life of the minister would certainly be a rather difficult one; he would be accused of unfairness and favouritism and everything under the sun.

Mr. LAMBERT: I believe during the 1930's such a thing was possible under farmers' creditors arrangement.

Mr. NOWLAN: That is right.

Mr. LAMBERT: The point I am making is, I think we should move to that point again.

Mr. NOWLAN: That is a matter of policy. I am not begging the question, but as we said at the outset here, the Department of Finance is responsible for policy in this matter. We simply carry out the act. It is true that there are consultations and joint discussions, and the rest of it, between the two departments; when amendments are concerned; but in the final analysis that is a matter for the Department of Finance and, I suppose, for the government as a whole. It is certainly not a matter for the officials of the income tax division.

Mr. CATHERS: My question, I think, is also one of policy, and I think it is one with which the minister might sympathize.

Mr. NOWLAN: I am always sympathetic.

Mr. CATHERS: Generally, expenses incurred by a taxpayer in earning his income are free and untaxable. Why should not the expenses of running an election by a Member of Parliament, which increases his income, be allowed?

Mr. BELL (*Carleton*): Increases his income?

The CHAIRMAN: You are reading a different book.

Mr. CATHERS: Well, in my case my income was increased, and I had to pay it practically all back.

The CHAIRMAN: Are you speaking of political donations or political expenses?

Mr. CATHERS: I am speaking of travelling expenses, for example, and other expenses that legally occur in an election, towards earning an income. To my mind, these are just as fair as the expenses of a commercial traveller getting around his territory.

The CHAIRMAN: The deputy minister points out that \$2,000 are tax free of the amount you are given.

Mr. CATHERS: No; that is only if you are elected; and that is not for travelling around your riding. That is easily used up.

Mr. NOWLAN: That defeats your very hypothetical suggestion, that he has added to his income, unless you add "by getting elected" he has had his income increased. I am very sympathetic to that argument.

The CHAIRMAN: You have your reply.

Mr. CATHERS: No.

The CHAIRMAN: The minister said he was sympathetic to you.

Mr. CATHERS: He said he was sympathetic, but I would like the deputy minister to answer this. Have you had cases of members of parliament putting in collection expenses, because I was thinking of doing it and I wanted to do a little prospecting.

The CHAIRMAN: We have a great number of questions and we have to move on. Mr. McEntyre, do you want to comment on Mr. Cathers' question?

Mr. McENTYRE: We certainly have had requests from a number of members asking that they be allowed expenses of that nature. Unfortunately, the law is quite clear on that point, and these expenses cannot be allowed.

Mr. GRAFFTEY: Mr. Chairman, when the department becomes suspicious of fraudulent evasion, what type of special warrant, if any, is carried by the Royal Canadian Mounted Police or departmental officer or officers involved in the search?

Mr. McENTYRE: There is a provision in the act by which approval can be obtained from the Exchequer Court to issue a search warrant. It is issued by the minister or deputy minister and is addressed to officials of the department. The officers of the department are the only ones who are entitled to make the search. In many cases when a search of that kind is being carried out, the department will request that an officer of the R.C.M.P. accompany the officers of the department in making the search in order to lend a certain amount of official authority to the search. Usually, in that case, the officer of the force would go along in plain clothes and would explain to the taxpayer just what the officials wish to do. He would also explain the authority that they have in carrying out the search. The search is not made by the officers of the R.C.M.P.; it is made by the officers of the taxation division.

Mr. NOWLAN: You might enlarge on that in connection with the application that is made to the Exchequer Court to obtain that procedure.

Mr. McENTYRE: Before a search warrant of that nature can be issued, application has to be made to a judge of the Exchequer Court, supported by an affidavit of an officer of the taxation division, setting out the grounds for suspecting that tax evasion or a breach of the income tax law has occurred. The judge of the Exchequer Court can ask additional questions and can, of course, refuse the application if he feels the circumstances do not warrant a search being carried out.

The CHAIRMAN: Is this the only situation in which a department can move into a man's home to make an examination?

Mr. McENTYRE: That is the only situation in which a search can be made; but in the ordinary course of auditing returns the law provides that the tax

officers can examine the taxpayer's books and can demand or request information from a responsible officer, in the case of a company, or the taxpayer himself, in the case of an individual. But that would mean that he could attend at the taxpayer's place of business and ask to see the records which support the figures he has shown on his return. If there are any items about which he is doubtful, he can ask the taxpayer for an explanation. But in those circumstances, of course, the taxpayer can provide whatever records he feels like providing. If he has some additional records he does not want to show, of course he would not tell the assessor anything about them. In that case the assessor simply has the right to examine records shown to him by the taxpayer.

Mr. GRAFFTEY: First of all, I would like to state that it might be entirely incorrect in fact. I asked that question because it has been brought to my attention by certain individuals who felt that either the R.C.M.P. or the departmental officials had a continuing warrant to perform these searches. It was felt that specific warrants should be issued for specific cases. I do not know from what basis or grounds this criticism has been raised. Maybe you could enlighten me.

Mr. McENTYRE: In addition to requesting the production of figures and records, and the right to ask for information, the officers of the department also in a proper case have, the right to seize records on the spot which have been shown to them, if they feel these records indicate non-compliance with the act. We have a certain number of our investigators who have a card which entitles them to carry out that seizure provision, and that is of a continuing nature.

Mr. GRAFFTEY: Has there been quite a lot of objection from various legal authorities in regard to the carrying of this card, and the suggestion that a warrant should not be issued in specific cases?

Mr. NOWLAN: A warrant is different from the card. A search warrant is obtained through the Exchequer court and the other is a card which gives you the right to deal with records when they are produced.

Mr. LAMBERT: In the event of a refusal by a taxpayer to produce his records, how do you distinguish between the use of the warrant and the use of this card?

Mr. McENTYRE: If he refuses to produce his records, we may make a demand on him in writing asking him to produce them. If he refuses to comply with the demand, there is a provision in the act which makes that refusal an offence, and charges can be laid under the appropriate section of the act, whereby he can be brought before a magistrate and fined for refusing to produce his records.

Mr. LAMBERT: The point I am getting at is how you distinguish between the actions of your officials who possess one of these cards, and their actions under a search warrant? If the taxpayer has refused to disclose his records, obviously the officer must go and find them, and that involves a search.

Mr. McENTYRE: Well then, discretion has to be exercised at that point as to whether there is a likelihood the taxpayer will destroy his records. If that possibility existed, there would be no point in simply issuing a demand on him to produce his records. We would have to use a search procedure, where necessary, in order to get the records and make sure they are still intact.

There are three different procedures. You may go to the taxpayer's place of business; he produces his records and you find that they indicate a violation of the act. You pick them up and take them to the office in the form in which they have been shown to you. If he refuses to produce his records, you have the procedure of making a demand on him for his records, the point

being that his refusal is an offence under the act. Then there is the other case, where you are afraid that, once you show your hand, the records might disappear or be placed out of your reach. In this case you feel you must go to the taxpayer's place of business armed with a search warrant, which permits you to search the premises, find the records and take them away.

Mr. MORRIS: I would like to revert very briefly to the line of questioning we commenced in connection with the onus of proof. I think the matter which prompted some of our questions is the decision in case No. 153 involving the Minister of National Revenue and the income tax appeal board, where it is stated:

The onus of proving that an assessment appealed against is incorrect is upon the taxpayer, and when the case comes on for hearing before this board, he must be in a position to produce proper evidence, which would be acceptable in a court of record, to show that the assessment appealed against is erroneous.

I assume the assessment appealed against would be taken under subsection 6 of section 46 of the Income Tax Act which states:

The minister is not bound by a return or information supplied by or on behalf of a taxpayer and, in making an assessment, may, notwithstanding a return or information so supplied, or if no return has been filed, assess the tax payable under this part.

I will now come to my question. Is it possible that a tax-paying citizen may be the subject of a legal process instituted by the taxation division of the Department of National Revenue while he is appealing an arbitrary assessment under subsection 6 of section 46 of the act, under conditions whereby the income tax appeal board has declared the onus of proof in an assessment appeal is upon him? Is it possible that legal proceedings may be taken by your department while he is appealing an arbitrary assessment which may turn out to be a false one? If so, will you comment upon the declaration by the Canadian Bar Association and the Canadian Institute of Chartered Accountants where it is said:

Canada is the only country known to us which requires prepayment of tax when the amount is in dispute.

Mr. McGRATH: That goes back to my case in point.

The CHAIRMAN: That is a question a number of us have on our minds; it is not the specific case, but the point raised by it.

Mr. McENTYRE: The procedure is that when an assessment is issued the taxpayer has the right to enter his notice of objection to the minister, and from there to the tax appeal board. In the interval the law provides that collection action can be taken to collect the taxes shown to be due on the assessment notice, while waiting for a decision of the tax appeal board. I imagine this was felt necessary in order to prevent frivolous appeals which might have the result of entitling the taxpayer to postpone payment of his taxes.

I do not think it is my place to defend the policy which established that law. However, that is one of the arguments. I believe there are other jurisdictions where the only way a tax bill can be contested is to pay the bill first, and then claim a refund. I know that is one of the procedures which is open to taxpayers in the United States; and I believe in some of the provinces that is the only way a tax bill can be brought before the court.

Mr. FAIRFIELD: In other words, you start serving your sentence while an appeal is still before the court? To put it simply: it is unjust.

Mr. KORCHINSKI: I would like to revert to some of the questions asked by Mr. Lambert. Is a taxpayer who has been assessed a certain amount of taxes allowed to pay off the amount by installments?

Mr. McENTYRE: Of course, the procedure is to try to collect the tax as quickly as possible. However, there will be situations where perhaps the taxpayer has not any accumulated capital out of which he can pay the tax, an arrangement has to be made so he can pay the tax out of his revenue as he earns it. But there is no definite rule in connection with that. We feel a responsibility to get the revenue into the government's coffers as quickly as possible. We have to examine the circumstances of the particular taxpayer and try to make as reasonable an arrangement as possible with him.

Mr. KORCHINSKI: Apparently some of the taxing offices are not aware of that. I know of a case where a man had been working, and then during the course of the year his wife was employed. That situation put him in of different taxing bracket and at the end of the year when they filed their tax returns they had to pay an additional amount—an amount more than had been collected from them previously. They had agreed to the amount they had to pay, but the department would not listen to their pleas for installment paying. They were in receipt of a letter from the department to the effect that it did not matter to them where they got their money: the department wanted their share of it. I feel that is rather harsh treatment of an individual when he is agreeable to pay the amount. I think someone should be informed about that.

Mr. McENTYRE: It is always a question of what he can afford to pay. The official of the taxation division may feel he can pay a little bit more than he has offered to pay. I do not think our officials can be instructed that they have to accept any offer of settlement that is made by the taxpayer no matter what it might be. They should be entitled to exercise some judgment and discretion in that respect. If they feel the offer is not reasonable, they should be permitted to turn it down and try to work out something that is more satisfactory to both sides.

Mr. KORCHINSKI: Yes, but they suggested he borrow from the bank and, naturally, he would have to pay the interest on the amount he borrows in order to pay them the required amount. That seems a little bit too harsh to me.

The CHAIRMAN: Are you through, Mr. Korchinski?

Mr. KORCHINSKI: Yes.

The CHAIRMAN: Are there any further questions?

Mr. KORCHINSKI: No. I was just trying to get something straightened out here. I just wanted to know whether that was the general policy or whether it is just hit and miss.

Mr. McENTYRE: The general policy is that we should collect the taxes as quickly as possible on a reasonable basis, depending on the taxpayer's ability to pay. Every case has to stand on its own merits. You cannot lay down any general rule to cover all situations, because each taxpayer has different circumstances. However, if there are any particular cases on which any of the members feel we have been particularly harsh, I can assure you that our people at head office would be glad to review those with you.

Mr. NUGENT: I heard the deputy minister on two occasions say it was not his job to defend his policy. One was the question raised by the department, which takes the attitude that a man is guilty until he has proved himself innocent. The other is that he pays his fine pending an appeal. I was not quite happy about that, because obviously the law is framed for the benefit of the department. I have heard it alleged before that, in order to facilitate the work

of the department, it was necessary that they have these two clubs in their favour. I would like to hear if it can be defended.

Mr. NOWLAN: It is not incumbent upon a deputy minister or a civil servant to defend the policy of a department which is laid down by the government in accordance with a statute. The deputy minister has no recourse whatsoever, or any other official, except to carry out the law as it is established by the statute, by the regulations, and by the decisions of the courts. His is purely an administrative job, not a policy job in any way.

Mr. Fairfield said that you have to serve your sentence before your appeal is out. Yes; you do it in a criminal court in this way: you put up an appeal bond as security, or you go to jail. I do not think there is any comparison at all in that field, because once the assessment is made, if you put up security, there is no collection made; and as to any other procedure, you have to put up security or you have to pay.

As most of you know, 95 per cent of taxpayers are honest—probably a higher proportion than that; but we all know there is the odd one who perhaps would take advantage of a situation. Yet the administration has to be carried out so as to protect the great majority of taxpayers who do accept their responsibility and who are providing the money whereby this country operates.

I think upon reflection you would agree that it is advisable to have them put up security after an assessment is made. If they can, they will put up security. But if they cannot put up security, they are not in a position where we could expect collection in any event.

Now, to come back to the question raised a little while ago about the discretion of the officer with respect to the card and a search warrant; I think there was a doubt in Mr. Lambert's mind in respect to that. If the officer carrying a card feels the circumstances warrant it; if there is a question in his mind as to the documents in front of him or as to the records in front of him, or if he wants to go further in respect to them, he has the right to have the books and records produced, not only those which may be in front of him, but to go behind them, in order to make a further study.

That card does not authorize him to make a search of the premises and to go hither and yon. He can take only the records which have been produced. But of course a search warrant, applied for and supported by an affidavit, and which is granted by a judge of the exchequer court as to a prima facie case, authorizes the officer to search the premises, and not only seize the documents which already have been produced, but documents or records which the officer feels have been concealed, or which deliberately have been withheld. I thought you had the impression that perhaps the card gave the officer a chance to go through the house.

The CHAIRMAN: I want to deal with only one subject at a time. Have you any further questions, Mr. Nugent?

Mr. NUGENT: No, I just wanted to have the record made clear on that point. I think it would be rather unfortunate to allow the record to stand without having a comment from the department. I was glad to hear the minister say something to defend it. I mean the stand which the general public regards as being rather overriding on the part of the department.

The CHAIRMAN: Mr. Lambert, does your question deal with the minister's comment?

Mr. LAMBERT: No. There is perhaps a tendency to feel that administrative ease would encourage the assessors, and that a card would try to equate it with a search warrant.

Mr. NOWLAN: I thought there might be such a doubt in your mind.

Mr. WINKLER: I would like to ask the minister about the figure quoted by him of 95 per cent. Was that based on firm statistics?

Mr. NOWLAN: I said that the area was probably larger than 95 per cent. That was a figure which I picked out of the sky, let me assure you.

Mr. McFARLANE: I am thinking about railwaymen, particularly the running trades. When they are away from home, they are under extra expense. Has any consideration been given to them whereby they may have their travel expense back and forth deducted? I am not referring to members of parliament.

Mr. McENTYRE: If you are thinking of railway employees, would they not be entitled to free transportation by the railway?

Mr. McFARLANE: When they are away from home they have living expenses to meet. I am thinking of the running trades, but is any consideration given to employees in other industries who are living away from home and who have to commute by way of allowing them their travelling expenses?

Mr. McENTYRE: I believe that representations have been made to the Department of Finance in that respect; but that does not come under our jurisdiction.

Mr. FISHER: I have two very general questions: one I take from a clipping in *The Reporter* for April 16, 1959, where at page 12 I read as follows:

The national bureau of economic research has estimated conservatively that 30 per cent of the income of private entrepreneurs—doctors, gamblers, lawyers, call girls, butchers, con men, farmers and free-lance writers—is not reported to Uncle Sam. The same applies to 61 per cent of interest paid on savings and 13 per cent of dividends. But not more than 5 per cent of salaries go unreported.

Have you any idea whether any study has been made in Canada about this particular matter insofar as your department is concerned, that is, the tightening up of loopholes in respect of what you might call private entrepreneurs? Just how do you look at this problem? I doubt if our situation would be the same as the American, but there must be something of a continuing difficulty in the department. How do you approach or handle it?

Mr. McENTYRE: That is something we would very much like to know about, but we have never found a way to determine what measure of income is escaping the tax net. We watch with a great deal of interest these investigations which have been made in the United States. We exchange information on methods of procedure with the officers of the internal revenue service in the United States; but they do things which we do not feel the people of Canada would accept, and I suppose we do some things which they, the people of the United States, would not accept.

This is a problem we are continually worrying about, but there does not seem to be any easy way of finding the percentage.

Mr. FISHER: I am sure there is no easy way to find the answer; but do you have any group or officer in your department who has this special responsibility? It is almost a super-detective job, and I wondered if you had in your establishment any particular person who was charged with that responsibility.

The CHAIRMAN: Would you, for the benefit of the committee, kindly describe the area you have in mind, Mr. Fisher?

Mr. FISHER: One obviously has in mind tips, or the question of the so-called call girls or the question of the farmers; and according to the evidence which has been put in, there is a tremendous disparity between the collection of

taxes from farmers in the provinces of Alberta and Saskatchewan as compared to the collection of taxes from farmers in the province of Quebec. It seems to me that these are areas which constantly need narrowing. It seems to me that it is not a question of policy but rather one of administration, and I would be curious to know how you are going at it.

The CHAIRMAN: I think you have defined the area fairly well, Mr. Fisher.

Mr. McENTYRE: It is a great problem, and when it comes to interest, dividends, salaries and wages we do have information returns which are provided by the payers; so that we can match that information against what the recipient reports on his tax return. We feel that perhaps in Canada we have a pretty tight grip on this type of payment. When you get into the area of cash businesses, we feel that we are perhaps administering the law as tightly as we can. It is a question of whether we can administer it more closely.

Through our audit procedures we are watching that area, checking the returns that are filed by people who have opportunities of receiving a great part of their income in cash. For instance, if a taxpayer files a return and indicates from his occupation that he is working in an industry where he would be likely to receive tips, we would expect him to report those tips on his return; and if the tips are not reported, we will inquire about what he received by way of tips. We can go to his place of employment, talk to his employer and perhaps find out what he would be expected to receive in the way of tips during the year, to make certain it was reported.

Farmers however are in another area, where business is carried on in cash—for instance, truck gardening, where the produce is brought to the city and marketed in a market place in cash transactions. We try as best we can to estimate what a farmer, with a certain sized farm, should be expected to make over the year, and to match that against what he reported on his return. In that way we try to estimate whether or not he is reporting his income substantially.

We have small merchants who do a great deal of their business in cash. We can find out how much they purchase in the way of stock in trade during the year, and try to find what the mark-up should be on his goods. In that way we should be able to determine what sales could be expected from that size of business.

Then you have professional people, doctors, lawyers, accountants, engineers, and others who may receive a considerable amount of their revenue in cash. These things have to be examined. Perhaps there are records of the type of work they have done during the year, from which you can make an estimate of what they should be expected to have received. Cash business is one of the things that is continually dogging us, and there does not seem to be any easy answer to it.

Mr. FISHER: Is it not true that in particular cases this is the field which you might call that of special investigation, when you are going after these things?

Mr. McENTYRE: No; our special investigation group is fairly restricted. They work on the more obvious cases where you might expect misrepresentation. Our regular assessors are working on this cash business all the time.

Mr. FISHER: Do you feel that as much time is being given to this endeavour as you can afford at the present time?

Mr. McENTYRE: Yes, we try to distribute our work to the assessors in such a way that the two fields are covered to a certain extent, and we try to work out a variety of programs so that we do not concentrate on one group of taxpayers and leave another group without some kind of audit.

Mr. FISHER: I have one last question. In the higher rates—suppose you have someone with an income of \$200,000. The percentage of tax in that bracket is quite often very high, and when you look at these particular rates, it might appear that we were soaking the rich, or soaking people with a high income. Have you any indication as to how many persons within certain income ranges actually pay the full percentage of the tax?

Mr. McENTYRE: I am afraid we do not know what we miss. It is very hard to say.

Mr. FISHER: This is not a case of missing. It is a case of avoidance, or the fact that persons in certain higher income ranges are able to take advantage of certain things, such as expense accounts, and so on. I am wondering whether or not you ever have tried to determine how real those percentages are on the higher income in respect of the actual returns you get.

Mr. McENTYRE: I do not think we ever have done that.

Mr. FISHER: Could it be done?

Mr. McENTYRE: It would be a matter of opinion. I do not think it would be too valuable. After all it is a rule of law that the taxpayer is entitled to arrange his affairs so as to pay the minimum amount of tax. I suppose it would be a question of opinion as to whether or not, for instance, expense accounts were too high or whether or not it would be right to allow certain types of expenses to be deducted. I do not think we in the tax department would be qualified to do that. It would have to be some person whose profession is that of economist or something of that kind, who would perhaps be better qualified to do that.

Mr. LAMBERT: Surely Mr. Fisher is missing something, and that is that the rates of taxation are on net taxable income and not on gross income.

Mr. FISHER: The majority of the taxpayers are wage or salary earners and everything tends to be cut and dried for them; but there is a small percentage of taxpayers who have income from large sources and they are the ones most able to take advantage of this.

The CHAIRMAN: The minister states this is not correct.

Mr. NOWLAN: The large income is often derived from corporation securities and things of that kind, which are more easily checked than the things in the lower income brackets.

The CHAIRMAN: May I ask a question of the minister. I believe this is a question in respect of interest, and although you do not set the rate of interest you have an influence on it. You pay 3 per cent on overpayment, and this is regarded as income and is taxable. Then you expect to have 6 per cent on the unclaimed. Is there any inconsistency in this relationship? Have you expressed any view on this to your colleague the Minister of Finance?

Mr. NOWLAN: No. I do not think I have expressed any views on it, although there have been submissions made in respect of that from time to time. I think it is designed primarily to encourage the payment of the tax. However, I certainly have not expressed any views on the matter.

Mr. CATHERS: Do you have many instances of assessors being bribed by taxpayers? What means have you of checking this?

Mr. McENTYRE: I think we have a pretty responsible staff in the taxation division. Certainly they all know they are in a position where bribes might be offered. I think probably they feel they have a well-paid job and want to keep it. They also have a feeling of personal responsibility that they do not want to have their reputations spoiled in any way. They are all pretty well educated persons with good backgrounds and they are just not the type of persons who would lay themselves open to that type of thing. Of course,

part of their training in the department is that they should appreciate the possibility of their being offered bribes, and that they should conduct themselves in such a way that they will never encourage it.

We have had occasions where we have suspected one of our employees of not conducting himself properly. We have investigated those cases. I must say that over the years we have had very few cases where there was anything of that kind which had gone on.

Mr. BISSONNETTE: Is a physician allowed to refuse to produce his records involving his accounts, in respect of matters which are in the nature of a professional secret concerning his patients? He is not allowed to give information to anybody about professional secrets between himself and his clients.

Mr. McENTYRE: There is an obligation on every taxpayer to keep records to support his income and expenses which he shows on his tax return. It sometimes happens that a medical man will have his accounting records mixed up with his patients' records. Of course, in that case our officers are sworn to secrecy. Their job is to check the income tax returns and if these are the only records which the doctor has there seems to be no alternative except to permit the tax officer to look at them in order to draw the accounting figures from the records.

Mr. BISSONNETTE: I had a complaint on this subject. All the records were removed by an officer of the minister and were returned a few months later. This medical practitioner suffered because he had no records concerning his patients.

Mr. McENTYRE: Very often the two sets of records are mixed together in such a way that it is impossible to look at one without the other. There seems to be no alternative except for the tax officer to take all the records there are.

The CHAIRMAN: Is there any further discussion on item 258?

Item agreed to.

The CHAIRMAN: May I again remind you that on Thursday we will commence consideration of our report. This meeting, of course, will be in camera. We will follow exactly the same procedure as was followed in the last session. That is, we will go through the evidence to determine which portions of it, if any, should be included in our report. You will be required to study the evidence and also to bring your own copies of the minutes of proceedings and evidence to the next meeting.

If any of you wish to include something you must have it drafted roughly so that as Chairman I can include it in the general report which I will write over the week-end.

It is not permissible to include in the report anything we have not dealt with through the evidence, or which we cannot substantiate. Someone might come to the committee with something that he thinks is a good idea, but it will have to have the concurrence of the committee and must be based on fact.

Mr. LAMBERT: Mr. Chairman, I do not want to appear to be rushing the reporters on this, but it seems to me that this particular session has been very important in that we have been able to make a partial review of the evidence given. My point is however, could the printing of today's evidence be expedited?

The CHAIRMAN: I have anticipated this. I have asked that the report of Friday's meeting and this meeting be given to you at the earliest possible moment.

I remind you once more that we will meet here at eleven o'clock on Thursday.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS

No. 11



THURSDAY, APRIL 30, 1959

TUESDAY, MAY 5, 1959

THURSDAY, MAY 7, 1959

Including

INDEX OF ITEMS

and

FOURTH REPORT TO THE HOUSE

Respecting the Estimates of the
DEPARTMENT OF NATIONAL REVENUE

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Garland,	McQuillan,
Baldwin,	Gillet,	McWilliam,
Bell (<i>Carleton</i>),	Grafftey,	More,
Benidickson,	Hales,	Morris,
Best,	Hardie,	Nesbitt,
Bissonnette,	Hellyer,	Nugent,
Bourbonnais,	Halpenny,	Payne,
Bourdages,	Hicks,	Pickersgill,
Bourget,	Howe,	Pugh,
Bruchési,	Korchinski,	Ricard,
Cardin,	Jorgenson,	Richard (<i>Kamouraska</i>).
Carter,	Lambert,	Rowe,
Cathers,	Macnaughton,	Small,
Chambers,	McDonald (<i>Hamilton</i>	Smallwood,
Clancy,	<i>South</i>),	Stewart,
Coates,	McFarlane,	Tassé,
Dumas,	McGrath,	Thompson,
Fairfield,	McGregor,	Winch,
Fisher,	McIlraith,	Winkler—60.
Fortin,	McMillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

Note.—The name of Mr. Pigeon was substituted for that of Mr. Fortin following the May 5th meeting, but prior to the May 7th meeting.

ORDER OF REFERENCE

WEDNESDAY, May 6, 1959.

Ordered,—That the name of Mr. Pigeon be substituted for that of Mr. Fortin on the Standing Committee on Estimates.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

FRIDAY, May 8, 1959.

The Standing Committee on Estimates has the honour to present the following as its

THIRD REPORT

Your Committee recommends that the Items relating to the Department of the Secretary of State and to the Civil Service Commission, as listed in the Main Estimates, 1959-60, be referred to it for consideration.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.

FRIDAY, May 8, 1959.

The Standing Committee on Estimates has the honour to present its

FOURTH REPORT

On February 9, 1959, the personnel of the Standing Committee on Estimates was named and the Committee was given the powers usually extended to Standing Committees of the House, as follows:

Ordered,—That the said Committee be empowered to examine and inquire into all such matters and things as may be referred to it by the House, and to report from time to time its observations and opinions thereon, with power to send for persons, papers and records.

On February 12, 1959, the Committee reported to the House, recommending that the Items listed in the Main Estimates, 1959-60, relating to the Department of National Revenue be referred to the Committee for consideration. This recommendation was concurred in by the House of Commons on the next day.

The Committee has held 14 meetings during which time the above-mentioned estimates have been the subject of inquiry. In the course of its deliberations, the Minister of National Revenue, the Honourable George C. Nowlan, Mr. David Sim, Deputy Minister of Customs and Excise, and Mr. J. Gear McEntyre, Deputy Minister of Taxation, together with other departmental officials, gave evidence before the Committee. To gain further information, your Committee was pleased to call Messrs. C. W. Leach, Stuart Thom and J. Harvey Perry, officials of the Canadian Tax Foundation, and to hear evidence from them on various aspects of taxation.

This Committee has considered and approved the Estimates, 1959-60, of the Department of National Revenue, (being items 254 to 260 inclusive) and commends them to the House with the following observations and recommendations:

I. TAXATION DIVISION

1. *Interpretation of Taxation Statutes*

Your Committee carried out a comprehensive examination of the officials of the Department of National Revenue and of the Canadian Tax Foundation, in relation to the theory, philosophy, and practice, of determining under what circumstance profit should be regarded as taxable income or exempt from taxation as capital gain.

While the authority to undertake such an examination was not questioned, the Committee found some difficulty in determining whether its terms of reference would permit any recommendation on a subject matter which lies within the jurisdiction of the Minister of Finance. It is concluded, however, that in view of the responsibility of interpretation vested in the Minister of National Revenue, and the delicate balance of fact on which the body of jurisprudence through law has in the past defined income as distinct from capital gain, the Committee is of the opinion that it does not exceed its authority in making the following observations:

- (a) The line separating taxable income from capital gain does, in the view of the Committee, produce an area of uncertainty in the mind of those taxpayers engaged in venture undertakings. The lack of clarity, we suggest, may act as a deterrent to resource development where a high risk factor is evident.
- (b) The Committee is not unaware of the difficulty in arriving at any clear line of demarcation which may serve as a guide in more accurately assessing income as distinct from capital gain. While recognizing this difficulty, the Committee, nevertheless, recommends that the Department of National Revenue, in co-operation with the Department of Finance, continue its study, in the hope of narrowing the area of misunderstanding referred to above. A review should also be undertaken to determine if the presently accepted definition of earned income contributes to this uncertainty.
- (c) It is also suggested that the advantages and disadvantages of providing advance tax rulings in corporate or individual venture undertakings be further examined.

2. Tax Appeal Board

Several Committee members expressed their concern over the continuing backlog of cases before the Tax Appeal Board. These cases numbered 510 at the end of December, 1957, and 446 one year later.

While it is appreciated that in some instances these appeals were delayed on the request of the applicants, it is noted that only 94 were postponed, 91 were listed for hearings, and 188 were not dealt with at all. While the Committee is in no way critical of the present Board, it recommends that the Government take whatever action is necessary to facilitate a more prompt system of Appeal Board hearings, thus alleviating any hardship on the taxpayers concerned. This, we suggest, might be accomplished by increasing the personnel of the Board and/or adding to the number of sittings.

3. Assessment Procedures

One of the questions raised in the Committee is whether greater uniformity can be achieved in the levying of assessments in different areas of the country. Evidence suggests that there is insufficient liaison between these district offices, and that assessors within the same office, on occasion, follow widely divergent assessment formulae.

It is therefore recommended that the Department continue its efforts to establish uniform standards of assessment procedure.

4. Assessor Qualifications and Department Public Relations

The Committee examined in some detail the qualifications and practices of the Department assessors with particular reference to the system adopted by the Department in granting promotion to its staff of assessors. It notes that one of the qualifications for promotion is the individual's ability to produce revenue through the assessment of taxpayer's income. The Department

describes this qualification as "job performance". The Committee registers no outright objection to this requirement, providing it does not become a dominant consideration in evaluating the assessor's promotional grade.

The officials of the Canadian Tax Foundation expressed the view that ". . . there are plenty of other ways of rating personnel . . .", and that it would be a tremendous step forward if the emphasis on assessment and collection is removed, when considering the advancement of the assessor.

The Committee concurs in this view, and therefore recommends, that in the interest of efficiency and better public relations, a thorough study by the Department should be made to ensure that in evaluating an assessor's efficiency, quantity or dollar value of his or her assessments should not be considered as the principal measure of ability. It was brought to the attention of the Committee that the average length of service of departmental assessors is 2.3 years. From these figures it is apparent that these employees remain with the Department only long enough to gain experience before gravitating to private industry.

The Committee recognizes the high qualities of performance, courtesy and character necessary for income tax assessing, and views with some concern the attrition to personnel within this important segment of the taxation division. The Committee therefore recommends that immediate steps be taken to improve the training, salary and promotional opportunities within the department wherever possible.

5. Evaluation of Assets for Income Tax and Estimate Tax Purposes

The Committee was advised of a difference of opinion between the Provincial Governments and the Department of National Revenue in the evaluation of assets for succession duty purposes. While some progress had been made towards standardization, the Department as yet has been unable to entirely resolve these differences. The Committee also considered the inequality in the evaluation of certain assets in their relationship to the realizable value and therefore recommends the following:

That, for the purposes of income and succession duty taxation, the Department of National Revenue be authorized to value assets such as certain mortgages, securities, company assets and shares at their realizable values and not at unrealistic and arbitrary face values, market quotation values or book values.

6. Real Estate Appraisers

Members of the Committee are aware of many complaints of a lack of uniformity and consistency in real estate appraisals. Evidence before the Committee further discloses that among the assessors there are few qualified appraisers of real estate. While a number of assessors are enrolled in the earlier phases of courses in appraisal study, this program appears to receive but limited support.

It is therefore recommended that a more intensified program of qualification under the standards of the Appraisal Institute of Canada should be undertaken.

Until a sufficient number of appraisers are so qualified, it is further recommended that, where necessary, the Department retain the services of independent qualified appraisers.

II CUSTOMS, EXCISE, SALES TAX

1. Labelling of Imported Goods

It was brought to the attention of the Committee that the present law does not require a label showing country of origin on all goods imported into Canada. Members of the Committee submitted that a wide variety of items

fall into this category. In reply, the Minister pointed out that under Section 15-(1) of the "Customs Tariff", the Governor-in-Council may order that goods of a certain description or class should be marked so as to indicate the country of origin on importation into Canada.

The Committee, however, holds the view that this section should be amended thus making it mandatory that all goods should be so labelled. It is therefore recommended:

That all imported goods should bear a clear marking of the country of origin permanently affixed, except where such marking would impair the goods concerned. Where this may occur, a descriptive tag or symbol of the country of origin should be attached or affixed to the article or goods imported.

2. *Engineering Drawings*

Members of the Committee expressed disagreement with respect to the Department's interpretation of Tariff Items 180 (e) and 180 (f), related to engineering drawings. The effect of the present interpretation, in the opinion of the Committee, is to discourage production of these drawings in Canada.

The Committee therefore recommends that the Department of National Revenue, in conjunction with the Department of Finance, give consideration to clarifying the interpretation of the classification of Tariff Items 180 (e) and 180 (f). This amendment to provide that engineering drawings for either light or heavy industry will receive the same interpretation with respect to duty and sales tax as is applied to architectural drawings.

3. *Sales and Excise Tax on Exempted Industries*

The Committee was advised that certain manufactured products imported into Canada are declared exempt from both sales tax and excise duty. In the event these items are diverted for use where exemptions would not normally apply, the Department may claim against the distributor for both the tax and duty, where applicable.

While the Committee fully appreciates the necessity for recovering both duty and sales tax on items diverted from their exempt use, it is the Committee's opinion that the present regulation places a disproportionate burden of responsibility on the distributor and, conversely, imposes no penalty on the offending party responsible for the diversion.

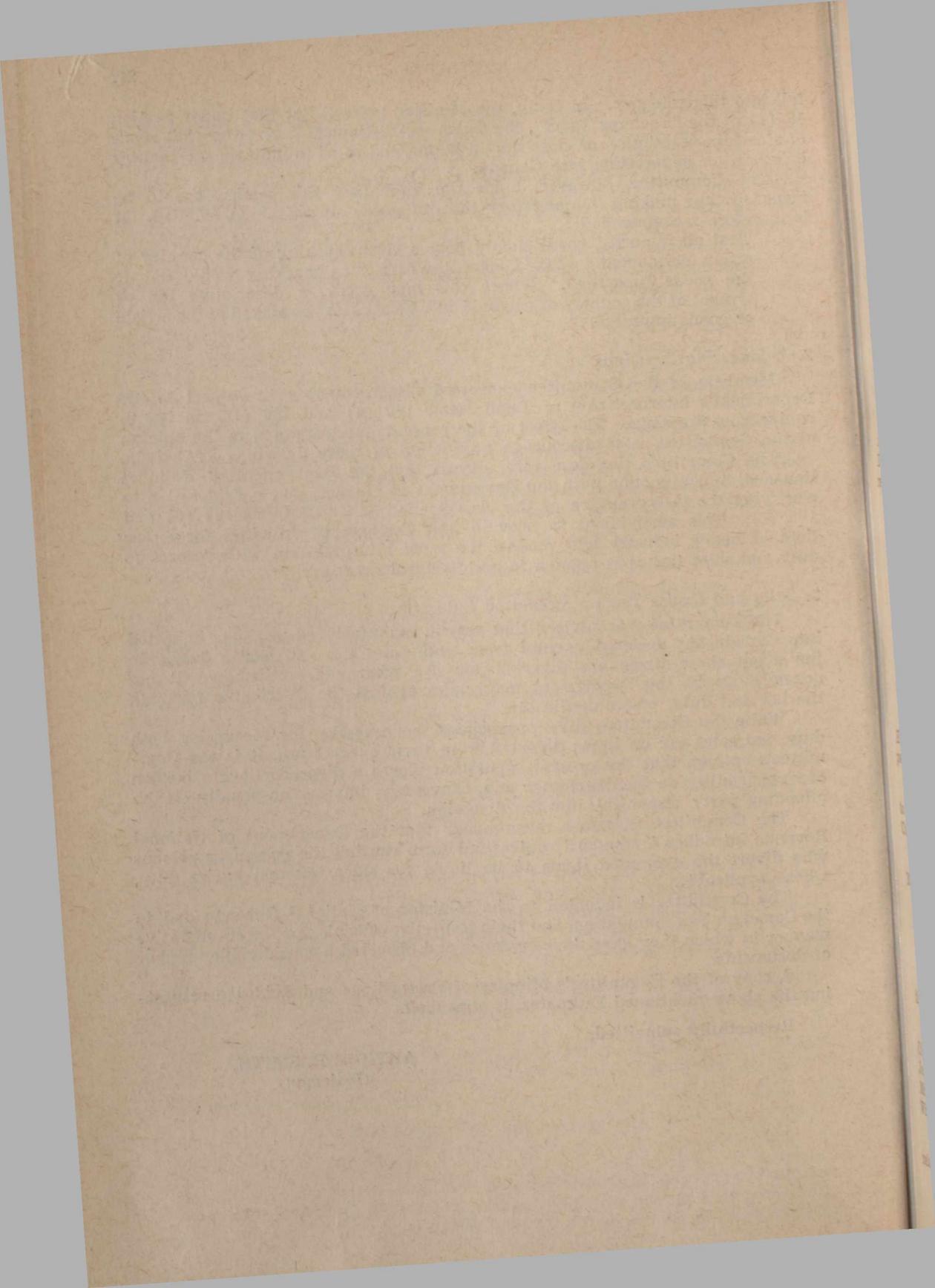
The Committee therefore recommends that the Department of National Revenue introduce a standard contractual form causing the person or persons who divert the exempted items to be liable for sales tax and excise duty, where applicable.

The Committee is indebted to the Minister of National Revenue and to the Canadian Tax Foundation, and their respective officials, for the co-operative manner in which they gave their evidence and provided a considerable number of documents.

A copy of the Committee's Minutes of Proceedings and Evidence respecting the above-mentioned Estimates, is appended.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.



MINUTES OF PROCEEDINGS

THURSDAY, April 30, 1959
(12)

The Standing Committee on Estimates met (*in camera*) at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Best, Bissonnette, Bourget, Broome, Bruchési, Cardin, Carter, Cathers, Chambers, Clancy, Fairfield, Fisher, Hales, Halpenny, Hardie, Hellyer, Hicks, Howe, Jorgenson, Korchinski, Lambert, McFarlane, Morris, Nesbitt, Nugent, Payne, Pugh, Smallwood, Smith (*Calgary South*), Stewart, Tassé, Winch, and Winkler.

The Chairman mentioned that he would report to the House recommending, pursuant to Mr. Winch's motion of April 27, that the Estimates of the Department of the Secretary of State and of the Civil Service Commission be referred to the Committee for study. He enumerated these items as follows:

1. Items numbered 372 to 378—respecting the Department of the Secretary of State.
2. Special Item numbered 379—Special expenditure in connection with a Commission under the Inquiries Act to inquire into the workings of the Patent Act, the Copyright Act, the Industrial Design Act, and other related legislation.
3. Item numbered 67—respecting the Civil Service Commission.

Committee members expressed their appreciation of the expedition with which the Committee's Proceedings Nos. 9 and 10 were made available.

Agreed,—That the Committee proceed with a page by page study of the Evidence received by it during its examination of the Estimates of the Department of National Revenue.

Various topics were discussed and members of the Committee were asked to prepare recommendations respecting those points for inclusion in the Committee's "Fourth Report to the House".

At 12.40 p.m. the Committee adjourned until 9.30 a.m., Tuesday, May 5, 1959.

TUESDAY, May 5, 1959
(13)

The Standing Committee on Estimates met (*in camera*) at 9.45 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Benidickson, Best, Broome, Chambers, Clancy, Coates, Fairfield, Grafftey, Hales, Hellyer, Hicks, Howe, Jorgenson, Lambert, McDonald (*Hamilton South*), McFarlane, McGrath, McWilliam, Nesbitt, Nugent, Payne, Pugh, Smith (*Calgary South*), Stewart, Winch and Winkler—(27).

The Committee continued its detailed consideration of the evidence related to the Estimates of the Department of National Revenue.

Committee members submitted various suggestions for inclusion in the Committee's "Report to the House". These were discussed, rejected, amended or referred to certain members of the Committee for further re-wording.

At 11.05 a.m. the Committee adjourned until 11.00 a.m. Thursday, May 7, 1959.

THURSDAY, May 7, 1959

(14)

The Standing Committee on Estimates met (*in camera*) at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Bourdages, Broome, Chambers, Fairfield, Fisher, Grafftey, Hales, Halpenny, Hardie, Hicks, Lambert, McFarlane, Nesbitt, Payne, Pugh, Small, Smith (*Calgary South*), Stewart, Winch and Winkler—(21).

The Committee expressed its appreciation for the manner in which the Clerk of the Committee has carried out his duties.

The Chairman submitted a "Draft Report to the House" respecting the Estimates of the Department of National Revenue. The said report was discussed, and amended.

The Chairman was instructed to re-word certain portions of the report, in consultation with members of the Steering Committee, and then to present it to the House.

At 11.45 a.m. the Committee adjourned until Tuesday, May 12, 1959.

E. W. Innes,
Clerk of the Committee.

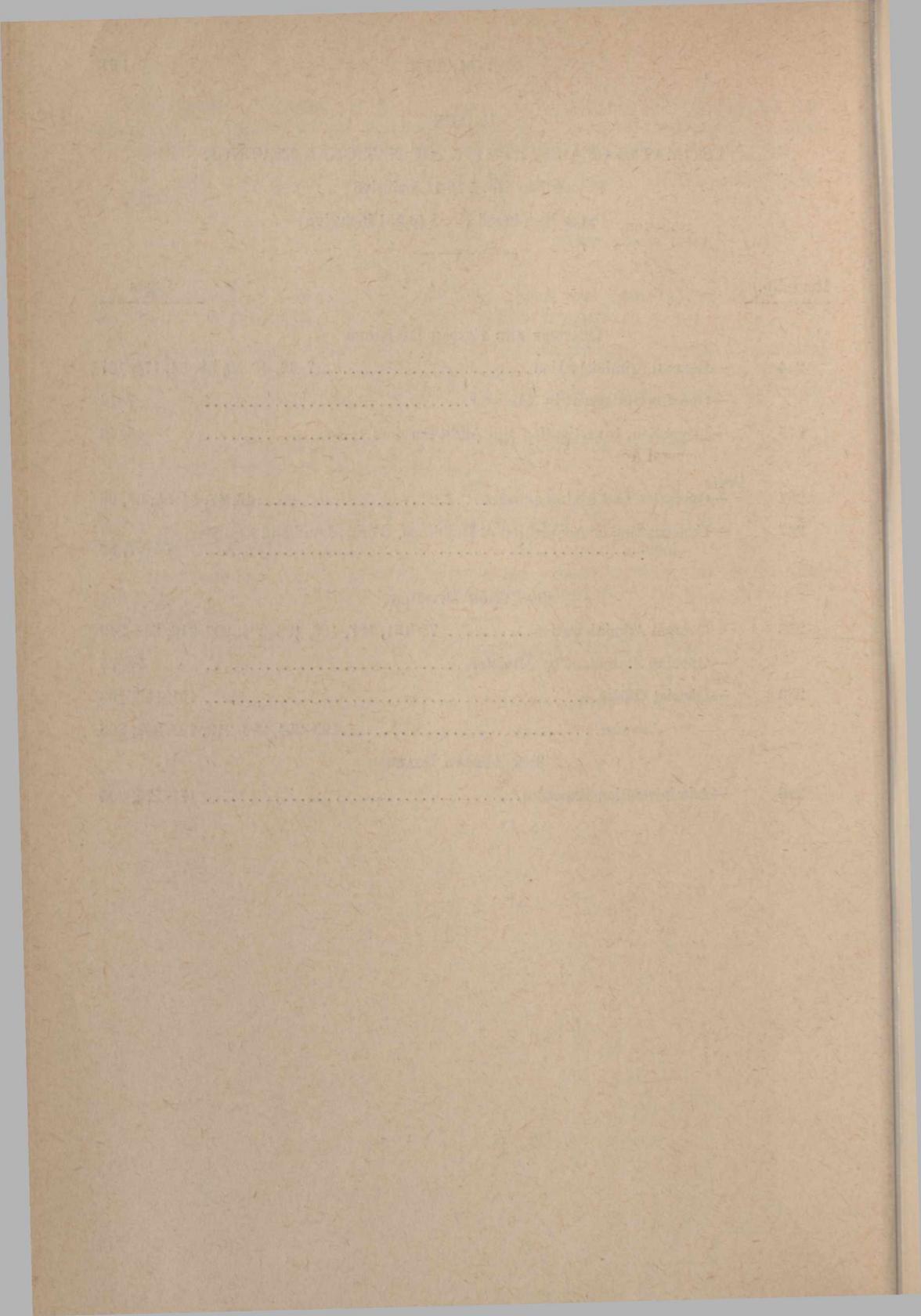
INDEX

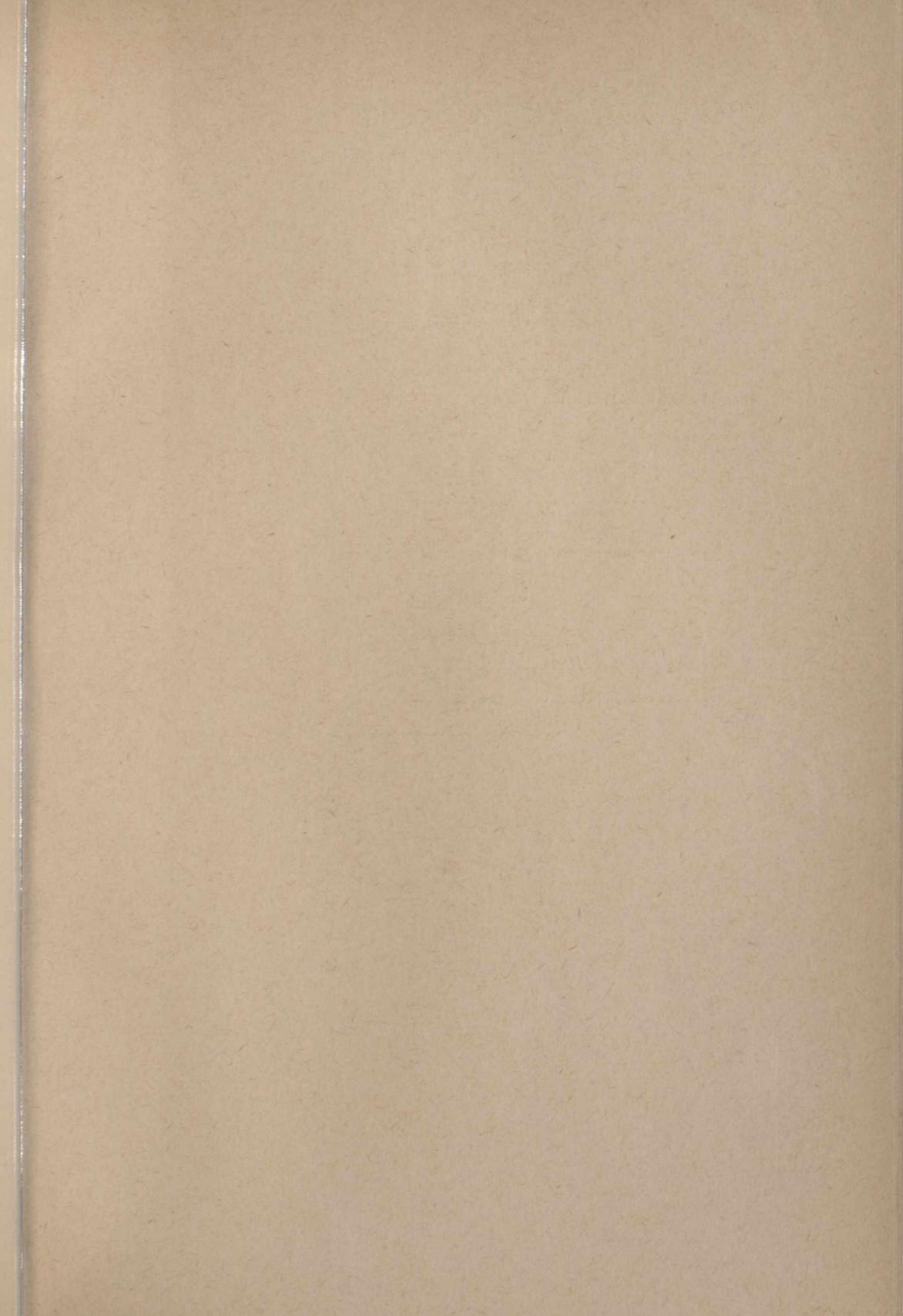
ESTIMATES OF DEPARTMENT OF NATIONAL REVENUE

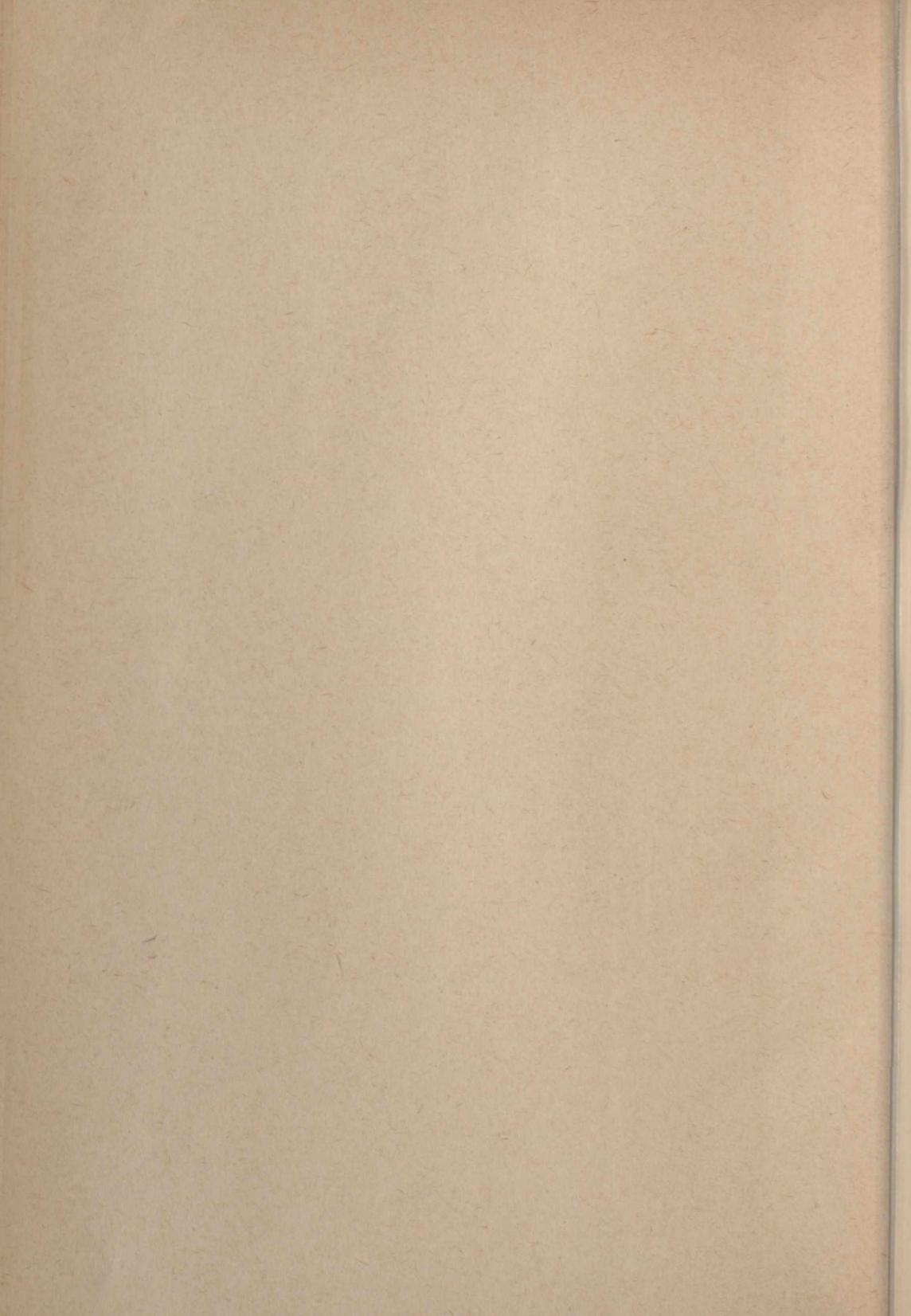
Proceedings No. 1 to 11 inclusive

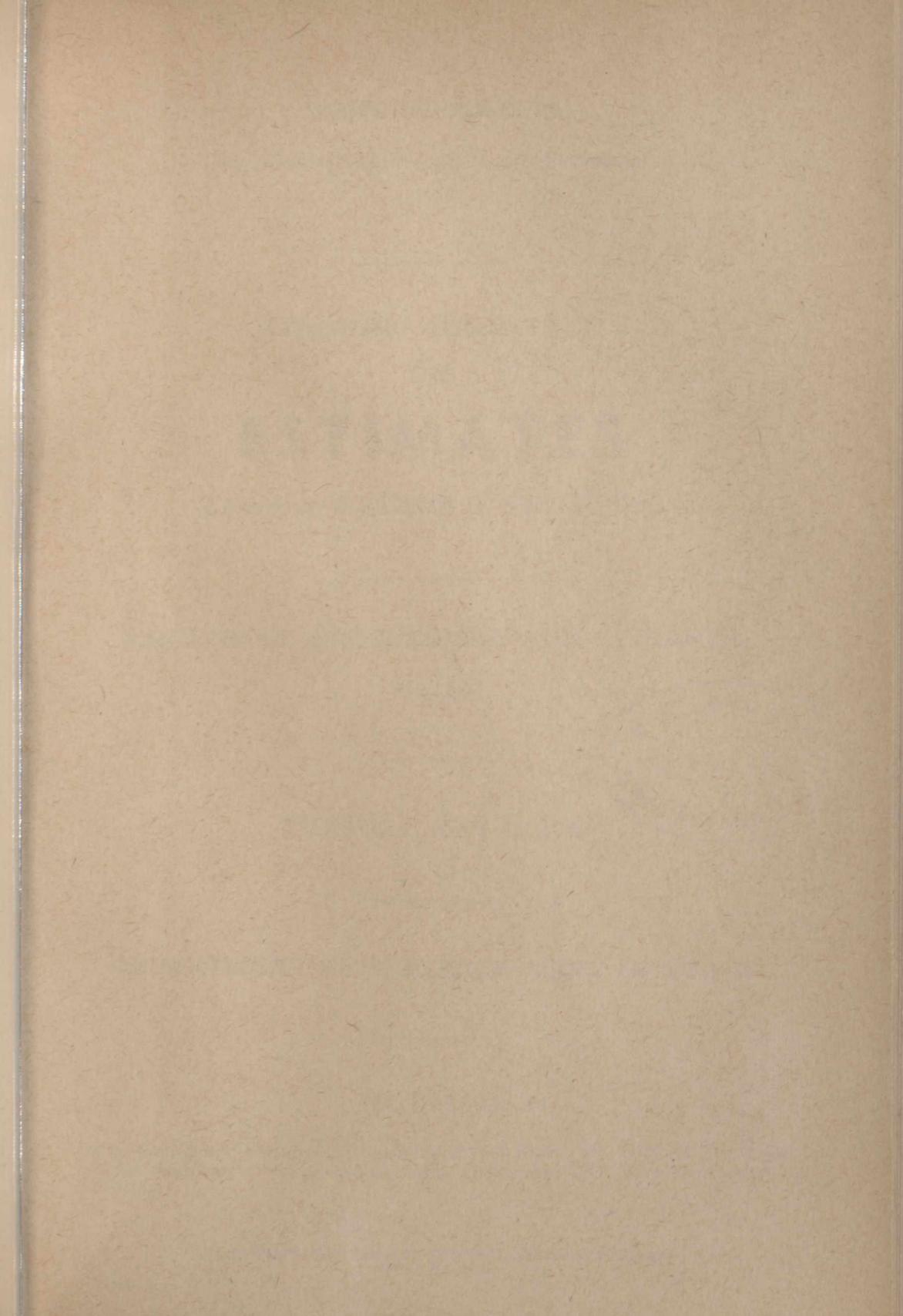
Pages Numbered No. 1 to 251 inclusive

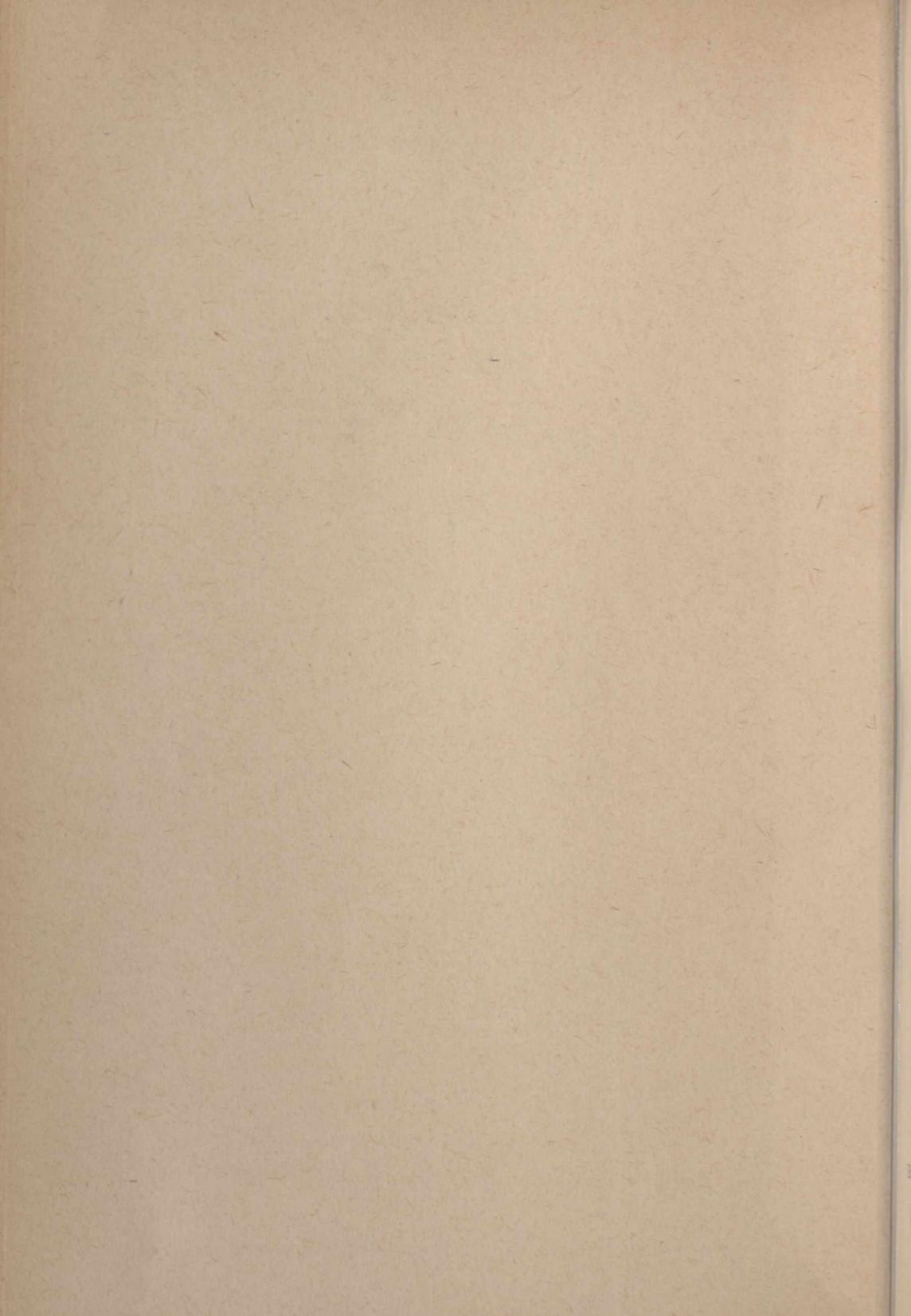
<u>Item No.</u>	<u>Pages</u>
CUSTOMS AND EXCISE DIVISIONS	
254	—General Administration..... 7-45, 48-50, 53, 54, 175-187
	—Opening Statement by Minister..... 7-10
255	—Inspection, Investigation and Audit Services..... 45, 46
Ports	
256	—Operation and Maintenance..... 46, 47, 54-65, 67, 69
257	—Construction or Acquisition of Buildings, Works, Land and Equip- ment..... 65-67, 69
TAXATION DIVISION	
258	—General Administration..... 73-161, 167, 168, 193-204, 206-219, 225-242
	—Opening Statement by Minister..... 73-75
259	—District Offices..... 161-166, 168
	<i>See also</i> 193-204, 206-219, 225-242, 205
TAX APPEAL BOARD	
260	—Administration Expenses..... 171-175, 205











HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

TUESDAY, MAY 12, 1959



DEPARTMENT OF THE SECRETARY OF STATE

WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Mr. Charles Stein, Q.C., Under Secretary of State; and Mr. A. A. Cattnach, Q.C., Director, Companies Division.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,
Baldwin,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Caron,
Cardin,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Howe,
Jorgenson,
Korchinski,
Lambert,
McDonald (*Hamilton
South*),
McFarlane,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,

Morris,
Nesbitt,
Nugent,
Payne,
Peters,
Pickersgill,
Pigeon,
Pugh,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Rowe,
Small,
Smallwood,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY, May 8, 1959

Ordered,—That the names of Messrs. Richard (*Ottawa East*) and Caron be substituted for those of Messrs. Garland and Macnaughton respectively on the Standing Committee on Estimates.

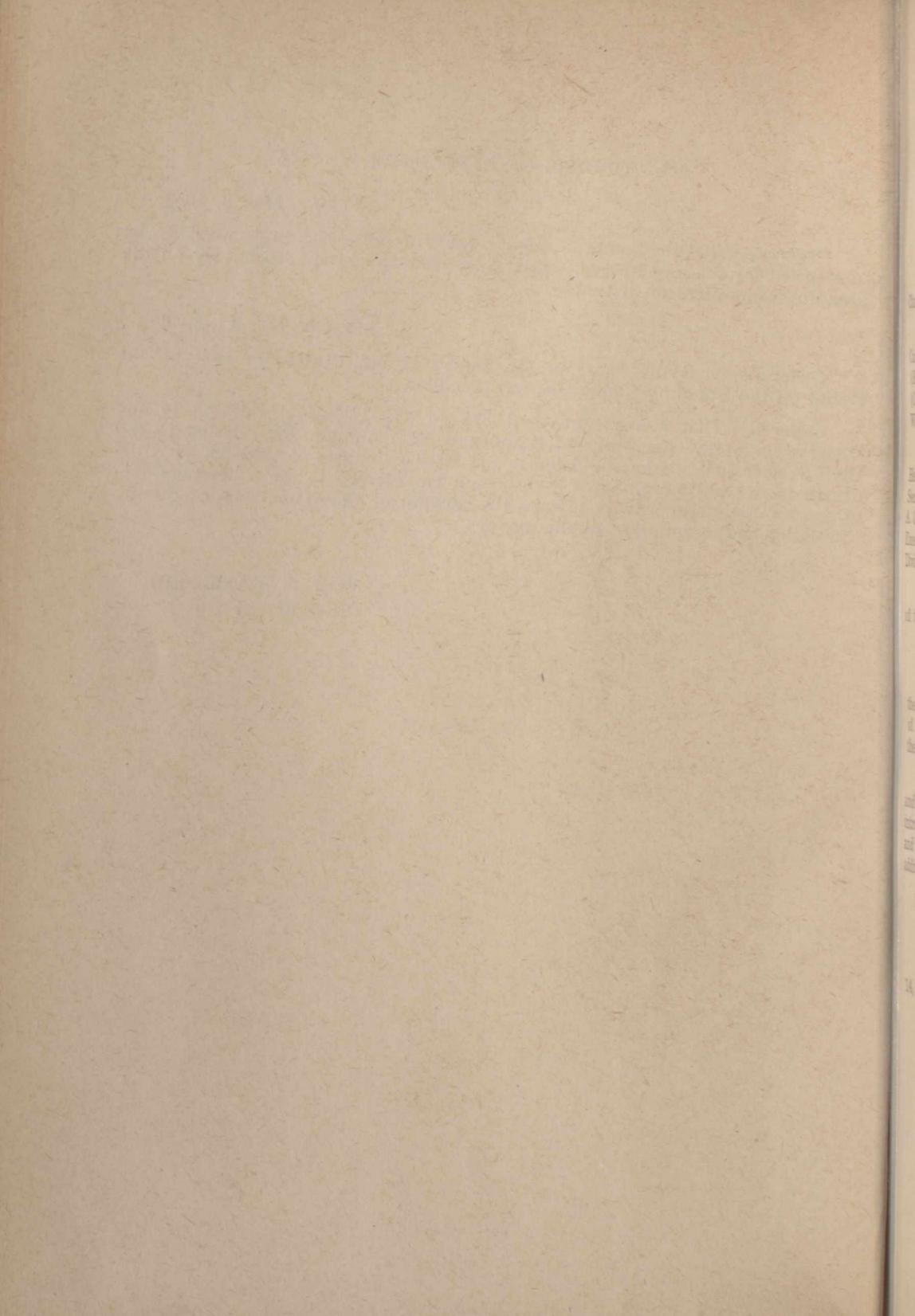
MONDAY, May 11, 1959

Ordered,—That the name of Mr. Peters be substituted for that of Mr. Fisher on the Standing Committee on Estimates.

Ordered,—That Items numbered 372 to 379 inclusive, relating to the Department of the Secretary of State, and Item number 67, relating to the Civil Service Commission, as listed in the Main Estimates of 1959-60, be withdrawn from the Committee of Supply and be referred to the Standing Committee on Estimates, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

Attest.

LÉON J. RAYMOND,
Clerk of the House.



MINUTES OF PROCEEDINGS

TUESDAY, May 12, 1959

(15)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Baldwin, Bell (*Carleton*), Bourget, Caron, Carter, Chambers, Dumas, Fairfield, Halpenny, Hicks, Howe, McDonald (*Hamilton South*), McFarlane, McGrath, Nesbitt, Payne, Pigeon, Richard (*Ottawa East*), Smallwood, Smith (*Calgary South*), Tassé, Winch and Winkler—24.

In attendance: From the Department of the Secretary of State: Honourable Henri Courtemanche, Secretary of State; Mr. Charles Stein, Q.C., Under Secretary of State; Mr. J. W. T. Michel, Commissioner of Patents; Mr. A. A. Cattanach, Q.C., Director, Companies Division; Mr. Harris Arbique, General Executive Assistant; and Mr. L. C. Lafleur, Director, Administrative Services Division.

The Committee proceeded to its consideration of the Estimates, 1959-60, of the Department of the Secretary of State.

On motion of Mr. Winch, seconded by Mr. Chambers,

Resolved,—That, pursuant to its Order of Reference of February 16, 1959, the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence relating to the Estimates of the Department of the Secretary of State.

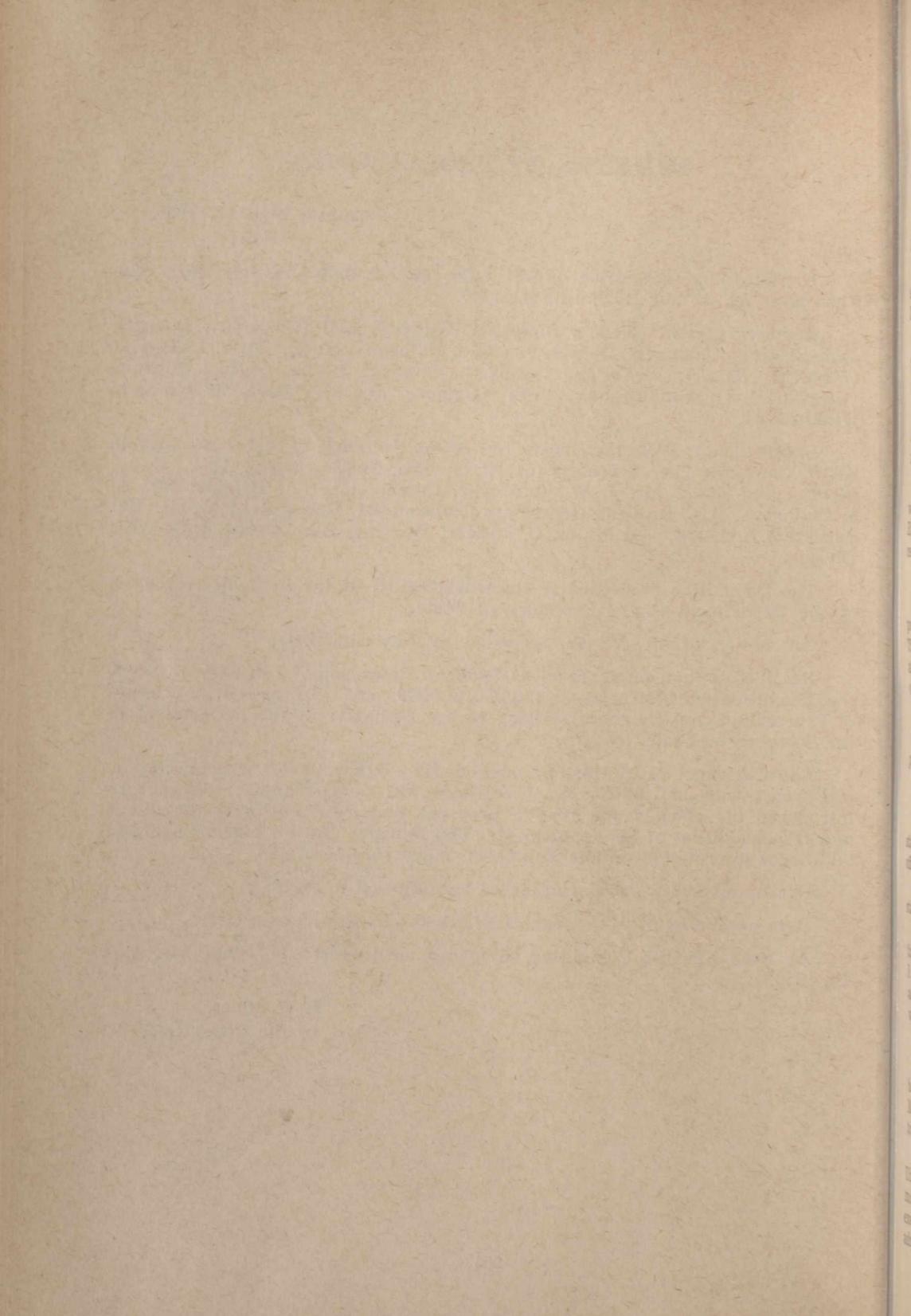
The Chairman called item numbered 372—*Departmental Administration*, and then introduced the Secretary of State, Mr. Courtemanche, who in turn introduced his officials and read a prepared statement outlining the duties and responsibilities of his department. The Minister and his officials supplied additional information on the Estimates under consideration.

Item numbered 372 was considered and allowed to stand.

Item numbered 373—*Companies Division*, was considered.

At 10.55 a.m. the Committee adjourned until 11.00 a.m., Thursday, May 14, 1959.

E. W. Innes,
Clerk of the Committee.



EVIDENCE

The CHAIRMAN: Good morning, gentlemen. We have a quorum; we can proceed.

I think before I go on with the usual motion, I would like to welcome several gentlemen to the committee: Mr. Caron, Mr. Richard (*Ottawa East*), Mr. Peters and Mr. Pigeon. We are happy to see you gentlemen with us.

We have before us the estimates of the Department of the Secretary of State and, of course, the minister and his under secretary with their departmental officials.

Following the usual practice we will hear a short statement from the minister. However, gentlemen, before proceeding to it we have the usual motion to pass.

First, of course, is the order to print, and I am going to suggest that we print the same number of copies as we have heretofore in both French and English—namely 750 copies in English and 200 copies in French—of the proceedings of these meetings.

Mr. WINCH: I move the motion.

The CHAIRMAN: Mr. Winch moves, seconded by Mr. Chambers, that, pursuant to its order of reference of February 16, 1959, the committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence relating to the estimates of the Department of the Secretary of State.

Motion agreed to.

The CHAIRMAN: I will now call item 372, the details of which are on page 466, gentlemen.

372. Departmental Administration \$303,040

The CHAIRMAN: I will now ask the minister to proceed with his short statement, and at the same time to introduce his under secretary and the officials appearing with him here today.

Following the statement we will proceed with the examination of the statement and the general item.

Mr. Courtemanche, may I first welcome you here, sir; and may I say that we are very happy you are able to join us in this opening meeting. I am going to suggest we follow the usual informal practice which we have adopted, and permit our good minister to remain seated. Does that meet with your approval, gentlemen?

Some Hon. MEMBERS: Agreed.

Hon. HENRI COURTEMANCHE (*Secretary of State*): Mr. Chairman and members of the committee, it has been said that I will make a "short" statement. Maybe it will be longer than the Chairman thinks, but I will do my best to shorten that statement.

I am accompanied here by my deputy minister, Mr. Charles Stein, Q.C., Under Secretary of State, and by the directors of the divisions of my department, more particularly the commissioner of patents, Mr. J. W. T. Michel; the general executive assistant of the department, Mr. H. Arbique, and the director of the administrative services division, Mr. L. Lafleur.

The Department of the Secretary of State administers legislation and regulations relating to patents of invention, trade marks, industrial designs, copyright, companies, boards of trade, governmental and parliamentary translations and a number of other subjects. Legislation relative to wartime trading with the enemy and enemy property is administered through the office of the custodian of enemy property, for which there is no parliamentary appropriation.

The department acts as channel of communication with the Governor General and, through him, with the sovereign and, as required, prepares recommendations concerning various matters related to the exercise of the royal prerogative—decorations, royal patronage in various forms, etc. The department also deals with inquiries, suggestions and recommendations with respect to precedence, state functions, arms, flags, seals, and holidays.

The functions of the department are carried out by the following divisions: administrative services division, companies division, patent and copyright office, registration division, special division, trade marks office and the translation bureau.

The administrative services division, comprising a personnel of 30 and headed by a director, is responsible for departmental personnel, estimates, accounts, revenue, supplies and equipment, central registry, transcribing services, and the library.

The companies division, with a staff of 24, headed by a director, administers the Companies Act, dealing with the incorporation of companies, issuance of letters patent and supplementary letters patent, surrenders of charters, filing of financial statements and annual summaries, maintenance of a register of mortgages and charges, and similar matters. An index of all companies, federally or provincially incorporated, is maintained in the division. The division also administers the Boards of Trade Act, the Trade Unions Act and the Pension Fund Societies Act.

The patent and copyright office, comprising a personnel of 322, headed by the commissioner of patents, administers the Patent Act, the Copyright Act, the Timber Marking Act and the Industrial Design and Union Label Act. In discharging its responsibility with respect to applications for patents of invention, the office examines the applications, more particularly from the point of view of usefulness of the inventions claimed, searches "prior art" to determine inventive novelty, decides as to patentability and grants patents when all substantive and procedural requirements are fulfilled. Patents of invention are printed at departmental expense and made available for sale or distribution, and the weekly "Canadian Patent Office Record" is published.

The registration division, which consists of 5 employees headed by a director, is concerned with the functions of the Secretary of State as registrar general. It is custodian of several seals (including the Great Seal of Canada and the Governor General's Privy Seal) and it engrosses, seals and registers proclamations, commissions, letters patent granting lands and rights, etc. It also registers other official documents. In addition, it collects the returns to orders and addresses of the House of Commons and Senate and the answers to questions which concern more than one minister or department.

The special division, with a staff of 6 and headed by a director, handles correspondence with the office of the Governor General and with the lieutenant governors of the provinces, applications, suggestions and inquiries dealing with royal patronage, precedence, ceremonial, hospitality, decorations and honours, flags, national anthems, coats of arms, etc. The division also edits the "Guide to Relative Precedence at Ottawa", arranges for the printing and distribution of the speech from the throne, and either organizes or participates in organizing state visits and ceremonies.

The trade marks office has a staff of 52 and is headed by the registrar of trade marks. It maintains a complete record of all trade marks registered under the Trade Marks Act, which it administers, or under previous statutes relating to trade marks. It publishes the weekly "Trade Marks Journal" in which are advertised applications for the registration of trade marks, to which opposition may be filed by interested parties.

The bureau for translations, comprising 315 officers and employees, headed by the superintendent of the bureau, translates into or from English, French and a number of foreign languages departmental and other reports and documents, debates, bills, statutes, proceedings and correspondence for all departments of government, the Senate, the House of Commons and several government agencies. The bureau also provides a simultaneous interpretation service in the House of Commons. Outside translators are also engaged by the bureau to handle overflow work or to do exceptional translations, the number of which would not justify hiring a full-time translator. They usually are remunerated at so much per word or per page. Terminology bulletins are published by the bureau from time to time.

In addition, the office of the custodian of enemy property comes under the jurisdiction of the Secretary of State. Its function is to administer the legislation with respect to trading with the enemy, under which enemy assets in Canada are vested in the custodian in order to prevent trading with, and the flow of financial resources to, the enemy. The administrative expenses of this office are met out of the assets of former enemy governments, individuals and firms.

So much, then, for the functions of the department.

If I might raise a comment with respect to the comparison which you may be making between the total amounts estimated for 1959-60 as against 1958-59, I would say that there was an additional amount of \$312,400 voted at the time of Supplementary Estimates for 1958-59. This means that the total amount voted, 1958-59, main and supplementary estimates, was \$4,452,351. I bring this fact to your attention because I am informed that no supplementary requirement will be advanced for 1959-60. On this basis it would appear that the actual estimated increase between the two years is closer to \$20,452, rather than \$332,852 as shown.

As to actual expenditures and revenue for the year 1958-59, the total expenditure for the department, all divisions, was \$4,364,777, the total revenue \$2,347,109. This represents an increase in expenditure over 1957-58 of \$410,941, or 10.4 per cent and an increase in revenue over 1957-58 of \$29,183, or 1.3 per cent. My officers are prepared to give you a detailed accounting of the expenditure and revenue figures if you so desire.

I would like now to report briefly on the operations of the various divisions of the department during the last fiscal year.

The companies division issued letters patent incorporating 807 companies under Part I of the act, as against 733 companies last year, an increase of 10 per cent; and 57 corporations without share capital under Part II of the act as against 55 last year. Supplementary letters patent granted to existing companies this year totalled 510, as against 481 last year, an increase of 6 per cent.

The total number of annual summaries submitted increased by 6 per cent: 12,116, as against 11,432 last year.

Certificates of acceptance of surrender of charters were issued dissolving 268 companies, and 136 charters were considered to be forfeited for non-user and were, therefore, returned to the department; this compares with 174 and 37, respectively, last year.

Twenty boards of trade were registered during 1958-59, as against 14 in 1957-58. Two boards of trade were dissolved in 1958-59.

The patent and copyright office showed its usual increase in business in all areas. Applications for patents of invention totalled 22,912 this year, as against 22,257 for 1957-58. Allowances of applications increased by 23.7 per cent—21,920 as against 17,717. There were fewer reports on patentability—29,543 as against 33,256 in the previous year, due largely to the preparation of more effective reports.

There were 18,293 patents issued,—an all-time high,—an increase of 12.5 per cent over last year's 16,261.

There was also a significant increase in copyright and industrial design applications and registrations.

The registration division issued fewer documents in the past year than in the preceding year: 3,272 in 1958-59, 3,722 in 1957-58. Documents registered increased slightly: 3,107 in 1958-59, 3,082 in 1957-58.

The special division ceremonial arrangements and correspondence operations maintained their usual volume in 1958-59. The highlights of the division's operation were participation in the arrangements for the forthcoming visit to Canada of Her Majesty the Queen and His Royal Highness the Duke of Edinburgh, and for the tour of Canada by H.R.H. the Princess Margaret last summer; in the latter case the division's secretary accompanied the royal party.

The trade marks office also reflected a general increase in its workload in 1958-59 over 1957-58. A total of 5,159 trade mark applications were filed, an increase of 6.4 per cent over the 4,849 of the previous year. 3,992 trade marks were registered in 1958-59, 3,769 in 1957-58, an increase of almost 6 per cent. 4,345 applications were advertised in 1958-59, as against 3,856 in the previous year. Total revenue of the division decreased by 3.7 per cent in 1958-59 from the previous year: \$263,493 from \$273,558. This was brought on primarily by a marked decrease in renewals: trade mark registrations renewed dropped from 3,434 to 1,117.

The total workload of the bureau for translations increased by some 12 per cent over the previous year, including translations done outside the bureau.

Mention should be made of the provision of the simultaneous interpretation service in the House of Commons which, as you are aware, began with the present session in January, 1959.

Translation done on a per word or per page basis outside the bureau was greatly increased in the past year—from 65,200 words in 1957-58 to 1,153,100 words in 1958-59.

I would like to suggest for the consideration of the committee the amalgamation of the three votes for the patent and copyright office—votes 376, 377 and 378 on page 69 of your estimates book—into one vote for the division as a whole. At this time, the patent and copyright office is the only division of the department which carries on its estimating and accounting under more than a single vote.

The department is of the opinion that amalgamation of these votes would serve its administrative convenience. The amalgamation, I might say, was recommended by officers of the treasury board division of the Department of Finance during the discussion of estimates for 1959-60.

If the vote were expressed as a single figure we would have a clearer idea of the cost of operating this division and of net surplus and deficit. It would be possible to effect a small reduction in the amount estimated, since a residue is normally left in each of the three votes, and the fewer the votes, therefore, the smaller the residue. The department would gain flexibility with respect to the transfer of funds and staff within the sections of the division. The department might also look for more accurate accounting of office service charges which are common to the three sections.

That is the end of my statement.

The CHAIRMAN: Thank you, Mr. Minister. Gentlemen, you have heard the statement by the minister. As he has mentioned, we have, in addition to himself, his under secretary and we also welcome him.

I would therefore suggest that you direct your questions either to the minister or his under secretary. May I point out that our procedure in the past has been to examine the statement, and this we do, of course, under the general item of departmental administration, item No. 372. We will then take each of the pages as they appear, commencing on page 466. Therefore, we are open for questions, gentlemen, on the minister's statement.

Mr. CARON: Mr. Minister, on the office of the Custodian of Enemy Property, could you tell us the amount we still have on hand to administer, the amount of property we still have on hand?

Mr. CHARLES STEIN, Q.C. (*Under Secretary of State and Deputy Registrar General of Canada*): A little over \$4 million.

Mr. CARON: A little over \$4 million?

Mr. STEIN: As of December 31. Our financial year is the calendar year.

Mr. CARON: How does it compare to five years ago?

Mr. STEIN: Five years ago, I would say from memory, an amount of \$8-\$10 million.

Mr. CARON: Is there an expectation this \$4 million may clear out, or is it to stay?

Mr. STEIN: We are continuing to release some property. In fact, in the course of last year we released, I think it is, \$4 million, but I can tell you exactly.

At the previous year's end we had \$9,400,000, approximately; whereas, as I said, at the last, that is December 31, we had \$4,600,000, a decrease of approximately \$4,700,000.

Mr. CARON: That is from one year to the other?

Mr. STEIN: Yes.

Mr. CARON: Thank you.

Mr. HALPENNY: How many companies are there that we have not yet released or sold?

Mr. STEIN: In the custodian's office?

Mr. HALPENNY: Yes.

Mr. STEIN: I do not know whether I could distinguish between companies, estates, individuals and so on; I do not know whether I could even give you the number of cases.

Mr. HALPENNY: Do we have any companies?

Mr. STEIN: Yes, we still have a number of companies, including some where we are not yet quite sure whether they are real enemies—that is either German, Japanese, Hungarian or Rumanian.

Mr. WINKLER: Can you give us any indication where the residual \$4 million-odd is established?

Mr. STEIN: I am not sure I understand your question. What do you mean by "where it is established"?

Mr. WINKLER: In what amounts is that money involved?

Mr. STEIN: In cash, bonds and so on?

Mr. WINKLER: Yes.

Mr. STEIN: We have approximately \$1,800,000 in round figures, in cash; \$1,400,000 in government of Canada bonds; and about \$19,800 in gold. In

securities we have a little over \$800,000, and the market value there might be as high as \$2½ million. Equities in companies are \$600,000, or a little over that; real estate, \$18,000; and other assets, licence agreements, accounts receivable and personal effects and so on, \$2,000, which makes a total of \$4,678,000.

Mr. WINKLER: Is there any indication as to what the disposition of this sum might be—as to what the disposition of this balance might be?

Mr. STEIN: As I said, there is a number of these assets which we are still investigating, to find out whether there is a real enemy interest, and to find out whether we might have to release some of them. For instance, last year we released a considerable sum, as I mentioned, over \$4 million, which turned out not to be German enemy, as we thought it might be.

Mr. BELL (*Carleton*): Have you any forecast as to when the fund might be wound up?

Mr. STEIN: It is very difficult to say. We are trying hard to, but the remaining ones are usually the most difficult ones.

Mr. BELL (*Carleton*): Are there still some for the first world war?

Mr. STEIN: With regard to the first world war, we pretty well closed our books a few years ago, and turned over what little remained to the Department of Finance. However, there is still a number of them there which are pending cases. There is even one court case that went to the Privy Council, but which I think has now been abandoned. There are two or three others, but we have agreed with the Department of Finance to try and settle them; we have turned our books over to the Department of Finance.

Mr. BELL (*Carleton*): Do you have the names of the judicial officers and the commissioners relating to this?

Mr. STEIN: Are you referring to the war claims commission?

Mr. BELL (*Carleton*): Yes, the war claims commission.

Mr. STEIN: The chief war claims commissioner is Chief Justice Campbell of Prince Edward Island. There are, or have been at one time or another as deputy commissioners, Mr. Justice Bird of Vancouver, of the Supreme Court of British Columbia, and Mr. Justice Hyndman, a retired judge. There is also Mr. Francis, who used to be a public servant here, in Ottawa. We had Mr. Justice Choquette of Quebec city, but I think he has finished now, and Judge Marion of a county court near Ottawa.

Mr. BELL (*Carleton*): Can you give us any estimate of when the work of the war claims commission might wind up?

Mr. STEIN: The last forecast I received was for the end of August.

Mr. BELL (*Carleton*): I was rather disturbed to see the amount which was passed to the Chief Justice of Prince Edward Island, and the statement showed his income to be an amount in excess of \$10,000, as I recollect.

Mr. STEIN: He does get his travelling expenses and a living allowance. I can assure you that from the explanation I received—that was furnished to the treasury board, who examine these things very carefully—he is not making any money out of this.

Mr. BALDWIN: Can you express, in terms of percentage, the administrative cost of operating the office of the custodian—approximately, in percentage terms?

Mr. STEIN: I do not know whether this will answer your question, but we are authorized to charge up to two per cent of the value of the assets, either administered or vested. Sometimes we charge this.

Mr. BALDWIN: Would you say that charge is made in respect of the total you have in hand?

Mr. STEIN: On releasing any assets we make that administrative charge.

Mr. BALDWIN: Do you still maintain agents in various centres throughout the country, and are they paid on a percentage basis?

Mr. STEIN: No.

Mr. BALDWIN: You have no agents left at all?

Mr. STEIN: No.

Mr. RICHARD (*Ottawa East*): I do not want to change the subject, unless everybody has finished with this particular aspect.

The CHAIRMAN: At these meetings we have been very good in pursuing one subject at a time and exploring it.

May I make one other suggestions, and that is that at times it is difficult to hear the members. Therefore, may I ask you to speak up, because the acoustics are not all they might be in this room.

Is there any further discussion you wish to pursue on the subject matter before us?

Mr. WINCH: Yes. Does the collection of indemnification of Canadians, as a result of war, come through your office also?

Mr. STEIN: We have turned over to the Minister of Finance, up to the present, approximately \$8 million worth of Japanese and German enemy assets, to be put into what is called the war claims fund, out of which compensation is paid to Canadians in respect of war claims, maltreatment, death, loss of property, and so on.

Mr. WINCH: Are you also responsible for collection from the foreign governments?

Mr. STEIN: We use the assets vested in the custodian. As I said, we have turned over approximately \$8,750,000.

In addition to that the Department of Finance received—I could not tell you what the amount was, but some money out of a pool distribution of enemy assets in neutral countries under an international agreement, more particularly under the inter-allied reparations agency, for distribution among the allies, of enemy assets that were in neutral countries. That augmented that war claims fund.

Mr. WINCH: That is not only by yourself, but by the Minister of Finance?

Mr. STEIN: The Minister of Finance is responsible for the war claims fund and paying out compensation, and each demand has to be authorized by the treasury board; but it is made on the recommendation of the chief war claims commissioner, to whom I referred earlier.

The CHAIRMAN: Mr. Richard, would you proceed now?

Mr. CARON: I would like to ask another question on that, Mr. Chairman.

Could we have a list of all revenues and expenses of the different commissioners for the last five years? Could the department furnish us with a list of all revenues and expenses incurred by all the commissioners for the last five years?

Mr. STEIN: "The commissioners"?

Mr. CARON: Yes.

Mr. STEIN: Which commissioners?

Mr. CARON: Or the custodian of enemy property.

Mr. STEIN: You mean, the war claims commissioner?

Mr. CARON: Yes.

Mr. STEIN: All the expenses and allowances paid to them?

Mr. CARON: Yes. I do not want them today, but perhaps later we could be furnished with a list of them.

The CHAIRMAN: Could that be obtained?

Mr. STEIN: Yes.

The CHAIRMAN: That will be done.

Mr. WINKLER: Inasmuch as you turned these funds over to the Minister of Finance, you are not in a position to tell us all the public requests that are made upon this residual fund that he has?

Mr. STEIN: Yes.

Mr. WINKLER: Those requests are not brought to your attention?

Mr. STEIN: Yes, they are, because the war claims commission is responsible to the Secretary of State.

Mr. WINKLER: Could you tell us where the majority of the requests come from? Are they from Canadian individuals?

Mr. STEIN: You had, of course, in numbers more individuals; but you have also had a few—I could not tell you how many—companies and those are the remaining cases, or most of them, involving very large amounts, millions and millions of dollars. I know of one case where it is \$18 million that is claimed by a company. That is for loss of property, of course.

Then you had these ex-prisoner-of-war claims, for instance, for maltreatment. There was \$2 million paid to them, over that.

Mr. WINKLER: Is that the total figure which was paid to them?

Mr. STEIN: I was just referring to the ex-prisoners-of-war, \$2 million.

Mr. WINKLER: Yes, I see, thank you.

The CHAIRMAN: Any further questions, gentlemen?

Have you a new area you wish to ask questions about, Mr. Richard?

Mr. RICHARD (*Ottawa East*): Yes, on patent and copyrights.

The CHAIRMAN: Very well, proceed.

Mr. RICHARD (*Ottawa East*): Mr. Chairman, because this branch of the department is very important, I would like first to ask the minister if he has had any communication with the Minister of Public Works towards finding suitable permanent quarters, in the future, for the patent, trade mark and copyright branch? I think this particular office has been shifted all over the place, and at the present time it is at No. 8 temporary building, at the experimental farm, which is quite unsuitable.

This is a revenue producing department, and I know the minister is interested. I also know that he has had discussions with the Minister of Public Works in recent months, to try and find a new building for the patent, trade mark and copyright office.

Mr. STEIN: The minister has asked me to reply to your question.

First of all, I would like to assure the member that we did all we could to resist any move. As the hon. member knows, it comes under the jurisdiction of the Department of Public Works. I believe they have been considering it for a long time and are trying to put the patent and trade marks offices together in a suitable building. More recently, I understand, they have been trying to bring them back as soon as possible—and this goes back quite some time,—to the centre of the city.

Mr. RICHARD (*Ottawa East*): What is the degree of protection as far as the common records in buildings like No. 8 are concerned? Those records of patents and trade marks are irreplaceable. Are they being filmed, so that if there is a fire in No. 8 building, they could be recouped in some way?

Mr. STEIN: We are told by the dominion fire marshall that the risk there is no greater than in the Canadian building. I am referring more particularly to the patents office because the trade mark office has not yet moved, but is to move shortly.

Mr. RICHARD (*Ottawa East*): Has anything been done in the way of filming these records?

Mr. STEIN: Yes, we have microfilming which has been going on for quite a while.

Mr. RICHARD (*Ottawa East*): What stage have you reached?

Mr. STEIN: Already we have about 100,000 patents microfilmed.

Mr. RICHARD (*Ottawa East*): That is a fair amount. That is out of how many?

Mr. STEIN: It is out of 576,000.

Mr. BELL (*Carleton*): I would like to say, before we leave the question of the housing of the patent office, that I consider it to be one of the very high priority buildings, and I hope that the Secretary of State and the commissioner of patents will keep pressing the Department of Public Works for a suitable and central location.

Personally I am of the view that the present location in number eight temporary building is wholly unsatisfactory, wholly inadequate, and one which is dangerous to the permanent records which are irreplaceable.

The CHAIRMAN: Shall we proceed?

Mr. RICHARD (*Ottawa East*): What is the situation with regard to the Royal Commission on Patents, Trademarks and Copyrights which was formed some years ago under Mr. Justice Ilsley, reported about two years ago on copyrights, and then later reported on industrial designs? May I ask if there is any action to be taken in the near future on those reports, and also when may we expect to receive the report on patents?

Mr. STEIN: The latest forecast we have is for next fall, for the report on patents.

Mr. RICHARD (*Ottawa East*): Has there been any action taken on the other two reports as yet?

Mr. STEIN: We are studying them. I do not have to tell hon. members how complicated the subject is, and how long it took for example in the United Kingdom to dispose of the copyright act, for one; it took four or five years, I think, for the commission to report there. I believe it was the Gregory committee over there, which was the equivalent to our commission here. All I can say is that there cannot be a bill ready for submission at this session—that is, one dealing with copyrights or industrial design.

Mr. RICHARD (*Ottawa East*): I think that the reports have complicated the matter to such an extent that it will take a long time, and I wondered if there was a departmental committee studying those reports.

Mr. STEIN: Yes, and we are continuing to receive representations from various sources.

Mr. RICHARD (*Ottawa East*): I have a question concerning the details of the patent and copyright offices.

The CHAIRMAN: I wonder if I may stop you for a moment, Mr. Richard. We are becoming involved in the details of the various sections. Our practice has been to discuss the generalities of the statement first, and then proceed in sequence page by page with respect to the details. I think we should keep to that practice.

Mr. RICHARD (*Ottawa East*): Fine.

Mr. PAYNE: I wonder if the witness could give us a statement as to the procedures and requirements in regard to the incorporation of companies?

The CHAIRMAN: What is your question again, Mr. Payne?

Mr. PAYNE: I would like the witness to give us a statement regarding the requirements and procedures dealt with in the incorporation of companies.

Mr. STEIN: An application has to be filed with the department, and a fee of course paid. That fee varies with a tariff, having regard to the size of the share capital, and has to be paid. Then we have a number of lawyers who examine the petitions for incorporation with respect to the procedural, legal and substantive requirements; and when anything is found not to be in order, there is correspondence or interviews to clear up certain points.

Then the letters patent are prepared and issued in the name of the Secretary of State, and delivered to the applicant.

Mr. PAYNE: Does your procedure follow those adopted in the provinces in regard to public utilities, commissioners, superintendents and so on?

Mr. STEIN: Our procedure for incorporation is substantially the same as that of most provinces, with the exception of three or four who have the so-called memorandum of agreement procedure, where they just file articles of association or memoranda of agreement, instead of filing a petition, and having letters patent issued.

Mr. WINCH: What is the policy with regard to the filing of annual statements? Are they required to go into any detail as to the breakdown of the company, as to whether or not it is a subsidiary of a United States company?

Mr. STEIN: No; if you are referring to the disclosure of information as to subsidiaries, they have a certain amount of leeway. They are permitted not to disclose any details as to their being subsidiaries.

Mr. WINCH: Since it is a question of policy may I ask the minister if any consideration is being given with respect to the operation of companies which operate in Canada, even though they may be owned outside. That is a matter of policy and I presume the minister would have to answer.

Mr. COURTEMANCHE: Yes.

Mr. WINCH: There is consideration being given to it?

Mr. COURTEMANCHE: Oh yes.

Mr. WINCH: Has there been any decision arrived at to bring down legislation about it at this session?

Mr. COURTEMANCHE: No.

Mr. WINCH: Can it be done by regulation or by legislation?

Mr. COURTEMANCHE: I do not think so; no—it is necessary to amend the act.

Mr. PAYNE: What are the requirements related to capital structure? Have you any strict formula which you follow?

Mr. COURTEMANCHE: What was the beginning of your question, please?

Mr. PAYNE: What are the requirements regarding the share capitalization of a new company? What requirements do you exercise, if any?

Mr. STEIN: Would it be satisfactory if I should ask the director of the companies division to answer that question?

The CHAIRMAN: Let us wait until we come to the general item, because we will become lost in detail, if we do not follow some sequence. Otherwise we may get into trouble.

Mr. BELL (*Carleton*): I would like to pursue some of the matters in the minister's statement.

The CHAIRMAN: Please proceed.

Mr. BELL (*Carleton*): On page one, paragraph two of the minister's statement, it speaks of the department acting as a channel of communication in matters of royal patronage. Could the Secretary of State or the Under Secretary of State indicate the policy regarding the extension of royal patronage to organizations? I have in mind, for example, the situation in respect to certain

clubs. Clubs of some antiquity have received the royal patronage, shall we say, such as the Royal Canadian Yacht club, the Royal Hamilton Yacht club, and the Royal Vancouver Yacht club. But the newer clubs, which did not make application at the appropriate time, are apparently denied the right to use the word "royal" or say that they have royal patronage. I am thinking of the Britannia Yacht club, which on two occasions at least made application and was turned down.

What is the present basis? Is there some consistency? Do those which have it have it taken away, or is there a right given to equivalent organizations to make application?

Mr. STEIN: This is due to a change in policy at Buckingham Palace, going back about twelve years, I think. More precisely, in 1946 instructions were sent from the palace to the Governor General that preference should henceforth be given only to charitable, patriotic, or national organizations, rather than to those of a more athletic and sporting character. Therefore, since then there have been very few requests from such organizations asking to be granted the privilege of using the word "royal".

Mr. BELL (*Carleton*): Has there been anything done to remove the discrimination between those which have the right and those which do not?

Mr. STEIN: Those which have it just retain it. There has never been any suggestion that it be taken away from them.

Mr. BELL (*Carleton*): Surely there is very grave discrimination about which something ought to be done.

Mr. STEIN: The palace took the view in a general way, that if the privilege were to be granted too liberally, it would become meaningless. You have to be stricter from then on. Of course if you yielded to the objection that there is discrimination, nobody could ever do anything to stop it, and you would go on giving it right and left. But as the palace said, it would then, in effect, become meaningless.

Mr. CARON: When you say "the palace", do you really mean that the palace took the view, or whom do you mean?

Mr. STEIN: Instructions came from the King's secretary. I did not go behind them, but I would presume it was supposed to be from the King.

Mr. CARON: Who generally advises the King?

Mr. STEIN: This matter of the royal prerogative we are referring to now, is a matter of patronage in various forms, such as referring to the word "royal"; and it is a matter for the sovereign to decide personally on the advice of the various governments. As far as the Canadian government is concerned, the practice is to refer the matter to cabinet. If they do not see any objection to the application, it is then passed on to the Governor General, and from him to the Queen. Then the Queen decides whether to grant it or refuse it.

Mr. CARON: There is no suggestion of going to the Queen through the channel of the Secretary of State?

Mr. STEIN: The Secretary of State, as I said, goes to the cabinet with it, and unless the cabinet has some objection, the application is then transmitted for a signification of the sovereign's pleasure.

Mr. CARON: The cabinet could refuse the grant?

Mr. STEIN: It could refuse to transmit it.

Mr. CARON: It could refuse to transmit any private application?

Mr. STEIN: Yes.

The CHAIRMAN: Are there any more questions?

Mr. BELL (*Carleton*): What is the policy in relation to the extension of royal patronage to goods?

Mr. STEIN: You are referring to the warrant of royal purveyor, or purveyor to the royal household. That is no longer granted. It was stopped years ago, as far as Canada was concerned. They are still granting it in the United Kingdom and possibly in other countries of the commonwealth, but not over here. The Governor General also stopped years ago granting Governor Generals warrants as purveyor to the Governor General.

Mr. BELL (*Carleton*): Those who have the warrant maintain it indefinitely?

Mr. STEIN: Yes.

Mr. WINCH: Who makes the recommendation with respect to the granting of royal clemency on the occasion of a visit by the ruling sovereign?

Mr. STEIN: That would be for the Department of Justice. That is a distinct royal prerogative which to a great extent is governed by statute, as you know. But at any rate it is a matter for the Department of Justice.

Mr. BELL (*Carleton*): And on the same subject, may I ask if the missing Canada medals have yet been discovered?

Mr. STEIN: Yes, they were found.

Mr. BELL (*Carleton*): Would you like to take the committee into your confidence and state where they were discovered?

Mr. STEIN: I forget now, but it seems to me we gave that information. There were very few missing, and I am pretty sure they were discovered in the drawer of a filing cabinet in the department.

Mr. BELL (*Carleton*): Not in a pawn shop?

Mr. STEIN: Oh, no, they were found in a drawer.

The CHAIRMAN: As I look at the statement I cannot help getting the feeling that during the evolution of the department, whenever there was a subject or a responsibility of government that the government did not exactly know what to do with, it ended up in the department of the Secretary of State. Is there any opinion by your officials as to whether some of the responsibilities which you have within your power are properly placed, or whether there has been any discussion about reorganizing the department, or whether you feel that the direct question of some of these responsibilities should be placed within your department? Perhaps the minister might wish to comment on that.

Mr. STEIN: Of course, as you pointed out, this is a sort of catch-all department. I have been prone to believe that when they did not know where to put something they gave it to the department of the Secretary of State. Then, of course, you know there are subjects like copyright. At one time it was under the Department of Agriculture, and so were patents; on the other hand trademarks were under the Department of Trade and Commerce I think. I suppose there is a number of these subjects and fields which could be given to a number of other departments, or to one other department. You could well argue that trade marks and patents could be in Trade and Commerce—and so on. The office of the custodian was at one time under Finance and another time under Justice.

The CHAIRMAN: Have you given consideration to a review to determine from an organizational standpoint if this is the most efficient manner of handling it.

Mr. STEIN: I cannot say that we ever made a review along this line.

Mr. PAYNE: Along the same lines, but more specifically, I was wondering if something could be said in regard to the matter of the Timber Marking Act, which comes under this department. What function do you actually perform in the administration of this act?

Mr. STEIN: There are just a few registrations each year. I am trying to ascertain the statistics for the last fiscal year. I understand there were eight applications made and seven timber marks registered.

Mr. PAYNE: But you merely act as the registering agent in connection with the act?

Mr. STEIN: Yes.

The CHAIRMAN: I am going to suggest, gentlemen, that we proceed with the examination page by page in order that we can make some headway. You are at page 466, general item 372—departmental administration. We will leave this item open. Are there any further questions in connection with page 466—departmental administration? I need not remind you that we are examining the estimates as such and your interests, of course, should be directed to moneys expended or the intention of expending them. Shall we carry the page and leave the item open?

Item stands.

The CHAIRMAN: Gentlemen, we will now proceed to page 467 concerning the companies division—item 373.

373. Companies Division\$115,035

The CHAIRMAN: Are there any questions in connection with the companies division?

Mr. WINCH: In connection with that matter I would like to ask if we could have some clarification or understanding as to what check is made of the annual statements of the companies, as they are sent in. Is there any check made and are they open to the public—as I believe they are in most provinces—on the payment of a small fee?

Mr. STEIN: Perhaps Mr. Cattanach will answer that question.

The CHAIRMAN: Would the minister introduce his witness.

Mr. COURTEMANCHE: This is Mr. A. Alex Cattanach of the companies division.

Mr. A. ALEX CATTANACH, Q.C. (*Director, Companies Division, Department of Secretary of State*): Yes, the statements are available to public inspection on payment of a fee. In connection with annual returns, do you mean those under section 125?

Mr. WINCH: Yes.

Mr. CATTANACH: The accuracy of those statements is checked by the returns division. The answers given to the specific items listed in the return are checked.

Mr. WINCH: And in the return do you have a record not only of the directors but also the shareholders?

Mr. CATTANACH: No; there is no provision for the filing of a list of shareholders.

Mr. WINCH: How long is it after an annual statement has not been filed before you strike them from the register?

Mr. CATTANACH: Three years.

Mr. PAYNE: I would like to return to my question wherein I asked for details of the requirements and procedures in connection with the application for incorporating companies. What procedures do you follow and what requirements do you demand of the company making an application to incorporate?

Mr. CATTANACH: In the first instance a search is made to determine if the corporate name is available. You will observe from the statement made by the minister that there is a register maintained of all companies incorporated in Canada. It is checked against some 500,000 odd names to ascertain if there is any conflict. Then the application is considered. The application form is set out

as a schedule to the Companies Act. It is examined to ascertain if they are within the jurisdiction of the Secretary of State and within the terms of the act.

Mr. PAYNE: I am very interested in capitalization requirements.

Mr. CATTANACH: What specific information would you like?

Mr. PAYNE: Well, you do exercise certain controls. What procedures do you follow in that regard?

Mr. CATTANACH: As a matter of fact, the capitalization desired is left to the discretion of the applicants.

Mr. PAYNE: Entirely? You do not exercise any controls whatsoever over it?

Mr. CATTANACH: No.

Mr. PAYNE: Not in regard to any authority for borrowing under debentures or creation of liabilities, or anything?

Mr. CATTANACH: I beg your pardon, there are provisions for borrowing. Section 63 provides the particulars in connection with borrowing. Of course, that is governed by the substantiality of the company and its credit standing.

Mr. PAYNE: But what procedure do you follow in this connection?

Mr. CATTANACH: The only procedure we follow is that the instrument is recorded.

Mr. CHAMBERS: I would like to come at this from the other end and ask what the procedures are for surrendering the charter of a company.

Mr. CATTANACH: That is governed by section 29 of the Companies Act. The company must establish it has distributed all its assets and has no creditors, or that ample provision has been made for the payment of any outstanding liabilities.

Mr. CHAMBERS: How can you establish they have no creditors?

Mr. CATTANACH: We rely upon a certificate by a responsible auditor.

Mr. CHAMBERS: I have heard that members of companies have experienced great difficulty in surrendering their charters. I have heard of cases where they have not been doing any business for five, or possibly six years; they cannot carry on business and you keep asking them for the \$10 fee, or whatever it is. I was wondering what is causing this holdup. There is a holdup?

Mr. CATTANACH: As a matter of fact, I do not see it: either they can surrender or they cannot. All they have to do to surrender is to discharge all their liabilities, and apply. Now, if they have no money to do it—

Mr. CHAMBERS: That is sometimes the case.

Mr. CATTANACH: Frequently this is the case, and they could resort to the Bankruptcy Act or liquidation proceedings; or if the company does not go into actual bona fide operation within three years after incorporation, or for three consecutive years does not use its corporate powers, its charter automatically shall be and become forfeited. The authority for that is section 28.

Mr. CHAMBERS: If it does not use its corporate powers for three consecutive years, the charter is forfeited.

Mr. CATTANACH: Yes.

Mr. CHAMBERS: I have in mind one company which was set up in connection with a British company; it did not succeed and it has not done business in this country for six years. One unfortunate man is left representing it here,—because the law requires that, and he cannot get rid of it.

Mr. CATTANACH: Why does he not establish the fact that the company has done nothing?

Mr. CHAMBERS: He has had a voluminous correspondence with the department.

Mr. CATTANACH: I have no idea what the exact significance of it is but if, in fact, he has not been exercising his corporate powers, the charter is automatically forfeited under the provisions of section 28 as confirmed by a judgment of the president of the Exchequer Court in Dominion Distillery Products versus the King. I was saying if a company does not exercise its powers for three consecutive years, the charter is automatically forfeited, without any act being taken by the company itself or by the officials of the Department of the Secretary of State. That has been so decided by the late president of the Exchequer Court, Mr. Justice Maclean in Dominion Distillery Products versus the King, set out in the 1934 Exchequer Court reports. I have forgotten the page number.

Mr. WINCH: Mr. Chairman, I am wondering if the director of the companies division could clarify something which has been confusing me. What is the line of demarcation as to whether a company comes under a provincial incorporation or an incorporation under the Secretary of State, or through the medium of a private bill in the House of Commons. I presume you have to make a decision in connection with that.

Mr. CATTANACH: Your question is rather difficult to answer. This goes back to the separation of powers. Under the British North America Act the province has the authority to incorporate a company for provincial purposes.

Mr. WINCH: Then, could I have your remarks as to when it would come under the Secretary of State and when it would come about by the introduction of a private in the House of Commons? What is the difference there?

Mr. CATTANACH: There are certain types of companies which are precluded from being incorporated under the Companies Act; for example, banks, trust and loan companies.

Mr. BELL (*Carleton*): And insurance.

Mr. CATTANACH: Yes.

Mr. WINCH: And pipe lines.

Mr. CATTANACH: Yes.

Mr. WINCH: Is this all set out in the Companies Act?

Mr. CATTANACH: Well, what is set out is what we cannot incorporate.

Mr. PAYNE: I would like to return to the same line of questioning of a moment ago. In order to outline the point I am trying to get at, last year a number of private bills were reviewed by the committee on railways, canals and telegraph lines, and there was consternation amongst the members. We tried to ascertain what authorities and justifications were required, based on capitalization; and from what we were able to ascertain it appears to be a matter which is left to the discretion of the board of directors of a proposed formative company. We were unable to arrive at anything beyond that. I was somewhat alarmed at the lack of information we were able to obtain in that committee as to what procedures were followed to protect the public. I would like your comments in connection with that matter.

Mr. CATTANACH: Well, as a matter of fact, sir, there is really no minimum requirements in connection with capitalization, that is authorized capital, in a company incorporated under the Companies Act. The only requirement is that there must be three applicants who must be shareholders. Therefore, you could have a company with an authorized capital of \$3. The fee is based upon a minimum capitalization of \$50,000, for which the fee payable is \$100. Most applicants ask for \$50,000.

Mr. PAYNE: Well, in the case of an applicant asking borrowing rights by virtue of the authority of debentures in its capitalization structure, is any consideration given to the justification of this? Is there no effort to assess the responsibility to the public which that company may have to discharge?

Mr. CATTANACH: If they are going to offer debentures to the public, then they are required to file a prospectus, and the prospectus shall be made available to the subscriber within twenty-four hours after acceptance of the offer.

Mr. PAYNE: Have you declined at any time to accept the prospectus submitted?

Mr. CATTANACH: Yes, if they do not comply with the statutory requirements.

Mr. PAYNE: Then your function is not comparable to that of a public utilities commission?

Mr. CATTANACH: No, nor the securities commission in the province.

Mr. PAYNE: Can you relieve my mind as to where our responsibility to the public is actually cared for in these applications?

Mr. CATTANACH: It is very difficult to answer that question, sir. After all, if Henry Ford had applied to incorporate the company to build horseless carriage and we had said, "No", that the automobile would never have replaced the horse and buggy, we would be restricting progress.

After all, it is a free enterprise country, and it is a case of caveat emptor. Persons who are going to invest in enterprises are supposed to use some discretion themselves.

Mr. PAYNE: In the event of its being a public issue of capital shares, what do you require in that case?

Mr. CATTANACH: They have to comply with the securities regulations of the provinces in which the offers are made to the public, and they also have to file a copy of the prospectus with the Secretary of State Department giving information from which an intelligent investor should be able to appreciate the prospects of its being a good investment.

Mr. PAYNE: What procedures do you follow to process these applications; that is what I am trying to get at?

Mr. CATTANACH: We examine the prospectus which is tendered to us. The statutory requirements are outlined. We examine the prospectus to see that the statutory requirements are complied with.

Mr. CARTER: Do you check the claims made in the prospectus? How do you know that what is said in the prospectus is true?

Mr. CATTANACH: We cannot do that.

Mr. CARTER: Does anybody do it? They can compose the most fanciful scheme and put it in a prospectus to be issued to the public.

Mr. CATTANACH: Then there would be a criminal prosecution, would there not?

The CHAIRMAN: Gentlemen, having underwritten and been a party to some underwritings, I can tell you that the securities commissions of the respective provinces make a very thorough examination before they are "blue skied", as the expression is.

Mr. PAYNE: Surely we have our responsibility here, because we have no control over the various provinces. Some provinces may have virtually no procedures.

The CHAIRMAN: I do not like to appear as a witness, but the regulations are much the same from one province to another.

Mr. CARTER: The reason I asked that question was because only recently there was an item in the paper with respect to the northern development com-

panies, that there would be a lot of companies without any experience of anything on the basis of getting a permit or a licence. They could sell stock and could write up a fanciful tale which would not have any foundation in fact. You say there is a provincial body which does go into that, to protect the public?

The CHAIRMAN: That is correct.

Mr. BELL (*Carleton*): Constitutionally, this is a matter solely for the provincial jurisdiction.

The CHAIRMAN: I endeavoured to explain that.

Mr. CARON: The Northwest Territories are under the jurisdiction of the federal government.

The CHAIRMAN: I assume, gentlemen, you have more questions under item 373?

Mr. CARON: I have only one other question. When was the last complete revision of the Companies Act?

Mr. CATTANACH: In 1934.

Mr. RICHARD (*Ottawa East*): Have any steps been taken to revise that from time to time?

Mr. CATTANACH: No piecemeal revision, sir.

Mr. RICHARD (*Ottawa East*): There have been no amendments made?

Mr. CATTANACH: Not since 1934, no.

The CHAIRMAN: I am going to suggest, Mr. Payne, that we leave this item open, rather than carry it, so you have an opportunity for further examination.

May I suggest that, while it is only seven minutes to eleven, we adjourn now, as the Broadcasting Committee occupies this room at 11 o'clock?

Our next meeting will be at 11 a.m. on Thursday. We will proceed with the companies division at that time.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

THURSDAY, MAY 14, 1959



DEPARTMENT OF THE SECRETARY OF STATE

WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Mr. Charles Stein, Q.C., Under-Secretary of State; and Mr. J. W. T. Michel, Commissioner of Patents

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,
Baldwin,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Caron,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Howe,
Jorgenson,
Korchinski,
Lambert,
McDonald (*Hamilton
South*),
McFarlane,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,
More,

Morris,
Nesbitt,
Nugent,
Payne,
Peters,
Pickersgill,
Pigeon,
Pugh,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Small,
Smallwood,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

WEDNESDAY, May 13, 1959.

Ordered,—That the name of Mr. McCleave be substituted for that of Mr. Rowe on the Standing Committee on Estimates.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, May 14, 1959.
(16)

The Standing Committee on Estimates met at 11.00 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Benidickson, Caron, Carter, Chambers, Fairfield, Grafftey, Halpenny, Hicks, McCleave, McDonald (*Hamilton South*), McIlraith, Morris, Nesbitt, Pigeon, Pugh, Richard (*Ottawa East*), Small, Smallwood, Smith (*Calgary South*), Tassé, Thompson, Winch, and Winkler.—23.

In attendance: From the Department of the Secretary of State: Honourable Henri Courtemanche, Secretary of State; Mr. Charles Stein, Q.C., Under-Secretary of State; Mr. J. W. T. Michel, Commissioner of Patents; Mr. Pierre Daviault, Superintendent, Bureau of Translations; Mr. A. A. Cattanach, Q.C., Director of Companies Division; Mr. J. P. McCaffrey, Registrar, Trade Marks Division; Mr. Harris Arbique, General Executive Assistant; and Mr. L. C. Lafleur, Director, Administrative Services Division.

The Committee resumed its consideration of the Estimates, 1959-60, relating to the Department of the Secretary of State, the Departmental officials supplying information thereon.

Item numbered 373 was further considered and adopted.

Item numbered 374—*Trade Marks Division, including a contribution to the International Office for the Protection of Industrial Property*—was considered and approved.

Item numbered 375—*Bureau of Translations*—was considered and approved.

Items numbered 376-378 relating to the Patent and Copyright Office were considered and adopted.

Item numbered 372 was further considered and adopted.

Item numbered 379—*Special expenditure in connection with a Commission under the Inquiries Act*—was approved.

A member of the Committee, requested that a translator be present at future meetings of the Committee to assist members during the proceedings.

The Chairman announced that the Committee would consider at its next meeting item numbered 67 in the Estimates, respecting the Civil Service Commission.

As requested previously by Mr. Caron, the Under-Secretary of State tabled a list of living allowances and travelling expenses of War Claims Commissioners up to March 31, 1959. (*See Appendix "G" to this day's Proceedings*).

At 12.25 p.m. the Committee adjourned until 9.30 a.m. Tuesday, May 19, 1959.

E. W. Innes,
Clerk of the Committee.

EVIDENCE

THURSDAY, May 14, 1959
11 a.m.

The CHAIRMAN: Good morning, gentlemen, as we have a quorum we will proceed.

Our difficulty has been carrying on after the broadcasting committee. That committee has many of our members on it. It is a long morning for them when they have to sit in here from 9.30 to one o'clock. We shall endeavour to have as many as possible attend. However, when you find your committee work is getting a little too heavy, I would ask that you notify us, because we can still make certain changes. There are a number of other members who would like to sit on this committee; it is a simple matter to make a change.

Gentlemen, we have again with us this morning the minister and his under secretary. You are at the top of page 467, which concerns the companies division. We are on item 373.

We have had a fairly lengthy discussion in connection with this item, but I would ask at this time if there are any further questions.

Mr. RICHARD (*Ottawa East*): In connection with the companies division, I would like to ask if the post of assistant director of the companies division is to be filled, or is it to remain vacant?

Mr. CHARLES STEIN, Q.C. (*Under Secretary of State and Deputy Registrar General of Canada*): It has not been created by the commission.

Mr. RICHARD (*Ottawa East*): It was there before.

Mr. CARON: Yes, it was there before; there was a salary of \$9,000.

Mr. STEIN: I must correct my answer. It was filled by the commission by the appointment of a solicitor, grade 6, in place of assistant director.

Mr. CARON: Is that the reason why the position of solicitor, grade 5, has been cut off?

Mr. CHAMBERS: A position of solicitor, grade 4, has been added.

Mr. STEIN: As you can see there, the position of solicitor, grade 5, has been replaced by a grade 4 position. The position of solicitor, grade 5, has disappeared.

Mr. WINCH: What is the meaning of all those different grades? What is the difference between grades 1, 2, 3, 4 and 5?

Mr. CARON: It is a difference in salary.

Mr. STEIN: Those are the classifications. There are different classes of solicitors, grades 3, 4 and 5.

Mr. WINCH: If they are demoted from a grade 5 position to a grade 4 position, they would lose?

Mr. STEIN: The position was downgraded from a grade 5 to a grade 4.

Mr. CARON: Is the work of these different solicitors the same?

Mr. STEIN: No; that is why they are classified differently.

Mr. CARON: The classification may be different for salary purposes, but the work may be the same?

Mr. STEIN: No. The salary varies with the classification and the classification is determined by the duties and the responsibilities.

Mr. WINCH: Why do you no longer require a solicitor 5?

Mr. STEIN: We have a solicitor 6, in addition to a solicitor 4 and a solicitor 3.

Item 373 agreed to.

The CHAIRMAN: Gentlemen, we will proceed now to item 374.

Item No. 374. Trade Marks Division, including a contribution to the International Office for the Protection of Industrial Property\$ 196,478

Mr. RICHARD (*Ottawa East*): I see on page 9 there is a total revenue decrease. What was the total expense? Is this a net revenue?

Mr. STEIN: No, no, that is not the net revenue.

Mr. RICHARD (*Ottawa East*): Is it the net profit or what? Is it not net revenue?

Mr. STEIN: As you can see, there is a surplus there. It has not been worked out. The figure is not there. It is \$86,000 approximately. It is the surplus revenue over the expenditures. That is for 1958-59. That is the figure given there. In connection with 1959-60, the first part of the years is forecast and the estimated revenue is \$288,000 approximately and the expenditures \$193,000.

Mr. RICHARD (*Ottawa East*): The point I really want to bring out is that this is a revenue department; it brings in income.

Mr. STEIN: Yes.

Mr. RICHARD (*Ottawa East*): That is why I always repeat that this department, like other branches of the Department of Secretary of State, should be better treated so far as accommodation is concerned. This department has brought in money for years.

The CHAIRMAN: Are there any further questions?

Mr. CHAMBERS: Is there any considerable liaison with the United States authorities in connection with trade-marks?

Mr. STEIN: I could not say there is a liaison particularly with the United States. For one thing, there is a liaison with the United States and the United Kingdom, through the international union, in connection with the protection of industrial property.

Mr. McCLEAVE: I wonder if he meant the international office and not union?

The CHAIRMAN: May I ask the committee members and the witnesses to speak up. If anyone cannot hear, I would suggest they move up a little closer to the front of the room.

Mr. CHAMBERS: For instance, would it be possible for a Canadian firm to have a trade-mark that was registered in another country by another firm?

Mr. STEIN: I do not understand your question.

Mr. CHAMBERS: In other words, if, for example, the word Fiat was not a trade-mark word in Canada, could a Canadian firm start making Fiat automobiles?

Mr. STEIN: Yes. Unless it is protected under Canadian law, you could use it in Canada.

Item 374 agreed to.

The CHAIRMAN: Gentlemen, you are now on item 375.

Item No. 375. Bureau for Translations\$ 1,599,375

Mr. WINCH: This is an important item and bears quite a heavy expenditure. I have a question, which may sound a bit personal. As for myself, I can only speak and read English. Once in a while I receive letters in French which later I find are very nasty. Is there any way—if there is, I do not know of it—whereby a member of the House of Commons who can only understand the one language, could have an arrangement whereby the translation bureau will speedily make a translation from the other language I have found it is not the usual practice. When a person receives a letter in a foreign language, which he does not understand, could it not be part of the translation bureau's work to translate it?

Mr. STEIN: In other words, a procedure for having the correspondence of members of parliament translated?

Mr. WINCH: Yes.

Mr. STEIN: I think that is a matter for the consideration of the Speaker of each house. I know some translation of correspondence is done for members of parliament. That has been going on for years. Are you interested in any precise arrangement or procedure?

Mr. WINCH: Yes; there is no arrangement now.

Mr. BENEDICKSON: I think the stenographic branch would provide that service, on request.

Mr. WINCH: I have found it difficult to obtain a translation.

The CHAIRMAN: That is a good point, but it does seem to me to be outside the field of this particular department.

Mr. WINCH: We are considering the translation bureau.

The CHAIRMAN: I think it should be directed to the Speaker. I have found that the stenographic branch will provide this service.

Mr. CHAMBERS: Send your mail into me; I will look after it.

Mr. RICHARD (*Ottawa East*): The translators in the law branch will be of assistance to you.

The CHAIRMAN: Mr. Stein, you have had some difficulty in the past in obtaining translators. I know you cannot even be completely satisfied, but has the situation improved since your last report?

Mr. STEIN: Yes.

The CHAIRMAN: You are finding sufficient applicants now?

Mr. STEIN: Well, approximately so.

The CHAIRMAN: Of course, the question was prompted by one which was asked of the last department—whether or not in your view we are paying them enough.

Mr. STEIN: Of course, we always do our best to convince the Civil Service Commission to pay adequate salaries to our staff, including translators and patent examiners. We will come to patent examiners later.

Mr. HALPENNY: Is that known as empire building?

Mr. CHAMBERS: Probably I should know the answer to this question. Is this translation work done for all departments of the government?

Mr. STEIN: The Translation Bureau Act requires the translation bureau to translate documents, correspondence, memoranda, bills and so on for all government departments and for both houses of parliament. Coming back to the earlier question of Mr. Winch, it is a question for each department and

for each house to decide what it wants translated and to ask our department to translate it. So to answer Mr. Winch's question, I think the answer is what I said earlier—it is for the House of Commons to decide whether it wants the correspondence of the members of the house translated by the bureau for translations.

Mr. WINCH: I think it is a good idea, because it was some time after receiving a letter several weeks ago that I found out that if I ever went into Montreal I would be shot immediately.

Mr. McCLEAVE: I can see that.

Mr. HALPENNY: When are you going?

The CHAIRMAN: Are there any further questions?

Mr. WINCH: Yes, I have. As a matter of policy, do you think that requirements are such that a recommendation should be made for the handling of the translation of members of the house by the bureau for translations?

Mr. STEIN: I would like only to caution the committee that if a decision to that effect is made, I am afraid we will have to ask for an increase in staff.

Mr. McCLEAVE: In connection with personnel, could the witness say how many of these are Canadians and how many are from other countries? I ask this question purely to find out about job particulars and how the commission operates to find properly trained translators.

Mr. STEIN: I am afraid I cannot give the proportionate percentages, but there are a number from foreign countries in the foreign language division of the bureau.

Mr. McCLEAVE: I was wondering if you had a rough breakdown; is it half and half?

Mr. STEIN: It is far less than half, maybe not even 5 per cent.

Mr. WINKLER: Does your bureau supply the interpretation service for visiting dignitaries while they are here?

Mr. STEIN: We do it if we are asked to by the Department of External Affairs.

Mr. WINKLER: Do you have this staff available?

Mr. STEIN: Yes, we have some available. We do our best to furnish a service, as required.

Mr. CARTER: Is there a duplication between the bureau for translations and the Department of External Affairs?

Mr. STEIN: No, the Department of External Affairs do not have a translation service or division of its own. We service the Department of External Affairs as well as others. We have a division in almost every department, but it is part of the bureau and not part of the particular department.

Mr. CHAMBERS: I have a supplementary question. Then you translate other languages other than the official languages of Canada?

Mr. STEIN: Yes, we have a foreign language section for other than French and English, and where it is not worth while employing a year-round translator we farm it out to someone outside who does it on a per word or per page basis.

Mr. WINCH: That is along the same line as the question I wanted to ask. In view of the minister's statement at our last meeting, do you think your permanent staff should be increased? I ask this because of what the minister said on page 10. The minister informed us that outside work was done on a word or page basis, but in the third paragraph on page 10 he says:

Translation done on a per word or per page basis outside the bureau was greatly increased in the past year,—from 65,200 words in 1957-58 to 1,153,100 words in 1958-59.

Now, from 65,000 words to over one million is a terrific increase in one year. On that basis I am asking the question as to whether or not there should be an increase in your actual staff so as not to have this large amount of translation done by outside help. Perhaps there is a special reason why that happened in the one year.

Mr. STEIN: Yes, there is. We resort to outside translators for unforeseen assignments and, as I said before, when we consider we would not be justified in employing translators on a year-round basis. For instance, in the case of foreign languages when we have only the odd translation assignment in that particular language, we are not going to employ a translator on a year-round basis, so we will farm it out, say, to a Chinese translator. But to answer your particular question, I think the explanation is that the work increase in the last year, was due to a considerable amount of committee proceedings. They were committees of the house that had to be translated. Of course, that varies considerably and as we cannot foresee the future, we resort to outside translation for these unforeseen increases.

Mr. WINCH: There are more committees this year than last year.

Mr. STEIN: Well, of course, if they become permanent and if we foresee the increase is there to stay, we will have to increase the permanent staff.

Mr. PUGH: What security measures are taken in connection with these outside translations?

Mr. STEIN: As a rule, anything of a secret or confidential nature is translated within the bureau. Very exceptionally is this work entrusted to outside translators and when it does happen, special precautions are taken from a security point of view. Of course, our regular translators are screened.

Mr. PUGH: Who would be responsible for the security screening of outside translators?

Mr. STEIN: We have the services of the R.C.M.P., the same as the commission generally has.

Mr. WINCH: What is the amount per word or per page that is paid for outside translation?

Mr. STEIN: One to two cents per word, depending upon the technical content of the work. It is between one and two cents per word.

Mr. WINCH: How do you differentiate between the different types of translation?

Mr. STEIN: You would pay more for a scientific translation than you would pay for an ordinary letter.

Mr. CARON: You do the translating for all the government agencies?

Mr. STEIN: Yes. There are a few that have their own translators.

Mr. CARON: But when they refer the translation to the Department of Secretary of State, do they pay the same as any other agency would have to pay?

Mr. STEIN: No, we do it free, as for a government department.

Mr. CARON: Is it charged to that department or your department? Is there no charge at all?

Mr. STEIN: No, it is at our expense.

Mr. CARON: Then if you are doing work for another department, we have no way of knowing what the charge should have been to that department.

Mr. STEIN: No, we service all departments and that is the reason why it makes it difficult for us to forecast our expenditures. Our work load depends on the requirements of the other agencies.

The CHAIRMAN: Have you made any recommendation to the effect that that situation should be altered?

Mr. STEIN: No, I do not think so.

Mr. WINCH: That is the point I had in mind. In connection with work done by the Queen's Printer, I believe the fee is charged to the different departments and in that way you would know the amount charged to that department. In order to have a clear picture of this, because this is a heavy expenditure, do you not think that it should be charged to the different departments?

Mr. GRAFFTEY: What would be gained by that?

Mr. STEIN: I suggest it does not make any difference; you have it here. I do not see that it makes any difference whether you show the cost of translation in another place or show it here. The Department of Public Works is in the same situation.

Mr. BENDICKSON: I suggest it does make a difference. It is very much like the control on each department by treasury board in connection with their appropriations for such things as publications, films or something else, and if there was not some control I am sure we would have all kinds of additional publications and other things of this kind; but in the case of printing each department has it within its budget and the deputy minister has to defend it before treasury board. Could there not be something equivalent in connection with the expense of translations?

Mr. STEIN: Treasury board prefer it this way. They like to have the government's total cost of translation.

Mr. GRAFFTEY: If they charged individual departments, they would have to hire three or four additional persons to do the charging and that would be an added expense to the department.

Mr. CARON: But if there is blame for translation the blame goes on to the Secretary of State Department; and if the blame has to go to some department for that expense it would be that department.

The CHAIRMAN: We are discussing an element of control, and we recognize it still has to be borne by someone. It is just a question as to where the element of control should rest.

Mr. CARON: The element of blame too, if there is blame to be placed.

Mr. WINCH: For what department is most of the translation work done?

Mr. STEIN: It would be the House of Commons.

Mr. WINCH: You have not done one for me yet, though.

Mr. STEIN: I do not mean members.

Mr. WINCH: You mean on the Hansard?

Mr. STEIN: The debates is the biggest.

Mr. WINCH: I wanted to have it made clear, that it was not for the members.

Item 375 agreed to.

PATENT AND COPYRIGHT OFFICE

Item No. 376. Administration Division	\$ 207,190
Item No. 377. Patent Division	1,991,670
Item No. 378. Copyright and Industrial Designs Division, including a contribution to the International Office for the Protection of Literary and Artistic Works	31,115

The CHAIRMAN: I might perhaps ask the minister, or his under secretary, a question on this item. In the statement you suggest that items 376, 377 and 378 should be combined. I wonder if we could have a clarification as to why you consider this should be done. We can then deal specifically with each item.

Mr. STEIN: As stated by the minister, we feel that it would simplify matters, from the administration point of view, and give us a little more leeway. Just now we are restricted, of course, to the amounts voted in each of the three votes respectively; and there are certain services which are common to the three divisions.

Then there is really, I suggest, another way to look at it. Why should we have three votes in that division when you have only one in the others? This was suggested by the officials of treasury board and was discussed by them when these estimates before you were being examined by the treasury board. They thought the committee of the house, at some suitable opportunity, should express its views on it.

The CHAIRMAN: I underline that, gentlemen. Treasury board did ask a committee of the house to express views on it.

Mr. RICHARD (*Ottawa East*): I think the Secretary of State will agree that trade marks are trade marks, patents are patents, and copyright is an entirely different field of operation. I suggest that is one of the reasons they were divided, because there is nothing similar between a patent and a copyright.

In view of the fact we expect, at some early date, I hope to do something about the report on copyright—submitted to the house some time ago—we do not know where it will go; that is, whether copyrights will remain with patents. They have nothing in common at all.

The reason it could be assimilated is that at the present time it is a very small administration, and there is no harm in evaluating it with the patent item. But, I suppose that some time in the future, if the Copyright Act is properly revised, it would be or should be separated entirely from the patent branch. There is nothing of a similar nature at all between the two. I am only expressing my own view. I do not see any reason in favour of or against it, because it is a very small accounting matter—\$23,000 and only six employees. They deal with an entirely different branch.

Mr. STEIN: May I point out through you, Mr. Chairman, to Mr. Richard, copyright is included there with industrial design. You have there, in one of the three divisions, two different subjects.

You have one item of administration which services patents, copyrights and industrial designs—and timber marking is in there too.

Mr. RICHARD (*Ottawa East*): They are all different branches and, as a matter of fact, the Secretary of State's general administration item to a certain extent also, covers patents, trade marks and industrial designs—and timber marking too. I do not see any reason for dividing this item.

Mr. WINKLER: Mr. Chairman, before you go too far on this item, do you not think it wise to allow the witness to express his thoughts as to why the three should be combined?

Mr. RICHARD (*Ottawa East*): He did.

Mr. WINKLER: I did want to extend that invitation to him.

Mr. STEIN: It would be easier to show the surplus or deficit for the whole operation, relating more particularly to patents.

Mr. WINKLER: Do you yourself feel the cost of administration would be less?

Mr. STEIN: It might be slightly less.

Mr. McDONALD (*Hamilton South*): Just a general question on copyright. Does copyright law exist in Canada today for publishers and writers?

Mr. STEIN: Yes.

Mr. McDONALD (*Hamilton South*): To protect them?

Mr. STEIN: Yes, it covers authors, composers, and so on.

Mr. McDONALD (*Hamilton South*): Is it possible for an outside country to come in and "raid" books of a publisher in Canada and take them back to their own country, and produce them in their own language? Is there an international agreement?

Mr. STEIN: Yes, there are a number of international conventions, to which Canada and a large number of other countries are parties, and under which the various member countries agree to protect each member country.

Mr. McDONALD (*Hamilton South*): I am afraid—

The CHAIRMAN: In order to retain some continuity, I will have to keep on this general item, Mr. McDonald.

Mr. Richard, you have a further question?

Mr. RICHARD (*Ottawa East*): No.

The CHAIRMAN: Mr. McCleave?

Mr. MCCLEAVE: I am wondering why it was developed this bifurcation or trifurcation in the first place. Maybe I am "bifurcating" up the wrong three.

Mr. RICHARD (*Ottawa East*): That is a different operation.

Mr. STEIN: These things take time. There were four votes at one time, and it was reduced to three.

Mr. MCCLEAVE: We are making progress.

The CHAIRMAN: Let us take item 376, the administration division.

Mr. GRAFFTEY: Mr. Chairman, could I be informed as to what are the general objections taken by Canadian authors or publishers to either our own domestic law—

The CHAIRMAN: We will come to that in a moment.

Mr. GRAFFTEY: Is that the general item?

The CHAIRMAN: No, we are on items 376 and 377.

Mr. WINCH: May I ask a question on that?

The CHAIRMAN: Yes.

Mr. WINCH: One of the reasons why I enjoy being on this committee, and on public accounts, is that you can get information and have the confusion cleared away. Therefore, I would appreciate very much if we could be told what is the patent law of Canada and the right of getting a patent in Canada. How does it tie in with patents which are given in other countries? Perhaps I can make it more clear this way: I have a constituent who, several years ago, received a patent in Canada on a certain type of tool.

Last year I discovered a tool in use in Canada almost identical to that one, based completely on the same principle, which was from the United States. When I drew it to the attention of this chap, who has a Canadian patent, and has had it for years, that they were the same tools being used in Canada under a U.S. patent, I cannot tell you how horrified he was. Can you give some explanation of the situation on that basis?

Mr. STEIN: If there was a Canadian patent on a tool, it is for the patentee to take infringement action against the producer or user of the tool produced under the foreign patent in question.

Mr. WINCH: No, I am sorry. I know I am the one who is confusing it. When you issue a patent in Canada on what a Canadian claims to be this invention, under these circumstances is any check made as to whether or not there is anything of a similar nature, produced on a similar principle, in any other country?

Mr. STEIN: Yes. Perhaps you would like to call the commissioner of patents, Mr. Michel?

Mr. WINCH: In other words, you mean this man would have a claim because you issued him a patent?

Mr. J. W. T. MICHEL (*Commissioner of Patents, Secretary of State Department*): Patents in all countries of the world protect only in the country in which they are taken. If you take a patent in Canada you are protected in Canada, and that is all. If you want protection in another country you have to take a patent in that other country.

If your constituent took a Canadian patent, he has protection in Canada. As long as his patent is still in force—and that is in force for 17 years—he could sue anybody who brings in an infringing article from any other country.

Mr. WINCH: Into Canada?

Mr. MICHEL: Yes, but your constituent is not protected in the United States.

Mr. WINCH: I am talking about a tool brought into Canada from the United States.

Mr. MICHEL: A tool made in the United States, brought into Canada?

Mr. WINCH: Yes.

Mr. STEIN: The Canadian patentee can go after that.

Mr. CHAMBERS: After the importer?

Mr. MICHEL: Yes.

The CHAIRMAN: Do you want to continue with this? Proceed Mr. Chambers.

Mr. CHAMBERS: There are two types of patent, are there not: a design patent; and an invention patent?

Mr. MICHEL: In Canada we have patents on inventions. That is the patent we are now discussing. We have design patents; we just call it "design". In the United States they have what corresponds to our design law. They call it "design patents" in the United States. That is probably where you got the term. It is not an invention but some ornamentation. It does not cover the function. The patent of invention does not cover the configuration; it covers the function.

Mr. CHAMBERS: What can a Canadian get if he invents say, a new shape of safety razor?

Mr. MICHEL: Regarding that shape, if there is some kind of ornamentation which is new and original, he could get a design certificate. It will protect him for five years and he could renew it for another five years.

Mr. CHAMBERS: The American design patent—and I have one myself—lasts longer without renewal than the Canadian ones, is that correct?

Mr. MICHEL: In the United States you can get a design patent for a term you can choose. I think the first term is 3½ years. You can have one for 3½ years, for 7 years or for 14 years—I think that is the maximum.

Mr. RICHARD (*Ottawa East*): I have a question but it is not on the same subject.

The CHAIRMAN: Are you on item 376 or 377?

Mr. RICHARD (*Ottawa East*): Item 376.

The CHAIRMAN: Proceed.

Mr. RICHARD (*Ottawa East*): Is the report of the commissioner of patents out yet for this year?

Mr. MICHEL: The report has not been made public yet.

Mr. RICHARD (*Ottawa East*): I should like to ask what is the total amount of receipts of the patent branch for 1958-59?

Mr. MICHEL: I will tell you that in a moment, Mr. Richard. Do you mean for 1958-59?

Mr. RICHARD (*Ottawa East*): Yes.

Mr. MICHEL: The receipts for 1958-59 are \$1,583,118.82.

Mr. RICHARD (*Ottawa East*): Have you the salary figures?

Mr. MICHEL: Salaries, \$1,240,183.67.

Mr. RICHARD (*Ottawa East*): And patent printing?

Mr. MICHEL: Yes, I will give you that for patent printing, Mr. Richard. I will give you the actual figure that it will cost us for the year.

Mr. RICHARD (*Ottawa East*): Yes.

Mr. MICHEL: Because, as you know, it is difficult for the Queen's printer to give us the last bill to be paid with the money voted for last year. But the actual cost for 1958-59 for printing patents will be \$654,945.35.

Mr. RICHARD (*Ottawa East*): That is a decrease ?

Mr. MICHEL: Yes, it is a big decrease from last year. As a matter of fact, that averages \$33.84 per patent, as against \$37.65 for last year.

Mr. RICHARD (*Ottawa East*): What is the estimated deficit for the total year?

Mr. MICHEL: The estimated total deficit would be \$584,038.58.

Mr. RICHARD (*Ottawa East*): That is an increase over last year, is it?

Mr. MICHEL: That is a slight increase over last year.

The CHAIRMAN: Mr. Winch, do you wish to ask a further question?

Mr. WINCH: Yes, on the same subject. Should that not be a revenue-producing operation of government?

Mr. MICHEL: The patent office was a revenue-producing department up to 1949, before we started the printing of patents. When the international importance of Canada was recognized the government at that time decided to start the printing of patents. As you see there, the printing of patents cost us \$654,000 this year. Our deficit now is \$584,000. That is close to \$80,000. Without the printing of patents we would have a surplus of about \$84,000.

Mr. WINCH: I would like to ask the minister whether any thought has been given to his policy of action in requiring to maintain what is strictly a public service in a limited field, to reestablishing this bureau on a self-sustaining basis?

Mr. MICHEL: If I may answer: consideration has been given to that, but at the present time, as you know, we have a royal commission inquiring into the patent system, and I do not think that at this time the government would be prepared to make any changes.

Personally I have suggestions of my own. I do not know whether such suggestions will come from the royal commission, but in connection with this body I will have suggestions to make myself, for a review of the field.

Mr. RICHARD (*Ottawa East*): Mr. Michel, did you print any other patents in the year 1959, that are included in this amount, or just those for the current year?

Mr. MICHEL: During the current year the residue of the 1948 patents have been printed. About 1200 of the patents of 1948 were printed. I am stopping there and am not printing any more.

Mr. RICHARD (*Ottawa East*): You do not expect any cut very much below \$600,000 for the next year—1960?

Mr. MICHEL: No; as you see, Mr. Richard, last year we printed 19,350 patents. We issued 18,293 patents. We hope we will increase our production to cut the backlog again this year. We will print at least as many this year as we did last year.

Mr. RICHARD (*Ottawa East*): What was the total income from the sale of these printed copies last year?

Mr. SMALL: What is the backlog?

The CHAIRMAN: Just a moment. Let us have an answer to this question.

Mr. MICHEL: These figures do not appear here. Do you mean the revenue from the sale of printed patents?

Mr. RICHARD (*Ottawa East*): Yes.

Mr. MICHEL: \$87,000, I think. It has not been separated from the rest. We usually have it in the report, but that is in an item with copies of old patents. We have to make them by photostat or some other type of reproduction. But we have a revenue of about \$87,000 for the sale of printed patents at 50 cents each.

Mr. RICHARD (*Ottawa East*): Has any review been made since 1949 of the system of printing, as to the quality of paper used, or whether the system of printing is more costly when done by the printing bureau than it would be privately? Has any investigation been made as to what the cost would be privately?

Mr. MICHEL: In the last year we have been constantly reviewing this aspect. The year before last, 1957-58, we printed 19,392 patents for the actual cost of \$730,000; and 1958-59, 19,350, only 42 patents less, for \$654,000 instead of \$730,000. That is the gain we have made now.

Mr. RICHARD (*Ottawa East*): That is quite a sizeable improvement.

Mr. WINCH: How many copies do you print?

Mr. MICHEL: There is a committee studying it right now.

The CHAIRMAN: Gentlemen, you are missing some of the replies. Mr. Michel has just mentioned there is a committee studying this now. I suggest you direct your questions to the Chair rather than to one another.

Mr. WINCH: I am sorry.

Mr. CHAMBERS: Would I be right in saying it costs about \$30 to print a patent? Is that correct?

Mr. MICHEL: Yes. At the present time it does. Last year about one-third of the patents were reproduced by the queen's printer by the Varsity method; and about two-thirds by the linotype. They have increased production considerably by the Varsity method. That is one of the reasons why we are producing at least half by the Varsity method.

Mr. CHAMBERS: I presume considerable thought has been given to charging some or all this cost to the person that applies for a patent?

Mr. MICHEL: There is a limit to that, because if you increase your filing and final fees too much you deter people from applying for patents.

Mr. WINCH: I would like to follow up that question of Mr. Chambers'. Do you agree it costs around \$30 to print a patent?

Mr. MICHEL: Yes.

Mr. WINCH: Could I ask (1) is there any charge made to the person applying for the patent, on a printing; and (2) if it cost \$30 to print it, how much do you charge anyone who wants a copy of that patent?

Mr. MICHEL: There is no cost charged against the patentee for printing the patent. When we sell a copy of the patent we sell it for 50 cents. The copy of the printed patent is sold for 50 cents.

Mr. WINCH: How many do you print?

Mr. MICHEL: Right now we are printing 50. When I took over in 1950 the government was printing 75 copies. We have to deal with other governments, and to carry on a proper examination you have to have the references.

So we exchange patents with the principal countries of the world, so that immediately after printing we dispose of 25 copies. They go, and that leaves us with 25 copies for sale.

When I took over they were printing 75 copies, and they were disposing of 25, which left them with 50. Therefore, it took twice as much space, or substantially twice as much space, to store 50 copies as it would to store 25. There are very few patents for which there is a call, and I have cut it to 50. I am left with 25 copies, and it takes much less storage space. Then, whenever a patent is popular and supply is exhausted, I make a re-print. Last year I had to make about 288 reprints. Those reprints are very cheap, and they cost me about \$10.

Mr. WINCH: If there is a request for a copy of a printed patent, is that money paid to you and do you include it as revenue; or is it paid to the Queen's printer as part of their responsibility?

Mr. MICHEL: We charge for it. That is not included in his charges.

Mr. WINCH: Would you tell us what you have available on your sale of printed patents each year?

The CHAIRMAN: That has just been given to us.

Mr. HALPENNY: I realize we get 50 cents a copy now. Has any thought been given to getting \$1 a copy? Any person who wishes to obtain a copy of a patent should be willing to pay \$1, and you would at least double your \$87,000 and make \$174,000.

Mr. MICHEL: I would not stick out my neck if it were not for Mr. Richard's suggesting it two years ago in the House of Commons; and I think I would go for it. I think it would not be too much, and I do not think it would deter anybody from buying it,—if we doubled the revenue and sell them for \$1.

Mr. RICHARD (*Ottawa East*): Is it not a fact that before we had printed copies we paid \$4, \$5 or \$6 for typewritten copies and photostatic copies of the drawings?

Mr. MICHEL: Yes, the average was about \$4.

Mr. RICHARD (*Ottawa East*): We paid an average of \$4 for copies you obtained in those days?

Mr. MICHEL: Yes, and you had to wait.

Mr. RICHARD (*Ottawa East*): The total number of patents issued last year I think it was at least 21,000—or 19,000, was it?

Mr. MICHEL: It was 19,293 for last year.

Mr. RICHARD (*Ottawa East*): How many of these were foreign patents?

The CHAIRMAN: Would you like those figures as a percentage?

Mr. RICHARD (*Ottawa East*): Yes.

Mr. MICHEL: 95.1 per cent were foreign patents. If you are interested, I can give you comparative figures.

Of the issued patents last year: patents issued to Canadians, 4.9 per cent of the total; to the United Kingdom, 9.9 per cent; to other commonwealth countries, 0.5 per cent; to United States citizens, 69.7 per cent; and to others, 15 per cent.

Mr. McCLEAVE: Could I take a point raised earlier by Mr. Winch and others? Has there been any breakdown in the figures relating to the patent division on a unit basis? That is, how much your expenses are per unit of patent; and how much your revenue is per unit of patent? If so, what is the differential between them? Have you ever looked at your problem in that way?

Mr. MICHEL: I am afraid we could not look at it that way because we are continuously receiving patent applications which are being processed.

At the present time we have about 70,000 applications. So it would be physically impossible to assess it. The only thing you could say at the end of the year is that our expenses have been so much and we have granted so many patents, and you divide your expenditure by the number of patents, and then you can calculate that each one costs so much.

Mr. McCLEAVE: You could put your office on a paying basis as is done provincially with the registrar of deeds and the registrar of legal instruments.

Mr. MICHEL: There is a limit to that because we are strangling the inventive spirit and deterring inventors. I could show you examples for Great Britain and the United States.

In the United States, in 1955, 1956 and 1957 they had a deficit of \$5,700,000 in 1955, \$7,900,000 in 1956 and in 1957, which is the last report we have, a deficit of \$9,859,000.

In Great Britain in the last three years the deficit was, in dollars, \$537,000, \$201,000 and \$881,000—that is for 1955, 1956 and 1957.

If you go through the patent offices of the world I believe you will find they are mostly the same.

Mr. McCLEAVE: The witness said this proves the inventive spirit can be strangled, if you try to put these offices on that basis, but it only proves that other countries, running them the same as we are, are running them at a deficit. Did they increase their rates and yet lose more revenue? Is that what you are saying?

Mr. MICHEL: No, not exactly. In the United States and Canada—the two countries in the world where the cost of taking a patent with the government is the cheapest—it is \$60.

Mr. McCLEAVE: It is the same in each country?

Mr. MICHEL: Yes, and in some countries it costs as much as \$1,500, I believe, to maintain a patent, to keep it alive, for the length of production. In some countries such as Germany, I think—

Mr. McCLEAVE: May I ask a further question on this point? Are the rates the same for a foreign patent as for a domestic patent?

Mr. MICHEL: Yes, exactly the same, sir.

Mr. WINCH: I do not want to pursue it too far, but this is a most interesting discussion and, perhaps, my question could go to the minister. But what has been said by the witness, if I have it correctly, the printing of patents cost somewhere in the neighbourhood of \$600,000 in the last year; and of the patents that have been registered, only about 4 per cent are Canadian and around 70 per cent are American, and the revenue from the printing is somewhere around \$80,000?

Mr. MICHEL: About \$80,000 or \$85,000.

Mr. WINCH: \$85,000. I would like to ask the minister, in view of that situation—with a cost of \$600,000 on the printing of patents, and where only 4 per cent are Canadian and 70 per cent are American—whether consideration is being given by him, or will he state that consideration should be given to trying to bring expenditure and revenue closer together?

I think it should be a question of policy for the minister, but if the witness would like to answer, it is up to him.

Mr. MICHEL: Consideration has been given to that. As I said a while ago, I have some suggestions to make when the Patent Act comes up for revision. It will be up to the government to decide just how far it can go. Your argument is that, after all, 95 per cent of our patents are printed for foreigners?

Mr. WINCH: That is right.

Mr. MICHEL: The patents are originating from foreigners, but they are printed for the benefit of Canadian people and Canadian patent agents who use them.

The CHAIRMAN: Shall item 376 carry?

Mr. CARON: No. This printing or reprinting of patents is mostly called for by people from other countries?

Mr. MICHEL: It is difficult for us to say where they go. I would say that 90 per cent of the sale of printed patents are ordered by Canadian patent agents or Canadian manufacturers, but we do not know what they do with them.

Mr. CARON: You stated a while ago that before you changed your system it was costing those who were in need of this printing an average of \$4, and sometimes it went as high as \$7.

Mr. MICHEL: Much more than that, sometimes. I have seen them go to \$100.

Mr. CARON: So it would be easy to charge them \$2 and make a profit—and even that would be cheap?

Mr. MICHEL: I agree. The 50 cents for the printing of patents—

Mr. WINCH: Who sets the price?

The CHAIRMAN: One moment, please.

Mr. MICHEL: If the 50 cents were doubled, making it a dollar, it would mean the revenue would double and would be about \$168,000 instead of \$84,000.

Mr. CARON: Even if it were doubled, you would still have a small deficit?

Mr. MICHEL: Yes.

Mr. CARON: Then you could charge what it costs, at least, and it would still be cheap?

Mr. MICHEL: But the difficulty is this. We have to print every patent, because it is physically impossible to decide on which one there is going to be a sale. Therefore, we have to print them all.

Maybe for 40 per cent of the printed patents there will never be a sale; but it is absolutely impossible to forecast that. When we sell a patent, we cannot assess how many will be bought. We do not know how many of the patents that are left with us are going to be sold; we cannot assess that.

Mr. CARON: No, but you can make an average, and if the average comes to \$1.50, why not charge \$1.50?

Mr. MICHEL: I see what you mean.

Mr. CARON: It would certainly help the department to have a surplus instead of a deficit.

Mr. MICHEL: At the present time, Mr. Caron, it would be very difficult to strike such an average. We only started to print the patents in 1949; we have the 1948 patents printed. So even the patents that are still alive are not all printed.

Ten years from now it might be possible, because then we would be supplying probably 85 or 90 per cent of the calls for printed patents; the average number of printed patents sold every year would be fairly stable. But at the present time it would be very difficult to strike an average. I would rather see a recommendation that we increase it to \$1 or \$1.50 and that is that.

Mr. CARON: In making an average you can always be on the safe side and make it a little higher in order that you will be covered.

The CHAIRMAN: We have a quorum, gentlemen, at the moment. If one member leaves we will lose that quorum. I would like to hold a quorum in order to close these items, so perhaps you would not leave at the moment.

Mr. RICHARD (*Ottawa East*): I think, Mr. Michel, you would like to add this too. I am putting it in this way—and I think the other members of the committee would agree with me—in order to be fair in this.

We are in competition with the printing in the United States, where sometimes the patents are exactly the same. When a great many people can buy them for 25 cents, I imagine we have to be careful how high we go on the charge?

Mr. MICHEL: Yes.

Mr. CHAMBERS: The Under Secretary started to say that combining these three items would result in a small decrease in cost. In what way?

Mr. MICHEL: There might be a small decrease in cost, but I believe the most interesting feature is this. We have a vote for stationery or equipment, at the moment, and we have to vote so much for stationery and equipment for administration, so much for stationery and equipment for that division, and so much for the other. We try to make provision to have enough. But if we had the vote combined, then we might ask for a little less money from treasury board.

We try to make sure that we get as much as we can with three votes, as much as we think is necessary for each vote, because it is very difficult to transfer money from one vote to another; sometimes it takes three months. So we get stuck with it. Therefore, we try to get more, with the result that at the end of the year we have something left in the three votes. If we had only one vote, we would try to figure it out to have as much as we needed maybe plus \$500 or \$1,000 more—and that is all. And it would be much easier for accounting.

Mr. CHAMBERS: I notice, for instance, that you have duplicating operators, and, presumably, duplicating equipment in each of the divisions. Would it be possible, perhaps, to reduce the amount necessary there?

Mr. MICHEL: There is only one in one division—the patent division.

Mr. CHAMBERS: You are probably right. You seem to have two, both in administration and in the patent division.

Mr. MICHEL: You will see that in the blue book here. There is no duplicating equipment requirement for 1958-59; the thing is dead. The duplicating business was under administration; it was transferred from one place to the other. That is not a duplication; it is a transfer.

Mr. WINCH: I find this rather interesting. Prior to the printing of patents, anyone who required a copy had to pay, I understand, between \$4 and \$7. When the decision was made to print, could I ask who established the price of 50 cents and has not the same authority the right to change it?

Mr. MICHEL: At that time the price was not fixed at 50 cents. As a matter of fact, it was fixed at 25 cents after a visit of one of the administrators of the Canadian patent office to the United States patent office.

Their patents were selling, at that time, for 25 cents. I was not in charge at that time and had nothing to do with it, but that is the explanation.

Mr. WINCH: When did the United States put up their price?

Mr. MICHEL: Close to 1940 they were selling their printed patents for 10 cents. About 1935 to 1940 they increased them to 25 cents. When we started to print in 1949, the price was set arbitrarily at 25 cents. In 1954 I increased it to 50 cents.

Mr. WINCH: Have you the authority, then, as to the price?

Mr. MICHEL: No, we have no authority. I think the price is set in the schedule of the act.

Mr. WINCH: All I am trying to find out is, who has the authority on the setting of the price?

The CHAIRMAN: I think we understand your question. The minister states that it is done by order in council—

Mr. Pigeon asked a question in French—

The CHAIRMAN: Unfortunately, we do not have a French translator here. Can you direct your question in English, sir?

Mr. PIGEON: I should like to ask whether any people ask you for a copy of the patents in French?

Mr. MICHEL: The applications for patents are dealt with in the language in which they are presented to us, either French or English. Being highly technical documents, the government cannot undertake any certified translation of these patents. So that any patent which issues in French is printed in French.

The CHAIRMAN: Shall item 376 carry?

Item agreed to.

Mr. CARON: Mr. Chairman, do you not think that, for those members who have difficulty with English, we should have a French translator to help them out?

The CHAIRMAN: I have made a note of that, and I propose to do that. Shall item 376 carry?

Item agreed to.

The CHAIRMAN: Item 377, shall it carry?

Item agreed to.

The CHAIRMAN: Item 378, copyright and industrial designs division.

Mr. GRAFFTEY: Mr. Chairman, may I be informed as to the general purport of the objections taken by Canadian authors or publishing houses to current copyright law in relation to other countries which might cause a prejudice to the above-mentioned authors or publishing houses?

Mr. MICHEL: I do not get the gist of your question; I am sorry.

Mr. GRAFFTEY: My question was: may I be informed as to the general purport of the objections taken by Canadian authors or publishing houses to current copyright law in relation to other countries which might cause a prejudice to the above-mentioned authors or publishing houses?

The CHAIRMAN: You are saying that Canadian authors object to foreign law?

Mr. GRAFFTEY: Present law.

The CHAIRMAN: Present Canadian law?

Mr. GRAFFTEY: Yes. I realize that the chair could take an objection to this type of question, but I think the whole problem is so complicated that I would like an explanation of the problem, very briefly, from the officials.

The CHAIRMAN: I am going to suggest, Mr. Grafftey, that the officials will comment on their own law; they are not going to comment on someone else's law.

Mr. GRAFFTEY: It is what you might call a case of international comparison.

The CHAIRMAN: I think we will follow the practice which we have in the house, of commenting on our own legislation.

Mr. GRAFFTEY: It is not comment on our own legislation. There seems to be a difference between our own legislation and foreign legislation which definitely causes a prejudice to Canadian authors and publishing houses. I do not think we would be commenting on our own legislation if we brought out the seeming differences which causes a prejudice.

The CHAIRMAN: Could you not assist the witness by wording your question in such a manner as to show where these differences lie and ask their opinion on it; rather than commenting on someone else's regulations?

Mr. GRAFFTEY: Am I out of order?

The CHAIRMAN: You are out of order to the extent of asking them to comment on someone else's regulations, I suggest.

Mr. GRAFFTEY: I simply ask, then, if I could have them comment on current Canadian law and the objections that publishing houses and authors are taking.

Mr. McCLEAVE: I wonder, Mr. Chairman, if that question should be asked of this group of witnesses, or whether that sort of problem should come before another department?

Mr. MICHEL: I cannot answer, because I do not know the objection of which you are speaking. There were many representations made to the royal commission at the time of their investigation. Public hearings were held in 1954 and 1955, and many representations were made. All of those representations have been carefully studied by the royal commission, and they are all referred to in the report of the royal commission, which was tabled last year; I think it was February, 1958. We have here a page of names of associations and individuals who made representations before the commission. That was tabled in June, 1958.

Mr. CHAMBERS: Would the international conventions, as far as Canada is concerned, come under the administration of the Secretary of State Department, or the Department of External Affairs?

Mr. MICHEL: The Secretary of State Department.

Mr. CHAMBERS: In that case, are there any important publishing countries with whom we have not got copyright protection?

Mr. MICHEL: None, because we belong to the Berne Union, the international convention for the protection of literary and artistic works. There are 42 countries in the world which are members of that convention.

Mr. CHAMBERS: All the important publishing countries?

Mr. MICHEL: All the important publishing countries are under this convention. You acquire copyright in any one of these countries without any formality whatever. The minute you write a book, you have copyright in 42 countries.

Mr. WINCH: Under the Canadian law?

Mr. MICHEL: Under the Canadian law, under the Berne Convention. You write a book today and you are protected in 42 countries without doing anything.

I should make a slight correction here. I said, all the important countries: that is, except the United States. The United States has its compulsory registration, so if you want to obtain copyright in the United States, you have to file an application there and pay \$4 to have it registered.

Mr. CHAMBERS: The possible weakness is that the publisher or author here in Canada is dependent for enforcement on the other countries?

Mr. MICHEL: No, that is the same thing. If the law in a country gives you the right of protection, then you have that right and it is up to you to enforce your rights in that country.

Mr. CHAMBERS: In the courts of that country?

Mr. MICHEL: In the courts of that country.

Mr. MORRIS: Have representations been received, notably from book publishers in Canada, arising out of the publication of the royal commission report on copyright?

Mr. MICHEL: I think some people have written to the minister. It may not be publishers; but some organizations have.

Mr. MORRIS: These representations would normally be subject to an order for return of notes and papers if required?

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. McCLEAVE: On the question of international copyright, the Berne Convention does not apply to Russia, does it? They have pinched "My Fair Lady", and could come along and pinch "My Fur Lady".

The CHAIRMAN: Shall item 378 carry?

Item agreed to.

Mr. CARON: Mr. Chairman, may I ask the minister when he expects the nomination of the Queen's printer? It is very important, and it has been delayed quite a while.

The CHAIRMAN: I would point out, Mr. Caron, that we have not called the Queen's printer as an item before us.

Mr. CARON: Well, I will come back to it.

The CHAIRMAN: Shall item 372 carry?

Item agreed to.

The CHAIRMAN: Item 379?

Item No. 379. Special expenditure in connection with a Commission under the Inquiries Act to inquire into the workings of the Patent Act, the Copyright Act, the Industrial Designs Act and other related legislation	\$11,900
---	----------

Item agreed to.

Mr. CARON: Item 379 includes the Queen's printer: that is stationery?

The CHAIRMAN: No.

Hon. HENRI COURTEMANCHE (*Secretary of State*): That is a separate item.

The CHAIRMAN: Gentlemen, I am going to suggest that we will therefore be in a position to have the Civil Service Commission representatives before us on Tuesday at 9.30 a.m.

Mr. CARON: What do you intend to take on Tuesday?

The CHAIRMAN: The Civil Service Commission.

Mr. CARON: The Civil Service first?

The CHAIRMAN: Yes.

Mr. PIGEON: Mr. Chairman, I would appreciate it if we could have a French interpreter the next time.

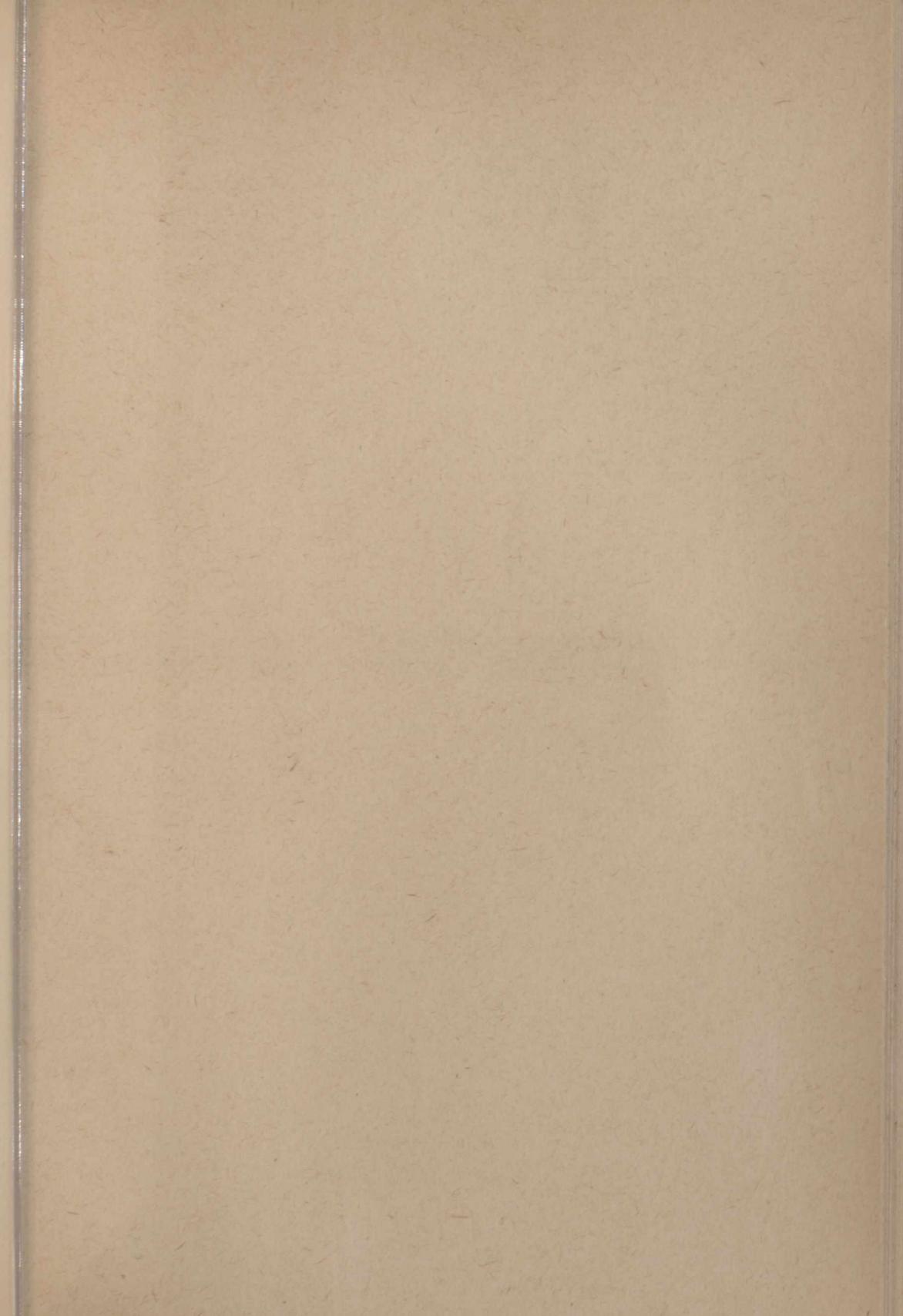
The CHAIRMAN: We will.

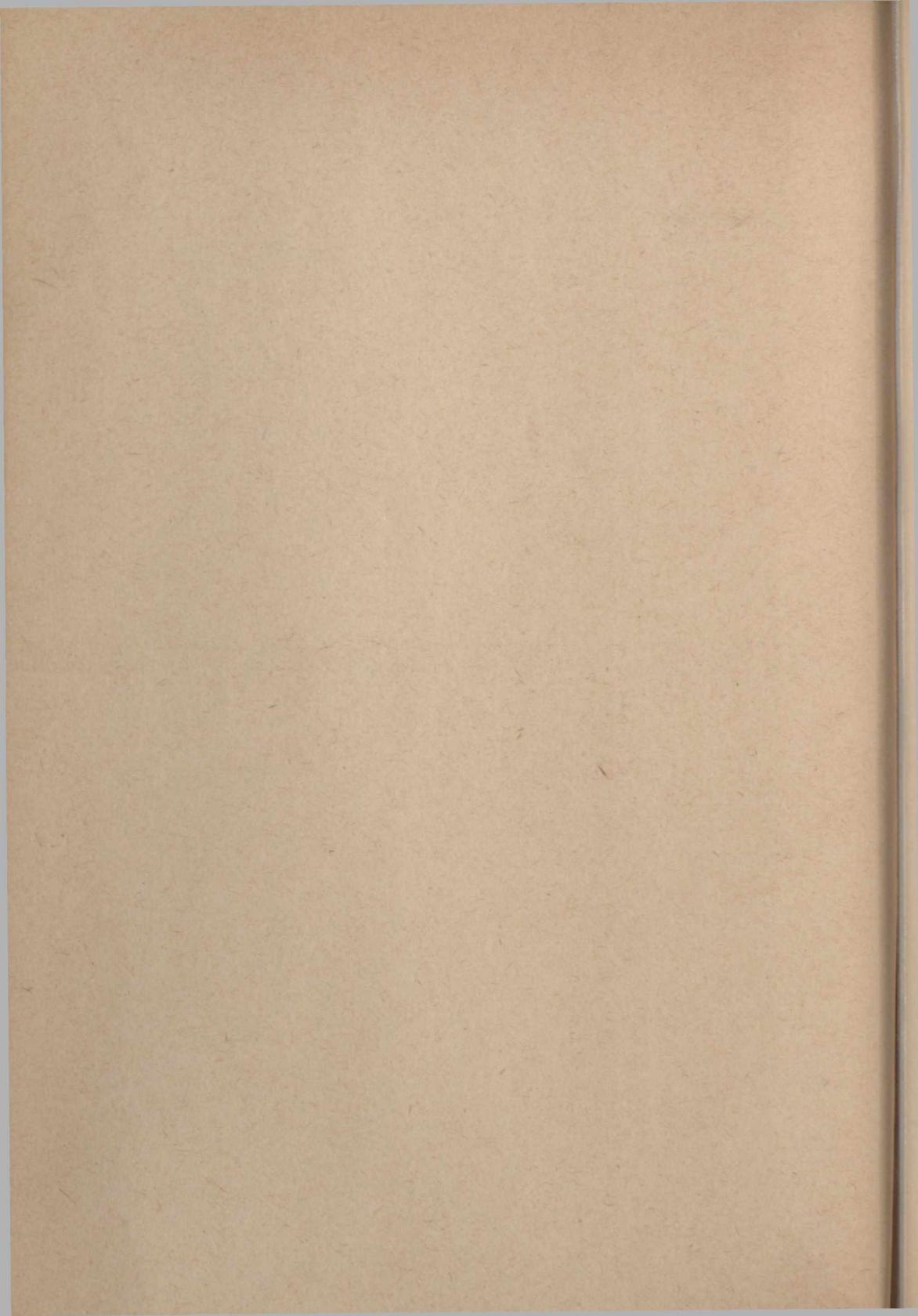
APPENDIX "G"

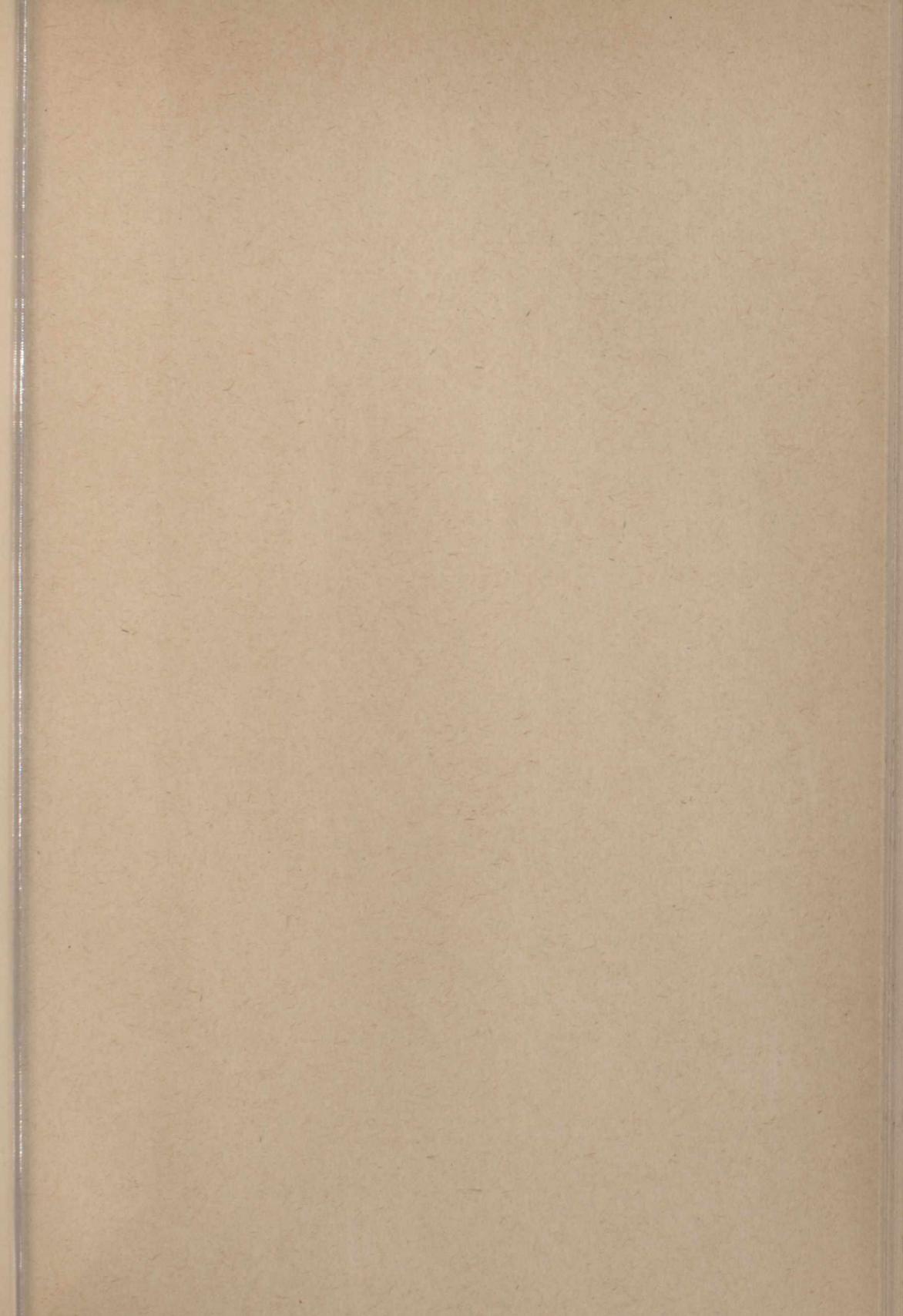
Information sought by Mr. Caron on May 14, 1959
 RE: Living allowance and travelling expenses of War Claims
 Commissioners since their appointment to the Commission
 up to 31st March 1959

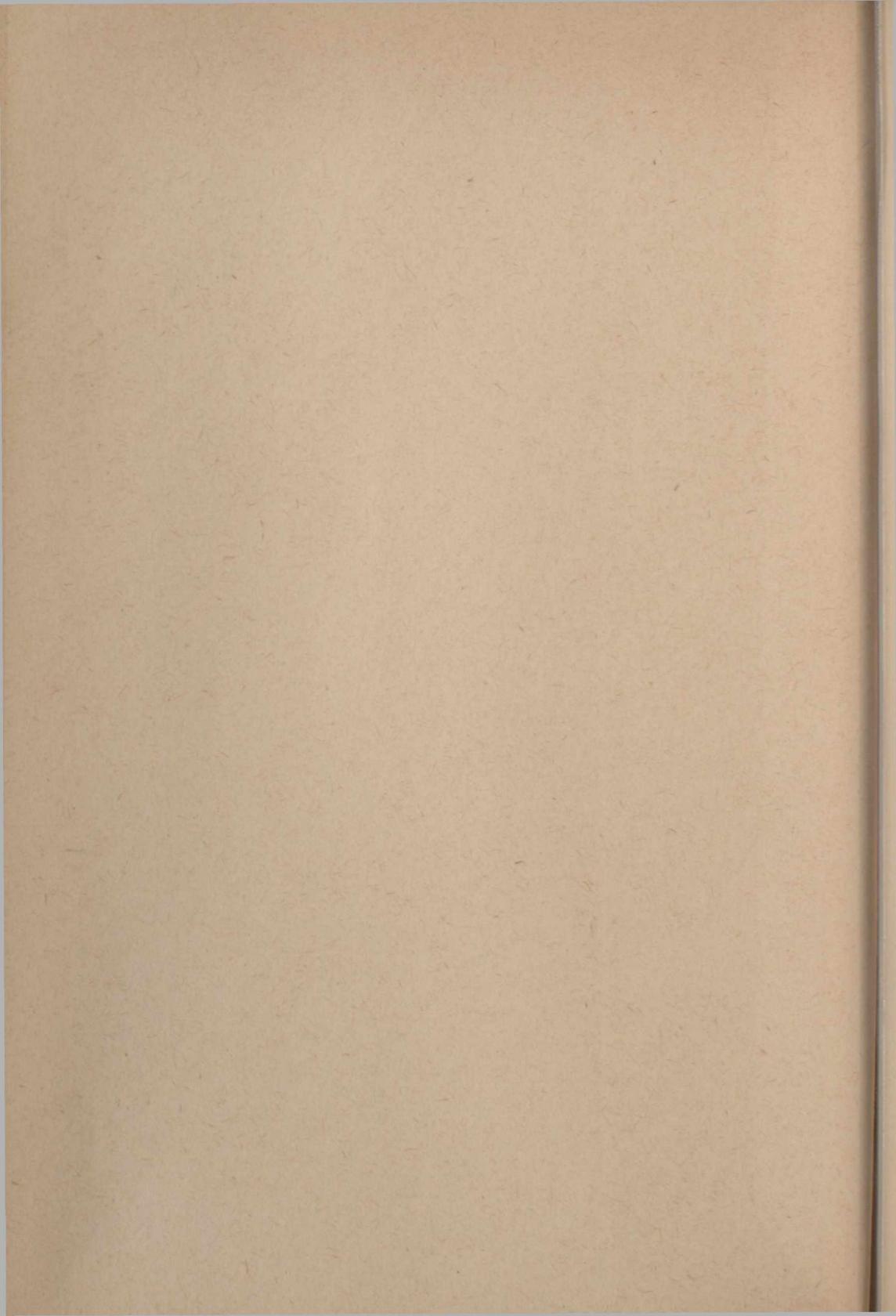
Chief Justice Thane A. Campbell	\$ 55,056.00
(from 22nd October 1952)	
Mr. Justice J. D. Hyndman	56,532.00
(from 29th April 1953)	
Judge C. W. A. Marion	15,303.00
(from 14th January 1953)	
James Francis, Q.C.	14,922.00
(from 29th April 1953)	
Mr. Justice H. I. Bird	4,330.00
(from 29th April 1953)	
Judge Charles Sinclair Trainor	3,785.00
(from February 26, 1953)	
Mr. Justice Fernand Choquette	3,745.00
(from 27th April 1953)	
	<u>\$153,673.00</u>

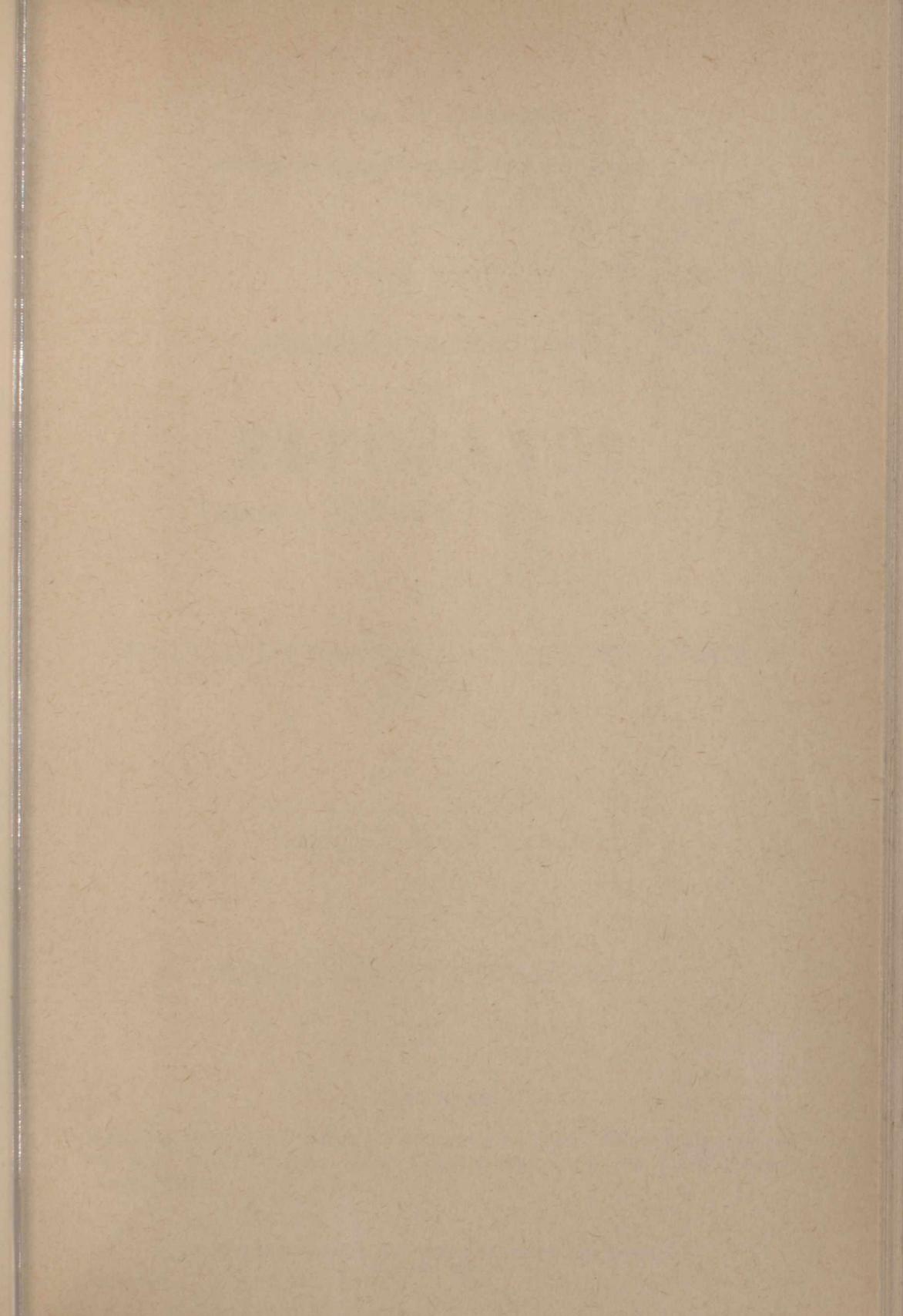
Note: The date in insert is the date of
 appointment to the Commission.

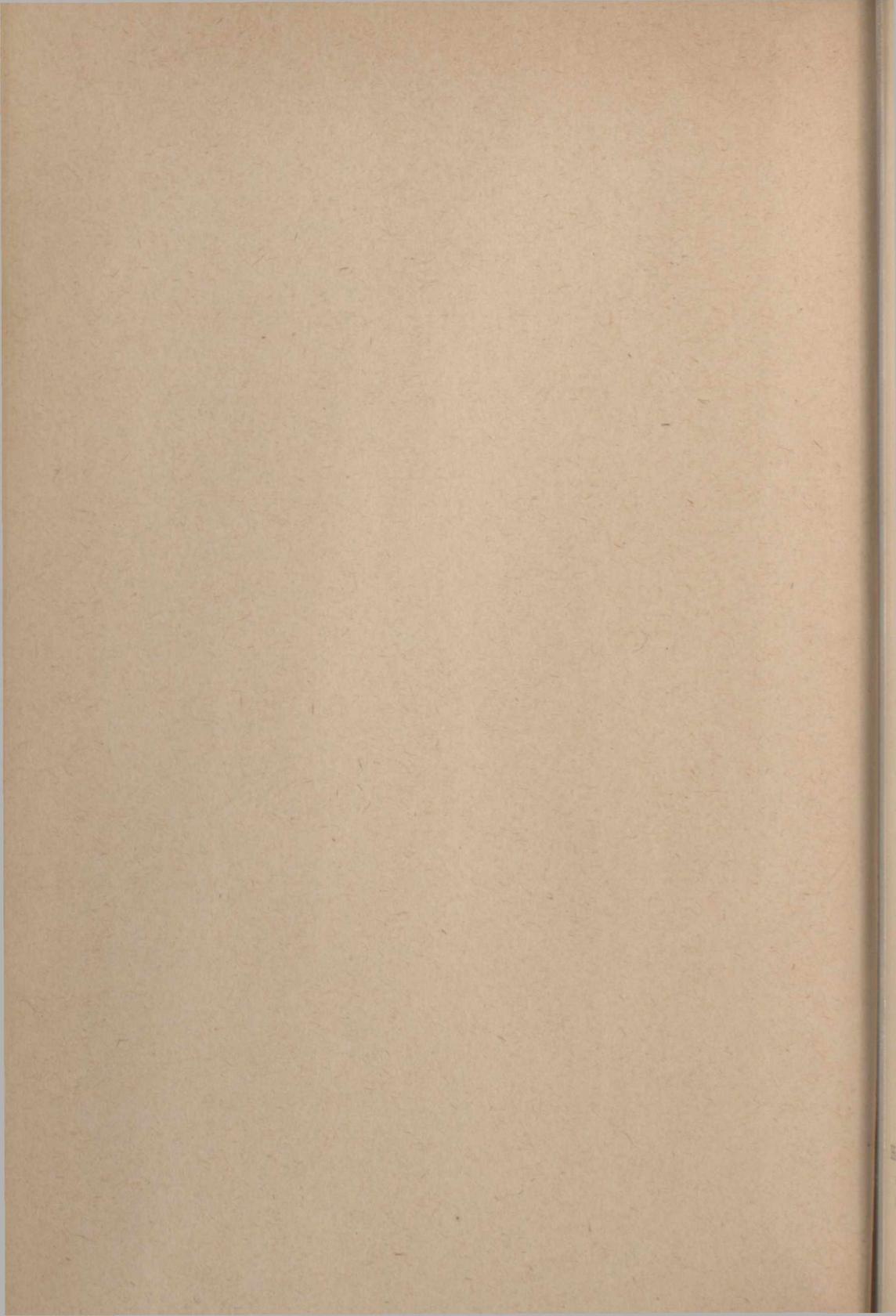












HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959



STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

TUESDAY, MAY 19, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Miss Ruth Addison and Mr. Paul Pelletier, both Commissioners of the Civil Service Commission.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,	Grafftey,	More,
Baldwin,	Hales,	Morris,
Bell (<i>Carleton</i>),	Halpenny,	Nesbitt,
Benidickson,	Hardie,	Nugent,
Best,	Hellyer,	Payne,
Bissonnette,	Hicks,	Peters,
Bourbonnais,	Howe,	Pickersgill,
Bourdages,	Jorgenson,	Pigeon,
Bourget,	Korchinski,	Pugh,
Bruchési,	Lambert,	Ricard,
Cardin,	McCleave,	Richard (<i>Kamouraska</i>),
Caron,	McDonald (<i>Hamilton</i>	Richard (<i>Ottawa East</i>),
Carter,	<i>South</i>),	Small,
Cathers,	McFarlane,	Smallwood,
Chambers,	McGrath,	Stewart,
Clancy,	McGregor,	Tassé,
Coates,	McIlraith,	Thompson,
Dumas,	McMillan,	Winch,
Fairfield,	McQuillan,	Winkler—60.
Gillet,	McWilliam,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, May 19, 1959.

(17)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Bell (*Carleton*), Caron, Carter, Cathers, Chambers, Clancy, Fairfield, Grafftey, Hales, Halpenny, Hardie, Hicks, Howe, Lambert, McCleave, McGregor, McIlraith, McMillan, McQuillan, Morris, Nesbitt, Payne, Pigeon, Pugh, Richard (*Ottawa East*), Smallwood, Smith (*Calgary South*), Stewart, and Tassé. (30).

In attendance: Honourable Henri Courtemanche, Secretary of State. And *From the Civil Service Commission:* Miss Ruth Addison and Mr. Paul Pelletier, commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development Branch.

On motion of Mr. Bell (*Carleton*), seconded by Mr. Pigeon,

Resolved.—That, pursuant to its Order of Reference of February 16, 1959, the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence relating to the Estimates of the Civil Service Commission.

The Committee proceeded to its consideration of the Estimates 1959-60, respecting the Civil Service Commission.

Item 67—*Salaries and contingencies of the Civil Service Commission* was called.

The Chairman called on the Secretary of State, who presented a brief statement and introduced the Civil Service Commissioners.

Mr. Pelletier read an opening statement which outlined the duties, aims, and operation of the Commission.

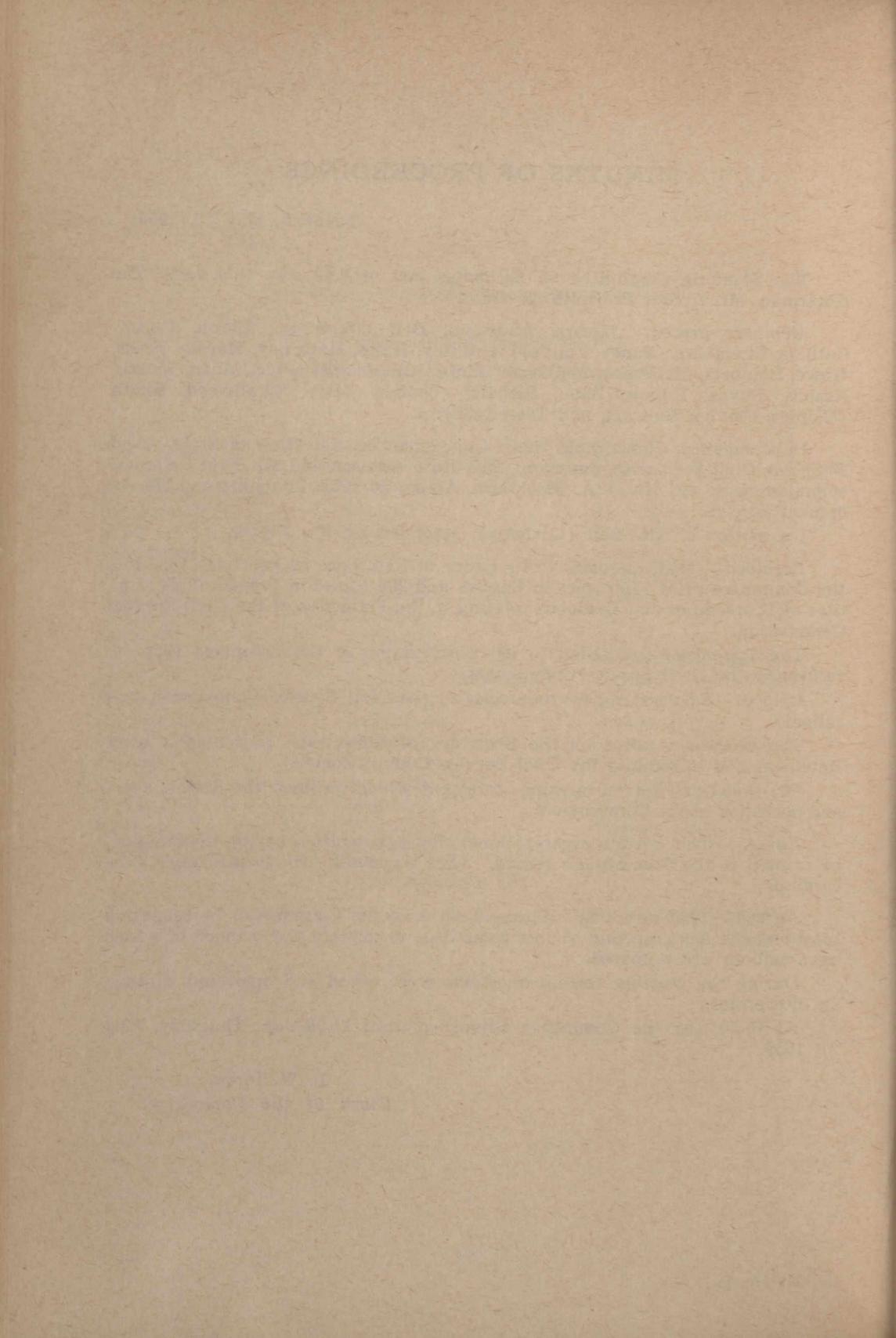
Agreed.—That certain organizational charts, submitted by the Commission, be printed in the Committee's record. (*See Appendix "H" to this day's Proceedings*)

Agreed.—That additional representatives of the Commission be requested to attend the next meeting of this committee to explain the manner in which examinations are prepared.

During the meeting certain questions were asked and answered through an interpreter.

At 10.50 a.m. the Committee adjourned until 11.00 a.m. Thursday, May 21, 1959.

E. W. Innes,
Clerk of the Committee.



NOTE: *Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.*

REMARQUE: *Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.*

EVIDENCE

TUESDAY, May 19, 1959
9.30 a.m.

The CHAIRMAN: Good morning, lady and gentlemen. We have a quorum, so we can proceed. You will recall that at last Thursday's meeting we concluded the estimates of the Department of the Secretary of State, so that today we have a new area in the estimates before us, the Civil Service Commission. As a consequence, we require the usual resolution to print.

My suggestion to the committee—if it meets with your approval—is that we print 750 copies in English and 200 copies in French. May I have a motion to that effect?

Mr. BELL (*Carleton*): I so move.

Mr. PIGEON: I second the motion.

The CHAIRMAN: Moved by Mr. Bell, seconded by Mr. Pigeon, that, pursuant to its order of reference of February 16, 1959, the committee print 750 copies in English and 200 copies in French of its minutes of proceedings and evidence relating to the estimates of the Civil Service Commission. Those in favour?

Mr. CARON: Have 200 copies in French proven to be sufficient?

The CHAIRMAN: In the past, yes. Those in favour? Opposed, if any?
Motion agreed to.

The item before us, gentlemen, is on page 14, item No. 67. You will find the details of this item under page 153. As in the past, we have a short statement from the minister, and he will introduce the members representing the commission who are with us today. I think there is nothing further at this point that I wish to cover, other than to make one notation. We have a somewhat enlarged staff, you will note, gentlemen. At the request of one of the committee members last week, we have a French translator and a French reporter.

The Speaker of the House—to whom I made the request for these additions—indicated to me that this is just on a trial basis because—as I know the committee members appreciate as well, or better than I—the problem of staff is still a very large one. But, nevertheless, we are delighted to have these people with us. I think, Mr. Minister, I will ask if you will just proceed with your statement.

Mr. CARON: Before the minister makes his statement, is there a French copy of this?

Hon. HENRI COURTEMANCHE (*Secretary of State*): Yes, sir. Mr. Chairman, I do not wish to do much more today than to introduce the members of the Civil Service Commission because we all know the Commission is a body responsible directly to Parliament and not to the Executive. My role in relation to the Commission is that of a spokesman designated by the Government to

report to Parliament on the Commission's behalf. In this capacity, it is also my duty, on behalf of the Government, to present and to recommend approval of the Commission's annual estimates of expenditures.

A few months ago the Commissioners submitted to the Government a report on Civil Service legislation entitled "Personnel Administration in the Public Service". This report has been tabled in the House of Commons and the Prime Minister has stated the Government's intention of introducing a new Civil Service bill at the next session of Parliament.

Mr. Chairman, I would now like to introduce to you and to the members of the Estimates Committee the Civil Service Commissioners, Miss Ruth Addison and Mr. Paul Pelletier. They are accompanied by Mr. G. A. Blackburn, the Acting Director of the Commission's Planning and Development Branch.

The CHAIRMAN: Thank you, Mr. Minister. On your behalf, gentlemen, I extend a welcome to Miss Addison, Mr. Pelletier and Mr. Blackburn, and particularly to Miss Addison for brightening up this rather drab committee room. I think this is the first time in the estimates committee that we have had an opportunity of having one of the fair sex as a witness.

It is unnecessary for me to lay any ground rules for examination, but perhaps I may merely refer you to the practice that we have followed in the past. That is, that we have kept our study objective and we have not gone into the question of personalities. I can see no particular reason why we should not continue to follow that same practice in this particular examination. So you have before you the general item, item No. 67. Are there any questions, please?

Mr. BELL (*Carleton*): Is there an opening statement?

The CHAIRMAN: I am sorry; I am a little ahead of myself. I believe we do have an opening statement.

Mr. Pelletier, are you going to read this?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): If I may, Mr. Chairman.

The CHAIRMAN: Would you proceed, please.

Mr. PELLETIER: Mr. Chairman, with your permission I would like to read this opening statement into the record. Miss Addison and I felt it would perhaps be helpful to the members of the committee, and certainly helpful to the general public, if we did make such an opening statement. It is, just briefly, a quick run-down of what has happened to the commission in the past, what it is supposed to do in law and what it does, in fact, do to carry out those statutory provisions.

Miss Addison and I welcome the opportunity to appear before this committee because amongst other reasons, it affords an excellent opportunity to Members of Parliament and to the public to obtain a clearer and more accurate picture of the Civil Service Commission's operations. In this way, we may hope to dispel any popular misconceptions that may yet remain as to what the commission is, by law compelled to do and as to the manner in which it does, in fact, carry out its functions and responsibilities. And I must regretfully concede that some popular misconceptions remain despite the fact that the Civil Service Act and the commission are more than forty years old.

In some ways I suppose, the Commission labours under the same kind of liability that I am told, on fairly good authority, Members of Parliament must on occasion labour under themselves. I am referring to the fact that the commission deals with people, not things. As a consequence, and by the very nature of our functions, for every appointment we make to the Civil

Service we please one person while at the same time we displease or at the very least we fail to please a good many others. In the circumstances, I feel confident that every member of this committee, indeed every Member of Parliament, will agree it is important that the Canadian public should not only know what functions and responsibilities are vested in the commission by parliament, but also the manner in which the commission goes about discharging those statutory responsibilities.

With your permission, Mr. Chairman, I think it would perhaps be useful if we took a brief moment to refresh our memories on the historical background against which the present Civil Service Act was set.

Over the past forty years, some of us have perhaps tended to take for granted the present state of affairs in the federal Civil Service. And yet, at the turn of the century, things were far different from what they are today. We perhaps tend to forget that between 1867 and 1918 it required four royal commissions, a number of bills many of which were abortive, the unceasing efforts of a vigorous group of promoters of the merit system, and the growing awareness of the serious weaknesses of the Civil Service, to arrive finally at the enactment of the Civil Service law of 1918 which has—as you all know—to this day remained substantively unchanged.

The first Civil Service Act, passed in 1868, did little more than provide a legal framework within which could be brought together the relevant portions of the public services of the four provinces which had been confederated the previous year. Shortly after the adoption of the Act of 1868, the first royal commission was appointed. It reported on many defects that required correction but completely ignored the question of political patronage. It was about 1874 that a group of parliamentarians took up in earnest the fight for the establishment of the merit system. In 1880, a second royal commission. This one recommended the establishment of examinations to qualify potential civil servants. It noted that although candidates had to qualify, the actual appointment remained with ministers or deputy ministers who were quite free to choose from among all qualified candidates. As a result of this report and recommendations of this royal commission, a new Civil Service Act was passed in 1882. This Act provided for the appointment of a committee of three examiners whose functions, however, were restricted to qualifying candidates. The actual appointments were still left with ministers and deputy ministers. A third royal commission published a report which severely criticized the spoils system but did not have any immediate practical effect. Finally, it was the royal commission of 1907 which recommended significant and fundamental changes in the administration of personnel in the Federal Civil Service. The essential changes were, first, that the responsibility for appointments was vested in a Civil Service Commission and, secondly, civil servants were forbidden to participate in partisan political activity. These changes were incorporated in the Civil Service Act of 1908 which contained the first elements of a true merit system. This Act, however, applied only to the so-called "inside" civil service, which was located at Ottawa. Furthermore, it became gradually and quite extensively honoured in the breach and this to such a degree that, years later, the Secretary of the Commission stated that by 1917 the Civil Service Act was "practically a dead letter". Towards the end of World War I the coalition government took the question of Civil Service reform out of the political arena and proceeded quite vigorously and quite rapidly to introduce and to have enacted the Civil Service Act of 1918 which still governs the Service today.

Up until 1908, and to a lesser degree up until 1918, a quite substantial proportion of appointments were made on a political patronage basis. In a

great many cases, what you knew was much less important than whom you knew. And although it is true that during that period a form of examination was established for aspiring civil servants, in actual fact not only were these examinations of a most elementary kind, but appointments were frequently made before the candidate had been examined. At some time after appointment, the individual was examined and, if he failed, he was given second, third and fourth chances with the net result that, by the grace of God and the sheer weight of the inevitable, the Civil Servant somehow or other became "qualified".

The soundness of the Act of 1918 is demonstrated, I think, by its durability under changing conditions, and particularly the manner in which it weathered the critical years of the second World War. Perhaps its greatest weakness was that it provided a rigid regime to guarantee impartiality, and in this left little room for the exercise of administrative judgment. Although this Act is acclaimed abroad, at home it is the subject, understandably, of complaint by departmental heads and others, in that it provides little room for the exercise of the sort of administrative judgment by departmental heads and deputies which they feel is required for effective departmental operations in the rapidly changing technical economic and social patterns of this country at the present time.

It seems to us that commission's greatest problem in the administration of the Act of 1918 has been to function in such a manner as to meet administrative needs for flexibility, and at the same time to ensure a career service based on the merit principle as provided for by law. From time to time our governments and parliaments seem to have considered these conflicting pressures impossible of resolution and seem to have felt it necessary to remove elements of the Public Service from the jurisdiction of the Civil Service Commission. As a consequence, the commission is at the moment responsible for little more than one-third of the public service (if you include in "public service" the Canadian National Railways), and it is in relation to this portion that the Commission is presently organized and staffed for the performance of its functions.

A review of historical developments and, indeed, the very words of the Act of 1918 make it quite clear that Parliament intended to establish a Civil Service Commission which is independent of Government and responsible only to Parliament. The Secretary of State put it very well in the House of Commons on August 8th of last year when he said: "This independence of the Civil Service Commission is at the heart of the arrangements established by the Civil Service Act of forty years ago. It is essential to the preservation of the merit principle on which the Canadian Service is based and to which this Government attaches the highest importance". This sentiment as we all know has been expressed on many occasions by people of authority both inside and outside the House of Commons.

Because of certain practices which have developed over the years and for other reasons, the role of the Commission in the machinery of Government has become somewhat blurred. The Commission itself may not be entirely blameless in this blurring process. Be that as it may, the fact remains that, too frequently, people think of the Commission as being either nothing but a control agency or just another arm of government when, as a matter of fact as well as of law, the former is only partially true and the latter completely false.

It is true that the Commission has control functions in certain areas but this merely arises out of the fact that the Commission is vested by law with exclusive authority to make final decisions in all matters which—and this is

important—on the one hand, have a significant bearing on the preservation of the merit system and, on the other, do not have false implications. In these matters the commission's control function arises out of its operational responsibilities. But the accent should be on service rather than on control. In this whole area of the preservation of the merit system, the Commission has been enjoined by law with the responsibility of continuously ensuring that the best available people are appointed to the proper positions at the right time. The important thing is that the commission must, at all times, provide departments with the talents they need—when they need them, and that this be done quickly and impartially.

As I have said a moment ago, the commission has, by law, final authority in all matters, (with two exceptions which I shall mention in a moment), which have a bearing on the preservation of the merit system and which have no fiscal implications. This is quite a wide area which includes methods of recruiting by competitive process, appointments, promotions, suspensions, appeals and the classification of positions. It is generally considered right and proper that an independent body such as the commission should be vested with final authority in these functions because the degree to which they are carried out with sound objectivity will determine the degree to which individuals are treated in an equitable manner. The two exceptions I have just referred to are dismissals and rejection of employees during their probationary period. Although the commission is the exclusive appointing authority, the governor in council is the exclusive dismissing authority. The rejection of an employee during the probationary period of six or twelve months, as the case may be, is strictly a departmental matter, but the reasons for such rejection must be reported to the commission in order that the commission may decide whether or not the employee should be given a second chance.

On the other hand, and this is too frequently overlooked, there are some areas in which it is mandatory under the act for the commission to recommend only or to advise only. These areas include departmental organization plans, the remuneration of civil servants and certain other matters relating to conditions of work. The primary reason for which the commission acts only as a recommending body in the fields of remuneration and other working conditions is that these matters involve expenditures and it would be quite improper to place the commission in a position where it could tie the hands of the elected authorities who have the responsibility of administering public funds.

It seems to us that the independence of the commission in the performance of all its functions is important. I would like to say here, as a lot is said about independence, that we are talking always of independence of the executive and not, of course, of parliament and the people they represent, because naturally the commission is, at all times, responsible for its actions to parliament and to the public. These functions should be carried out in an atmosphere quite free from political, bureaucratic or outside institutional influence, always, as I have just said, subject to the will of parliament. This very independence makes it all the more important the the commission's activities be carried on as openly as possible. Miss Addison and I feel very strongly that, wherever this is possible without invading the privacy of individuals, our activities should at all times be open to public scrutiny. As I said at the very beginning of my remarks, however, the commission deals with people, not things. As a consequence, no matter how objectionable we may be, no matter how close to infallible our examining boards may be, and no matter how close to perfect our competitive processes may be, we shall certainly never be able to convince all the people all the time that we always do the right thing.

I would now like to speak briefly about the manner in which the commission is organized to discharge its functions. The total number of civil servants

to whom the Civil Service Act applies at the moment, is approximately 136,000. The commission has, at the moment, a total payroll, in round figures, of 660 employees. Approximately 450 of these are located at commission headquarters in Ottawa and the balance in the ten district and six sub-district offices we operate from coast to coast.

We have a number of charts which indicate in some detail the structural organization of the commission and the functions carried out by the various branches of the commission. These are of course, available to the committee should they be of interest.

The two main operating branches of the commission are the organization and classification branch and the personnel selection branch. As the name implies, the former is concerned with the commission's role in the fields of departmental organization and the classification of positions. It is also concerned with recommendations relating to pay determination and certain working conditions. The personnel selection branch assists the commission in the performance of its functions in connection with recruitment, appointments, promotions and transfers of civil servants. Both branches are organized on somewhat different lines, that is a functional and a departmental basis. That is to say that, in both branches, certain groups of officers have responsibilities relating to certain classes which cut across several departments, for example, engineers, economists, clerks and stenographers. Other groups of officers have the responsibility of looking after all the personnel requirements of a group of departments. Since 1948 the organization and classification branch has also had a management advisory service which has been used on an increasing scale by departments. This service, called the organization and methods division, has, we believe, been extremely useful and it can clearly be established that the savings resulting from the implementation of its recommendations have exceeded manifold the cost of operation.

As you know, section 11 of the Civil Service Act places on the commission the responsibility of making recommendations to the government as to the levels at which civil servants' salaries ought to be fixed. The act itself does not provide any criteria upon which these recommendations should be based. However, from time to time there have been statements of government policy on this matter and out of these statements the commission has evolved three criteria which are taken into consideration in our recommendations on rates of pay.

The three criteria are the following:

Firstly, remuneration shall be such as to attract to and retain in the service a sufficient number of properly qualified persons to provide for prompt and efficient despatch of public business;

Secondly, remuneration, so far as possible and with full consideration for all relevant factors, shall be equivalent to that paid by good private employers for comparable work; and

Thirdly, remuneration shall be such as to maintain appropriate relationships between levels of compensation for the various kinds of work in the civil service.

In order to ensure that the second factor—comparability—is applied in the soundest possible manner, the commission established within its own organization a pay research bureau in the fall of 1957. The purpose of this bureau is to prepare statistical analyses on outside salary and wage levels and to provide these not only to the commission but also to the government and to staff associations. Although still quite young and relatively small, the bureau has already produced some extremely useful findings.

The planning and development branch was established in the early 1950's to assist the commission in the formulation of long-term policy and

procedures, with particular reference to the commission's recruitment and selection functions. This branch is also responsible for whatever staff training and counselling is done by the commission, and administers the commission's informaton Office.

The appeals branch processes and arranges for the hearing of appeals lodged by individual civil servants. I would like to point out in passing that, at the present time, the only legal provisions regarding appeals are to be found in the civil service regulations and not in the act itself.

Then, there are the secretary's branch and the administration branch. The former, in addition to providing a secretariat for the commissioners, deals with correspondence, regulations, parliamentary reports and also administers leave regulations. The administration branch deals with personnel matters for the commission's own staff, with accommodation and equipment, and with those other administrative services that are common to most branches of the commission.

From the nature and volume of enquiries that come to us quite regularly, it seems clear to us that the area of appointment and promotion is the one in which both members of parliament and the general public are most keenly interested. In the circumstances, Mr. Chairman, I think it would be useful if I were to elaborate for a moment on just how the commission goes about these two processes.

As we all know, the Civil Service Act quite specifically states that both appointments and promotions are to be made on a strict basis of merit. In order to achieve this result we have, over the years, developed procedures which are aimed at ensuring that appointments and promotions are made objectively and on a competitive basis, and to remove from the process, in so far as this is possible, the subjective element which is always present to a greater or lesser degree when one deals with human beings.

With regard to initial appointments to the civil service, the first step is of course to determine the qualifications required for any particular job. Normally these qualifications are drawn up in the first instance by the department concerned and then sent to the commission for review and approval. Our organization and classification branch takes great care to ensure that the qualifications drawn up are related exclusively to the job to be performed and are not in any way related to the particular abilities of one individual. The examination may be a written test, or a test of technical skills, or an oral interview, or a combination of these. The examining boards we set up to conduct these examinations usually consist of not less than three members and sometimes more. The chairman of the examining board is an officer of the Civil Service Commission. One of the members is drawn from the department to which the appointment is to be made and the other is usually either a civil servant from another department or a non-civil servant, but in both cases these people are knowledgeable in the field of endeavour to which the appointment is to be made. Our practice is to have the three board members rate candidates and, when these candidates have been so rated, the board compares and consolidates ratings and reports to the commission. The various candidates are then placed in order of merit subject, of course, to any modification that may be brought about by the application of the veterans' preference. I can assure the honourable members of this committee that the work of our advisory boards is a task which is not taken lightly, and I would like to pay public tribute to the seriousness with which departmental officials and non-civil servants alike have taken on these responsibilities over the years.

The process I have just described is used in the same manner with regard to interdepartmental promotion competitions. With regard to intradepartmental promotion competitions, however, because of limited commission staff

and because of the multiplicity of competitions of this nature, we have asked departments to conduct the competitions, subject to post-audit and approval of appointment by the commission. There has been a continuing demand, particularly from staff associations, to have a Civil Service Commission officer sit on all intradepartmental promotion competitions but this, under present conditions, is clearly a physical impossibility.

As all members of the committee know, Miss Addison, Mr. Heeney—before his return to Washington—and I have devoted the major portion of our first eighteen months in office to a comprehensive review of the Civil Service Act and regulations and the role of the commission in the machinery of government. The report on our studies has been placed before you in the House of Commons. If you have had time to analyze this report, you will realize that we feel there is need for some change in the law governing civil service employment in Canada and for a thorough review of our operational practices and procedures.

Following submission of our report, we have carefully examined our own organization. In this examination we have kept in mind our responsibilities under the present law, but at the same time our examination has been tempered by the substance of our thoughts as set out in the report. We are now satisfied that there is need for a significant reorganization of our staff in order to regroup a number of the functional operations to meet departmental needs more quickly, but without sacrificing quality. We are at this time in the midst of developing a new plan of organization which we will, in due course, present to treasury board for what we hope will be favourable consideration. We are satisfied that if the commission is to perform its present functions in a manner which will meet the administrative needs of departments, both quickly and well, we will need more staff than is presently authorized. The civil service has grown in size, while the commission's staff, with the exception of the creation of the pay research bureau in 1957, has remained almost completely static over the past several years. This has resulted in the commission being unable to give departments in all cases the kind of service they have every right to expect.

Previous commissioners recognized this need and, in reporting to parliament on operations for 1956, stated that the commission's effectiveness was curtailed because it had been unable to obtain authority to enlarge its establishment to meet the growing demands of an expanding civil service. When we came to office we agreed not to press for an enlarged establishment until after we had completed our special review of the Civil Service Act. Now that this task has been completed, we will soon be in a position to state our minimum needs for effective functioning under the present law and, in so far as we can see, these needs would not be significantly different under our proposed new regime. If the commission is to maintain a first-class merit system, it must be provided with the assistance it requires to carry out its functions with dispatch, economy and effectiveness.

Thank you, Mr. Chairman. Now, Miss Addison and I are in your hands.

Mr. CARON: Is there a French copy of this?

Mr. PELLETIER: I am afraid not.

Mr. CARON: It is very important we have French copies of everything. The French language newspapers have to hire somebody to translate them, while the English-speaking newspapers have it ready made. I believe it should have been done at the same time in every department.

Mr. PELLETIER: We can get a translation for you.

The CHAIRMAN: Mr. Caron, Mr. Pelletier said this can be done for you.

Mr. CARON: I want to state that it is too late.

The CHAIRMAN: Gentlemen, you have read the statements. I think we will follow the practice which we have adopted in the past; and that is, we will examine the two statements as such, the one very brief one by the minister and the one just read by Mr. Pelletier.

I am going to ask your indulgence again, in the interest of continuity, that we explore each item until such time as we have exhausted the study of it, as I say, in order to retain some form of continuity.

I think we can proceed on that basis. Mr. Pigeon, I think you have a question to ask?

Mr. PIGEON: (*Interpretation*) Mr. Pelletier, is it true that the results of the examinations are rarely known in detail, and that the people who correct these examination papers are generally satisfied with giving a global result without giving in percentage the particular number of points obtained by the candidates for the various parts of that competition?

Mr. PELLETIER: (*Interpretation*) Mr. Chairman, I would be very pleased to answer Mr. Pigeon.

As regards the middle part of that question I might say that the examiners are not the people who give the percentage, but only give the result of the examination to the Commission.

Mr. PIGEON: (*Interpretation*) Would it not be possible for the Civil Service Commission authorities to give the detailed result of the examination when the candidate has competed for a promotion appointment?

The CHAIRMAN: I think this is an interesting innovation and a good thing; but we must have it clearly understood that the questions will be interpreted before we have the reply. The questions may conceivably not be in order, in which case I would have no opportunity to rule on them. Please interpret the question first.

Mr. CHAMBERS: The first question has not been completely answered yet, Mr. Chairman.

The CHAIRMAN: Thank you, Mr. Chambers.

Mr. PELLETIER: (*Interpretation*) If I may give a complete answer to the first question, I think it will provide an answer to the second.

As I said a moment ago, the examiners give the result of the examination to the commission. Then the commission proceeds subsequently to give the result of the examination to the individual concerned, indicating the result, that is, the number of points or the notes that it gives, and it often happens that the candidate will desire to obtain more details.

In that case, the commission is pleased to give to the candidate his own marks—not the marks obtained by the others, but his own marks, indicating the reason he has been given such marks.

Mr. PIGEON: (*Interpretation*) Would it not be possible from now on for the Civil Service Commission to give a detailed statement to the candidate indicating the marks obtained by the various candidates instead of simply sending out a circular letter with the name of the candidate and no mark, so that it would allow the candidate to know more exactly where he stands?

Mr. LAMBERT: I do not believe that that was the import of the question as I heard it.

Mr. PELLETIER: I would like to give the fullest possible answer to Mr. Pigeon.

Mr. LAMBERT: I think that Mr. Pigeon's question related to whether or not the candidate should find out in what particular field he was deficient.

Mr. PIGEON: (*Interpretation*) I intended to say that the candidate could find out more particularly as to the particular area in which he failed, that is, where his strong points were, and where his weaker points were.

Mr. PELLETIER: (*Interpretation*) It was the practice in the past for a candidate to be notified in writing. It would simply indicate: you have failed or you have not failed, or you have passed. That was the former practice. However, following on the theory that these personal matters are personal to the candidate, we have begun the practice in recent times of sending a card in an envelope indicating the mark obtained, that is, indicating it on the card. I believe that what you have reference to is, for instance, in an examination of five parts, you would like the candidate to be given the mark obtained for each of those five parts. We would be glad to do that, but it would mean a lot of work. I am not worried so much about the work but I am worried about the expense, the lack of staff and so on. But it would be possible to do it and perhaps it should be done.

The CHAIRMAN: I wonder if Mr. Pigeon, or any others, would be good enough to make their questions as short as possible. You may ask as many questions as you like, but we would like to have the interpretation made quickly, if that is possible.

Mr. CARON: I think the main reason for Mr. Pigeon asking this question is to permit one who wants to, to file an appeal against the decision. If he does not know the marks of the other candidates in the other fields, it is very difficult for him to be able to file an appeal. Would it be possible that he could get the marks of the others?

Mr. PELLETIER: There are two parts to your question, Mr. Caron. In answer to the first part, the appeal, in law—I mean on the regulations which are part of the law—are not taken against another person. The appeal is against a wrong finding in your own case—that is if you have been wrongly rated, in your opinion. That is the answer to the first part.

The second part is that we still feel that it would be wrong to allow anybody—with some exceptions—to pry into the private affairs of another individual. I personally would not like it to be generally known that I had tried five competitions and failed all five.

Mr. CARON: Could you tell me about the point system and how it works when there is to be a promotion, how many points for the examination, and how many points from the recommendation from the department?

Mr. PELLETIER: What kind of promotions are you talking about now?

Mr. CARON: I am talking about promotions.

Mr. PELLETIER: Within a department?

Mr. CARON: Within a department or without a department. There must be a recommendation coming from the department where the man is presently employed.

Mr. PELLETIER: If you are talking about promotions within a department, the departmental practice will vary. We have sent out procedures and directives and so on, but as I said in my opening statement, we just cannot physically deal with these things ourselves. The normal practice is to have an examining board within the department itself. That is the normal practice. The rating system varies, depending on the job. There may be two factors or four, five, or six. It will depend. There is no general rule about this. In some cases past performance would be extremely important, and other things. It depends on the job.

Mr. CARON: Can an appeal on the rating system come in from the department if they believe that a rating which has been given by an official of the department is not according to the value of the man?

Mr. PELLETIER: We could entertain an appeal of a rating, but I do not think we could entertain an appeal of the rating system.

Mr. CARON: Cannot the rating be compared to the rating of another person by making an appeal? Suppose there are several men in a branch, and one man is rated very highly because he is a good friend of the person who makes the rating, while another candidate is not. Is there a possibility to appeal on that ground?

Mr. PELLETIER: We have made it a rule—and I think we are quite clear about this—that the appeal board is not an examining board. The appeal board is not re-examining candidates. However, all the information relating to the examination is available to the appeal board in order that it may know precisely what the examining board has done with respect to four, five, ten, or fifteen candidates in a competition. If the appeal board should find, for example—and I think this is directed to your question—that an appellant has been rated properly, but that some other candidate has been rated much too highly, then the appeal board will find that the examining board improperly conducted its affairs, and we would order a new examining board to be held to re-rate all the candidates.

Mr. CARON: On what basis can they claim they know if one has been rated too highly, and the other in bad form?

Mr. PELLETIER: My only answer is that, supposing the appellant is number two, and he feels convinced personally—and he may be right—that he is better than the number one man; he can appeal on the ground that he was rated too low; and if that is found to be so, the appeal board will uphold his appeal.

Mr. CARON: There is no official of the commission on that examining board, and that rating is given by the department. Would it not be better if the commission had somebody to supervise while the examination was being taken?

Mr. PELLETIER: I agree with you, but we just cannot do it.

Mr. CARON: I believe a lot more in the commission than I would believe in some of the heads of departments. That is why I would prefer to have somebody from the commission to supervise matters.

Mr. PELLETIER: I am not questioning for a moment the integrity of departments. I am merely saying that, in principle, I agree with you that it would be preferable if an officer of the commission could sit in on these departmental promotion competitions, but we just cannot do it. Although we do not sit in on the examination, the results are given to us. I also agree that we are not in the best position to know whether it has been conducted fairly or not, unless there has been an appeal.

Mr. CARTER: I am not too clear whether the remarks the witness has just made up to now apply only to written examinations or whether they apply to oral examinations as well.

Mr. PELLETIER: They apply to both.

Mr. CARTER: If they appeal, what steps does the commission take to assist in the matter, having regard to the temperament, the general suitability, and from the personality standpoint of the candidates?

Mr. PELLETIER: We have many things to go on, but it is not perfect. We have, for example, not in all cases; but in the majority of cases—in addition to the mathematical ratings, a narrative report made by a three-man board which indicates that a given candidate was judged best for this, that and the other reason. We have that, and we also have some knowledge of the people who sit on the boards. And increasingly we have, with respect particularly to senior jobs, some knowledge of the candidates; but this is not perfect.

Mr. CARTER: Can you tell me how the oral examination is rated as compared to the written examination? Are they fifty-fifty?

Mr. PELLETIER: They could vary with each job.

Mr. CARTER: Does that not introduce the element of unfairness in the competition? I have attended some of these selection boards, as we call them, and usually there is a departmental official on the board. He can tailor his questions to fit the person that he has in mind, if there is one applicant that he wants. I have seen this happen. I have seen a very different set of questions given to one applicant than was given to another applicant. They are not all given the same questions. They are not all assessed on the basis of their reaction to the same question. That is where I think, in respect to this oral questioning, that everybody should be treated in the same way, because there is a tremendous scope for unfairness.

Mr. PELLETIER: In reply, in the first place, what you say may happen; but I can assure you that if it does happen, it is only very infrequently with regard to the examining boards we conduct in interdepartmental promotions, what happens is that, before the members of the board see anyone they get together to make sure that they understand exactly what the specifications of the job are, and what the qualifications to fill that job are. When they are quite clear about this, they usually decide what kind of questions they should ask the candidates in order to determine whether or not they possess the qualifications for the job. By and large, the questions posed to the various candidates are virtually identical.

Mr. FAIRFIELD: In the case of examining a competitor, how much influence does the department have in posing the questions, or in giving advice to the commission in such examinations?

Mr. PELLETIER: That, of course, goes back to qualifications and specifications. As I said in my opening remarks, the initiative for writing the specifications and qualifications rests normally with the department. Presumably they know more about their own business than we do. They must send them to us, and our organization and classification branch takes great pains to try and ensure that the specifications are not a "photograph" of an individual, but are tailored to the job.

Now to go back to your examination board question, I would emphasize the point strongly that these boards are chaired by an officer of the Civil Service Commission and that there is a third member who has no connection whatsoever with the department.

Mr. FAIRFIELD: Further to that, has the Civil Service Commission experts in each department who can chair these boards, speak with knowledge and question the applicants with knowledge?

Mr. PELLETIER: I would not say that this applies right across the board. But in the major fields—professional and otherwise—we do have such people on our own staff. We have economists, lawyers, engineers, et cetera, precisely for that reason.

Mr. CATHERS: Mr. Chairman, I was quite surprised to hear Mr. Carter say that he, as a Member of Parliament, attended these selection committees.

Mr. CARTER: On a point of order, Mr. Chairman: I did not say I attended as a Member of Parliament.

Mr. CATHERS: Well, you are a Member of Parliament.

The CHAIRMAN: May I suggest that you address the chair.

Mr. CARTER: If Mr. Cathers is worried about it, it was before I was a Member of Parliament that I attended.

Mr. LAMBERT: In what proportion, Mr. Pelletier, are the promotional examinations and competitions conducted on the basis of inter-departmental, intra-departmental and open?

Mr. PELLETIER: Do you want exact figures? I think we have them here.

Mr. LAMBERT: Yes; because I think that has a bearing on the discussion here. There seems to be, to my mind, some confusion as to the function of the commission on all competitions.

Mr. PELLETIER: I think we have those figures here. I will give them to you.

The CHAIRMAN: While these figures are being obtained, Mr. Pelletier—as you recall—mentioned certain graphs and charts. May I have the prerogative of the committee to include all these in the evidence?

Agreed.

Mr. PELLETIER: I am afraid the figures are not broken down here. I can get them for you at a subsequent meeting, if you like. I can say right now, though, that the vast majority of promotion competitions are within the department, as opposed to inter-departmental.

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): We even sit on some of those promotion examinations, where we are able to provide staff and where the department requests it. So in some cases we do sit on promotional ones too.

Mr. LAMBERT: Can you also give us an estimate of the number, or the proportion, of those that you sit on, because it seems to me that many of the questions so far have dealt with certain anomalies which are felt to exist in intra-departmental examinations.

Miss ADDISON: We would have to get those figures for you.

Mr. MORRIS: Mr. Chairman, I should like to ask either of the witnesses what is the life span, normally, of an established eligibility list?

Miss ADDISON: One year is the normal span.

Mr. MORRIS: Are there exceptions to this, Miss Addison, for key personnel, such as scientific personnel? Do you have an area of judgment in which you keep these for a longer period?

Miss ADDISON: We do, on occasion, particularly if we feel there is not a new supply of candidates available and we want to keep these lists open; because we realize that, even if we did hold another competition, we would not get any other people. Normally however it is one year.

Mr. MORRIS: Having regard to the physical problem of providing all sorts of information—which I think we can all quite readily appreciate—can you accommodate successful candidates in advising them of their current position on eligibility lists at any time? Are you able to do that—or do they have the right to ask that?

Mr. PELLETIER: They certainly have the right to ask that. I do not know if it is done too frequently, but such information has been sought. We do not otherwise keep them currently advised.

Mr. MORRIS: Of course, you could not. But if they enquired, you are in a position to tell them?

Mr. PELLETIER: Yes.

Mr. MORRIS: The eligibility list normally runs at a faster pace towards the end of the year, does it not?

Mr. PELLETIER: It depends on the area of employment. In some cases the lists run out quite quickly, and in other cases, when we terminate the list at the end of a year or two years, there are still a lot of names on the list. One of the main reasons—if I may add to what Miss Addison has said—we do not like to let eligibility lists run too long—particularly in cases where there are many candidates for few jobs—is that it really discriminates against

other people who might wish to apply and might have to wait four or five years to apply for a job.

Mr. MORRIS: When you cancel eligibility lists, do you notify successful candidates whose names are still on that list that their name is not now applicable?

Mr. PELLETIER: Not normally.

Mr. MORRIS: What happens to a candidate who cannot accept the employment offer at the moment it is offered: does he or she lose his or her position on the eligibility list?

Mr. PELLETIER: That is right, normally.

Mr. MORRIS: They go to the bottom of the list?

Mr. PELLETIER: No; they are just off the list.

Mr. MORRIS: Miss Addison, would you tell me—

The CHAIRMAN: Mr. Pelletier has a correction to make.

Mr. PELLETIER: I am sorry—a refinement, if I may. Normally, the candidate is off the list in such a situation; but it can happen on occasion that there are very good reasons for which a person cannot accept the job immediately, and in some cases we would wait—if the department is willing—for three weeks, or three months, or whatever it may be.

Mr. MORRIS: Thank you. Do you automatically offer employment at a lower grade than the competition? I have in mind typists and stenographers. If a young lady has been placed on an eligibility list for a stenographic job at one of your district offices, and a typist vacancy becomes available, will she be offered that employment, or must she compete in both competitions?

Miss ADDISON: Not normally. But there might be special circumstances in which there was no competent typist, and if she were qualified, she could be offered that job. But we do not normally offer them a lower grade than they have qualified for.

Mr. NESBITT: I have several questions, Mr. Chairman.

The CHAIRMAN: I wonder if you would help us, in this sense. We are ranging a little bit, and I wonder if you could keep your questions in one field, so that we could perhaps move on to another.

Mr. NESBITT: The questions I have deal with this question of examinations for candidates.

The CHAIRMAN: That is fine.

Mr. NESBITT: First of all, either Mr. Pelletier or Miss Addison could answer this question. When, generally, are oral boards held in examinations for the Civil Service?

Mr. PELLETIER: Do you mean, in what areas?

Mr. NESBITT: No; I mean, when; under what conditions, and for what type of employment?

Mr. PELLETIER: I see. This, again, varies a great deal. Normally, for the entrance level of clerical and stenographic grades there is no oral examination, because there it is really a question of determining, in the first case, whether the person has the minimum education required and has the technical knowledge and, in the second case, because it is largely a question of determining academic achievement and experience. I am of course talking about entrance grades here. The higher you go up the ladder—and this is a generalization, but one which I think is fairly accurate—the more the oral technique comes into effect.

Mr. NESBITT: With respect to the written examinations and tests, I understand from your statement that these, in the first instance, are devised

by officials of the department and then checked by the Civil Service Commission, to make sure that the type of question applies to a position and not to an individual, let us say.

Miss ADDISON: May I just mention something at this time? In certain areas we would set the examination.

Mr. NESBITT: Could you give us an idea of how the questions on these tests are arrived at?

Mr. PELLETIER: By and large, the written kind of test is devised by the commission, not the department, but based on the qualifications and specifications that have initially been prepared by the department and then have been vetted and approved by the commission. With regard to the oral type of question—

Mr. NESBITT: Let us stick to the written test just for the moment. How are these questions devised? Can you give us any detail of how they are devised?

Mr. PELLETIER: In recent years, Mr. Nesbitt, we have established a test development section precisely for that reason, to try and devise examinations that are reasonable and are not unfair to the candidate—that do not ask him a lot of questions the answers to which he does not need to know in the kind of job he has applied for. The tests are also aimed at producing the best man. I am not suggesting, for one moment, that our tests are perfect; but we have a small nucleus of experts in that field in the commission, who are perpetually revising these tests to try and make them better and fairer.

Mr. NESBITT: What are the qualifications of, let us say, the experts who devise the tests?

Mr. PELLETIER: The people whom we have in this field, Mr. Nesbitt, are people who have specialized in this area at college and university.

Mr. NESBITT: What type of courses?

Mr. PELLETIER: Psychology et cetera.

Mr. NESBITT: You say, “et cetera”: could you elaborate just a little further? I am not trying to be perverse, but these are things that are of real interest to members and have caused much misunderstanding, I think.

Mr. PELLETIER: And understandably so. I do not want to leave your question unanswered, but I would like to preface it by saying that in many areas—and I think you are aware of some of these—it is exceedingly difficult, if not impossible, to devise a test that is foolproof. In other areas, it is quite easy.

The CHAIRMAN: Mr. Pelletier, would it be possible—in view of the fact that Mr. Nesbitt has raised this question; and we are obviously going to have another meeting of this committee—to have before the committee the qualifications of perhaps a group—whatever group Mr. Nesbitt would like—to state exactly what those qualifications are? Would you wish that, Mr. Nesbitt?

Mr. NESBITT: Yes, Mr. Chairman. I was wondering if we might also have some specimens of the tests that are set up.

Mr. BELL (*Carleton*): For a number of positions.

Mr. NESBITT: For a number of different positions.

Mr. HELLYER: Could we have a specimen of the experts here?

The CHAIRMAN: You have a question, I believe, Mr. Hellyer: we will deal with it in a moment.

Mr. PELLETIER: Normally we do not hand out current tests, because that would vitiate the whole system; but actually the Queen's printer has printed a little booklet which contains some old examples of the kind of tests used in

certain areas. If that is of any use to you, it can be provided. Or we can go further—

Mr. NESBITT: Let us have a look at it.

The CHAIRMAN: You would like also, Mr. Nesbitt—on the question of qualifications—the qualification of those who devise the examinations?

Mr. NESBITT: Yes. I think Mr. Hellyer had a good point there.

The CHAIRMAN: I believe you suggested, Mr. Hellyer, that you would like to have some of these people before us?

Mr. HELLYER: A representative, Mr. Chairman, who can tell us—if the commissioners would agree to let Mr. Nesbitt know the things that they do in preparing examinations—the experience that they have.

Mr. PELLETIER: Rule me out of order, Mr. Chairman, if I am out of order on a suggestion I would like to make.

The CHAIRMAN: Proceed, and we will find out.

Mr. PELLETIER: I was wondering, while Mr. Nesbitt was speaking, whether this might not be useful. I said a moment ago that we do not make current tests available to the public, for reasons which I think will be obvious to members of the committee. But I,—and, I think, Miss Addison—would be quite prepared to show Mr. Nesbitt, in confidence—or any other members of this committee—whatever tests they wish to see.

The CHAIRMAN: Whatever Mr. Pelletier did with Mr. Nesbitt is really of no concern to the committee as such; we must have, as a committee, the information which you are able to give us and which you have just agreed to give us; that is, sample tests, together with—and this seems to be acceptable to Mr. Nesbitt—the qualifications of those people who are carrying out this work.

Mr. NESBITT: Mr. Chairman, I have a couple more questions.

The CHAIRMAN: I want to deal with another point. I am a little uncertain as to whether a request has been made to have an individual appear before us who has undertaken some of these examinations. Is this a request of the committee, or was it offered facetiously?

Mr. LAMBERT: An individual who has undertaken—

The CHAIRMAN: No—who has drawn up.

Mr. LAMBERT: Oh, prepared?

The CHAIRMAN: Is that your request, Mr. Hellyer?

Mr. HELLYER: That is the suggestion, Mr. Chairman.

The CHAIRMAN: Is there any reason why that cannot be done, Mr. Pelletier?

Mr. FAIRFIELD: One of the examiners, in other words?

Mr. BELL (*Carleton*): No, no.

The CHAIRMAN: Gentlemen, you are talking about two different things, and you are talking about one of the examiners. You are talking of people who prepare the tests as such, and not the examiners. Can that be done?

Miss ADDISON: We would be prepared to bring someone along to try and explain what we are getting at when we set these tests.

Mr. NESBITT: I have two brief questions with reference to the oral tests. I believe Mr. Pelletier mentioned a few moments ago that on these oral boards each individual candidate is, as much as possible, asked the same questions. Are these questions that are asked, arranged in advance of the board, or are they thought up at the time?

Mr. PELLETIER: "Normally", I said, Mr. Nesbitt.

The CHAIRMAN: "Normally"—to which? There were two questions posed.

Mr. PELLETIER: Normally these questions are prepared in advance to ensure that they are the kind of questions which will bring out whether or not the candidates are qualified.

I also said that normally the questions asked of candidates are virtually the same. "Virtually the same", which does not mean "exactly" the same, but are all in the same area, and they are prepared up in advance.

Mr. NESBITT: Who arranges the questions in advance? Is it the members of the board, or are they given to the board by the commission?

Mr. PELLETIER: The members of the board, of which the chairman is an officer of the Civil Service Commission.

Mr. NESBITT: One final question, and that is this: with respect to civil service posts of a purely local nature—I have in mind the post of postmaster or customs officer in a given area, or something of that nature. The personalities of the persons who hold these posts is a matter of considerable importance, not in an urban area but in a rural area.

Is any local advice obtained by the commission with respect to the eligibility of these candidates, and if so, how?

Mr. PELLETIER: Yes, in certain areas, particularly with respect to postmasters for example, that kind of advice is always sought. I am sure I do not have to suggest to an assembly such as this that seeking that kind of advice is an extremely difficult and quite delicate matter.

What we do try to do in the case of postmasters and, perhaps, in certain other cases, is to seek out five or six individuals because of their functions. That is, we will seek out such persons as the local clergyman or clergymen, the local bank manager, the chief of police and the mayor.

That is the type of persons who are consulted as to the personal suitability of candidates which, I agree with you, Mr. Nesbitt, in certain kinds of jobs—particularly that of postmaster in a small area—is quite important.

Mr. NESBITT: When these people are sought out, do you have any set rule, or is that a sort of rule of thumb done by some member of the commission? First of all, who decides who is to be interviewed, and who does the interviewing?

Mr. PELLETIER: It has been laid down as a rule of thumb within the commission that persons holding the type of office I have just described are the persons to be consulted. The interviewing is actually done by the members of the examining board, because that may or may not influence the rating they have already given the candidates on the basis of the written test, if there is one, and/or the oral test.

Mr. NESBITT: Are examination boards with an oral examination held, for instance, for the position of postmaster in small post offices?

Mr. PELLETIER: Yes, normally they are. There is a written examination, quite a simple one, and that is supplemented by an oral examination, which in turn is itself supplemented by interviews with the kind of people I have already described.

Mr. NESBITT: When they interview the persons such as you suggest—the mayor, chief of police, reeve, as the case may be—those who presently hold that office are sometimes people who have held that office in the past?

Mr. PELLETIER: Well, naturally, I do not look at every examination; but certainly it is the rule that we interview the people who are currently holding the office.

The CHAIRMAN: You have time for one final question, Mr. Carter.

Mr. CARTER: I have more than one question, Mr. Chairman.

The CHAIRMAN: Would you prefer to delay it until our next meeting?

Mr. CARTER: Yes. I might just ask this question, in case they might want to look into it and look up some information. I am concerned about the examination form itself. How long is it since it was revised?

Mr. PELLETIER: The examination form?

Mr. CARTER: The written examination form.

Mr. PELLETIER: Or the application form?

Mr. CARTER: Yes, the application form.

Mr. PELLETIER: It has been revised, not very long ago, and we just looked at it again last week. Did you have any specific question on it?

Mr. CARTER: I will leave the questions until the next meeting.

Mr. LAMBERT: On that score I have certain questions, too.

Mr. CHAMBERS: I wonder if the commission has any statistics, on age basis, of successful applicants? Could they bring them to the next meeting?

Mr. PELLETIER: I do not believe we have.

The CHAIRMAN: Is that information available?

Mr. PELLETIER: I do not think we have statistics on that basis. Perhaps you know, Miss Addison?

Miss ADDISON: No, I do not think we would have that kind of information available.

Mr. CHAMBERS: Have you any regulations on ages, and that sort of things. It seems to be pretty hard for anybody over 45 to get a job in the civil service.

The CHAIRMAN: Gentlemen, we have agreed with the radio committee, with which we alternate on Tuesday and Thursday, we would leave this committee room for them and they meet, of course, at 11 o'clock.

Our next meeting will be at 11 o'clock on Thursday, and we can continue our discussion at that time.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

M. Pigeon:

Q. Monsieur Pelletier, est-il vrai que les résultats des concours aux examens d'avancement ou de promotions sont rarement connus en détails et que les correcteurs de ces examens se contentent de donner un résultat global, sans faire connaître les pourcentages ni le nombre de points obtenus par les candidats pour les diverses parties de ces concours?

M. Pelletier:

R. Monsieur le président, il me fera énormément plaisir de répondre à la question de monsieur Pigeon, mais j'aimerais peut-être répondre à la partie du milieu d'abord. Les examinateurs ne sont pas les gens qui donnent les résultats. Les examinateurs donnent les résultats à la Commission.

M. Pigeon:

Q. Monsieur Pelletier, n'y aurait-il pas moyen que les candidats qui subissent un examen pour une promotion obtiennent en détails le résultat de cet examen?

M. Pelletier:

R. Vous me permettez...

M. Pigeon:

Q. N'y aurait-il pas moyen que la Commission du service civil, que les autorités concernées de la Commission du service civil donnent en détails le résultat des examens lorsqu'un candidat décide de faire "application" pour une promotion ou pour un avancement?

M. Pelletier:

R. Monsieur Pigeon, si vous me permettez de donner la réponse complète à votre première question, je pense que cela donnera la réponse à la deuxième.

M. Pelletier:

R. Comme je le disais tout à l'heure, les examinateurs donnent le résultat des examens à la Commission.

M. Pelletier:

R. Subséquemment, la Commission donne les résultats des examens aux individus concernés et, aux individus, d'abord, on donne le total des points qu'ils ont obtenus.

M. Pelletier:

R. En plus de cela, il arrive assez fréquemment, d'ailleurs, qu'un candidat ait le désir d'avoir de plus amples détails.

M. Pelletier:

R. Et, dans ce cas-là, la Commission se fait un plaisir de lui dire, non pas ce que les autres ont obtenu, mais ce que lui a obtenu, en détails, et pourquoi il a obtenu telle, telle ou telle note.

M. Pigeon:

Q. N'y aurait-il pas moyen, monsieur Pelletier, à l'avenir, que la Commission du service civil donne à tous ceux, à tous les candidats qui font "application" pour une promotion, le résultat, en détails, de l'examen pour chaque candidat au lieu d'envoyer une lettre circulaire, par exemple, qui dit: "Vous n'avez pas réussi votre examen, ou vous avez réussi". Alors, cela permettrait au candidat, s'il a une faiblesse dans une matière, de travailler cette matière afin de pouvoir faire "application" de nouveau et réussir son examen.

M. Pelletier:

R. Monsieur Pigeon, si je peux mettre une préface à ma réponse, autrefois, comme vous le savez peut-être, on notifiait les candidats avec une petite carte qui était visible à tout le monde qui voyait le courrier. Évidemment, la réponse dans ce cas-là était: "Vous avez réussi" ou "Vous n'avez pas réussi".

M. Pelletier:

R. Mais, vu que nous croyons, à raison je pense, que les affaires personnelles d'un individu sont ses affaires personnelles, depuis quelque temps déjà, nous lui envoyons cette carte sous enveloppe et lui donnons le total de points qu'il a obtenus s'il a réussi.

M. Pelletier:

R. Maintenant, pour répondre directement à votre question: Il serait possible de donner au candidat... Par exemple, il arrive parfois qu'il y a cinq parties à un examen—c'est ce que vous voulez dire?

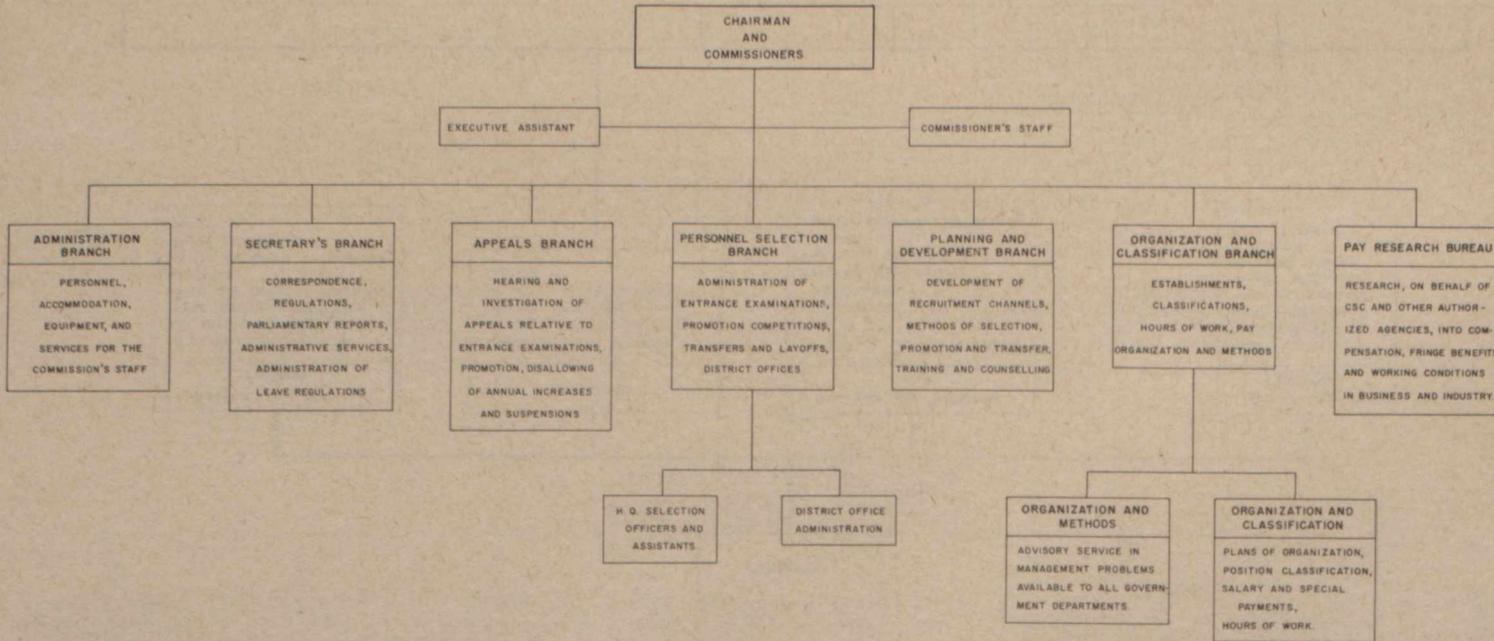
M. Pigeon:

Oui, c'est justement cela.

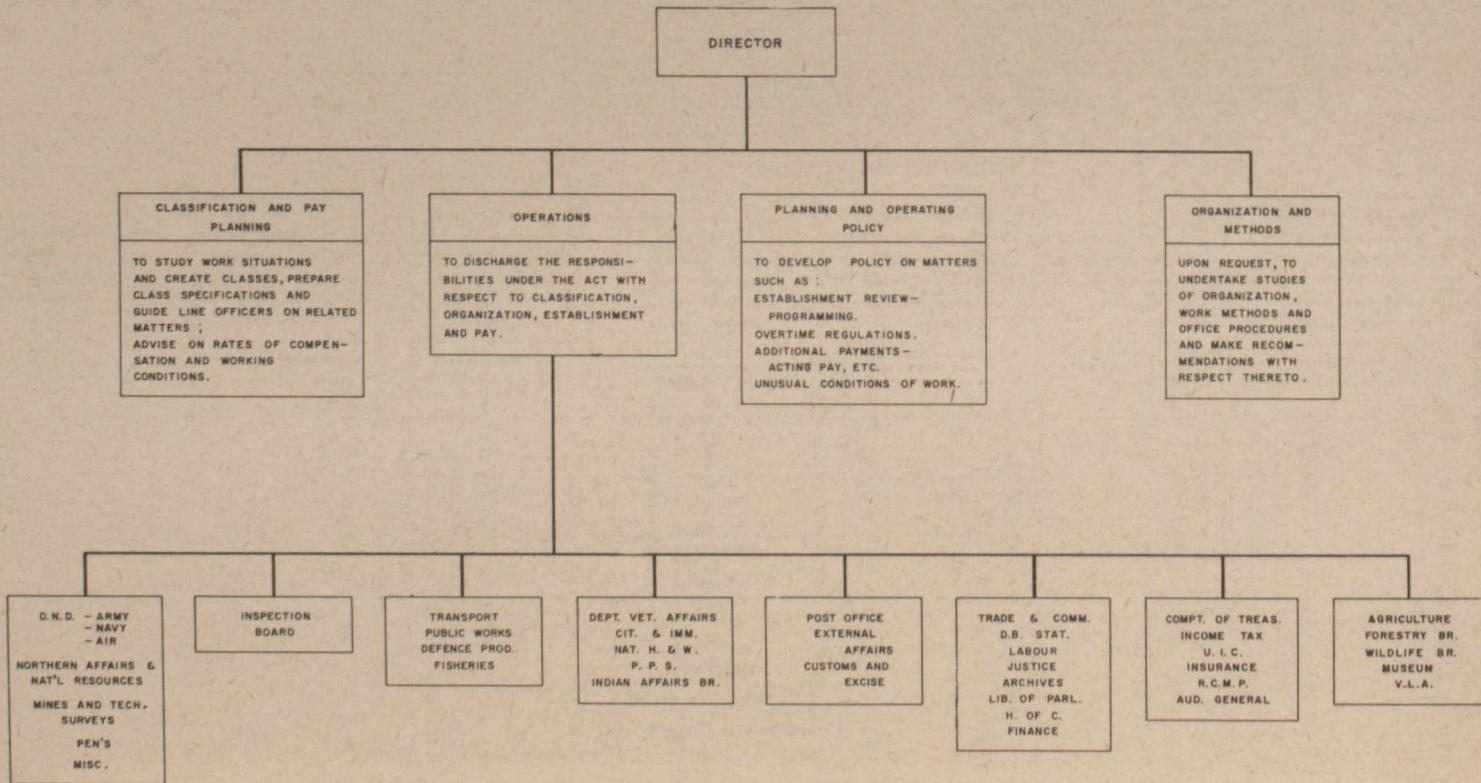
M. Pelletier:

R. Alors, dans un cas semblable, nous pourrions lui donner les points qu'il a obtenus pour chaque examen, mais si nous le faisons dans tous les cas, vous vous rendez compte qu'il y aurait beaucoup plus de travail. Remarquez-bien que ce n'est pas le travail qui m'effraie, seulement, il y aurait beaucoup plus de dépenses pour accomplir ce travail et nous aurions besoin de beaucoup plus de personnel. Cela ne veut pas dire que cela ne pourrait pas se faire. Peut-être même devrait-on le faire.

CIVIL SERVICE COMMISSION
 ORGANIZATION CHART
 APRIL, 1959



ORGANIZATION AND CLASSIFICATION
BRANCH



PAY RESEARCH BUREAU

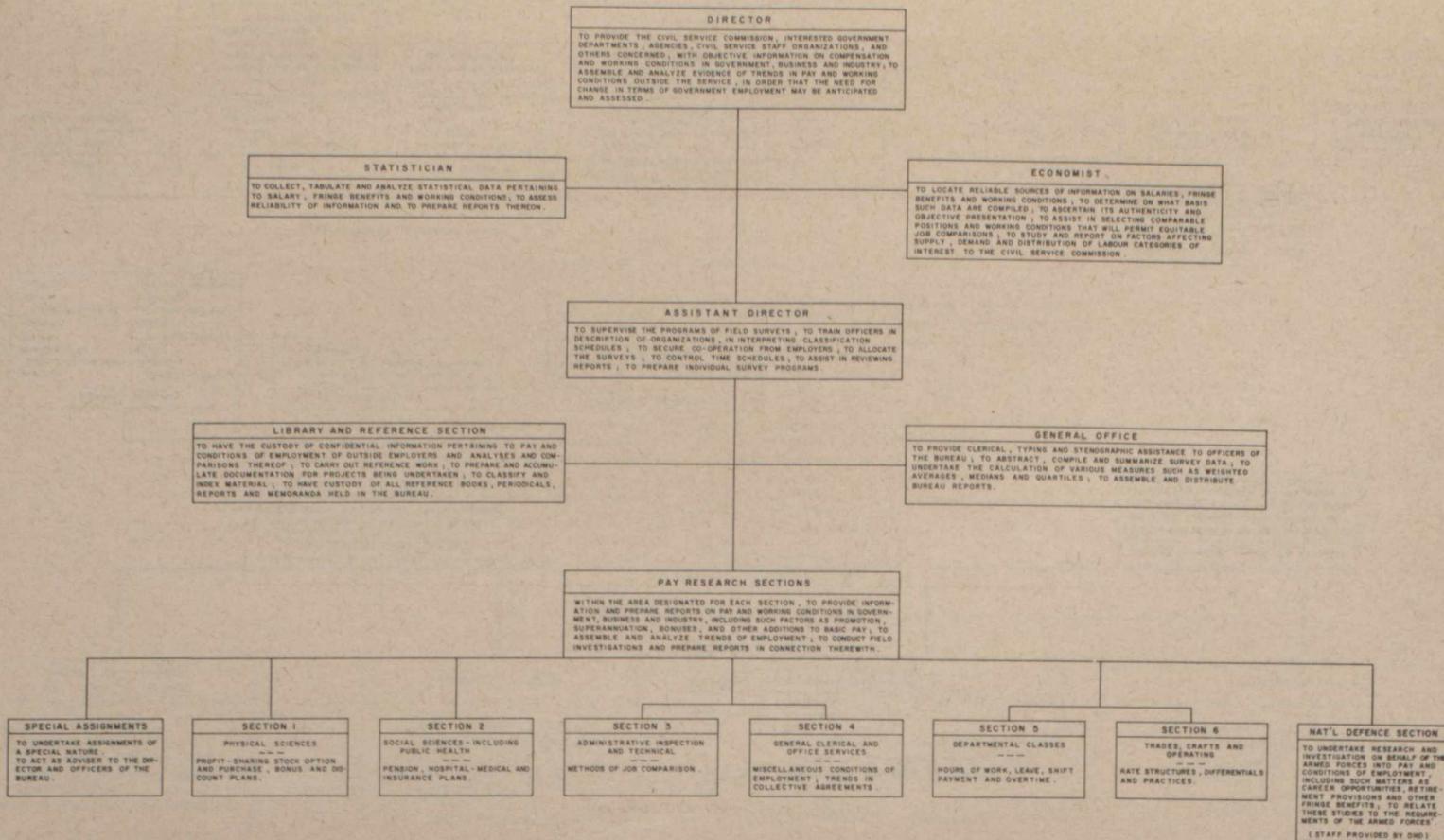
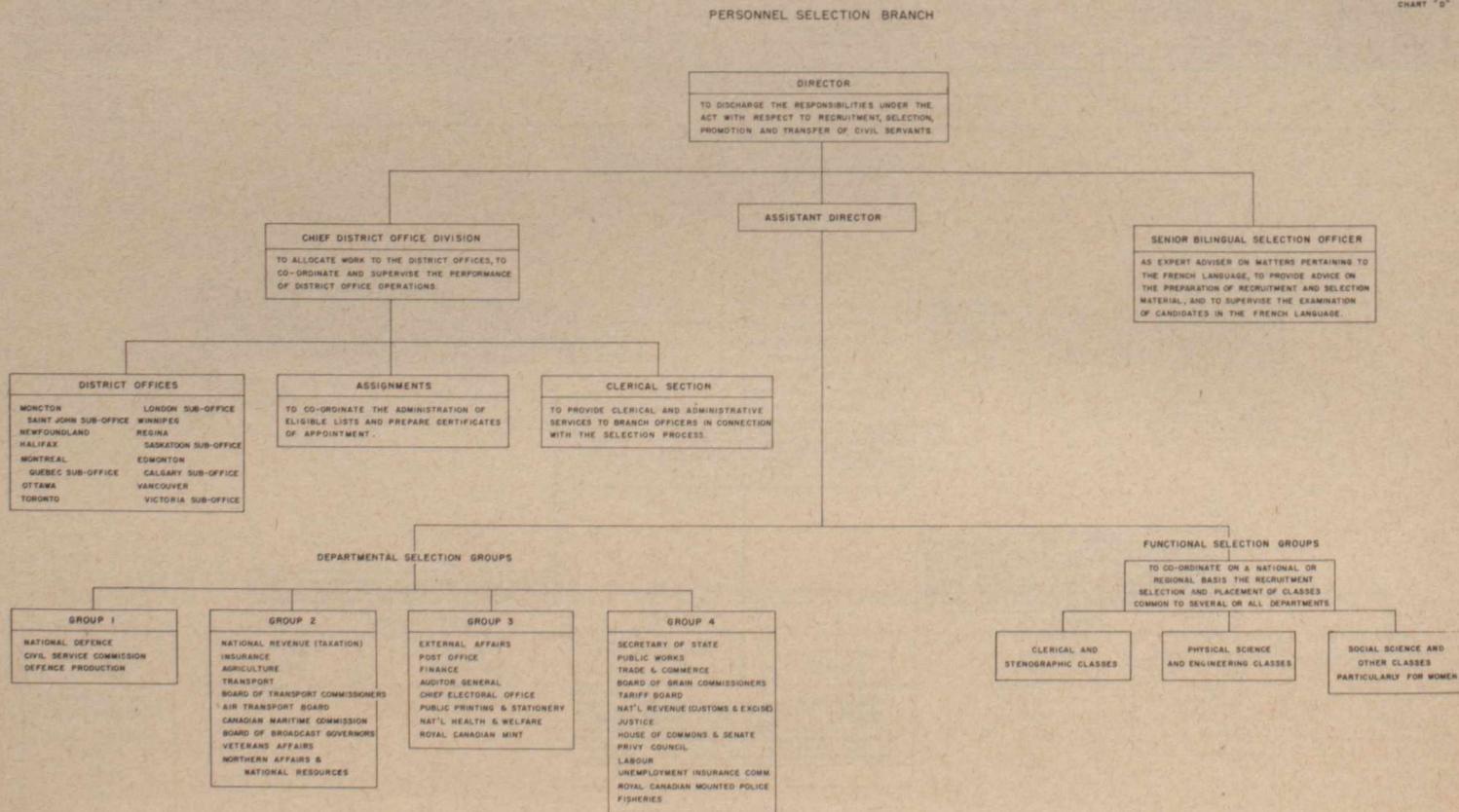
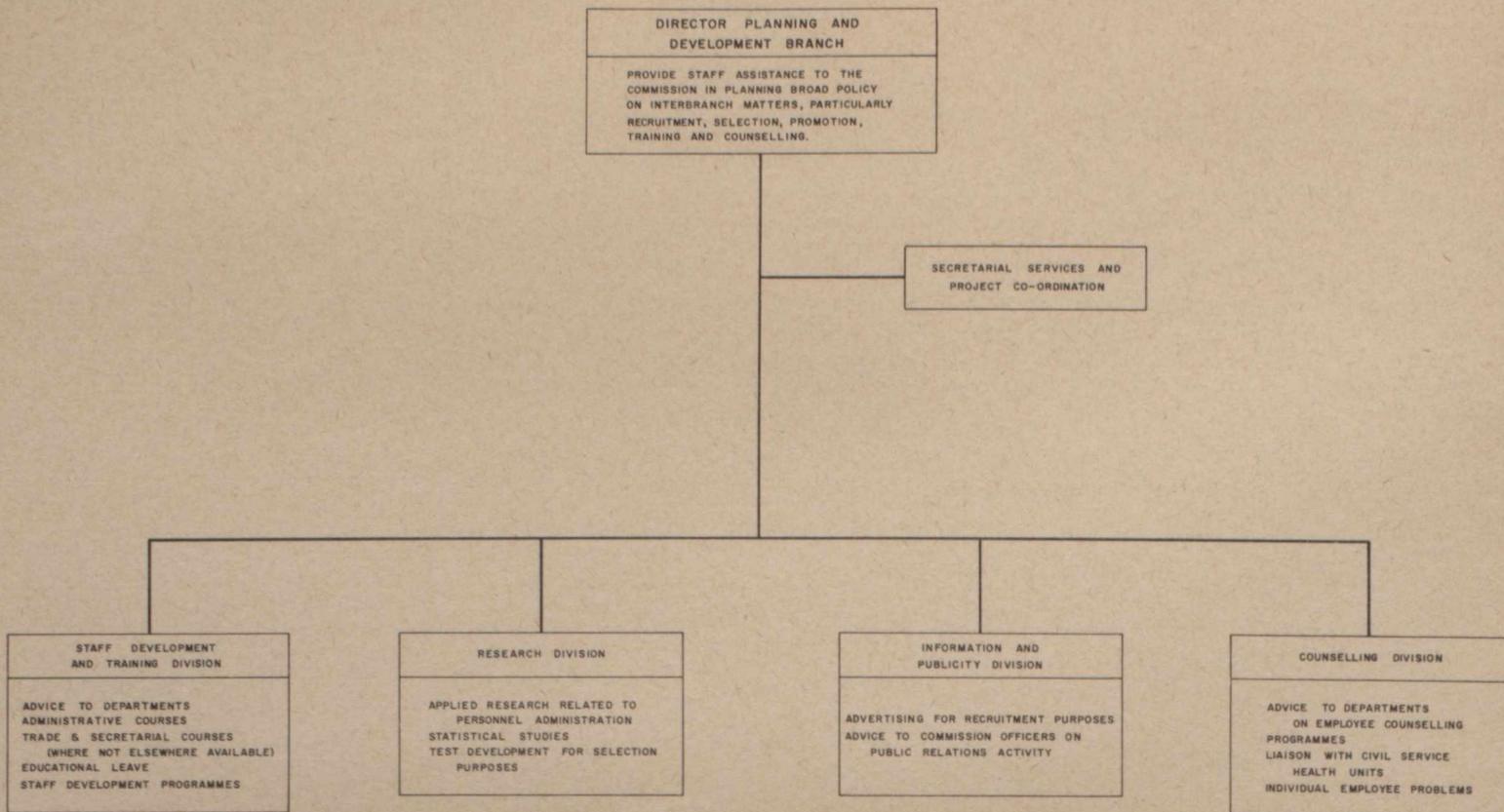


CHART "D"

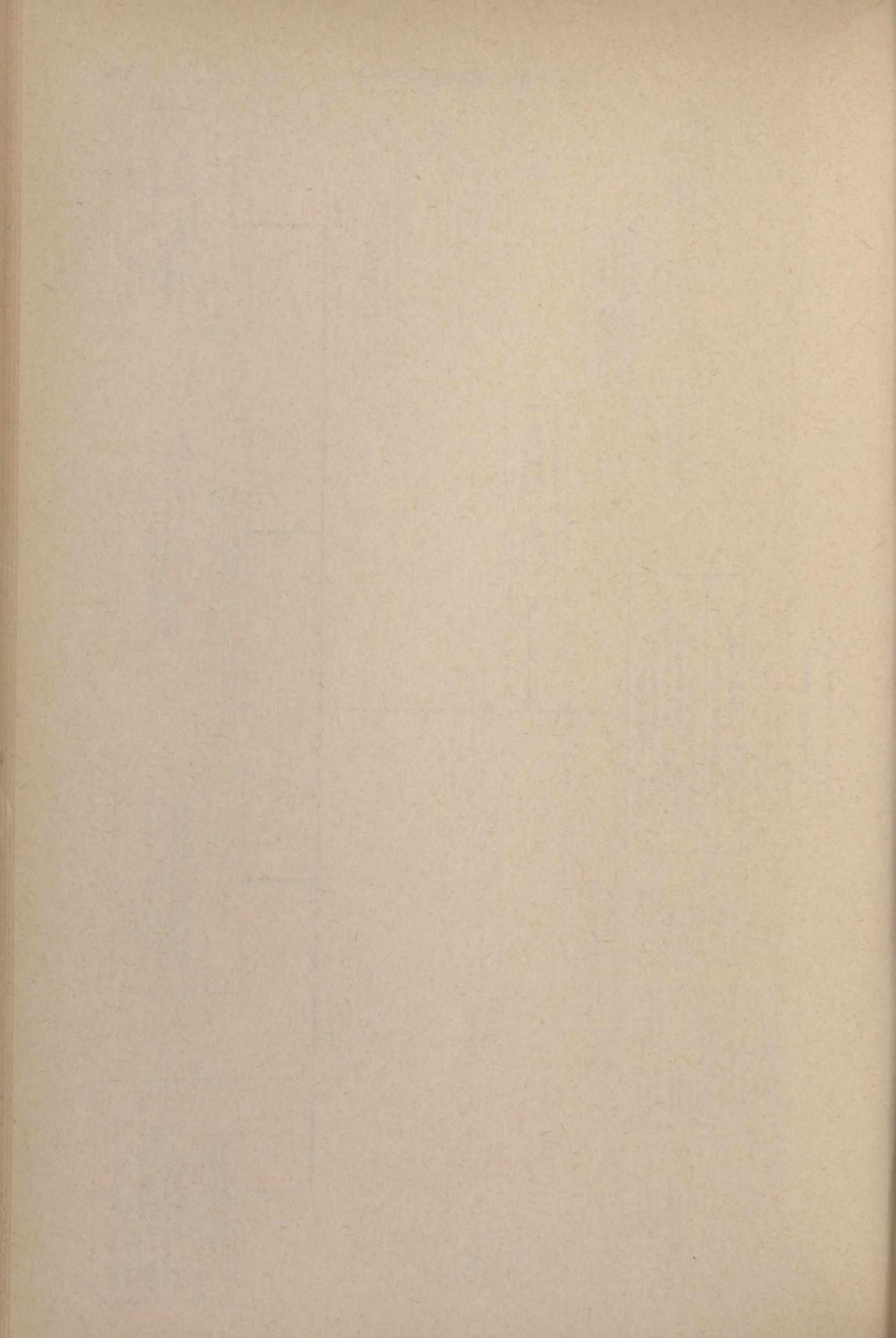


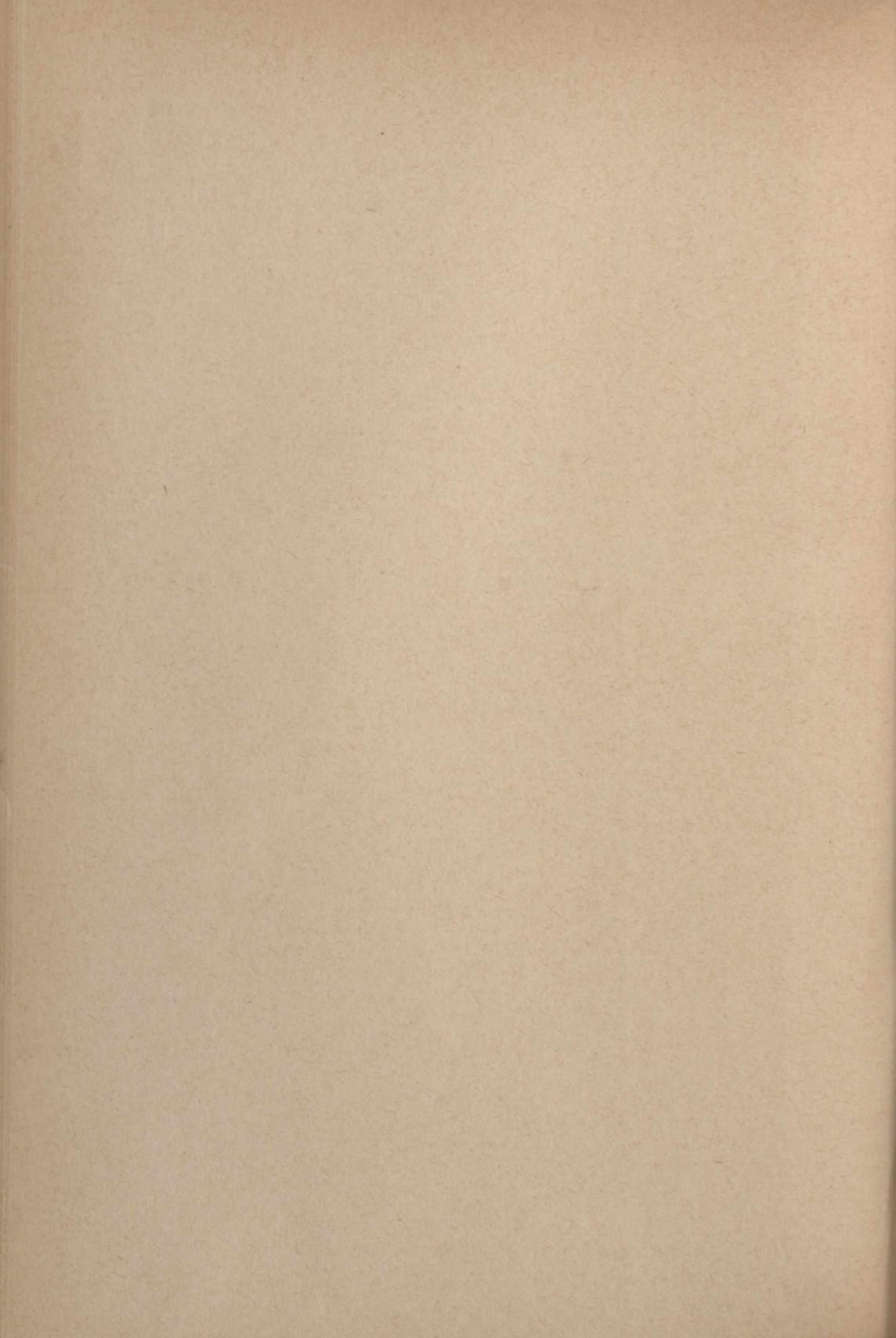
DIRECTOR PLANNING AND
DEVELOPMENT BRANCH

CHART "E"



ESTIMATES





HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE
ON
ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

THURSDAY, MAY 21, 1959



CIVIL SERVICE COMMISSION

WITNESSES:

From the Civil Service Commission: Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Grafftey,	More,
Balwin,	Hales,	Morris,
Bell (<i>Carleton</i>),	Halpenny,	Nesbitt,
Benidickson,	Hardie,	Nugent,
Best,	Hellyer,	Payne,
Bissonnette,	Hicks,	Peters,
Bourbonnais,	Howe,	Pickersgill,
Bourdages,	Jorgenson,	Pigeon,
Bourget,	Korchinski,	Pugh,
Bruchési,	Lambert,	Ricard,
Cardin,	McCleave,	Richard (<i>Kamouraska</i>),
Caron,	McDonald (<i>Hamilton</i>	Richard (<i>Ottawa East</i>),
Carter,	<i>South</i>),	Small,
Cathers,	McFarlane,	Smallwood,
Chambers,	McGrath,	Stewart,
Clancy,	McGregor,	Tassé,
Coates,	McIlraith,	Thompson,
Dumas,	McMillan,	Winch,
Fairfield,	McQuillan,	Winkler—60.
Gillet,	McWilliam,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, May 21, 1959.
(18)

The Standing Committee on Estimates met at 11.05 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Bell (*Carleton*), Bruchési, Carter, Cathers, Chambers, Clancy, Fairfield, Grafftey, Hales, Halpenny, Hellyer, Hicks, Howe, Jorgenson, Lambert, McCleave, McFarlane, McIlraith, Morris, Nesbitt, Payne, Pigeon, Richard (*Ottawa East*), Smallwood, Smith (*Calgary South*), Stewart, Tassé, Thompson, Winch, and Winkler.

In attendance: From the Civil Service Commission: Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; Mr. G. A. Blackburn, Acting Director, Planning and Development; and Mr. George Roper, Research Division, Test Construction Section.

The Committee further considered Item numbered 67 of the Estimates, 1959-60, relating to the Civil Service Commission.

The Commissioners supplied information which was requested at the previous meeting. Further questioning followed, the Commission officials supplying information thereon.

Copies of the pamphlet "Civil Service Examinations" were tabled and distributed to Committee members.

Members of the Committee, on the invitation of the Chairman, indicated different phases of the Commission's operations that require particular study.

At 12.40 p.m. the Committee adjourned until 9.30 a.m. Tuesday, May 26, 1959.

E. W. Innes,
Clerk of the Committee.

NOTE: Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.

REMARQUE: Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.

EVIDENCE

THURSDAY, May 21, 1959.

11:00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum, so we can proceed.

At our last meeting we had a number of questions which were directed to the witnesses and, as is the practice, the information that was required had to be obtained from other sources I believe, Miss Addison, you are now in a position to reply to some of those questions.

I am going to suggest, gentlemen, that we follow with these replies, taking each of them individually, so you will then have an opportunity to examine them.

I should perhaps mention that unfortunately the minister is unable to attend this morning. He is in a cabinet meeting, I believe, with the Prime Minister of Australia; nevertheless, he will be here at the subsequent meetings. In the event there is any question which comes under his purview, you will have an opportunity to so direct it.

We can then ask Miss Addison if she will just go ahead and reply to the questions put to her at the last meeting.

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): The first question deals with promotion competitions, and we were asked in what percentage of these the commission participated.

Let me start by pointing out that the promotion competitions can be divided into two categories. There are those that are conducted by the individual department; and 96 per cent of promotion competitions are conducted by departments.

Again there are the interdepartmental competitions, and about four per cent fall into this category.

As to Civil Service Commission participation in promotion competitions, we conduct all interdepartmental ones; that is the four per cent I have just mentioned.

Of the 96 per cent which are departmental, we have no actual breakdown of just how many of these we are concerned with, but we would estimate it would not be very much more than five per cent at this time.

I do not know whether you would like the actual figures.

The CHAIRMAN: Yes, please.

Miss ADDISON: In the calendar year 1958 there were 4,802 departmental promotion competitions, and 189 interdepartmental competitions, making a grand total of 4,991.

I might give you the same figures for open competitions which, of course, the commission conducts entirely. In that same calendar year there were 3,993 open competitions, and all of these were conducted by the commission. This gives a grand total for all competitions which were held during the calendar year 1958 of 8,984. These competitions, as you will appreciate, vary. Some of them are local and many of these are conducted by our district offices. At headquarters we have the more complicated competitions which have to be held right across Canada. We send our people out to conduct these, which take a great deal more time than the local ones.

The CHAIRMAN: I might just mention, Dr. Fairfield, we have civil service examinations booklets in both English and French, and we will have the messenger distribute these when he returns.

Will you continue in French with the majority of your questions that you wish to ask? This is on the one subject?

Mr. PIGEON: I shall do so after you have finished this subject.

The CHAIRMAN: This is on another subject?

Mr. PIGEON (*Interpretation*): After that question is over I will put my questions on another subject.

The CHAIRMAN: Dr. Fairfield?

Mr. FAIRFIELD: How does the commission accept a person for examination? I see, by the regulations, although it is not in the act, it states, under regulation 8024(1) that the commission will require competitors to undergo physical and/or mental examination to establish their fitness for employment.

Under the regulations it has been broadened out to say that no person shall be admitted to the examination unless he has undergone an examination and unless he has satisfied the commission he has fulfilled the requirements as to age, health, citizenship and residence. Then the joke of it is it says "habits and character".

This makes it so broad, I wonder how often the commission turns down an application because of an anonymous letter or some findings that the habits or character of a particular applicant pre-judge his ability to take an examination. Does this happen very frequently?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): Mr. Chairman, I think that Dr. Fairfield's query is directed mainly to the last part of his question—That is habits and character. I think perhaps I mentioned last Tuesday that we consider one of our main functions to be to try and get the best people possible to man the civil service. Habits and character are not things on which a person will be turned down on the strength of an anonymous letter; but if, for example, a civil servant is appointed to a job where he handles a lot of money and if he has a bad record of theft, we will naturally think twice before appointing him to that kind of job. This is the kind of thing we mean by "habits and character".

Mr. HALPENNY: What about voting habits?

Mr. PELLETIER: That has nothing whatever to do with it.

The CHAIRMAN: Do you wish to continue, Dr. Fairfield, with the supplementary question?

Mr. FAIRFIELD: I have not finished yet, Mr. Chairman. I do not know whether it has been brought to your attention, but I asked a question. Have you any figures of turn-downs of applications because of bad habits and moral character?

Mr. PELLETIER: I cannot answer that categorically, doctor, but I do know that a turn-down on that basis is a very rare occurrence.

Mr. FAIRFIELD: You cannot generalize in a percentage way.

Mr. PELLETIER: No, I do not think we have those figures.

Mr. WINCH: Mr. Chairman, on the information asked—and I hope I have got it right—on the information that has just been given us, I think it was that four per cent of the examinations were held by the commission itself.

Miss ADDISON: Interdepartmental promotion examinations.

Mr. WINCH: I think I have that right, then. If the commission itself is only able to conduct four per cent of the interdepartmental examinations—

Miss ADDISON: Four per cent of all promotion examinations.

Mr. WINCH: That is exactly what I am interested in: only four per cent of the promotion examinations. Do I take it then the commission itself has absolutely no control over 96 per cent of the interdepartmental examinations, as to whether or not they are being carried out on a merit basis?

Miss ADDISON: No, that would be incorrect, because of the 96 per cent we still participate in roughly some five per cent of those. In addition, we do a post audit on all departmental promotion competitions, and they have to be approved; the appointment has to be approved by the Commission. But, as I say, there is a post audit of all promotion competitions held by a department.

Mr. WINCH: Have you any control on your post audit on the merit system, in which the examination was not conducted under your jurisdiction?

Mr. PELLETIER: Yes.

The CHAIRMAN: Is your next question supplementary, Mr. Chambers?

Mr. WINCH: I believe I can carry through on the merit basis.

Miss ADDISON: It is the object of a post audit to ensure that the principles have been followed in conducting this competition.

Mr. WINCH: What is your control of the authority, if you feel it has not been conducted on that basis?

Miss ADDISON: We can cancel the competition, and order another one.

The CHAIRMAN: We have eight other people waiting to ask questions on this subject, Mr. Winch.

Mr. WINCH: Still on merit, have you had at all of recent times any reduction of your authority that way by order in council?

Miss ADDISON: None that I know of.

Mr. WINCH: There is that power?

Mr. PELLETIER: No.

Mr. WINCH: Would you like me to carry on later, Mr. Chairman?

The CHAIRMAN: I think you had better. Mr. Chambers, you have a question in the same area?

Mr. CHAMBERS: I want to go on to the general area—

The CHAIRMAN: I want you to deal with the question as it was replied to.

Mr. BELL (*Carleton*): I want greater detail of the extent of the post audit in the departmentally conducted promotion examinations. Exactly what does the commission do in reviewing and supervising the conduct of those ratings?

Mr. PELLETIER: Mr. Chairman, the post audit usually takes the following form. In the first place, the normal procedure in departmental competitions is to have a board consisting of departmental officials, usually three. This board sees the candidates and rates them. Sometimes there is a written test as well, but in most cases there is not. The rating is based on the work the employee has done in the past. If there is a written report—

The CHAIRMAN: Mr. Pelletier, I understand some of the members are having difficulty in hearing you. Could you speak up a little?

Mr. PELLETIER: A written report is then submitted to the commission, and this written report gives in pretty great detail, usually, the reasons for which the board decided the candidates ought to be rated in the way they have.

If we are satisfied everything is right, we approve the promotion of the individual who is rated first. In addition to that, as you know, there is the right of appeal. When an appeal is lodged in a departmental competition, the promotion is delayed while the appeal is being heard.

Mr. BELL (*Carleton*): The crux of this is the composition of the rating board in the departmental examinations. Who designates the members of the rating board?

Mr. PELLETIER: The department.

Mr. BELL (*Carleton*): Who in a department would designate it?

Mr. PELLETIER: That varies from department to department, and depending on the job.

Mr. BELL (*Carleton*): Perhaps you would go into it in a little greater detail. In the senior posts I suppose the deputy minister would?

Mr. PELLETIER: For a senior job, normally the deputy minister.

Mr. BELL (*Carleton*): He would himself sit in as a member of the rating board, if it was a very senior job?

Mr. PELLETIER: Yes.

Mr. BELL (*Carleton*): On the less senior jobs, he would have the designating of the members of the rating board?

Mr. PELLETIER: It is entirely within his jurisdiction to decide, himself, or to delegate his authority, for example, to the director of an important branch.

Mr. BELL (*Carleton*): He might delegate it to anyone?

Mr. PELLETIER: Yes.

Mr. BELL (*Carleton*): It is within the complete discretion of the deputy minister to decide what three persons in his department shall compose the rating board?

Mr. PELLETIER: Yes, but in the post audit we try to satisfy ourselves that the composition of the board was a legitimate one.

Mr. BELL (*Carleton*): You do not try to satisfy yourselves before the composition actually takes place?

Mr. PELLETIER: No.

Mr. BELL (*Carleton*): There is no report to you at all until such time as the person has been actually chosen by the rating board?

Miss ADDISON: That is right.

Mr. PELLETIER: I am not sure that "chosen" is exactly the right word.

Mr. BELL (*Carleton*): Actually he has been recommended?

Miss ADDISON: Yes, recommended, that is right.

The CHAIRMAN: Mr. Lambert, on the same question?

Mr. LAMBERT: No.

The CHAIRMAN: Mr. Carter, in the same area?

Mr. CARTER: No, on the examination application form.

The CHAIRMAN: We are going to come back to that when we are through with this question. Mr. Nesbitt, your question is in the same area?

Mr. NESBITT: There are two, and the first refers to Dr. Fairfield's question relating to either good or bad character. How are these determined?

Mr. PELLETIER: That is a very easy question to answer; which, of course, is quite an overstatement. These are determined in a number of ways. We have this application form, about which, I understand, we will be talking later on. In some cases—but not enough, in my opinion—we do check references, as to the employment background of the candidate.

If there is any evidence which seems to indicate that the individual is not suitable for the job—and this evidence can show up in a number of ways—it may show up during inquiries we make or in the application form, or on occasion during the oral interview.

If we think there is any reason for which the candidate is not suitable for the job, then we investigate, and if we find that in fact he is not suitable, of course he is not appointed.

Mr. NESBITT: You decide, if necessary. For example, in the position you mentioned, if you decide that, would the commission conduct an investigation privately with respect to an application for a position such as that?

Mr. PELLETIER: Yes, that is correct.

Mr. NESBITT: And the second question is this, with respect to the shifting to interdepartmental competitions is it correct to say that there is relatively little shifting of personnel in the civil service, between one government department and another, as opposed to the civil service of the United Kingdom, where a great deal of shifting occurs?

Mr. PELLETIER: That is very much the situation.

The CHAIRMAN: Mr. Hicks?

Mr. HICKS: I think I can relate my question to Dr. Fairfield's.

The CHAIRMAN: Proceed.

Mr. HICKS: Supposing there is a vacancy in a senior position, and I would also say, let us have it outside of Ottawa. How long could this vacancy exist before the commission would insist on making the appointment? If there is a senior departmental officer in connection with that he, in the meantime, of course, would be privileged to select some candidate or to locate a candidate that had these qualifications.

The point I am trying to make out is, how long could that position be held open? If the senior official has not anyone that he thinks could qualify, he naturally wants to put that off for a while; and it might be on the basis of character. How long could that be held open, and who would say when the closing date would be?

Mr. PELLETIER: There is no legal limit on the length of time a position remain open. I would like to add that we cannot act until we are advised by the department of a vacancy. We must know of the vacancy before we can do anything about it.

Normally, departments advise us fairly promptly as to vacancies that may occur. On occasion, we do press the department to get on with the competition, because we feel it is wrong to leave a position completely vacant or, indeed, to keep another person in it, in an acting capacity for any appreciable length of time. Obviously the job has to be carried on, and if a person is left in a job for any length of time in an acting capacity, he begins to have a sort of vested interest in it. We try to fill these vacancies as quickly as we can.

Mr. HICKS: There could be some friction between the Civil Service Commission and the department in a case like that?

Mr. PELLETIER: There might be; but I cannot think of any recent instance of that.

The CHAIRMAN: Mr. Hicks, you have very skilfully brought us off the subject, but they are good questions. Are we through with the questions on interdepartmental examinations?

Mr. BELL (*Carleton*): I would like to return to this figure of 96 per cent. I confess that is the one that surprises me very much, when I learn of the extent of the power which there is within a department. I want to see whether in respect of the qualifications that are set out for these departmental promotional competitions, is the commission consulted at the time?

Miss ADDISON: If it is an advertised job for which there is a poster issued for this position—

Mr. BELL (*Carleton*): A departmental promotion examination?

Miss ADDISON: Yes, in a departmental promotion competition, then the poster has to come to the commission and has to be approved before the job can be advertised. We approve the poster on which the duties and qualifications, and so on, are listed, and details of experience required.

Mr. BELL (*Carleton*): What percentage of the 96 per cent would be referred to the commission so that the qualifications are first approved?

Miss ADDISON: That would be all of that 96 per cent we are speaking about, because these are competitions.

Mr. BROOME: Competitions within the department itself?

Miss ADDISON: Yes.

Mr. BELL (*Carleton*): In all cases then the qualifications would be approved by the commission?

Miss ADDISON: Reviewed by the commission before the poster goes out.

Mr. PELLETIER: May I add a word to what Miss Addison has said—which is quite correct, of course. All the specifications for all civil service jobs must be set by the commission, so the problem does not really arise. The poster comes in and we make sure that it sets out what the job is, and the specifications for that job have been set by the commission.

Mr. BELL (*Carleton*): Has there been any proposal made to increase the participation of the Civil Service Commission, as such, in departmental promotion competitions?

Miss ADDISON: We have had requests from the departments themselves who would like us to take part in their competitions; and we have had requests from staff associations. It is a question of staff, and we do not have enough people to do this kind of job.

Mr. BELL (*Carleton*): Even with the growth that has taken place in the size of the staff of the Civil Service Commission over the years, is it not possible for the commission to take a greater part? Is that not an integral part of the purpose for which the commission itself was established?

Mr. PELLETIER: Actually, the commission staff has grown very slightly indeed, compared to other departments. If you take away the pay research bureau, which is a small unit, our staff has remained virtually static.

I agree that, in principle, it would be better if we could participate directly in all these competitions, but we just cannot.

Mr. HALPENNY: Getting back to the paradox which Dr. Fairfield found in the regulations and the act, here. When were these regulations edited, or when did they come into force, on this habit and character aspect?

Mr. PELLETIER: If you are looking at our report, existing regulations will be found in the third column.

Mr. HALPENNY: Yes. I want to know when they were reviewed, because they do not seem to fit into the act by any means.

Mr. PELLETIER: What you are looking at on the left-hand side of the page are our proposals to the government, not the existing act.

The CHAIRMAN: Gentlemen, I wonder if you would proceed to deal with the rest of the questions, because they are in the same general area, and a number of your questions are related to them. You might reply to them and we could then continue on with the general discussion.

Mr. WINCH: I want to follow up what Mr. Bell has been asking.

The CHAIRMAN: You will have the opportunity in a moment, and, Mr. Pigeon, you will follow on next with the questions you have to ask.

I think it best you go ahead, because you are going to answer a number of questions that are anticipated, Miss Addison.

Miss ADDISON: Another field this committee has asked us to give more information on is test construction, the way in which our examinations are devised; and we were asked to give an explanation of how this was done.

We have with us this morning Mr. Blackburn, who has, among other responsibilities, that of exercising general supervision over the work of the

test construction section. And supporting him is Mr. George Roper, who is one of our specialists in techniques of test construction. With the permission of the Chair, I would like to ask Mr. Blackburn to take over and give you a brief description of this construction work, and its relationship to the other elements of the selection process.

The CHAIRMAN: Gentlemen, you are ready to hear Mr. Blackburn on this subject?

Agreed.

Mr. G. A. BLACKBURN (*Acting Director, Planning and Development Branch, Civil Service Commission*): Mr. Chairman, I think that perhaps I should first explain that the preparation of a selection program for any particular competition is a group effort, the group being made up mainly of officers of the commission staff. First, as Mr. Pelletier pointed out on Tuesday, the classification officer from the organization branch has studied the job, has analyzed the duties to be performed and has determined the qualifications required, and any selection program will, of course, be based on those qualifications.

Secondly, we have a personnel selection officer, whose responsibility is to coordinate the total selection program. Thirdly, we have a specialist in the techniques of test construction. He is available to advise the selection officer and others on the design of questions so that the questions will elicit the sort of information desired from the candidates.

Finally, we may have in this group one or more additional officers who are experts in the subject matter upon which the examination is to be conducted. For example, if we were to conduct an examination in the field of electronics—a very highly technical field—we would not have the required competence within the commission staff and might go to a local university or to a department with this competence. Within the time and staff resources limits, this group first studies the position, with particular reference to the qualifications. It analyzes the qualifications to break them down into the various elements. From that point, with respect to each element in the qualification, they attempt to design appropriate questions to measure the presence or absence of that element of the qualification in the candidates. Normally, there are at least four instruments which are available for examination purposes. First, there is a written examination; secondly, an oral examination; thirdly, a trade test; and finally, a review of documentary evidence.

The particular selection program which is used in respect to each particular competition will be made up of one or more of these elements, depending on the nature of the competition; that is, the nature of the positions to be filled, the number of candidates expected, and the time and staff resources available to administer the selection program.

If I may give a couple of examples: in the case of a glass blower for one of the government laboratories, it is first of all quite clear to us that we would get very few candidates. Secondly, in this instance we are concerned with a very specific sort of trade, and there is no doubt in my mind that we would use trade tests as a sole means for determining the order of merit in a competition of this sort. If, on the other hand, we were going to conduct a competition for junior administration officers, we would be interested in a wide range of qualifications and we would have a substantial number of candidates. Here, we would use—probably—a written examination, an oral examination and also refer to documentary evidence.

Since it is so difficult to generalize in respect of this process, the commissioners suggested that I might give you a number of examples in each of four or five general occupational areas. For example, the clerical area, the administrative area, the custodial and maintenance area, a trade and—finally—a

professional area. If it is the wish of the committee, Mr. Chairman, I will attempt to describe a specific competition in each of these areas.

The CHAIRMAN: You would like to receive this, gentlemen, I assume?

Agreed.

Mr. BLACKBURN: Let us take one in the clerical field first.—The analysis of the duties: The characteristic duties of this class would be, generally, bookkeeping, filing, statistical work, simple correspondence, coding—for punch card operations, simple reports and statements, and the maintenance of records.

Based on this sort of duties, the selection program would attempt to measure in each candidate the presence or absence of qualifications to do each of these types of work. At this point I will have to refer, I am afraid, to this little booklet, Civil Service Examinations, which I think has already been described.

If you would turn to page 11, the first element that we are interested in is his capacity with figures. We would ask a number of questions on arithmetic. On page 11 you will find—at the top of the page—ten simple questions. The questions in this area would be any one of those, perhaps, or similar to any one of those.

Secondly, because he is involved in language—that is, he is asked to make certain statements in writing, to do certain correspondence—we are interested in language. To measure his capacity with language, if you will turn to page 13 you will find a series of questions to test his knowledge of vocabulary. Then, on the next page—page 14 you will find questions to determine his capacity to spell. Actually, that section is at the bottom of page 14 and the top of page 15.

I spoke of his being required to do checking work. For this purpose we ask him to answer questions designed to measure his capacity to check, or to compare, for example, names and addresses. If you will turn to page 19 you will find—at the top of the page—some simple questions in which the candidate is asked to check an original name and address against a copy and determine the number of errors made in the copy.

In addition, in this sort of program, the commissioners are, of course, concerned that there be, among the candidates selected for appointment, a percentage who have the capacity to learn, to develop with experience and thus provide for the needs in the higher level positions in the clerical series as time goes on. In order to help pick out some of these people for these higher positions—or with the potential qualifications for the higher positions—we ask a number of additional questions, generally speaking in the same area, but perhaps a little bit more difficult. For example—coming back to the arithmetic questions—we would ask some questions out of the number series item on page 12. These are a little more difficult than the arithmetic questions that are contained in the first set of examples.

Secondly, we would ask some of the more difficult questions in connection with use of language. For example, on page 15 we have a section called Verbal Analogies. We might ask some questions in this area. Again, in respect to language, we would probably ask some questions on reading comprehension, samples of which are given on page 16.

Finally, we would ask general knowledge questions, from the section which is represented on page 21 at the middle of the page.

In this particular program we have a very large number of candidates. It might be anything from 2,000 to 5,000, under normal circumstances: there was one occasion on which there were 11,000 candidates, at least a number in that order of magnitude.

Mr. CHAMBERS: For one job?

Mr. BLACKBURN: No; this is for a number of jobs; one competition for a number of very similar jobs. This is the entrance level for the clerical series that we are talking about.

The order of merit on the eligible list was established solely on the basis of the written examination. After the written examination was scored and recorded, the successful candidates, before being appointed, were interviewed individually by officers of the commission to determine, first of all, their general personal suitability—or to assess their general personal suitability; secondly, to determine their areas of particular interest. This is because there are a substantial number of jobs and, although they are, in a sense, all alike, they are minor variations from job to job. This interview is also to identify their particular aptitudes. Then, to place the candidates in particular positions, one can relate the outstanding elements of a candidate's qualifications to a particular job. So much for the clerical examination.

The next example which I have refers to junior administrative officers. This is a class which is the entrance level of the administrative officer series and selectees to this class are intended to develop on the job, grow with the job and thus provide for the long-term needs for intermediate and senior administrative officers in the service. Most of the candidates in this sort of competition come from university graduating classes. We have quite a substantial number of candidates, perhaps in the order of 500 to 700. Here we have an examination program which is based, in the first stage, on the desire to get people who can undertake administrative tasks involving the preparation of correspondence and reports and who can exercise certain individual initiative in investigation and research.

We are also, of course, interested in their aptitude for learning and, as a consequence of this, their capacity to develop. The sort of examination program that is worked out for this class involves a written examination, an oral examination and a reference to documentary evidence. As far as the written examination is concerned, I might refer again to the book *Civil Service Examinations*, and say that, starting on page 11, we ask questions on arithmetic from the second section. Those are more difficult arithmetic problems. We also ask questions from the section on page 12, referring to number series. Here, we are concerned with his capacity to handle figures in connection with his report writing, research and investigation.

Secondly, we are interested, of course, in his capacity with language, so we will ask questions from the section on vocabulary—which we already saw on page 13—and from the section on Same-opposites, on page 14, on the section on Completion, on the same page, and from the section on Verbal analogies on page 15. Then, again, questions from the section on Reading comprehension on page 16. Because, in many instances, he will be required to work from tabular data, we will ask questions from the section on page 20, the Interpretation of tables. Then, because we will be interested in his general knowledge, we will ask questions on general knowledge from the section on page 21.

Finally, we will ask some questions on Diagram analogies, from page 24. The purpose of these questions is to measure his capacity in the perceptual area.

The third example I have relates to packer and helper. The typical duties of this class involve packing and unpacking stores, checking materials, moving, piling and handling crates, and assisting generally in the cleaning up of storage space, and making crates and boxes.

The CHAIRMAN: I wonder if I might just interject at this moment, to let you catch your breath. Is this the type of information in which the committee is interested?

Mr. CARTER: I think we have had a pretty good sample, Mr. Chairman.

Mr. CATHERS: I think the examples which have been given give us a good idea.

The CHAIRMAN: That is fine. It is agreed, gentlemen, that you have had sufficient information in this field.

Mr. MCCLEAVE: Are these examinations very similar to the Civil Service examinations the world over?

Mr. BLACKBURN: They are, indeed. As a matter of fact, we have a continuous liaison with, particularly, the Civil Service agencies in North America. We compare our techniques and our instruments.

The CHAIRMAN: Have you anything more to add in general outline, Mr. Blackburn, other than detail, on this subject?

Mr. BLACKBURN: No, I have not. I have other examples—if the committee is interested—of other areas of employment.

The CHAIRMAN: We may be interested in them in just a moment. I am going to suggest to the committee now that we review the question of examinations and competitions as such. That is the reason I asked Mr. Blackburn if he had concluded his remarks on this subject.

Mr. Pigeon, you have been waiting patiently. Do you wish to pursue your questioning in these two fields?

Mr. PIGEON: (*Interpretation*) What is the original subject?

The CHAIRMAN: Examinations and competitions.

Mr. PIGEON: (*Interpretation*) Knowing that the Civil Service Commission is autonomous and that the minister is only responsible to the house for its budget, I have a few questions to put. Do you believe it is necessary to have an examination for people who are to be janitors or sweepers in a federal government building?

Mr. PELLETIER: (*Interpretation*) Because we have to apply the merit system in so far as that is possible, and because, on the other hand, janitors have been placed under our jurisdiction, we have no choice in the matter but to devise the best possible system to choose the best candidate.

Mr. PIGEON: (*Interpretation*) To the best of your knowledge, ever since the Civil Service Commission has been set up, would you be ready to swear on a stack of bibles that every janitor presently employed in the public service has been named following a competition?

Mr. PELLETIER: (*Interpretation*) The answer to that is obviously "no".

Mr. PIGEON: (*Interpretation*) I have another question to put. As it happens in an oral competition, a French-speaking Canadian, for example, is normally asked whether he wants to take the competition in French or in English, and if he answers "In French", how is it that subsequently questions are put to him in English, because one of the four members, for instance, of the board is English-speaking?

Mr. PIGEON: Excuse me—is not bilingual.

Mr. PIGEON: (*Interpretation*) Oh—is not bilingual.

Mr. PELLETIER: (*Interpretation*) Mr. Pigeon is right when he says that a candidate has a choice between having the examination or competition in French or English. When we have an oral competition, of course, we try to have at least one of the members of the board bilingual; that is, able to speak both languages. In many cases all the members of the board speak the language of the candidate. If, as it happens, two members of the board are bilingual, whereas the third is not and speaks only English, and the candidate either does not wish to, or cannot speak English, then the questioning is carried out exclusively in French.

However, if the candidate is bilingual and willing to answer in English, it obviously facilitates the work of the board and the questioning is then carried out in the two languages.

Mr. PIGEON: (*Interpretation*) Do you not feel that it would be preferable for the high officials of the Civil Service Commission to be bilingual?

Mr. LAMBERT: That is rather subjective.

Mr. WINCH: That is a policy question.

The CHAIRMAN: I think that is a rather difficult question for the witness to answer, Mr. Pigeon.

Mr. PIGEON: (*Interpretation*) I have one last question to put. Do you not feel, Mr. Pelletier, that henceforth it would be preferable if the circulars put out by the federal government and distributed to federal employees be printed—or, at least, written in both languages?

The CHAIRMAN: Before you reply, Mr. Pelletier, I would like to make it absolutely clear that if you would like to make any reference to the former questions, please feel free to go ahead and do so.

Mr. PELLETIER: Thank you.

Mr. MCCLEAVE: I do not think it is policy; it deals with the matter of procedure and how effectively they can carry out their work.

The CHAIRMAN: Could you state the question again?

Mr. PIGEON: (*Interpretation*) As I remember it: "May I put a last question. Do you not feel, Mr. Pelletier, that it would be preferable for the high officials of the Civil Service Commission to be bilingual?"

Mr. PELLETIER: (*Interpretation*) I would like to answer that question, if you will allow me, in a general way. This is obviously a very delicate matter, but I have already said publicly—and I stand by that statement—that at least in my mind, the federal Civil Service, ideally, should reflect the make-up of the whole of Canada. When I speak of the whole of Canada, I have reference to all the provinces, for instance Newfoundland and British Columbia, and not only to part of Canada. It would be entirely wrong, I think, for the federal Civil Service to reflect exclusively, for instance, the Ottawa valley or the Montreal area.

The CHAIRMAN: Is your final question a short question, Mr. Pigeon?

Mr. PIGEON: (*Interpretation*) I would not like my questions to be misinterpreted. I have spoken here with no particular reference to any group of Canadians, but merely as a Canadian. However, before leaving this question I would like to put one last question to you, which might subsequently be answered at another sitting, possibly. Could it be possible for us to determine what is the approximate proportion of bilingual Civil Service employees to unilingual Civil Service employees in the various departments?

Mr. PELLETIER: Mr. Chairman, any answer I might give to that question I can give immediately.

The CHAIRMAN: All right, if you will proceed. This will be the final reply to Mr. Pigeon.

Mr. PIGEON: Thank you very much, Mr. Chairman.

Mr. PELLETIER: (*Interpretation*) A few years ago this question had come up and efforts were made to determine the proportion you asked for. However, it was determined at that time that it would be almost impossible to give an accurate answer without going into the individual records of the 136,000 to 140,000 civil service employees.

The CHAIRMAN: Gentlemen, I have extended some latitude to Mr. Pigeon more from the practical standpoint so that the French translation will be in some sequence in the evidence.

We will now turn to examination and competition.

Mr. WINKLER: A few moments ago I had in mind a few questions which I would like to put now. First of all, I would like to ask the witness whether recommendations in respect of the character standing of an applicant are considered when the application of the individual is before the board?

Mr. PELLETIER: Yes, indeed they are. We consider recommendations from whatever sources they may come. We receive a number of recommendations from members of parliament and ministers. These are always passed on to the examining boards.

Mr. WINKLER: I feel that a member would certainly know a constituent much more intimately than the board. Has there been any recent change in the attitude of the board in this respect? Has there been any change in the attitude of the board, shall we say, in the last couple of years?

Mr. PELLETIER: Do you mean the board or the commission?

Mr. WINKLER: The commission?

Mr. PELLETIER: Certainly not. We have given definite instructions to our examiners that recommendations from members of parliament, from ministers, from the local clergymen and from other responsible quarters should be given the weight they deserve.

Mr. WINKLER: Thank you.

Mr. WINCH: Mr. Chairman, I would like to follow up on the question asked by Mr. Bell. Of course, I am asking a question and not expressing an opinion. I understand from the evidence of this morning that the vast majority of examinations and promotions are initiated in the departments themselves and that the initial decision in respect of the promotions in the vast majority of the cases is made in the department itself. If my understanding is correct, does that basically mean that you have—if I may use a trade union term—what you might call a closed shop departmentalwise on examinations on at least the initial decision with only over-riding authority by the commission. If that is so, on an approximate basis, do you often over-ride the examination decision made on a departmental basis?

Miss ADDISON: I think the answer is "no" to all your questions. I might try to describe what happens. When a position becomes vacant it is up to the department to determine whether or not that position will be filled because it is the department's responsibility to carry out its functions. The department is the only one which knows whether or not it still needs that position in order to carry out its functions. If they decide they do and that the position should be filled, they ask us to hold a competition. If it is a promotion competition which they feel should just be restricted to their own department, because they have enough people within the department to fill the position, or because it is the type of position they feel would require the type of experience they have within the department, they so request of the commission and we decide whether or not that will be a competition held within the department itself or open to other departments. This is a decision of the commission. The departments have to come to us to obtain that permission.

Mr. WINCH: On the same basis, if you give the authority for the departmental or interdepartmental examination and competition, I gather you also have what you call the post audit. Do you very often, on the post audit, over-ride the departmental decision?

Miss ADDISON: By right, these are very often subject to appeal. Quite often the appeal board would recommend that a new competition be held. A certain number of new competitions are held.

Mr. NESBITT: I have a series of very brief questions and one supplementary question. Could you give any reason, and state whether or not it is a matter of policy, for the lack of shifting of personnel between departments?

Mr. PELLETIER: If you have read our report, you will know how the present commissioners feel on that subject. We feel there has been entirely too little transferring from one department to another. Indeed, on occasion, departments have come to us and requested quite strongly that a job be filled internally by promotion and in some cases we have refused and said, "No, this will be an interdepartmental competition".

Although it is exceedingly difficult, we have tried to effect transfers between departments. You must remember that the commission cannot do it unless we have the cooperation of the two departments which may be concerned.

Miss ADDISON: There are two ways of being transferred from a department; by a promotion competition, which is a transfer involving promotion, or the transfer of a person in his same grade from one department to another. It is this second type of transfer which we find is somewhat more difficult to bring about because, there, we have to have the consent of the two departments. We feel, however, this would be a good thing for the service because these persons would obtain a more general knowledge of the service.

This is an area which is more difficult because many persons feel that when you are transferring persons from one department to another you are blocking the promotion of the persons who already are in the department and they say they have a vested interest in it. Some of the objections come from the employees themselves.

Mr. NESBITT: Could, in fact, promotional examinations be so devised within the department as to suit certain individuals within the department?

Miss ADDISON: This is the thing we strive to prevent at all times by going over the duties, qualifications and the experience requested as advertised on the poster. We make sure these are general enough so that they are not written with any particular individual in mind. This is our aim at all times.

Mr. NESBITT: Would it be possible to do that?

Miss ADDISON: It might be. It might come out in an appeal that this had been done or that it seemed to slant too much toward one individual.

Mr. BELL (*Carleton*): Tailor-made I think is the term.

Miss ADDISON: I do not think any of us is infallible. It might happen, but I think the appeal board would catch this.

Mr. THOMPSON: What are the tests which are to be given to the cleaners' helpers.

The CHAIRMAN: I think we went rather extensively into the qualifications and tests.

Mr. THOMPSON: I would like to know what tests are being given cleaners and helpers.

The CHAIRMAN: Is that information readily available?

Mr. BLACKBURN: The written part of it is essentially the same sort of examination as we use for the packers and helpers. In dealing with this, first of all we are faced with the difficulty that many of the candidates in this area will have language difficulty. Oftentimes we have new Canadians, comparatively new Canadians, in the competition. Therefore we try to devise an examination which would not unduly rely on language. If you would turn to page 27 of this little booklet you will see what we call a non-verbal examination. Here the effort is aimed at determining the candidate's familiarity with the tools with which he is expected to work, that is, the relationship between the tools he will use and the job he will have to do. It is this

examination which serves as a basis for the first part of the examination. Subsequently, those who have shown a sufficient knowledge in the use of the tools of their trade would be orally interviewed and the final selection placing them in order of merit, and so on, would be based on the combined results of the two forms of examination.

Mr. NESBITT: I think we might follow a little better order. I understood that the questions I would be permitted to ask would just be relative to what Mr. Winch had asked. We have gotten away from that.

The CHAIRMAN: I realize that. I asked the committee to keep the questions relevant. I can only assume they will follow that course.

Mr. Cathers, is your question relevant to what we have been discussing?

Mr. CATHERS: Yes. Does the commission check with the former employer in respect of the applicant's character and general ability?

Mr. PELLETIER: I will admit we do not do it nearly often enough. We do do it to a certain extent. We do not think it is a bad thing. On the contrary, we think it would be an excellent thing to check back with the former employer, but we do not always do it, because of lack of personnel. It would take too long if we did this in all cases.

Mr. CHAMBERS: I have a question in a slightly different area.

The CHAIRMAN: Will you hold it until later.

Mr. WINCH: I have one more question on this phase. Once again, it is a delicate question but I think it is an honest and a good one. On this matter of departmental examination and competition promotions, is the jurisdiction of the commission such that there is no possibility, departmentalwise, of doing what sometimes is called empire building? Is it not possible, as a result of your jurisdiction and authority? Do you take note of that kind of a situation?

Mr. PELLETIER: On that question, of course, as you know the final authority in this area rests with treasury board and not the commission. The commission, however, does participate in what has become known as establishment review which is done yearly. In addition to that, whenever a department wants to reorganize it must come to the commission and we must look at their reorganization plan.

Mr. WINCH: If it does not want to reorganize, but just go on.

Mr. PELLETIER: I appreciate what you mean. Even without the reorganization it would involve an increase in establishment on which we would have to report to treasury.

Mr. WINCH: Not on increased establishments, just on the same establishment. Have we the jurisdiction to stop the building of a bureaucratic empire? I may be using the wrong word?

Miss ADDISON: Once a year we have conducted establishment reviews in which the commission, treasury board and the department participate. This is prior to the estimates, and is done in order to go over in detail how many positions are required to carry out their functions and to see whether or not they are all necessary. At this time, every department is examined to see whether or not there are certain positions which can be done away with and ensure certain others are required because of new functions. This is reviewed once a year.

The CHAIRMAN: Mr. Cathers, does the question you have bring us back to examinations and competitions.

Mr. CATHERS: It is along the same line. In respect of any of the departments, have you had outside auditors or efficiency experts go in to see if that department is overstaffed?

The CHAIRMAN: Gentlemen, I am doing my very best but perhaps I am not successful in trying to retain some continuity. We are on examination and competition. I suggest we go back to that subject.

Mr. NESBITT: I have a question regarding the sample questions which Mr. Blackburn gave us this morning. How recent are these sample questions?

Mr. BLACKBURN: Mr. Chairman, the sample questions in this book were prepared from papers in use mainly in 1958. As the book quite clearly states, we are not likely to use these questions again.

Mr. NESBITT: I would take it that the current tests are not substantially different?

Mr. BLACKBURN: That is quite right.

Mr. NESBITT: Is there a time element involved in answering this type of question when the examination is being carried out.

Mr. BLACKBURN: In the case of a written examination, yes. Part of the test is to measure the man's knowledge which he can communicate within a specified period of time.

Mr. NESBITT: In view of the type of question, I suppose these were originally based on the old army "alpha" test. In your opinion, Mr. Blackburn, are not some of these questions more easily answered by young persons who have just come out of school than they would be by older persons who are less familiar with them.

Mr. BLACKBURN: Personally, I think the answer is yes. It is for this reason that, in our department, we put so much energy on the non-verbal type of test—which is, perhaps, not properly called a written examination. We do use the written examinations very extensively for the entrance level classes. In respect of the higher level ones, in which the employees are older persons, normally it is a promotional examination.

Mr. NESBITT: Would you say that these types of tests given in here, such as where you have the checking of various words and the like are given on entrance examinations into the civil service?

Mr. BLACKBURN: Mainly.

Mr. NESBITT: If an older person were trying that examination, a person of 40 or 45 years of age, where there was no age factor involved in the job, he might have a more difficult time than, for instance, a person of 18 or 19?

Mr. BLACKBURN: Personally, I think that is so.

Mr. NESBITT: In other words, these examinations today do discriminate in favour of a younger worker as against an older.

Mr. BLACKBURN: As far as our work is concerned, the aim is to measure the relative qualifications of the candidates without regard to their age. I think I am quite safe in saying that some of the older persons who might be candidates, say in the competition for junior administrative officer, would do better than some of the young people. They are more mature and have broader knowledge and experience.

Mr. NESBITT: I quite agree. In view of that, what balancing type of examination or test would work in favour of an older applicant as opposed to the younger applicant who, as you say, would have a bit of an advantage in this type of test which we have run over.

Mr. BLACKBURN: In the case of a clerical type of examination I do not think we actually have any statistics to show what the relative degree of difficulty of these tests would be in relation to young persons as compared to older persons. All I can give in the way of an answer is that probably in the case of an interim-level examination a person who has long been away from

school and had not been engaged in office work of a clerical nature probably would have some greater difficulty. This is, however, a matter of opinion.

Miss ADDISON: As a matter of interest, recently we had a large number of older persons plus younger persons writing one particular examination. We made an effort on this examination to see what proportion of each was successful. I do not think this is conclusive evidence. However, it is interesting that on this one examination the proportion was about the same. In other words, proportionately the same number of younger persons as older persons failed. Proportionately, the older persons were able to get through the examination as well as the younger persons.

Mr. BELL (*Carleton*): Fifty per cent of the complaints which reach me are on exactly this point which Mr. Nesbitt has raised, that the clerical examinations are particularly loaded in favour of teenagers fresh from school as opposed to more mature persons. In this community that is a very general and common complaint.

Miss ADDISON: We just ran through this one examination. I cannot give it as conclusive evidence. However, it is interesting to show they could do as well.

Mr. NESBITT: I understand you to say that when you choose a person for a position, there are the various tests and written, oral and documentary evidence, which I presume would include letters of reference and the like.

Miss ADDISON: Yes.

Mr. NESBITT: With reference to positions of a local nature, Mr. Pelletier told us in these cases a local investigation is frequently carried out with the local reeve, the mayor, a clergyman, a doctor or someone of that nature. Are letters of recommendation from members of parliament also considered?

Mr. PELLETIER: Yes indeed. They are considered as a reference of character, if it is character to which the member of parliament is referring. These letters are not just filed away. They are part of the documentary evidence relating to the individual.

Mr. NESBITT: I am very glad to hear that because there have been suggestions that that was not always the case.

Mr. CHAMBERS: I have had the same experience as Mr. Bell. People do not know why they fail. I am speaking of persons who applied for an examination and they are not considered for examination. Age in many cases would seem to be factor.

Mr. PELLETIER: On the question of age, the commission feels that age qua age should not be considered; but there are certain cases where we feel age is a relevant and legitimate factor.

For example, if you are going to hire someone whose job involves the lifting of very heavy objects from morning to night you will presumably want a relatively young man. In other cases you may put the age limit the other way round, that you must be 25 years or more, if it is the kind of job where maturity is an essential requirement. Is that a sufficient answer to your question?

Mr. CHAMBERS: No, sir. I feel this is a very big problem in the country today, and particularly with reference to the civil service, that a man over 35 or 40 has tremendous difficulty in getting a job. I have personal knowledge of a number of cases of persons who are not experts but appear to have the qualifications asked for, and they are not even asked to the interview. The only reason I can make out was that they happen to be 45 or 50 years of age. There are no figures, I take it, on just what ages people go into the civil service?

Mr. PELLETIER: I cannot think of very many cases where the age limit is that low. Have you any specific case in mind?

Mr. CHAMBERS: I have a couple of instances. I do not want to bring up names.

Mr. PELLETIER: I do not mean people, but types of job.

Mr. CHAMBERS: I can think of the case of two Department of Citizenship and Immigration liaison officers.

Mr. PELLETIER: What was the age limit?

Mr. CHAMBERS: No, no age limit appeared on the competition; that is my point.

Mr. PELLETIER: Then, candidates would not be screened out on age alone. They would be screened out on some other factor perhaps.

Mr. CHAMBERS: The trouble seemed to be age.

The CHAIRMAN: The point, Mr. Pelletier, that Mr. Chambers is making is that while age is not indicated at all, he suggests and, in fact, states that the emphasis has been placed on the fact that they were of an age, and that that is the reason they were ruled out.

Mr. CHAMBERS: I cannot think of anyone over 40, to my knowledge, who has got a civil service job, in the last couple of years.

Mr. PELLETIER: Mr. Chairman, the answer is this, if that has happened, then the examining board erred and it should not have happened.

Mr. CHAMBERS: Is there any conscious effort on the part of the commission itself to open up employment opportunities to older citizens?

Mr. PELLETIER: Yes, and that extends to the disabled. We make a conscious and positive effort to try to take on these people, if they can do the job.

Mr. CARTER: Mr. Chairman, I have some questions I have been waiting to ask regarding the application form, but in view of the line of questioning followed this morning, I would like to follow up on the discussion that has taken place.

The CHAIRMAN: Please do.

Mr. CARTER: Mr. Chambers has already covered part of it. I am concerned now about the competition form, the poster we have heard so much about, in which is set forth the name of the post, or which describes the post, the salary you get for it, and then underneath the array of qualifications is set forth.

Are you people satisfied that when you put out the poster the salary you offer is commensurate with the qualifications which you demand?

Miss ADDISON: Yes, I think I would have to say "yes".

Mr. CARTER: You think that is so?

Miss ADDISON: Yes.

Mr. CARTER: The second question is this: do you not think that the elaborate qualifications which you require may discourage some very fine persons? After all, your purpose is to get the best person for the job; and, if you get a number of people to select the best person among the group who apply.

Mr. PELLETIER: Yes, that is right.

Mr. CARTER: Do you not think the elaborate qualifications, the college degrees and the years of experience which you demand in these qualifications discourage many good people from applying at all, because they say, "Oh, I am not good enough for this job", where you, in fact, end up by employing somebody much inferior to the person who did not think he was good enough to apply.

Mr. PELLETIER: You mentioned college degrees, in passing. We feel, quite strongly, that the academic standing of an individual can be quite important at certain times.

For example, in the case of foreign service officers, 24, 25 or 26 years of age, it seems to me there is a prima facie case in favour of the college graduate, as opposed to the non-college graduate. But when you get up into other kinds of appointments, more senior jobs, there is such a thing as the "university of life", and a college degree becomes more and more meaningless. We are quite conscious of that, and we try to devise specifications for jobs of such a nature which do not result in screening out people who might be excellent.

Mr. CHAMBERS: Do not get me wrong. I do not think you deliberately try to screen out people, but I am speaking of the practical effect of what happens, because I have met a number of people interested in a particular job, and, in my opinion, they would have done a far better job and had far better qualifications than the person who actually ended up with the job; and yet they did not bother to apply because they were discouraged by the high level of qualifications which the competition demanded, and thought they would not have a chance anyway.

The CHAIRMAN: Mr. Carter, have you any further questions?

Mr. CARTER: I have further questions, but they are on an entirely different line.

Mr. LAMBERT: Right in this particular question, you recently put out a poster for university placement officer for the Department of Labour, I believe, to place university students. You require a university education with additional credits, years of experience, and so forth, and you offer \$350.

Mr. PELLETIER: Mr. Chairman, I think the short, though perhaps not entirely satisfactory answer to Mr. Lambert's question, is that if we could not get the right kind of people for the salary we offered, we would look again.

Mr. LAMBERT: You are hopeful souls.

The CHAIRMAN: Mr. McCleave, and then Mr. Morris.

Mr. McCLEAVE: Mr. Morris asked a supplementary question.

The CHAIRMAN: Would you continue, Mr. Morris?

Mr. MORRIS: I would like to ask Mr. Pelletier if he would be kind enough to bring to the next committee meeting the number of applications relating to the recent request for a Russian translator for the bureau of translations at a salary of \$4860.

Mr. PELLETIER: Certainly, Mr. Chairman.

Mr. McCLEAVE: My question is supplementary to the previous remarks made by Mr. Pelletier in regard to examinations and I direct this question to either Miss Addison or Mr. Pelletier. When it so happens it appears on the appeal, or by some other means, there has been a tailor-made competition, what procedure is followed then? Is any effort made to find out whether it has been done deliberately, and to discipline those who are responsible, if it is done deliberately?

Miss ADDISON: We would certainly call for a new competition, and bring it to the department or deputy head's attention, if we felt it was being done deliberately.

Mr. McCLEAVE: If you knew?

Miss ADDISON: If we were satisfied it was being done.

Mr. McCLEAVE: Is there not any discipline that can be used against the people who rig these competitions?

Miss ADDISON: No, there is nothing in law. We have no legal authority to discipline them.

Mr. McCLEAVE: In Halifax, for example, I will be told to regard a man who in a few days' time will be discharged from the navy. Then, in a few more days' time, there will be a civil service competition coming out for such and such a civil service job at the dockyard, and I am informed he is the man who is going to get it. It is an excellent crystal ball these people have, because that is exactly what happens.

Now that I know you better, I will write to you, Miss Addison.

Miss ADDISON: Yes, you do that.

Mr. HALES: My question has to do with the supervising of the written examination. Who acts as supervisor at the written examination? I am thinking of it on the local level?

Mr. PELLETIER: We use, to a very large extent, principals and school teachers, and our own staff, of course. But in the big examinations, where we have a number of candidates, the big clerical examinations, we use school teachers extensively.

Mr. HALES: Who organizes the competition?

Mr. PELLETIER: We do.

Mr. HALES: From the regional office?

Mr. PELLETIER: From headquarters; for those competitions we do it here. Regionally, our regional man does it.

Mr. HALES: What are they paid?

Mr. PELLETIER: I do not know, offhand. There is a set scale of fees; I can get it for you.

Mr. HALES: Why do you not use your own men from your own office?

Mr. PELLETIER: Because we have not enough. We use our own men when we can, frequently these examinations are held in school rooms and several classrooms are in use at the same time. Our man is there, plus a number of school teachers.

Mr. HALES: If it is in a school room, do you pay for the use of that school room?

Mr. PELLETIER: Yes, we do in certain places, but in other places we get it gratis.

Mr. CLANCY: Getting back to the qualifications in a competition. When you ask for a degree from a recognized Canadian university, plus years of related experience, supposing in the competition you have no applicants who have the initial academic qualifications, but years, probably, of practical experience—but you do not find an applicant who has the initial academic experience: do you automatically re-set that competition, or carry on?

Mr. PELLETIER: No, normally we would wash out that competition and hold a new one, because we feel it would be unfair, in our view, once having said these qualifications were required, to disregard them and select somebody who did not have those qualifications.

Mr. WINCH: May I ask a question on examination papers? It is a very short question, and I am not speaking authoritatively, but out of curiosity.

I would like to know how an examiner judges the reply of an applicant to a written question which is set forth in the commission examination on grammar and punctuation, when the written question is grammatically incorrect and the punctuation is wrong?

Mr. PELLETIER: May I answer that?

Mr. CHAMBERS: Perhaps you could take notice of that and answer it next time.

Mr. PELLETIER: No, I would like you to send us any examples of that kind.

Mr. WINCH: I sure could.

Mr. RICHARD (*Ottawa East*): There is one other question. Does Mr. Pelletier feel, as a great many people do, that the civil service sets, in many cases, a very high standard for qualifications, for the type of salary and the type of job being done, with the assurance they will get such a person more qualified than should be for that job, and as a result we run up against trouble in the future with people who complain that the range of salary is not high enough for their ability and university qualifications?

Miss ADDISON: That is one reason why we have set up our pay research bureau, and the job of the bureau is, having found out the qualifications required for a specific job in the civil service, they go out and find out what is being paid by comparative employers outside, for the same set of duties, and in this way we hope to get a comparable salary for comparable work.

Mr. RICHARD (*Ottawa East*): Will you do any revising of qualifications so that in future the qualifications will not be set too high for what is being done?

Miss ADDISON: We could do the reverse, and raise the salary.

The CHAIRMAN: Just before the meeting adjourns, one of the problems, of course has been, in the 50-odd meetings of the estimates committee on the three departments, the question of continuity and providing an opportunity for the members to continue your examination.

This department presents a very difficult situation because of the scope we are covering, and I am going to ask—you have been very cooperative, but I am going to ask if you have any suggestions—and the Chairman is not in any way sensitive to criticism—of any other way in which we could have a more satisfactory system. I will be glad to hear any such suggestions.

On the other hand, when I ask you if your question is in the area being dealt with, I ask you not to take me over into something completely different after you have asked the question. The reason for that is precisely this: eventually we are going to have to put together a report, and if, when you go through the entries in the report, you find completely disjointed paragraphs, where the relationship of one question to another has nothing in common, as a consequence it is essential we keep an element of continuity. The same applies when I ask if you have any supplementary questions. I can only do this successfully if you cooperate. If you feel generally happy with the procedure, I would like to know that, and if you feel there should be any changes, I would like to know that too.

Mr. BELL (*Carleton*): Perhaps you might outline the six or eight principal divisions, which there are, and perhaps discuss that with Mr. Pelletier and Miss Addison. Then, at the next meeting, we could start to follow those down.

I have, I think, six or seven different subjects upon which I would like to examine these witnesses, and perhaps, it might be useful if I were to indicate them.

I want information on the responsibility between the Civil Service Commission and treasury board in relation to the organization of the service, and the opinions of members of the commission as to how the present situation is working out.

I want to know the answer to what Mr. Nesbitt raised this morning, about the whole question of transfers and fluidity within the civil service; and the employees' participation in the national joint council staff associations.

Fourthly, I would like to know about the organization of the pay research bureau, its operations, its reports and how they are handled.

Then I have a question on appeals, statistical information about appeals, and the success of this procedure. And I do want to follow a little further matters raised this morning on the constitution of rating boards in these promotional competitions; and the relationship between the civil service and the personnel officers who, I think, from what we have heard this morning, seem to be the most powerful officials of government. Those are the basic questions I have in mind.

The CHAIRMAN: Mr. Carter, you wish to go into the question of—

Mr. CARTER: No, I do not want to raise any new question, but I would like to ask for some statistical information which might be compiled during the time between now and the next meeting.

The CHAIRMAN: Mr. Nesbitt, I want to keep on the general areas you want covered, because you are going to continue with competitions and examinations until you have exhausted that subject, or yourselves, on it. Then we can go into the new areas.

Mr. NESBITT: In the new areas, I have some questions in addition to those of Mr. Bell.

Mr. WINCH: I would like to have information at the next meeting, going back a reasonable time, on the passing of orders in council removing certain posts from the realm of the civil service.

I have records of some of them, but I would like to know of recent years how often it has occurred, and how many employees have been directly and indirectly affected by the orders.

Mr. McCLEAVE: I would like to ask a question as to whether the liaison between the different divisions of the Civil Service Commission is done vertically or horizontally; that is to say, whether it is done through the two commissioners here, or whether these divisions can work with each other.

Mr. LAMBERT: I have some questions on the precise nature of the application form.

Mr. CARTER: Mine is statistical information. Would the witnesses prepare for the next subsequent meetings, the average age of the commission staff and the average salary of the commission staff, together with the average age of the civil service and the average salary of the civil service. They have that?

The CHAIRMAN: Is that possible?

Mr. PELLETIER: The first part is certainly possible, Mr. Chairman. I do not think the second one is.

Mr. WINCH: Also the average years of service.

Mr. CARTER: That information was included in our report from the civil service not too long ago.

The CHAIRMAN: Will you please do the best you can?

Mr. PELLETIER: Yes, Mr. Chairman.

Mr. CARTER: In addition to that, could Mr. Pelletier say how the staff has grown over the five-year periods, going back ten and fifteen years from the present time. That will be 20 years.

The CHAIRMAN: With this format, are you generally happy with the procedure?

Mr. BELL (*Carleton*): Another matter, that of veterans preference, might well be raised.

Mr. NESBITT: And questions as to exceptions that are made with reference to some regulations.

Mr. HALES: I would like the steering committee to consider this: the province of Ontario have a very well organized and well run civil service commission, and I would like the director of that to appear here and outline how it works.

The CHAIRMAN: Are you generally happy with the method of procedure on that basis?

Agreed.

The CHAIRMAN: You have no other suggestions?

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

M. PIGEON: Sur un autre sujet, monsieur le président. Quand vous aurez terminé l'étude de ce sujet-là, j'aimerais poser des questions sur un autre sujet.

* * * * *

M. PIGEON: Sur quel sujet, déjà?

* * * * *

M. PIGEON: Sachant que la Commission du service civil est autonome et que le ministre n'est responsable devant les Chambres seulement pour le budget, j'aurais des questions à poser.

M. Pigeon:

Q. Croyez-vous qu'il soit nécessaire de faire subir un examen à ceux qui désirent être concierges ou balayeurs dans un édifice fédéral?

M. PELLETIER: Monsieur le président, en autant que la Commission du service civil doit, de par la loi, nommer les gens sur une base de mérite et en autant que, dans bien des cas, les concierges ont été placés sous notre "jurisdiction", nous n'avons d'autre recours que d'établir un système pour déterminer quel est le meilleur candidat parmi ceux qui se présentent pour devenir concierges.

M. Pigeon:

Q. A votre connaissance, monsieur Pelletier, depuis que la Commission du service civil existe, est-ce que vous seriez prêt à faire serment sur les Saints Evangiles que tous les employés qui sont concierges ou balayeurs, à l'échelle nationale, ont été nommés à ce poste après examen?

M. Pelletier:

R. Monsieur le président, la réponse à cette question est évidemment: non.

M. PIGEON: A présent, j'aurais une autre question à poser.

M. Pigeon:

Q. Lorsqu'un candidat de langue française, par exemple, est invité à un examen oral, on lui demande s'il veut subir son examen en français ou en anglais; pourquoi, par la suite, lui pose-t-on des questions uniquement en anglais, et cela parce qu'un seul membre du jury sur quatre n'est pas bilingue?

* * * * *

M. Pelletier:

R. Monsieur le président, en réponse à la question de M. Pigeon, il est parfaitement vrai que l'on donne toujours le choix au candidat de subir son examen en anglais ou en français. Quand il s'agit d'un examen oral, on tâche également de toujours avoir au moins certains membres du jury qui puissent parler les deux langues. Et, dans plusieurs cas, évidemment, tous les membres du jury parlent la langue du candidat.

Par ailleurs, il arrive parfois que nous ayons des candidats de langue française, et un jury de trois examinateurs, dont deux parlent le français et

dont un ne parle que l'anglais, et si l'un des candidats ne peut pas s'exprimer en anglais, ou ne veut pas s'exprimer en anglais, on lui adresse alors les questions exclusivement en français. Si d'autre part, le candidat lui-même est bilingue, la tâche des membres du jury est évidemment rendue plus facile si l'on pose les questions dans les deux langues.

M. PIGEON: Ne trouvez-vous pas, monsieur Pelletier, qu'il serait préférable que les examinateurs de la Commission du service civil, les fonctionnaires supérieurs de la Commission du service civil soient bilingues?

M. PELLETIER: Monsieur le président, c'est un...

* * * * *

M. PIGEON: J'ai une question à poser.

Q. Ne trouvez-vous pas, monsieur Pelletier, qu'il serait préférable, à l'avenir, que les circulaires du gouvernement fédéral, lesquelles sont distribuées aux employés du Service civil, soient rédigées dans les deux langues?

M. PELLETIER: J'aimerais répondre à cette question d'une façon générale, si vous me le permettez. C'est évidemment une question très délicate. J'ai déjà déclaré publiquement, et je ne crains pas de le répéter... qu'à mon avis, le Service civil fédéral, idéalement, devrait refléter la nation canadienne tout entière. Quand je dis refléter la nation canadienne tout entière, je ne veux pas seulement parler de Canadiens de langue française et de Canadiens de langue anglaise, je veux parler de Terre-Neuve et de la Colombie, je veux parler de toutes les parties du Canada. Il serait, à mon sens, faux d'avoir un Service civil fédéral composé exclusivement de candidats venant, par exemple, de la vallée de l'Outaouais, de Montréal et de Toronto.

M. PIGEON: Monsieur Pelletier, j'ai posé ces questions, mais je ne voudrais pas que mes questions soient mal interprétées. La Commission du service civil est un organisme indépendant du gouvernement. Je l'ai fait tout simplement à titre de Canadien, sans viser tout particulièrement un élément particulier de la nation, et sans m'adresser aux Canadiens de langue française ou aux Canadiens de langue anglaise, ou aux néo-canadiens, qui sont un enrichissement pour le pays.

Mais, en terminant, je voudrais, lors des séances subséquentes, si possible, connaître la proportion approximative des fonctionnaires bilingues dans les départements gouvernementaux, surtout ici à Ottawa, et cela serait pour les séances futures, si possible.

M. PELLETIER: Monsieur le président, en réponse à la question de M. Pigeon, je dois dire qu'il y a quelques années déjà, des questions semblables ont été posées et l'on a tâché alors de découvrir exactement ce que M. Pigeon veut savoir. Il est évident qu'il est à peu près impossible de déterminer cette question de façon satisfaisante à moins de revoir tous les dossiers individuels des quelque 136,000 ou 140,000 employés fédéraux.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

TUESDAY, MAY 26, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

Miss Ruth Addison and Mr. Paul Pelletier, both Commissioners of the Civil Service Commission.



STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,
Baldwin,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Caron,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Howe,
Jorgenson,
Korchinski,
Lambert,
McCleave,
McDonald (*Hamilton
South*),
McFarlane,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,
McWilliam,

More,
Morris,
Nesbitt,
Nugent,
Payne,
Peters,
Pickersgill,
Pigeon,
Pugh,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Small,
Smallwood,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innis,
Clerk of the Committee.

CORRECTION

Minutes of Proceedings and Evidence No. 14
Tuesday, May 19, 1959

Page 305—In line 50, the word "objectionable" should read "objective".

MINUTES OF PROCEEDINGS

TUESDAY, May 26, 1959.
(19)

The Standing Committee on Estimates met at 9.40 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Bell (*Carleton*), Broome, Caron, Carter, Cathers, Chambers, Fairfield, Grafftey, Hales, Halpenny, Hicks, Howe, Jorgenson, Korchinski, Lambert, McCleave, McDonald (*Hamilton South*), McFarlane, McGrath, McGregor, Morris, Nesbitt, Pigeon, Pugh, Richard (*Ottawa East*), Smith (*Calgary South*), Stewart, Thompson, and Winch.

In attendance: Honourable Henri Courtemanche, Secretary of State. *From the Civil Service Commission:* Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

The Committee resumed its consideration of Item No. 67 of the Estimates, 1959-60, respecting the Civil Service Commission, the officials of the Commission supplying information thereon.

The Chairman outlined various headings under which the Committee will carry out its study of the Commission's operations.

The topic "Examinations and competitions" was studied in detail.

At 10.55 a.m. the Committee adjourned until 11.00 a.m. Thursday, May 28, 1959.

E. W. Innes,
Clerk of the Committee.

NOTE: *Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.*

REMARQUE: *Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.*

EVIDENCE

TUESDAY, May 26, 1959.
9:30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum, so we can proceed.

You will recall that at our last meeting I asked for your suggestions as to how we could maintain some form of continuity; and I have received from you a number of suggestions, or a number of references to various aspects of the committee in respect of which you wish to carry out some examination. These were certainly very helpful.

This information was, of course, recorded by Mr. Pelletier; and he, in turn, has been most cooperative in providing me with a letter outlining each of the suggested areas upon which you wish to have some report, under the general heading that they can be discussed.

I think we will follow Mr. Pelletier's suggestion, because if we do you will have an opportunity to examine thoroughly every one of the various problems you have referred to us.

Let me read them to you: examinations and competitions, with which we will continue this morning; appeals, on which a number of you have asked questions; organization and staff of the Civil Service Commission; pay research bureau; exemptions from the Civil Service Act and regulations; commission's external relations with treasury board, with departments, and with staff associations.

As I said, we will go back to examinations and competitions, but before we do that, either now or at the end of the meeting, if there are any additions you wish to make to this list, may I suggest that you give those to us.

Mr. FAIRFIELD: Under the heading of appeals will come discharges, form of discharge and so on?

The CHAIRMAN: Yes; you say not, Mr. Pelletier?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): It does not fall directly under appeals, but if it is the will of the chair, we can discuss it under appeals.

The point I am making is that dismissals are not legally appealable.

The CHAIRMAN: I think Mr. Fairfield's point—and it is, frankly, one I wish to take up myself—is: what is the position of the civil servant when he is dismissed? I think this is an area we should examine.

Mr. FAIRFIELD: According to regulations, he has no appeal, and maybe that should be under a separate heading.

The CHAIRMAN: We may so make it, Dr. Fairfield.

Gentlemen, having outlined those general headings, do you agree this is the basis upon which you wish to proceed?

Mr. HICKS: I was out of the committee room at the end of our last meeting. Was anything said about hospitalization at all, or does that come under the Civil Service Commission?

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): No, that does not come under the Civil Service Commission.

Mr. HICKS: There is a group hospitalization scheme though?

Miss ADDISON: Yes.

Mr. HICKS: For the civil service?

Miss ADDISON: Yes.

Mr. BROOME: Does the Civil Service Commission work in the area of the number of people in an establishment, efficiency of operations, the methods used within departments, standardization of methods, and so on, in that field? In other words, the efficiency of operation of the civil service in its entirety.

I make that remark because when there were some changes proposed in the pensions arrangement, the difficulty encountered by treasury board was that there were so many different types of operation within the civil service that it was very hard to derive a formula that would be fair to the super-annuated civil servant.

Within the Civil Service Commission, do they do any standardization with regard to the civil service as a whole?

Miss ADDISON: Not on pensions, and not on establishment; not on the numbers that are concerned. This is primarily the responsibility of treasury board; but we do have an organization and methods division which does give an advisory service to departments, as to how they can work out their procedures.

Mr. BROOME: That is all under the methods division, Mr. Chairman?

The CHAIRMAN: We shall add organization and methods division to this list.

Mr. BROOME: The operation of the methods division?

The CHAIRMAN: Yes.

I see there are one or two of you who have come in since I outlined this group of subjects, and because this is important I am going to repeat it.

Gentlemen, as I said initially, we have had a number of you indicate the areas of discussion you would like to pursue. The variety of questions you have to ask will, therefore, come under these headings. If you have any remarks, please let me know.

They are: examinations and competitions, No. 1; appeals, No. 2; organization and staff of the Civil Service Commission, No. 3; pay research bureau, No. 4; exemptions from the Civil Service Act and regulations, No. 5; commission's external relations with treasury board, No. 6—and this involves the departments and staff associations; and we have added, organization and methods, and also the right of appeal of the civil servant.

Mr. CARON: Would you repeat No. 4, please?

The CHAIRMAN: Yes, sir. Pay research bureau is No. 4, Mr. Caron.

Mr. BELL (*Carleton*): There are one or two other matters, Mr. Chairman, that you have not encompassed by that. One is the question of transfers, the whole question of fluidity, if I may so describe it, within the service. Then there is the question of employee participation in relation to staff associations and at national joint council, and the veterans' preference.

I think those three matters, which I would like at some stage to examine upon, are not covered by the headings.

The CHAIRMAN: They will be added.

Mr. LAMBERT: Where do you envisage bringing in that one? Do you have that included anywhere?

The CHAIRMAN: What do you mean by "that one"?

Mr. LAMBERT: This matter of the application form, the initial application form?

The CHAIRMAN: The application is going to be contained under the first heading, examination and competition.

Mr. PELLETIER: Mr. Chairman, the question raised by Mr. Bell we have included under the general heading "commission's external relations", because that is part and parcel of our relations with the various departments.

The CHAIRMAN: Yes. Gentlemen, I think we can proceed.

First of all, I am going to deal with a letter, again under the heading of examinations and competitions. It is a letter which Mr. Winch directed to us, of which the committee has had notice. As I have explained to Mr. Winch, most of the content is certainly in order. However, he does, in one or two paragraphs, make some reference to individuals.

We have already laid the ground rules, which, I think, you will agree with, that we should not discuss, as such, individuals, or bring them into the committee examination.

Mr. Winch has, of course, agreed to that principle, and I am going to ask if you will proceed under the heading of examinations and competitions, directing your questions, Mr. Winch, to the witnesses.

Mr. WINCH: Can we mention departments?

The CHAIRMAN: Oh yes.

Mr. WINCH: Perhaps I should just read that section then, Mr. Chairman.

I would like to ask if during the past year and a half there have been appointments made in the tri-service equivalents committee; and, if so, as to whether or not there was a preliminary decision that it should be on a non-competitive basis, and whether that was later changed to a competitive basis? If so, what is the position as regards persons in the armed forces—I think I can best put it that way—who either resign or are superannuated, and then immediately get a position in the civil service, or in the civilian end of the operation of government.

If I may, Mr. Chairman, I think it should be a little bit highlighted for the information of the members if I can just very briefly refer to an article in the Ottawa Citizen under date of Wednesday, May 19, "Civil Service Round-up," under the name of Winston Mills.

The CHAIRMAN: Is it brief?

Mr. WINCH: Yes, I just want to read one section, because I think it ties in with what I have to say. It states:

As a civilian employee of National Defence on loan to fill his new job his pet theme is the (bad) relations between uniformed and non-uniformed R.C.A.F. personnel. We couldn't get him to talk about anything else.

And, remember,—

The CHAIRMAN: You are abusing the rule 95 you are now localizing this particular individual.

Mr. WINCH: No, this is not on himself. This is a general statement of the whole picture and it so happens a week before—and I know I am not allowed to mention any names, but this was one of the reasons. This is also based, Mr. Chairman, on two reports that were filed in the House of Commons, one in 1944 and one in 1956, on either the retirement or superannuation and a transfer between armed services and a civilian, and I am asking on the broad principle if there could be an explanation of the situation of what happened. I think this is clear it has nothing to do with breaking the regulation.

Mr. PELLETIER: In answer to Mr. Winch's question, I would like to say that it happens—I shall not say frequently, but perhaps not infrequently—that members of the armed forces, any one of the three armed forces, hold a certain type of job while they are still in uniform. Then, when they come to the end of their twenty years, I think it is, for armed services purposes and are retired from the armed forces while still relatively young, in many cases, it is desired to retain them in precisely the same job.

What we have done, and have done fairly recently in a case such as that, for example, of an officer in the armed forces who may have held a job for eight or ten or more years and then retired from the armed services—what we do in that case, on occasion, provided it is the intention to keep the man in precisely the same job and provided he is competent and in some cases the best man for the job, then the Commission would forego competition, seek authority from the governor in council and appoint that man to the same job in a civilian capacity without competition.

Mr. WINCH: Might I ask as to whether or not exactly the same job was held in the matter I have in mind?

Mr. PELLETIER: Yes.

The CHAIRMAN: Of course you are under examination and competition.

Mr. BELL (*Carleton*): How often does that happen?

Mr. PELLETIER: I would not like to venture a guess, Mr. Bell. I can look it up for you.

Mr. BELL (*Carleton*): Would you do so?

Mr. PELLETIER: Yes, certainly.

Mr. PIGEON: (*Interpretation*). At the last sitting you said the high officials of the department have a great deal to say about promotion or choice of candidate for a position. How is it then that a competition will be advertised publicly when in actual fact the candidate has already been chosen and appointed for all practical purposes? Why is the competition advertised, whereas in actual fact the candidate has already been appointed?

Mr. PELLETIER: (*Interpretation*). As I said last time, I think, we are dealing with human beings and it is therefore inevitable that allegations of that kind will be made. In spite of the fact that it might appear that the candidate has been chosen or appointed in advance, a competition must be held and the candidate is appointed for the simple reason that he or she is the best person for the job, entirely suited to the position because of his previous experience, and because that person is obviously the most competent.

Mr. WINCH: On the same basis, Mr. Chairman, could I—

The CHAIRMAN: No, let us continue with Mr. Pigeon.

Mr. PIGEON: (*Interpretation*). That is just what I was wondering. It therefore appears that in 99.9 per cent of the cases the candidate is actually appointed by the officials of the department. Why then is the competition advertised?

Mr. PELLETIER: (*Interpretation*). It might be well to state the matter in full perspective right away. When officials of the department act as an examining board they do not act as officials of the department, but they do act as agents for the Civil Service Commission. But when you said that in 99.9 per cent of the cases the appointment has already been made by the department, I feel I must object strongly and say that is not true.

Mr. PIGEON: (*Interpretation*). What is the proportion, according to you?

Mr. PELLETIER: (*Interpretation*). In all cases promotion examinations must be approved by the Civil Service Commission. Generally a report is put out by the department to the Civil Service Commission indicating clearly the reasons why such a candidate is considered to be the best for the position open. I would also like to point out that there is such a thing as the right of appeal and that right is rather frequently exercised. When that right of appeal is exercised you know that the commission sets up an appeal board which studies the matter and the appeal is either sustained or rejected.

The CHAIRMAN: The same area, Mr. Caron?

Mr. CARON: Yes.

The CHAIRMAN: Are you going to speak in French, Mr. Caron?

Mr. CARON: Perhaps I might at this point.

The CHAIRMAN: Perhaps we had better get all the French translation together. Mr. Caron?

Mr. CARON: (*Interpretation*). Does the official of the department who sits on the examination board also sit on the appeal board in the case where a right of appeal is exercised?

Mr. PELLETIER: (*Interpretation*). No.

Mr. RICHARD (*Ottawa East*): (*Interpretation*). Could you tell me how many appeals have been made, say, in the past year; and can you also give the names of the civil servants who have appealed and whose appeals have been sustained?

Mr. PELLETIER: (*Interpretation*). During 1958 there was a total of 664 appeals out of which 26 have been sustained.

Mr. PIGEON: (*Interpretation*). If results of the examinations were given in detail and on, say, five items, do you not think it would be preferable for appeal purposes for the candidate to have indicated to him the area he had been found wanting in?

Mr. PELLETIER: (*Interpretation*) At the last sitting but one I think we dealt with that matter of giving the candidate his detailed marks. I admitted it would perhaps be a good thing and that is certainly a matter which will be looked into.

The CHAIRMAN: Recognizing, if I might, the need, as I have stated, for continuity and some sequence, we now find ourselves getting into the area of appeals, which was the second item to be discussed. I am therefore going to revert to examinations and competition.

Mr. RICHARD (*Ottawa East*): If I may—

The CHAIRMAN: We are going to stay on examinations and competition.

Mr. WINCH: Could I ask some questions on examinations and appointments on that basis? I just want to get this very clear on the submission that was made in his opening remarks by the witness. Do I gather from what you have had to say that if personnel in armed services go on pension who have been doing a job which might now be an appointment or a competition in the civil service in the same line, if that is so—and I gather from what you said that it is so, because you mentioned the matter I had in mind—do I take it then that it is an accepted policy of the commission that armed services personnel on going out of service and becoming pensioners have a built-in priority on a civil service job?

Mr. PELLETIER: Mr. Winch, there is no built-in priority in so far as the Civil Service Commission is concerned. If I may be allowed, Mr. Chairman, to digress for a moment I think the views of the present commission are pretty clearly set out in the report we have made to the government. We feel quite strongly on this subject of a single civil service. We feel that public servants, whether they be in the armed forces or in the so-called regular service, or in some crown companies are all servants of the people, servants of the crown. Therefore, we feel that although there is definitely no vested right in any job in the situation I have described earlier, that is, where an officer in the armed forces leaves a job and he goes on military pension, then retires from the army—

Mr. WINCH: He retires on military pension?

Mr. PELLETIER: —that job has to continue to be done and if that man is obviously very competent and capable in his job and has still many years ahead of him, we feel that it is in the public interest to appoint that man to that job.

Mr. WINCH: He still retains his military pension, of course?

Mr. PELLETIER: With some modification, Mr. Winch.

Mr. LAMBERT: In any event, he is not entitled to draw between his military pension and the pay that he would get as a civilian any amount greater than what would have been his pay at his retired rank?

Mr. PELLETIER: I think that is a correct statement.

Mr. WINCH: Will you be sure about that, because I know the salary that is being paid in the present position.

The CHAIRMAN: Anything further?

Mr. PELLETIER: The total of the pay that he receives as a civilian cannot exceed the total of the pay and allowances he held in his last military appointment, which I think is what Mr. Lambert was saying.

Mr. LAMBERT: That is right.

Mr. NESBITT: When competitions are held of a local nature such as for postal officials of some sort, or customs men and so on, how many of the same persons sit on the oral examination board to interview people in an area for, say, postal office clerk or customs officials and so on? In other words, do you get a duplication of personnel sitting on these examination boards in examinations of a local nature.

Mr. PELLETIER: I am not sure that I understand your question. Do you mean that the same people sit over and over again on consecutive examinations?

Mr. NESBITT: Yes.

Mr. PELLETIER: That could happen but we try to vary them.

Mr. NESBITT: What I am getting at is this: take, for example, in area X, Mr. A. applies for a job as a postal clerk and he appears before certain personnel on the examination board. Then, let us say, he is unsuccessful and he applies then for a customs clerk. Does he appear before the same personnel?

Mr. PELLETIER: No, in that case, in almost every case at least, the two members who are not the chairman will be different, and quite frequently the chairman will also be different.

Mr. NESBITT: Is there a possibility that you would have at least one person of the three who is the same on each one of these boards?

Mr. PELLETIER: Well, it might happen; but it would be unusual.

Mr. BELL (*Carleton*): May I ask Miss Addison, Mr. Chairman, under what circumstances may a civil servant be appointed in an acting capacity to a vacant position and are these acting appointments made by the deputy minister or by the commission?

MISS ADDISON: Well, this would happen when the person is taking over the duties of a class above the class in which he is now appointed. If he took over those duties and took them over for a period of over two months, then he would be entitled to acting pay, but this would be on the recommendation of the department in the first instance and then this recommendation would come to the commission. We would look into the situation to see if it met with our rules and regulations and, if so, acting pay would be granted.

Mr. BELL (*Carleton*): I am not concerned with the question of pay so much but with the question of that person's advantage then in the subsequent promotional competition. It is not, Miss Addison, a fairly well recognized technique for the deputy minister to appoint a person in an acting capacity and leave him in such capacity for a period of some months, and then that person would naturally have an advantage in a subsequent promotion competition?

Miss ADDISON: The Deputy Minister cannot actually appoint him even to an acting position because we have to approve that, and we try to avoid this situation as much as possible. Naturally, there will be cases where there is only one person who can do a job in the proper manner and, therefore, that person will be put on the job. When the competition is held this is one of the things we try to look at, think about, try to be objective about and try not to give undue weight to the fact that the person has been in that position for some time.

Mr. BELL (*Carleton*): Would a person in that position not naturally have a considerable advantage in the answering of questions relating to a job with that particular qualification?

Miss ADDISON: He may on occasion.

Mr. BELL (*Carleton*): Would it be possible for you to secure statistics indicating the number of persons who might have been appointed in the year 1958 in an acting capacity, and then broken down to the number of those who might subsequently have been appointed in a subsequent competition?

The CHAIRMAN: That will be done for you, Mr. Bell.

Mr. BELL (*Carleton*): Then, may I proceed to another matter?

The CHAIRMAN: To examinations and competitions?

Mr. BELL (*Carleton*): Yes. This question that was spoken of last week about 96 per cent being conducted departmentally. Has any consideration ever been given to the question of the personnel officers of departments actually becoming members of the staff of the Civil Service Commission's? May I just add to this question that prior to the Consolidated Revenue and Audit Act, the treasury auditors were part of the departmental staff. In 1932 they became completely separate from the departmental staff. Has consideration been given to that analogy in the transfer or removing of personnel officers from the department and to applying them as part of the Civil Service Commission's staff, where they would be in sufficient number to carry on these promotional competitions under a most impartial jurisdiction?

Miss ADDISON: Thinking about the reorganization of the commission, we have given consideration, and are giving consideration, to a number of different ways in which this might be carried out. That happens to be one of the ways we are considering, but there are a number of others.

Mr. BELL (*Carleton*): That could be done by regulation approved by the Service Act?

Miss ADDISON: No.

Mr. BELL (*Carleton*): That could be done by regulation approved by the governor in council?

Miss ADDISON: Yes, it could be done in our own organization. We could organize ourselves in that way to carry that out. It would not even require an order in council.

Mr. BELL (*Carleton*): It would bring under the commission, would it not, those who are presently troubled with the most powerful officials in government service in the matter of promotion?

Miss ADDISON: I would question whether they are the most powerful. This whole operation is carried out in the department, with a number of people working together. This is not one person doing it; and certainly the deputy minister is watching what is being done throughout his department.

Mr. BELL (*Carleton*): Would it not be correct to say that for a civil servant the best person to know would be your personnel officer?

The CHAIRMAN: Your question is supplementary, Mr. Caron?

Mr. CARON: No.

The CHAIRMAN: Mr. Lambert.

Mr. LAMBERT: In this particular area, since it has a bearing, what is the time you take to process a promotional examination, bearing in mind the need for efficiency within the department?

Miss ADDISON: The time we take to review it and post it?

Mr. LAMBERT: No; if it were handled within the Civil Service Commission.

Mr. PELLETIER: The answer to that question, Mr. Lambert, is pretty diverse. It depends entirely on the nature of the competition. If it is, for example, a competition that is held interdepartmentally but restricted to the Ottawa area, that can be done very quickly indeed. It has been done in a matter of eight days. If it is what we call a national open competition, that is, open to anyone—not only civil servants, and it applies from coast to coast and if in that particular competition there happen to be a large number of candidates, it will obviously take several weeks before it is completed.

Mr. LAMBERT: That is not the point I am thinking of. What I am concerned with here is departmental efficiency and the tendency to say: "Well, all these promotional examinations should be handled by the commission." I want to know how fast you can process them so we do not get a breakdown in departmental operation by reason of the fact of—"Well, we are waiting for the department to put this man on the job"—and until that happens the job is not done and has not anybody to do it.

Mr. PELLETIER: Well, I do not know what I can add to my previous answer, except that we are obviously limited by the amount of staff we have. That is precisely the reason—or at least one of the reasons—for which we ourselves do not handle departmental competitions.

In interdepartmental competitions, if they are restricted to an area, we can, and do, move quite quickly subject, of course, to the appeal period. There is built into the Civil Service Act, and I think quite rightly, this appeal procedure which, of necessity, delays the appointments of the individual until we find out whether there are any appeals or not. If there are, naturally they are heard and disposed of before any appointment is made.

Mr. BROOME: In regard to Mr. Bell's question about chief personnel officers, has the commission given any thought to a plan of rotating personnel officers around departments, moving them around so that there can be no thought of favouritism or entrenching positions and also in view of the fact that personnel work is the same regardless of the department? With a rotation system you have a lot of advantages.

Miss ADDISON: Yes, this is one of the things we think would be an excellent idea. This is one of the things that we talk about when we speak of transfers in our report. This is the sort of things we had in mind.

Mr. WINCH: On the same subject, I must admit I have a rather heavy correspondence from civil servants. They are very interested in this matter and throughout the letters that have been sent to me there does appear to be one general complaint. I would like to hear the comment of the witnesses on it, and that is that in some sections or departments of the civil service they feel there is what we might term a family compact arrangement. That is where you have a husband and wife or other relative in the same section. When it comes to promotions, it seems invariably that it goes to the husband, to the wife or to an uncle, or to a cousin, or someone else. They have often used that term; there seems to be a family compact basis in quite a few sections of the civil service. Can you give us any comment on that? I am sorry I cannot use names or sections, but I have all the evidence, Mr. Chairman.

Mr. PELLETIER: Mr. Winch, that, of course, is nepotism, which the commission looks upon very darkly indeed. Now, I would be foolish to say that it

exists nowhere in the civil service. I obviously could not make such a categorical statement. What we do endeavour to do is to keep a close watch on this kind of thing. Should we find any evidence of that sort of thing happening, we are not empowered under the law to do anything about it directly, but we can and do get in touch with the department and try to have the situation corrected.

Mr. McDONALD (*Hamilton South*): How do you correct it if you find it? You say there is nothing you can do under the law. If you find this happens in a department how could the Civil Service Commission go ahead and correct it?

Mr. PELLETIER: The only thing the commission can do is to get in touch with the deputy minister of the department concerned and explain the situation. The Civil Service Commission can urge upon the deputy minister to correct it.

Mr. McDONALD (*Hamilton South*): If in correcting this he were to see fit to let someone go because this was happening a lot, would he be reprimanded by the Civil Service Commission for asking, these persons to be fired?

Mr. PELLETIER: What would normally happen—and deputy ministers quite often do this on their own initiative—would be to attempt to transfer people to another section of the same department. If that is not possible because of the nature of the operation, or because it is too small or for some other reason, then the Department would ask our cooperation in trying to effect the transfer.

Mr. McDONALD (*Hamilton South*): Out of one department to another?

Mr. PELLETIER: Yes.

Mr. CARON: If the deputy minister is satisfied with the thing as it goes, then there is nothing at all that the Civil Service Commission can do?

Mr. PELLETIER: Not legally, Mr. Caron, that is quite right.

Mr. CARON: And is there any way outside of the legal way?

Mr. PELLETIER: Well, the only other way, Mr. Chairman, is, of course, as I have said, to use our most persuasive arguments.

Mr. CATHERS: In industry in many cases they will not allow relatives to work in the same department. Have you any ruling along that line?

Mr. PELLETIER: The Civil Service Commission has no such firm ruling, but certain departments—and I shall not name them because it is not really my business—but certain departments for what I think are very good reasons, do have that kind of rule, that husband and wife, for example, cannot work in the same branch or section.

Mr. McCLEAVE: Could I suggest that that rule might be made common to all departments and keep sex out of the Civil Service Commission?

The CHAIRMAN: Do you want to reply, Mr. Pelletier, or is there a reply?

Mr. McCLEAVE: No; I asked, cannot you suggest to all departments that they do this and keep sex out of it?

The CHAIRMAN: I do not think we will let Mr. Pelletier reply to that. Perhaps you might rephrase that question at a later point.

Mr. NESBITT: It is my understanding, Mr. Chairman, that if competition is insufficient for a position and there are not the number who apply that the suitable eligibility list cannot be obtained, that the competition is readvertised, is that correct?

Miss ADDISON: Yes, it is.

Mr. NESBITT: I have in mind a competition, as a matter of fact, which concerns tobacco inspectors in southwestern Ontario where the competition was

advertised. The number of people applying was small and the eligibility list was drawn up. On the eligibility list there was, it so happened, an American citizen. Complaints were made in due course and the matter was adjusted. I believe the American citizen was relieved of the job.

These complaints, I might say, came from the Canadian Legion. The reason given at the time was that there were not enough people applying who were suitable and that was the reason the American citizen was left on the eligibility list. Would it not have been easier in similar cases to have re-advertised the competition, because there obviously would have been a number who would have been able to apply on the second competition?

Mr. PELLETIER: On that score, what happens is, as I think you know from what you have just said, we qualify people in the initial examination and oral interview, if there is one, irrespective of their nationality. But the veteran comes first, and then the British subject with five years residence in Canada and, finally, at the end of the list irrespective of nationality are people who do not fit the descriptions I have just given.

I do not know the specific case you have in mind, but presumably what happened was that no single veteran or no single British subject qualified in that examination and, therefore, the American was appointed.

You asked whether it would not have been better to readvertise in the hope of getting a Canadian citizen. I am afraid I cannot answer that question without more knowledge of the details of that particular competition. It may be that it was in a shortage area.

Mr. NESBITT: I say as a general principle, Mr. Pelletier, would it be possible for the commission to readvertise the competition if it were the type of competition where there were very few people qualified? I agree it might be useless to do so in some cases, but as a general rule would that not be the normal procedure, to readvertise?

Mr. PELLETIER: It seems to me that unless we were in a shortage area, we would have had a number of Canadian candidates in the first instance.

Mr. NESBITT: Sometimes, Mr. Pelletier, would you not agree some of these competitions are not advertised so they can easily be seen by the applicants? I grant you there are sometimes technical difficulties.

Mr. PELLETIER: We try not to let that happen, although I will agree it may sometimes.

Mr. PIGEON: (*Interpretation*) For all practical purposes, it appears that the deputy ministers and officials of the departments concerned actually do make the promotions with the Civil Service Commission having a supervisory right in respect of those promotions. If that is the case, how many promotions has the Civil Service Commission actually refused over the last five years?

Mr. PELLETIER: (*Interpretation*) I want to repeat and to make myself clear. The departments do not make the promotions; the promotions are made by the Civil Service Commission. Your question is how many promotions within departments have not been approved by the Civil Service Commission over the past five years, per year. I will try to get that information for you.

Mr. PIGEON: (*Interpretation*) Along the same lines, is it true that recently non-Canadian citizens have been admitted into the federal civil service without passing an examination, which Canadian citizens would have to pass?

Mr. PELLETIER: (*Interpretation*) Everything depends on the definition of the term "examination". It has happened, especially since the last war, that in certain positions where it was virtually impossible to find suitable candidates in Canada we have sent our examiners outside of the country to find competent—and I do wish to underline the word "competent"—people for the position.

The CHAIRMAN: I wonder if I might ask Mr. Pelletier if you can be a little more specific. What type of people would these be? Can you give us an indication?

Mr. PELLETIER: Yes; for some years we had—and I think it is still true—for some years after the war we certainly had a lot of trouble getting, for example, engineers in the electronics area. We did recruit some of that kind of talent outside of Canada.

Mr. PIGEON: (*Interpretation*) I was told that for the International Geophysical Year there were non-Canadian citizens sent into the Arctic by the Canadian government to work for the Canadian government?

Mr. PELLETIER: (*Interpretation*) I, of course, cannot give you a precise answer without your giving me the facts. If you will communicate the facts of the matter to me, I will be glad to give you an answer.

Mr. CARON: (*Interpretation*) Some time ago there was a reference to soldiers who had been pensioned off from the armed forces and entered the civil service in a civilian capacity. They received there a salary equivalent to their military pay and allowances. Can you tell me if they also got their pension?

Mr. PELLETIER: (*Interpretation*) I think the matter might be better understood by way of illustration. If, say, a man in his last military post would get pay allowances to the amount of \$12,000 and the post he occupies in a civilian capacity carries with it a salary of \$10,000, he will get \$10,000 and not \$12,000 and he will get no pension.

The CHAIRMAN: Mr. Caron, might I just interrupt you? You are doing your best, I know, to relate this to examinations and competitions?

Mr. CARON: Well, this has been discussed before. I just want to know if the pension is put off until he is through with the civil service or if he gets both a salary and a pension if he is a pensioned man.

The CHAIRMAN: Well, we will continue with this, but may I suggest we will revert to the subject matter which is under consideration. Continue.

Mr. PELLETIER: Could I correct myself. I apparently made a mistake. He would receive the \$10,000 and only \$2,000 of his pension to bring it up to \$12,000.

Mr. BELL (*Carleton*): This is a very technical matter, Mr. Chairman, and I suggest we should leave it and ask Mr. Pelletier, if he will, to produce a full memorandum on it for the next meeting. It will be very useful to have it on the record.

The CHAIRMAN: That will be provided.

Mr. RICHARD (*Ottawa East*): Mr. Bell a while ago spoke about people in acting positions who have an opportunity for promotion. I think there is also the reverse case. I would like to find out who decides who is eligible for promotion in the department. For example, I have had many cases in the past where there is a position open for Grade 4 and has been open through nobody's fault for a long time. A Grade 2 person who is very well-qualified and even happens to have a university degree and who gets into that job hoping for promotion at the same time would be allowed to do the job—and a very good job—for seven, eight or nine months. Then when the promotional competition comes up it says, "This will be limited to people with Grade 3, and up".

Mr. PELLETIER: The Civil Service Commission feels quite strongly that there should not be artificial restrictions of the kind you mention. Indeed, in several cases we have refused to allow that kind of thing. In other words, if a job becomes vacant, then that job carries with it certain specifications and certain qualifications required to fill it. We feel those specifications and

qualifications should be made quite clear and publicized. Anyone who feels he is qualified has the right to apply.

Mr. RICHARD (*Ottawa East*): Is it not the case, Mr. Pelletier, that those advertisements would specify that this is not open to anyone else but Grade 3 and up?

Mr. PELLETIER: That does happen, I must admit, and is something we are attempting to correct.

The CHAIRMAN: Mr. Caron, you have a question on the same line?

Mr. CARON: The same line, yes. When they advertise for a promotion within the department, they do not seem to be satisfied with the one who has been chosen by the Civil Service Commission. Have they the right to cancel the position and reopen it later on to try to get somebody else?

Mr. PELLETIER: They cannot cancel the position. What they can do, under the present act, section 23, is to reject someone we have appointed. But when they do that, they must report to us the reasons for which they are rejecting him. I might say that the departments by and large are quite reasonable, and that when they do reject, it is for cause. In that case, we would almost automatically send the number two man to the job.

Mr. CARON: In case there is a rejection, is the case reopened so that the man may be called before the Civil Service Commission to answer the claim that the man is not competent for the job?

Mr. PELLETIER: If we, the commission, are not satisfied with the rejection, or that it was entirely reasonable—something which happens infrequently—we would immediately try to place that person in some other job.

Mr. CARON: He cannot appeal on that?

Mr. PELLETIER: No.

Mr. HALES: In my area there were two competitions called: one for a cleaning service man, and the other for customs clerks. I wrote to the Toronto office asking for a list of the names and addresses of those who would be called in for an oral examination, and also for the names of those who would sit on the oral examination board. A month later I received the answer. It took a month for the answer to come, and I was refused this information. Is this the policy of the commission, and if so, why is a member of parliament refused this information?

Mr. PELLETIER: Mr. Chairman, I would like to state quite clearly what the commission's policy is on this matter. We do consistently refuse to make public the names of the candidates in any competition. We do of course make public, as we must by law and which I think is right, the names of successful candidates. But we refuse to make the names of candidates public because, in most cases, there will be a number of them who are not successful, and we think it would be unfair to the individual to publicize the fact that he failed once, twice or five times as the case may be. In so far as the names of those who conduct the examination are concerned, we do not keep them private.

Mr. HALES: In fairness to you they told me who the chairman of the oral examination board would be.

Mr. PELLETIER: In that case, in all probability the other two members had not yet been chosen.

Mr. GRAFFTEY: I am talking here about an ordinary competition, not a promotional competition. The other day I had a visit from a gentleman working in one of the federal departments. He showed me—or he subsequently showed me an advertisement of a competition for a job. He subsequently made the following representations to me: he said that the job he was already holding

in the department exactly fitted the job described as advertized in the official advertisement. My question—or the question he asked me was; why was there a competition instead of a reclassification, and who decides whether there will be a competition or a reclassification?

Mr. PELLETIER: I am afraid I could not answer that question unless the hon. member would give me all the details in the case.

Mr. GRAFFTEY: There must be a general policy. Who generally decides whether or not there will be a competition instead of a reclassification—the Civil Service Commission, or the department involved?

Mr. PELLETIER: The commission.

Mr. GRAFFTEY: Could there be a competition held for jobs already being held in the department?

Mr. PELLETIER: The short answer to that, of course, is no. But there is likely a little more to the case you are raising than is immediately apparent.

Mr. GRAFFTEY: What would happen to the individuals involved who were already employed by the department, if they did not pass the new competition?

Mr. PELLETIER: They would have the right to apply for the job by competition.

Mr. GRAFFTEY: Yes, but let us suppose they do not pass the competition. Would their job be obliterated?

Mr. PELLETIER: No. This would be a competition for another job.

Mr. GRAFFTEY: No, that is the point.

Mr. PELLETIER: The confusion may arise because an individual will some times think that the new job is precisely his job, although it may carry more money; but while the individual may feel that it is the same job, it may not in fact be so. He will feel therefore that because he has this same job, he ought to get it just like that. I really do not think I can answer such a general question. The hon. member would have to furnish me with all the details.

Mr. HOWE: We hear a lot about demotions these days, and no doubt in many departments there are business methods being employed whereby some positions may disappear. A person whose position is lost, or where he may apply for another position but fails to get it—is he automatically out of the service?

Mr. PELLETIER: The first thing the department does is to try to find an alternative job for him in the same department. But if the department is unsuccessful in so doing, they come to us and we try to place that person, provided he is qualified and a good employee. If we in turn fail, then the lay-off process comes into play, and the name of that person is placed on a lay-off list. That person then has priority for appointment to a suitable job, that is, a job for which he is qualified, as soon as it opens up in any department.

Mr. CARON: For how long?

The CHAIRMAN: Yes, for how long?

Mr. PELLETIER: The lay-off privilege is indefinite.

Mr. WINCH: I hope I have the figure jotted down correctly. If I have not, I know I shall be corrected, but I understand from last year, in all the civil service, there were approximately 5,000 departmental promotions; and of those 5,000, there were 664 appeals. I would like to ask about the other 4,336. Were all those audited, as I understood you to state last time?

The CHAIRMAN: Does your question have to do with appeals?

Mr. WINCH: No, it is on promotions.

The CHAIRMAN: Very well.

Mr. WINCH: You only had 664 appeals out of 5,000. Were all these audited by the commission, and if so, could you tell us approximately how many were reversed or rejected?

Mr. PELLETIER: That is a question which was asked earlier and we promised to try and get those figures for you.

Mr. WINCH: I am sorry. I missed that.

Mr. NESBITT: When a competition is held for a position, and the competition specifies that the position shall be held by a man or a woman as the case may be, and there are a number of people who apply—I have in mind an unemployment placement officer for the national employment service; and they specifically advertize for a man. A number of applicants appeared, and I understand a certain number qualified. Later on a lady was picked.

Miss ADDISON: Hurrah!

Mr. NESBITT: What is the policy about that when the competition specifically requests a man, and we find a lady turning up in the competition. What is the reason for that.

Miss ADDISON: You mean to say that the competition poster actually stated "male applicants only"?

Mr. NESBITT: The word "man" was used, I believe; that it required a man for this position. The lady was already employed in the national employment office.

The CHAIRMAN: Perhaps you could describe the position.

Miss ADDISON: I think the word "man" must have been used in its broad generic sense, because if it had been restricted to males only, it would have said so at the top of the poster. What we are striving for is non-discrimination between male and female applicants but I am delighted to hear that a lady was appointed.

Mr. NESBITT: I realize I should have brought the poster with me, but assuming that it had said "male only", what would you do in a case like that?

Miss ADDISON: We would call for a new competition.

Mr. CATHERS: A person held a certain position in a post office establishment. I understand there is a ruling that they have to take an examination in order to be qualified for that position. Is it possible that if they have failed in that examination that they are demoted with the accompanying salary?

Mr. PELLETIER: I am sorry, but I missed the last part of your question.

Mr. CATHERS: In a post office where a person is holding a certain position, and then they are required to pass an examination so that they can circulate around in different jobs in the post office, is it possible that if that person should fail in the examination for the classification, he would have a cut in salary?

Mr. PELLETIER: I would not think so. What does happen in several departments is that they have so-called "barrier" examinations which he passed successfully before anyone is promoted to the next rung in the ladder.

Mr. CATHERS: This was a case of demoting where they were holding the position.

Mr. PELLETIER: I cannot recall a single incident or a set of circumstances where a person would be demoted from his present job because he failed to pass an examination for another job.

Mr. CATHERS: No, no, no. In this particular establishment, the post office, they have to qualify for certain circulating or different positions.

They were already holding that position, and they are forced to take an examination into another field, and they were taken off that position and given a cut in salary.

Mr. PELLETIER: I do not know what the answer would be to that.

Mr. RICHARD (*Ottawa East*): Do they not call them sortation tests? They are held once a year in the post offices, and if an applicant does not pass them he gets a reduction in salary. I think there is such a thing as sortation tests.

Mr. PELLETIER: Might I be allowed to get a detailed answer to both those questions, which are similar.

The CHAIRMAN: I would suggest you do.

Mr. CARON: I have a question along the same lines.

The CHAIRMAN: Please proceed.

Mr. CARON: Some people have been nominated by order in council for different positions. After a certain time they are accepted by the Civil Service Commission without any examination for that position.

Mr. PELLETIER: This, I am afraid, is an area which is frequently very much confused. There are certain appointments which are made by order in council, such as, for example, deputy minister. We have nothing whatever to do with that kind of appointment.

On the other hand, there are such cases as the non-Canadian engineer in electronics which was cited as an example a moment ago. In such a case, we would have to go to treasury board and obtain an exemption from the section of the act which provides that Canadian citizenship is a prerequisite to appointment. But the order in council does not appoint that individual. We do that after we have obtained the authority of the governor in council to exempt that position from that particular section of the Act. And that appointment is just as regular as any other.

Mr. CARON: Does it rest with the secretary to the minister?

Mr. PELLETIER: That is yet another set of circumstances. The Civil Service Commission recommends to the treasury that the personal establishment of the minister shall consist of so many positions such as executive assistant, private secretary, stencographers, and so on; so many positions of a certain type. Having so recommended and treasury board having agreed to that kind of establishment—the commission further recommends that all those positions be exempted from the provisions of the Civil Service Act. When that has been done, we have nothing whatever to do with the matter. The appointments are made by order in council.

Mr. CARON: If any of these persons have to be changed after a certain time because they are unsatisfactory or for any other reason, is there an opening in the Civil Service Commission for them?

Mr. PELLETIER: Section 61 provides specifically for private secretaries. If they have served continuously for three years they are entitled as a matter of right to a job in the civil service at not less than the level of chief clerk. This provision is restricted to private secretaries. The other people do not have any legal rights to anything.

The CHAIRMAN: That is regardless of whether he can pass an examination or not.

Mr. PELLETIER: Naturally they are entitled to try an examination at any time.

Mr. CARON: If they are sent back to the Civil Service Commission, would you pay their salaries?

Mr. PELLETIER: We do not have anything to do with the salaries in ministerial establishments. If such a person wants to come into the civil service, he would have to come in by competition.

Mr. CARON: Yes. He would not be accepted if he had served less than three years?

Mr. PELLETIER: No and that applies only to private secretaries.

Mr. CARON: Or executive assistants?

Mr. CARTER: With respect to the positions which Mr. Pelletier mentioned, such as those of electronic experts, where they have a shortage; when you have a competition of that kind a shortage appears, do you then investigate to see what caused that shortage? It may be due to salary?

Miss ADDISON: Yes, we would take it into account if we found we were continually running into difficulty in recruiting. We would take a look at the salary to see if it was one of the causes, and we would recruit at a higher rate in the range to overcome that difficulty.

Mr. BROOME: Do all civil servants have to take the oath of allegiance?

Mr. PELLETIER: All civil servants must take the oath of allegiance and an oath of office.

Mr. BROOME: Might it be possible to find out how many members of the civil service are not British subjects? If that would involve too much work, please forget about it.

Mr. PELLETIER: I think that would be an extremely lengthy task.

Mr. BROOME: In a previous discussion Mr. Hales mentioned receiving the name of the chairman, and it was said that other members of the examining committee had not been appointed. Who appoints those regional committees? Are members of the examining board always members of the civil service, or do they have local advisors? In general what is the set-up of your local examining boards across the country?

Mr. PELLETIER: You are referring specifically to the examinations we conduct outside Ottawa?

Mr. BROOME: Yes.

Mr. PELLETIER: The members of the board are selected by the commission. We can and do delegate to our official in the regional office the authority to choose or appoint the members of examining boards. Almost always, as we have said before, the chairman will be a Civil Service Commission officer, and the other two will frequently be: one, a representative of the department to which the appointment is to be made, and that representative is selected by us; and the other would usually be one of two things, either an official from another government department, or a person from outside the public service. In both cases, these persons would be knowledgeable in the area in which the position is to be filled.

Mr. BROOME: Coming to the man who is completely outside the public service, would he be appointed for that particular examination alone, or would he have a continuing function with the regional office? Would his appointment come from the commission or from the regional office?

Mr. PELLETIER: The appointment would be made by our regional officer.

Mr. BROOME: It would be made because of his special knowledge of that particular thing?

Mr. PELLETIER: That is correct.

The CHAIRMAN: I think this is a good time to adjourn. You are moving slowly and I do not think that is unwise. Might I suggest that we meet another day during the week? Is there any objection to our sitting another day during the week? You have eight other items ahead of you.

Mr. CARON: If you adjourn to any other day, will you please take into consideration the industrial relations committee, because I would like to be on both.

The CHAIRMAN: I shall do my best to see what can be done. Is there any objection to our sitting on Wednesday. I recognize that the Public Accounts committee also sits on Wednesday; but you have meetings on Monday, Tuesday and Friday as well. You have a lot of work ahead of you. So what about Wednesday morning?

Mr. WINCH: The Public Accounts committee is also a very important one.

The CHAIRMAN: But if we are to sit on Monday or Friday you will cut into other important committees.

Mr. LAMBERT: Monday is a very light day.

The CHAIRMAN: Yes, but it is often difficult to get members of the committee here on Monday.

Mr. CARON: On Sunday morning I do not think there would be too many away.

The CHAIRMAN: Seriously though, I suggest we have to sit another day, but when?

Mr. WINCH: Let us sit on Monday.

The CHAIRMAN: Is Monday satisfactory? All right. That will be your third sitting.

Mr. NESBITT: I have a supplementary question.

The CHAIRMAN: No; we will hold it. Are there any further remarks on procedure?

Mr. PIGEON: (*Interpretation*) I just have a reference to some figures for the next sitting.

The CHAIRMAN: What are they?

Mr. PIGEON: (*Interpretation*) I just have a reference to some figures for citizens by departments who have been engaged by the government in the last ten years.

The CHAIRMAN: Is that obtainable?

Mr. PELLETIER: It would require a lot of work, and I am not sure that any figures we could produce would be entirely accurate. We shall do our best to produce what we can.

Mr. PIGEON: (*Interpretation*) For the last five years then?

The CHAIRMAN: If it is possible to obtain it?

Mr. PELLETIER: Yes.

Mr. PIGEON: (*Interpretation*) Would it be possible to obtain these next week or in approximately a fortnight? The proportion at departmental headquarters here in Ottawa—the proportion of bilingual civil servants?

Mr. PELLETIER: That is a very complicated matter as I have already stated to Mr. Pigeon. We will do our best. However, if we do obtain figures I am not sure they will meet your question.

The CHAIRMAN: Thank you for your cooperation. A motion to adjourn is in order.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

le 26 mai 1959.

(Page 358)

M. PIGEON: Vous disiez, à la dernière séance, que les "officiers supérieurs" des ministères ont un grand rôle à jouer dans le choix d'un candidat pour une promotion. Mais, comment se fait-il, monsieur Pelletier, que l'on dit souvent, que l'on répète, qu'on lance un concours dans le public et que, déjà, l'officier qui doit avoir une promotion a déjà obtenu cette nouvelle fonction. Alors, pourquoi lancer un concours public si, déjà, le candidat est pratiquement choisi à l'avance?

M. Pelletier:

R. Monsieur Pigeon, puisque, comme je l'ai dit au tout début de nos séances, il s'agit ici d'êtres humains, il est inévitable qu'il y ait des allégations de ce genre-là. Il arrive également parfois que le monsieur ou la madame qui, de fait, gagne le concours soit tout désigné d'avance parce qu'il est évident que c'est le meilleur candidat et tout le monde le sait. Toutefois, nonobstant le fait qu'un candidat ait été choisi, la Commission du service civil, de façon générale, insiste quand même pour qu'il y ait un concours afin de ne pas se fier au jugement d'un homme. C'est pour cela que, dans le cas de certains concours tenus strictement à l'intérieur d'un ministère, l'on exige normalement qu'il y ait un jury d'examen.

* * *

M. PIGEON: C'est cela que je me demande. Au point de vue pratique, celui qui a une promotion est déjà "appointé" par les "officiers" du gouvernement, dans 99.9 p. 100 des cas, alors, pourquoi lancer un concours dans le public? Il me semble que ce n'est pas logique.

M. PELLETIER: Il serait bon de faire une mise au point tout de suite. Premièrement, quand les "officiers" d'un ministère agissent comme jury d'examen, ils agissent, non pas comme "officiers" du ministère, ils agissent comme agents de la Commission du service civil. Deuxièmement, je voudrais dire que, quand vous affirmez que 99.9 p. 100 des cas sont réglés d'avance par le ministère, je m'oppose à cette déclaration catégorique.

M. PIGEON: Quelle est la proportion, d'après vous?

M. Pelletier:

R. Dans tous les cas, monsieur Pigeon, les promotions doivent être approuvées par la Commission du service civil. Comme je l'ai dit préalablement, le ministère fait un rapport, et, la plupart du temps, c'est un rapport qui est assez détaillé sur les raisons pour lesquelles tel candidat est recommandé pour promotion.

Je voudrais également faire remarquer qu'il y a le droit d'appel et que ce droit d'appel est exercé assez fréquemment. Et, quand ce droit d'appel est exercé, la Commission du service civil établit, comme vous le savez, une commission d'appel qui revoit en détail le cas de promotion et qui soutient ou rejette l'appel, selon le cas.

(Page 559)

M. CARON: Au sujet de cette commission d'appel, est-ce que l'"officier" du département, qui a siégé pour la promotion, siège sur la Commission d'appel?

M. PELLETIER: Non, monsieur Caron.

M. RICHARD (Ottawa-Est): Monsieur Pelletier, pouvez-vous me donner le nombre d'appels qui ont été tenus dans un an, l'année passée, par exemple, et le nombre de fonctionnaires qui ont interjeté appel et qui ont obtenu du succès dans leur appel?

M. PELLETIER: Pendant l'année 1958, il y a eu un total de 664 appels. De ce total, 26 appels ont été soutenus.

M. Pigeon:

Q. Si vous donniez le résultat des examens en détails, supposons qu'il y ait cinq item à l'examen, ne trouvez-vous pas qu'il serait plus logique pour un employé de loger un appel s'il savait exactement le nombre de points qu'il a obtenus sur chaque item?

M. PELLETIER: Monsieur Pigeon, c'est une question dont on a parlé à l'avant-dernière réunion, je pense, et j'ai admis, à ce moment-là, qu'il serait peut-être préférable de donner au candidat le détail de ses points. C'est une chose que nous allons revoir.

* * *

(Page 364)

M. PIGEON: Au point de vue pratique, monsieur Pelletier, ce sont les officiers des départements et les sous-ministres qui font le choix pour les promotions, la Commission du service civil n'ayant qu'un droit de regard en dernier ressort. S'il en est ainsi, combien de promotions avez-vous refusées, par année, depuis cinq ans, en moyenne, si vous avez réellement un droit de regard et un mot à dire.

M. PELLETIER: Je voudrais établir tout de suite, en me répétant, que ce ne sont pas les ministères qui accordent les promotions, c'est la Commission du service civil. Quant à ce qui a trait à votre question, voulez-vous savoir combien de promotions, à l'intérieur d'un ministère, ont été refusées par la Commission du service civil, pendant cinq ans?

M. PIGEON: Chaque année.

M. PELLETIER: Depuis cinq années; je vais tâcher d'obtenir cette réponse, je ne la possède pas dans le moment.

M. PIGEON: Monsieur pelletier, toujours sur le même sujet; est-il vrai que, récemment, des non Canadiens ont été admis dans un service fédéral sans avoir subi l'examen qu'on exige des citoyens canadiens.

M. PELLETIER: Tout dépend de ce que vous entendez par examen. Il est arrivé, depuis la dernière guerre surtout, que, dans certains domaines où il nous était virtuellement impossible de trouver des candidats canadiens pour remplir les postes, nous avons envoyé nos examinateurs chercher des gens qui étaient "qualifiés", et, remarquez-le bien, qui étaient "qualifiés", à l'extérieur du Canada pour remplir des postes que nous ne pouvions pas autrement remplir.

(Page 365)

M. PIGEON: On m'a dit, monsieur Pelletier, par exemple, que, pour l'année géophysique, et tout spécialement dans l'Arctique, il y avait eu des citoyens non Canadiens qui avaient été employés pour aller travailler dans l'Arctique pour le compte du gouvernement et qui étaient payés par le gouvernement.

M. PELLETIER: Monsieur Pigeon, évidemment, je ne peux pas vous donner une réponse satisfaisante à moins que vous ne me donniez plus de précisions sur ce cas. Je me ferai alors un plaisir d'établir exactement ce qui s'est passé.

M. CARON: Monsieur Pelletier, on a parlé tout à l'heure des soldats qui étaient transférés à la vie civile et qui recevaient une paie équivalente à celle qu'ils recevaient dans l'armée, plus les à côté qu'ils recevaient dans l'armée; est-ce qu'ils reçoivent également leur pension?

M. PELLETIER: La réponse, monsieur Caron, serait peut-être meilleure par voie d'illustration. Si, par exemple, un monsieur qui, dans l'armée, recevait un total de paie et d'allocations de \$12,000, était transféré au Service civil à un poste comportant un salaire de \$10,000, il recevrait les \$10,000, mais il ne recevrait pas plus, et il ne recevrait pas de pension.

* * *

M. CARON: S'il est pensionné de l'armée? Dans ce cas, ceci signifie que la pension...

(Page 371)

M. PIGEON: C'était simplement pour avoir des chiffres pour la prochaine séance. Monsieur Pelletier, si vous pouvez avoir, pour la prochaine séance, le nombre de citoyens canadiens, par ministère, qui, depuis dix ans, ont été engagés par le gouvernement?

M. PIGEON: Ou pour les cinq dernières années.

M. PIGEON: Une autre question. Est-ce qu'il y aurait moyen de savoir, par exemple, d'ici quelques jours, ou bien une semaine, ou même quinze jours,—comme vous l'entendez,—la proposition approximative des Canadiens bilingues affectés aux quartiers généraux des ministères ici à Ottawa?

M. PELLETIER: Cela aussi, monsieur le président, comme je l'ai dit à M. Pigeon tout à l'heure, est très compliqué. J'en prends note et nous ferons notre possible pour obtenir les statistiques.

M. PIGEON: Approximativement.

M. PELLETIER: Même si l'on obtient des statistiques, j'ai bien peur qu'elles ne soient pas satisfaisantes.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

THURSDAY, MAY 28, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

From the Civil Service Commission: Miss Ruth Addison and Mr. Paul Pelletier, Commissioners.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Grafftey,	McWilliam,
Baldwin,	Hales,	More,
Bell (<i>Carleton</i>),	Halpenny,	Morris,
Benidickson,	Hardie,	Nesbitt,
Best,	Hellyer,	Nugent,
Bissonnette,	Hicks,	Payne,
Bourbonnais,	Howe,	Peters,
Bourdages,	Jorgenson,	Pickersgill,
Bourget,	Korchinski,	Pigeon,
Bruchési,	Lambert,	Pugh,
Cardin,	McCleave,	Ricard,
Caron,	McDonald (<i>Hamilton</i>	Richard (<i>Kamouraska</i>),
Carter,	<i>South</i>),	Richard (<i>Ottawa East</i>),
Cathers,	McFarlane,	Small,
Chambers,	McGee,	Stewart,
Clancy,	McGrath,	Tassé,
Coates,	McGregor,	Thompson,
Dumas,	McIlraith,	Winch,
Fairfield,	McMillan,	Winkler—60.
Gillet,	McQuillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, May 26, 1959.

Ordered,—That the name of Mr. McGee be substituted for that of Mr. Smallwood on the Standing Committee on Estimates.

Attest.

LÉON J. RAYMOND,
Clerk of the House.

GROUP OF MEMBERS

... the name of ...
... the ...

...

...

MINUTES OF PROCEEDINGS

THURSDAY, May 28, 1959.

(2)

The Standing Committee on Estimates met at 11.10 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Broome, Caron, Carter, Chambers, Fairfield, Hicks, Howe, Korchinski, Lambert, McCleave, McDonald (*Hamilton South*), McFarlane, McGee, McGrath, McIlraith, More, Nesbitt, Payne, Pigeon, Richard (*Ottawa East*), Smith (*Calgary South*), Tassé, Thompson, Winch and Winkler.

In attendance: Honourable Henri Courtemanche, Secretary of State. *And from the Civil Service Commission:* Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

The Committee resumed its consideration of Item No. 67 of the Estimates, 1959-60, respecting the Civil Service Commission, the Commissioners supplying information thereon.

Certain information respecting personnel who prepare "examinations", and work in "research and test development" was tabled for inclusion in the Committee's record. (*See Appendix I to this day's Proceedings*).

The topic "Examinations and Competitions" was further considered. In conjunction with this, the matter of "Veterans' Preference" was also discussed.

At 12.45 p.m. the Committee adjourned until 11.00 a.m. Monday, June 1, 1959.

E. W. Innes,
Clerk of the Committee.

NOTE: Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.

REMARQUE: Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.

EVIDENCE

THURSDAY, May 28, 1959.
11 a.m.

The CHAIRMAN: Good morning, gentlemen, we now have a quorum, and we can proceed. The only announcement I have to make prior to continuing our examination is to welcome a new member to our committee in the person of Mr. McGee. We are happy to see you here, Mr. McGee.

We have with us again this morning Miss Addison, Mr. Pelletier, and of course the minister. We are happy to have them, and we shall continue under the heading of "examinations and competitions".

Mr. BELL (*Carleton*): Might I ask what is the policy of the commission in respect to advertising in newspapers of open competitions, and perhaps at the same time the members of the commission might be able to indicate the amount of money that is spent in advertising such competitions?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): You are referring specifically to newspaper advertisements?

Mr. BELL (*Carleton*): In the first instance newspapers, and perhaps you would indicate what other forms of advertising are carried on.

Mr. PELLETIER: In the case of national competitions, the Civil Service Commission normally uses all daily newspapers having a circulation of more than 10,000. That is the normal practice. This is, of course, a different area, and we try, in so far as possible, to reach all potential candidates without discriminating between media of advertising. We therefore adopted the rule, some time ago, of placing our national advertisements in all daily newspapers having a circulation of 10,000 or more. That includes about 60 daily newspapers from coast to coast.

There are exceptions to this 10,000 rule, but not very many. I can give you one. I believe we advertise, for example, in the Quebec Chronicle, because it is the only English language newspaper in that area.

In the case of local competitions, the policy is somewhat different. The district office tries to use whatever newspapers are likely to reach the candidates. In certain rural areas that would include some weekly newspapers, so the policy there is not firm. It is flexible.

In so far as costs are concerned, during the fiscal year, 1958-59 we spent an estimated \$200,000 on all forms of advertising.

Mr. BELL (*Carleton*): What other forms are there beyond newspapers?

Mr. PELLETIER: There would be posters, and advertising in professional journals, medical journals and so on. If we are looking for doctors, we would use that medium, and if we were looking for engineers, we would also use professional media. The over-all cost was about \$200,000, and of this amount about \$178,000 was for advertising in newspapers and periodicals, \$20,000 for poster reproductions, and \$2,000 for the production of recruiting literature.

Mr. BELL (*Carleton*): Speaking of recruiting literature, would you be good enough to indicate what pamphlets are issued by the Civil Service Commission. At the same time there are a number of interesting pamphlets which might be quite useful. So might each member of the committee be furnished with a copy of each of those pamphlets?

The CHAIRMAN: That will be done, Mr. Bell.

Mr. LAMBERT: Do you utilize radio at the district office level, for advertising? It seems to me that I have heard that through the cooperation of the national employment service you have used a type of program put out by a station on the basis of community service, in which they would indicate, through information received from the national employment service, that there were these jobs open.

Mr. PELLETIER: I am afraid I cannot give you a definite answer. I believe we do not use radio extensively, if at all. But I shall get the answer for you.

Mr. NESBITT: The other day I think Mr. Pelletier informed us that occasionally, in the trained category, if Canadian applicants were not available or qualified, that occasionally people who were non-Canadian citizens were employed with the Civil Service Commission, and I believe reference was made at that time to some sort of oath that was required when a person became employed by the Canadian civil service. I wonder if Mr. Pelletier could give us the wording of that oath, and also if any inquiry has been made as to whether this oath, or this type of oath, might create a stateless citizen? I ask that because many countries object to their citizens taking oaths of any sort; and Canada, as a signatory of the United Nations convention has agreed that we would do nothing whatever which would tend to create stateless citizens.

It is an interesting point and I wonder if Mr. Pelletier could give us any information about it.

Mr. MCLRAITH: Mr. Chairman, before that question is answered, is it not a matter of policy concerning the government and not the Civil Service Commission. Is it not something for the minister to answer, and not for the commission.

The CHAIRMAN: Would you prefer that the minister reply?

Mr. MCLRAITH: No, it is not a question of whether we prefer that the minister should reply or not; but it is rather a question of whether or not this committee should be asking a question of that sort of the people who are really responsible for the policy concerned, namely, the government.

The CHAIRMAN: I cannot agree with you. I think to some extent it is administrative, but it does not present a very large problem. The minister may reply if he cares to. Would Mr. Nesbitt mind repeating his question?

Mr. NESBITT: In the wording of the oath required for non-Canadians who are becoming employees of the Civil Service Commission—

The CHAIRMAN: You might be interested in the answer, Mr. McIlraith.

Mr. NESBITT: In the wording of this oath is there any chance of creating a problem with these non-Canadians with respect to the danger of having them forfeit their citizenship in their own countries? I know that with some of those oaths the danger does not arise. When an American, for instance, joined the Canadian armed forces, it did not happen to him. But I wondered if the commission had looked into that position.

Mr. PELLETIER: Under the Civil Service Act there are two oaths to be taken by the civil servant. One is the oath of office, the wording of which is right in the act. It does not present the kind of problem to which Mr.

Nesbitt has referred. The other one is the oath of allegiance. However the administration of that oath is vested in the clerk of the Privy Council and not in the Civil Service Commission. Just how that problem is met, I do not feel entirely competent to answer.

The CHAIRMAN: Have you anything to add, Mr. Minister?

Hon. HENRI COURTEMANCHE (*Secretary of State*): No, nothing.

Mr. PIGEON (*Interpretation*): Mr. Pelletier, do the regulations of the Civil Service Commission allow the department to employ temporary employees on a temporary basis?

Mr. PELLETIER (*Interpretation*): The Civil Service Act allows the commission to employ temporary employees.

Mr. PIGEON (*Interpretation*): Do you not find it unfair for people to have to undergo an examination when a person who is already there on a temporary basis and who has been employed for a year or two has written, or will write the examination, and will be justified, for all practical purposes, or assured of the position before the examination takes place?

Mr. PELLETIER (*Interpretation*): The act provides under various sections, that employees may be taken on, on a temporary basis. But obviously the act also provides that these provisions be actually and really temporary. For instance, under section 37 it is laid down that employees may be taken in on a temporary basis for a period not exceeding six months.

Mr. PIGEON (*Interpretation*): To your knowledge, Mr. Pelletier, do you know of any employees working more than six months and thereby not respecting the provisions of the act?

Mr. PELLETIER (*Interpretation*): Yes, that is true, but the act also provides for an employee to have his original six months period extended from six months for six months. However, I do agree with Mr. Pigeon that it does not make for good administration for a temporary employee to be employed on a temporary basis over an indefinite period of time.

Mr. PIGEON (*Interpretation*): Do you not think that the provisions of the act have been abused in this respect in the past, and that a discriminatory, unjust and unfair system has come into being very much like in the days of Louis XIV?

Mr. RICHARD (*Ottawa East*): Whatever that is!

Mr. PELLETIER (*Interpretation*): Of course I would not like to comment on what has been done in the past. I would not be ready to deny that there is not some favouritism. But on the other hand both Miss Addison and I are convinced that it does not exist; that while it may have existed during the past 50 years, in this day and age it is far less true, and we are convinced that no favouritism exists to any extent.

Mr. PELLETIER (*Continuing in English*): I said that in Miss Addison's mind and in my mind, it does not exist to any significant extent anywhere in the departments today, but that if in a Civil Service of 140,000 people it did not exist somewhere, it would be remarkable indeed.

Mr. PIGEON (*Interpretation*): I have been acquainted with cases of relatives of members of parliament or relatives of the leader of the opposition who would be employed on a temporary basis for one, two, three years and so on, and who have become acquainted with the questions to be put in the examination, and were all ready to pass the examination and were appointed on that basis. That is what I have most energetic objection to.

Mr. PELLETIER: (*Reply not interpreted*).

Mr. PIGEON: (*Question not interpreted*).

The CHAIRMAN: Mr. Pigeon, you are coming dangerously close to be ruled out of order. I do not understand the interpretation of your question; but even in previous questions you were coming dangerously close to localizing situations by identifying people. We agreed at the early part of our hearings not to follow that course.

Mr. RICHARD (*Ottawa East*): Mr. Chairman, at the last few meetings of this committee there have been suggestions about situations existing. They were of a general nature, but they suggested that cases existed like this or like that. It is very easy to make such assertions, but I think if anybody has a particular case to bring to the attention of the committee, he should do so, and be very careful not to make mere generalizations.

The CHAIRMAN: There is this point, and I am sure you will understand; it is not a question of whether we are allowed or not. The committee sets its own rules. But we decided that we would not in any case attempt to identify individuals or localize them. However there are cases, if we are drawing a particular situation to the attention of a witness, where some general reference must be made. There is a thin line of demarcation which I, as chairman, endeavour to follow. But I agree that in such circumstances we should not attempt to localize situations by bringing into effect a personality or a name.

Mr. McILRAITH: Are these matters to be taken up in the form of questions rather than assertions?

The CHAIRMAN: That is an old problem in itself and we are trying to eliminate it as much as possible. I think we can proceed.

Mr. PIGEON (*Interpretation*): I have only one more question to put. It has to do with a question I asked at the last session of the committee and I would like to have a reply.

Mr. PELLETIER (*Interpretation*): You probably have reference at this point to the proportion of bilingual employees in the civil service at Ottawa. The answer to that question is not ready yet.

Mr. BROOME: In regard to temporary employment at post offices during the Christmas rush, it is advantageous to the postmaster to take on a certain amount of staff who have knowledge of the operation of the post office, and that means retired civil servants. I believe there is some sort of regulation whereby if a man has earned a certain pension at so much a month, that brings his pension plus his earnings above his last salary scale. These earnings are from the government, and then he is not allowed to have more than the amount which was his last monthly pay scale. I must be particularly careful, Mr. Chairman, not to bring in the names of persons, or anything like that.

The CHAIRMAN: At a meeting which you unfortunately were not able to attend, this matter was dealt with, and Mr. Pelletier agreed to produce a report on the whole problem. I wonder if you would consider holding your questions until the report arrives?

Mr. BROOME: This is on this same problem, of where an employee would work, say, for three weeks in December, and he actually would only get paid for two weeks, because it was on a monthly basis. Is that the point you will be making a report on, Mr. Pelletier?

Mr. PELLETIER: Actually, Mr. Chairman, it is not in our jurisdiction. What we are attempting to obtain is a statement from the comptroller of the treasury as to precisely what the situation is with regard to pension versus pay.

Mr. BROOME: What it means, in effect, is that postmasters will not be able to use skilled, experienced help for anything more than probably a seven, eight or ten-day period; otherwise the man will be working for nothing.

Mr. PELLETIER: It is not the salary that is affected, but the pension. Just how it is affected, I do not know; and that is what I am endeavouring to find out from the comptroller of the treasury.

Mr. MCGEE: This concerns the selection boards. My understanding is that a very small percentage of the promotions are actually handled by the Civil Service Commission. Is this the case?

Mr. PELLETIER: I think a flat "yes" or a flat "no" would be misleading. As we have said before, there are roughly 96 per cent of the promotion competitions which are departmental and are handled initially by departmental officials, subject always to the vetting by the commission.

Mr. MCGEE: Subject to what?

Mr. PELLETIER: The "vetting" by the commission of the results in a particular competition; and subject, of course, to the commission making the promotion if the commission is satisfied that the competition was conducted properly.

Mr. MCGEE: Is it a promotion board—or what is it called; the promotion or selection board is set up in the particular area or department, is that correct?

Mr. PELLETIER: That is correct.

Mr. MCGEE: What sort of instructions do you issue to that board? Have you any way of giving the committee some example of the type of instructions they are given?

Mr. PELLETIER: No specific instructions are issued in each individual case. We have worked out with the departments an arrangement whereby in such a situation there will be an examining board set up in the department to examine all the candidates.

Mr. MCGEE: That board is appointed by whom?

Mr. PELLETIER: The board is appointed by the department: we delegate to the department the authority to appoint the board. The examination may take several forms. It depends entirely on the type of job: it may be exclusively a written examination; it may be exclusively an oral examination; it may be a combination of both.

The board then rates the candidates in this competition according to what they feel is the best candidate. He is the one who is rated first. They then submit a report to the commission, which the commission studies. If it is satisfied that the competition was properly conducted, then we approve and make the promotion.

Mr. MCGEE: What about the possibility of getting a typical set of instructions from the Civil Service Commission which are directed to a typical selection or promotion board? Would this be possible?

The CHAIRMAN: I can say this to you, Mr. McGee: I think I am correct—and I am sure the committee will correct me if I am not—but we did agree that at some future point we would have a representative from the personnel selection board to appear in order to discuss the method by which they, as I understood it, gentlemen, determine their line of questioning, and the method by which the examination is produced. That really fits into the same category, does it not, Mr. McGee?

Mr. MCGEE: Let me see where I am going in this thing.

I understand there is, at the present time, an advertisement for a bilingual selection officer in Ottawa, the qualifications being university or other equivalent qualifications. Is that the fact?

Mr. PELLETIER: I am sorry, I missed the first part of your question.

Mr. MCGEE: Is it a fact there is that advertisement in the Ottawa area for a bilingual selection officer?

Mr. PELLETIER: Yes, at the moment.

Mr. MCGEE: And normally the qualification would be university or other equivalent experience?

Mr. PELLETIER: Yes, that is correct, Mr. McGee.

Mr. MCGEE: Coming back to my line of questioning of the methods used in promotion and selection boards, this has to do with the presence of psychologists being used on tests of many different kinds, personality tests and, in particular, aptitude tests. Is it correct, you do not make extensive use of these personality and aptitude tests?

An hon. MEMBER: Louder, please.

Mr. MCGEE: Is it a fact that you do not make extensive use of these aptitude and personality tests in connection with these boards you designate, that are appointed in the departments?

Mr. PELLETIER: No, we do make use of that kind of test extensively.

The CHAIRMAN: Mr. McGee, I am going to make a suggestion. This line of examination was, to a substantial degree, carried on by both Mr. Nesbitt and Mr. Bell, who requested specific information, and this information as yet has not been tabled. I have it in my hands now, and may I request the permission of the committee to table it; and then Mr. McGee, after having had an opportunity to read it, you could continue your examination.

Mr. MCGEE: When you say "table it"—

The CHAIRMAN: Have it printed in its entirety as an appendix.

Mr. FAIRFIELD: I thought at one of the previous meetings the witness undertook to provide us, not for our personal use, but for information, with some of these application forms for employment. I have not got one as yet.

My second question is this: What importance does the commission attach to recommendations within a department, rather than just purely an examination?

Mr. PELLETIER: A recommendation from a department?

Mr. FAIRFIELD: Yes, on a promotion.

Mr. PELLETIER: On a promotion competition?

Mr. FAIRFIELD: Yes.

Mr. PELLETIER: On this whole question of examinations I said some meetings back that, in principle, it would be better if a Civil Service Commission officer could supervise every examination. I said "in principle". It would be quite wrong to deduce from that statement that, in fact, it would be better, or that it would be practical, or that it would produce better results.

Assuming that it was practical and that a Civil Service Commission officer supervised every last examination in the civil service, we would still have to use departmental officials. They would play a very important part in this. They would have to, because what we are trying to achieve is to ensure that the best man gets the job; and, obviously, the departmental officials, by and large, know the quality and performance of their people better than the commission does. The commission is simply there to ensure that the merit principle is maintained throughout the civil service.

Mr. FAIRFIELD: This then falls within that four per cent category that the civil service do not examine; is that a fact?

Mr. PELLETIER: No, I am afraid not. This applies to 100 per cent of the examinations. In the four per cent case we conduct the whole thing from A to Z. In the 96 per cent case we do not procedurally conduct the examination, but we supervise it.

Mr. CARTER: Mr. Lambert has a question on this.

The CHAIRMAN: Is this in the same area, Mr. Lambert?

Mr. LAMBERT: It is on the application form.

The CHAIRMAN: Mr. McFarlane, is your question on the same point raised by Dr. Fairfield?

Mr. MCFARLANE: I think it is. I do not think this is the same question as before, but what preference are veterans given in the examinations, and also the appointments?

Mr. FAIRFIELD: That is another section.

The CHAIRMAN: This deals with another section, which we are going to come to.

Mr. MCFARLANE: I am sorry, Mr. Chairman.

The CHAIRMAN: Any further questions on the point raised by Dr. Fairfield? Mr. Nesbitt?

Mr. NESBITT: My question is very closely related to this, and it refers to reclassification of position versus promotion which, I think you will agree, are very closely related. We are all quite familiar with what the procedures are with respect to promotions, as a result of several meetings. Could Mr. Pelletier or Miss Addison tell us something about what the procedure is in reclassification of a position, in the event in a department a person holding a certain position finds that the work becomes either greater or less—as the case may be—and it is recommended the job be reclassified by the deputy minister or the personnel officer, or someone of that nature. What is the procedure in that case?

Miss ADDISON: The whole area of the classification and reclassification of positions is entirely within the discretion of the commission, and we are the people who do this.

It will probably start with a request from a department to have a job reclassified. They would say to us that they feel the duties of this job and the responsibility undertaken by this person have changed significantly, to the point where they feel the job should be reclassified. This is the primary basis on which reclassification is done. That is, where there is a change in duties and responsibilities of a job. They would describe what these additional duties and responsibilities are to the commission.

This request would then come forward to us, and we would, in all likelihood, go out and actually look at the job. We review the job or we gain such knowledge of the job from the director of the department, and we would know what this was. On this basis we might reclassify it. But we would only do it when we were satisfied that this job warranted reclassification.

Mr. NESBITT: But this is instigated at the request of the department or, usually, the deputy minister?

Miss ADDISON: Initially, because they are the ones who know when new duties and responsibilities are added to the job.

Mr. NESBITT: In most cases would the recommendation of the deputy minister be followed out by the commission, or could you give us any idea?

Miss ADDISON: I am afraid I do not quite understand what you mean.

Mr. NESBITT: On recommendations for reclassification of positions by a deputy minister, after careful examination by the commission, in most cases would the initial recommendation by the deputy minister be followed out by the commission as a matter of practice?

Miss ADDISON: It varies greatly.

Mr. NESBITT: When these positions or recommendations for reclassifications are being investigated by the commission—you have described, broadly, the type of investigation that goes on. For instance, when someone comes over from the commission to determine the need in the department, is the deputy minister interviewed, or the director of the particular section or department interviewed, or is it just the person occupying the position who is interviewed?

Miss ADDISON: I think ideally we would interview both the person occupying the position and the person who supervises that position, in order to get an idea of what the department wants to get from the job, and what the person is doing in the job.

Mr. NESBITT: That would be done in every case?

Miss ADDISON: We would try to, but not in every single case, because we know the area in which they are working, perhaps from previous reviews we have made of the particular job. We have not the staff to do it in every single case, but we try to do it by investigation and from the knowledge we have of these positions as to what the people are doing.

Mr. NESBITT: If recommendations made by the deputy minister for reclassification were not accepted by the commission, for good and sufficient reason, and a further request was made by the deputy minister, I take it a more extensive inquiry would be made?

Miss ADDISON: Yes, but this is the negative aspect. The ones we have difficulty with are the ones on which we say "no". We often do re-examine them, more than once, at the request of the department, to make sure we are right.

Mr. NESBITT: If that is the case, would people such as the personnel officer or the deputy minister of the department have a chance to present their views to the officer of the commission coming over?

Miss ADDISON: Certainly, the responsible people of the department would have an opportunity to present their views to the commission.

Mr. NESBITT: That would happen in every case where there was some dispute between the department and the commission?

Miss ADDISON: Yes, this is true.

Mr. McDONALD (*Hamilton South*): Does the Commission ever hire efficiency experts outside their jurisdiction, to go into the departments and investigate the reclassification of jobs?

Miss ADDISON: No.

Mr. McDONALD (*Hamilton South*): Have you ever had any efficiency experts come in from outside, into any department of government, in the past ten years?

Miss ADDISON: We have our own service in this field. We have our organization and methods division in the commission. This division does go into this whole field of organization and the procedures and methods that are being used in the service.

Mr. McDONALD (*Hamilton South*): Do they ever take a specific department and go through that whole department?

Mr. FAIRFIELD: That is going to be dealt with.

The CHAIRMAN: Mr. Pelletier has just suggested to me that it might be a good time to deal with veterans preference, in connection with a question raised by Mr. Bell. Would you like to place your question again?

Mr. MCFARLANE: I would like to know what preference veterans are given, assuming five individuals write an examination and only one of them is a veteran. Would that veteran receive preference in the awarding of the position?

Mr. PELLETIER: He would receive absolute preference, provided he made the minimum qualifying marks. If he is required to make an average of 70 per cent on whatever subjects comprise the examination, and if he made 70.5 per cent, he would have absolute preference.

Mr. MCFARLANE: I have a case here, without mentioning any names. This man was placed with 72 per cent, and yet he was not given consideration, and a civilian was appointed.

Mr. PELLETIER: I can only recall—and, again, Mr. Chairman, we are getting dangerously close to individuals—

Mr. MCFARLANE: Yes, I quite realize that.

Mr. PELLETIER: —but I can only recall one case in 40 years where the veterans' preference was not observed. That was done, of course, with the authority of the governor in council, which is the only way in which it could be done. That was done with the full knowledge of the candidates, of the Canadian Legion, and everyone else concerned. But I can think of no other case where the veterans' preference has not been rigidly applied.

The CHAIRMAN: Mr. Bell, do you have any further questions in this area?

Mr. BELL (*Carleton*): I would like to ask how it applies initially in competitions. My understanding is that when all the applications are received, the commission reviews the applications, and if on the initial review there appear to be veterans who have the appropriate qualifications, then the non-veterans are not called for examination.

Mr. PELLETIER: That is true, Mr. Bell. In cases where you would have, for example, 20 candidates who all appear to be qualified, who appear to have the minimum qualifications for the job, if 10 of those 20 are entitled to the veterans' preference then our normal practice, in order to be more efficient and save the taxpayers' money, is to interview those ten first. If amongst those ten there are one or more who are suitably qualified for the job, then you are quite right: we do not look at the remaining ten.

Mr. BELL (*Carleton*): Would you like to say the nature of the recommendations you have made in your personal report.

Mr. PELLETIER: On the veterans preference?

Mr. BELL (*Carleton*): Yes.

Mr. PELLETIER: Yes, Mr. Bell. Perhaps, Mr. Chairman, with your permission I should state briefly what the present preference is.

The present situation is that a disabled veteran gets a preference which is a notch above the ordinary veterans' preference. He can exercise that absolute preference on initial appointment, until he is successfully rehabilitated.

The other veterans who are not disabled, but who are entitled to the veterans' preference, get absolute preference below the disabled people. This preference is exercisable only on initial appointment—and this is, perhaps an answer to the previous question, too. This does not apply in promotion competitions, but only on initial appointment.

What we have recommended to the government is that the disabled veterans' preference should remain unchanged and that he should continue to get absolute preference until rehabilitated.

With regard to other veterans, we have recommended that the definition of veterans be widened. At the present time, in order to be entitled to preference he must have had overseas service or have served in waters outside the territorial waters of Canada. We have recommended that a man or woman should be considered a veteran if he or she has served in the uniformed forces of Canada anywhere during a time of armed conflict, or in a special United Nations action or an armed action of that kind in which Canada is a participant. That veteran would be entitled on initial appointment and once only, at his choice, to a bonus of 5 per cent of total attainable points being added to his score.

Mr. CARTER: In the case where there is more than one veteran over the 70 per cent mark, does the disabled veteran with a low mark get preference over the other veteran with a high mark?

Mr. PELLETIER: Yes.

Mr. MCFARLANE: Could the witness advise approximately when this one case, to which I referred earlier, was handled?

Mr. PELLETIER: I would not like to pinpoint the time. Let me say it was within the last three years.

Mr. MCFARLANE: This case was published in the *Canada Gazette* under date of April 4.

The CHAIRMAN: Mr. Pigeon, I do not believe you asked a question; you made an observation, so I do not think an answer is required. Were you expecting an answer?

Mr. PIGEON: No.

The CHAIRMAN: Have you completed your question, Mr. McFarlane?

Mr. MCFARLANE: No. I just wanted to bring the question up; that was all. I would like an answer some time, if I could get it.

The CHAIRMAN: An answer to what?

Mr. MCFARLANE: Well, the case to which I am referring was published in the *Canada Gazette* under date of April 4 and the witness so kindly advised me there was only one previous case. I was trying to pinpoint it down, without getting too technical.

Mr. PELLETIER: You are referring to the *Canada Gazette* under date of April 4. In what form was it published? If it was published in the *Canada Gazette* I assume it is public domain, and if you will give me the incidents I will look into it.

Mr. MCFARLANE: Page 1282, at the bottom of the right-hand column.

Mr. MCILRAITH: Read it.

The CHAIRMAN: Read it.

Mr. MCFARLANE: It gives all the names. It is in connection with a customs excise officer, grade 2, Department of National Revenue, Centreville, New Brunswick. Five people wrote and this man was at the bottom of the list and he is the only man with veterans service out of the five.

Mr. PELLETIER: May I make a statement, Mr. Chairman?

The CHAIRMAN: Yes, but just a moment. Gentlemen, there is a point here and Mr. McFarlane is not at fault. Regardless of the fact that this is public information, the committee decided, not the chairman, that we should not deal with personalities. My feeling is that if we are going to deal with personalities in this one instance, there is nothing to prevent us from carrying on in the future. What is the feeling of the committee?

Mr. BROOME: No personalities.

The CHAIRMAN: I think we had better stick to the point.

Mr. MCILRAITH: The difficulty is, Mr. Chairman, that the question was put, through no fault of Mr. McFarlane, but the answer was cut off.

The CHAIRMAN: You realize as well as I do, Mr. McIlraith, that when someone asks a question you cannot anticipate it's content until it has been asked.

Mr. MCILRAITH: Yes, Mr. Chairman, but when an answer is cut off, it is unsatisfactory and sometimes leaves a wrong impression.

The CHAIRMAN: You would like a reply to this specific point, Mr. McIlraith, and then leave it?

Mr. MCILRAITH: I want some consideration as to whether or not the point should be cleared up.

The CHAIRMAN: Are you asking that it be cleared up?

Mr. McILRAITH: I am asking that we have an opportunity of considering whether or not it should be.

Mr. WINCH: If it can be cleared up—

The CHAIRMAN: Mr. Pelletier, can you clear it up without going into further details? Will you endeavour to clear it up and then leave it at that?

Mr. PELLETIER: Dealing with this matter quite broadly, the veterans preference is not the only preference that exists in the Civil Service Act; there is also the local preference. I must confess I am not familiar with the specific case raised and, in any event, Mr. Chairman, the committee has decided not to deal with that kind of thing. But it is possible in this particular case that local preference has taken priority over veterans preference. I cannot give a more specific answer than that.

Mr. BROOME: I think it would be in order for Mr. McFarlane to get the answer to this privately from Mr. Pelletier.

The CHAIRMAN: That is a matter of concern for Mr. McFarlane.

I believe Mr. Pigeon wishes to make a correction on an earlier comment; I would ask him to proceed.

Mr. PIGEON (*Interpretation*): I wish to clear up a matter so as not to be misunderstood. This is directed to the newspaper men here and the members of the committee. When I mentioned a while ago relatives of members of parliament, ministers or leaders of the opposition, I had no reference to leaders of the opposition or former ministers or anything like this in the federal field. I was speaking of people possibly in the provincial field, and I wish to be quite clear on that matter.

I wish to be understood that I am not referring specifically to people or former ministers or leaders of the opposition in the federal field, but in other fields.

The CHAIRMAN: Thank you, Mr. Pigeon. Would you now proceed, Mr. Carter.

Mr. CARTER: I notice that the application form requests the applicant to list all his former employers, going back as far as space on the form will permit. I think there is room on there for him to list six, seven or eight jobs. I would like to know what use is made of that particular information.

Mr. PELLETIER: The use that is made of it varies. In cases where we have time and the job is important enough, we check back on a man's previous employment record before appointing him.

Mr. CARTER: Well, that is only generally in the case of very important jobs; that is not a regular practice.

Mr. PELLETIER: Well, for example, if we have an examination for junior clerks at the entrance level—and as you might expect, we have a great number of applicants for these kinds of jobs—as most of these people, or a great many of them, are fresh out of high school, we check their academic record, and that is about the size of it. There is no former employer to go to; but if we are looking for a fairly high grade engineer for a special job, we would check back to make sure we are getting a good man.

Mr. CARTER: Well, I can understand that in the case of a professional man such as an engineer, doctor, a lawyer and those types of professions, but in the case of a general administrative post where an official has an opening for a grade 3 or grade 4 clerk, I have often wondered how that is assessed and whether the fellow who can put down the greatest number of jobs might not be getting an advantage over a man employed in only one job.

Mr. PELLETIER: It might work just in reverse.

Mr. LAMBERT: Yes, because he might be a drifter.

Mr. PELLETIER: I cannot generalize on that. With the means at our disposal, we do try to make sure we get the best man. A moment ago I gave two extreme examples but I think they illustrate the type of thing we are trying to do.

Mr. CARTER: Do you assess it on related experience? If he has had other jobs and the experience is not necessarily related to the particular post that has to be filled, would you ignore that?

Mr. PELLETIER: No; related experience is certainly an important factor.

Mr. CARTER: But I am referring to unrelated experience.

Mr. PELLETIER: It might or it might not be; certainly related experience is.

Mr. CARTER: Well, would not the wrong kind of experience be a liability rather than an asset in some jobs?

The CHAIRMAN: Will you define the wrong kind of experience.

Mr. CARTER: Let me put it this way. Would not the more jobs a person has had be an indication of his ability to learn and adapt himself to new situations more rapidly.

Mr. PELLETIER: In certain cases I agree entirely with you and in other cases I have to disagree. If you are looking for a director of an important branch, I do not think the taxpayers of Canada should be asked to foot the bill of an educational process for that man. If, on the other hand, you are looking for a junior administrative officer, it is quite another matter; potential is quite important.

Mr. CARTER: I have had experience along this line and I have certain views that people who have had certain jobs and got into certain grooves, although they have not had a lot of experience on that kind of job, yet it hinders them from doing their work in a different way, which is often required in a new post.

The CHAIRMAN: I think that probably comes under the heading of an assertion. Have you a question, Mr. Lambert?

Mr. LAMBERT: I have discussed with the commission on previous occasions question No. 26 on the application form; it reads as follows:

Have you ever been charged with offences other than minor traffic violations?

Now, since any person in this country cannot be asked in court such a question, why does the Civil Service Commission feel that it should know whether a man had ever been charged? So far as a conviction is concerned, I agree, but I am opposed to this question: have you ever been charged, because unless the man has been found guilty, there is no indication that he ever was and I think it creates an atmosphere of possible prejudice. I would like to have Mr. Pelletier's views on why this question continues to be asked.

Mr. PELLETIER: Mr. Chairman, I would like to begin by saying that I, and I think Miss Addison, are inclined to agree with the hon. member. As a matter of fact, this form has been in existence for some time and this is a matter which we have actually been looking at quite recently. I am not too sure whether anything at all should be shown under this heading. You could have one of two questions: have you ever been charged, or, have you ever been convicted. That is your point?

Mr. LAMBERT: Yes.

Mr. PELLETIER: You could debate the worth even of "have you ever been convicted" because if a person is honest enough to admit he has been convicted, we know he is, but we may have a dishonest person who would not admit it.

Mr. CHAMBERS: Do you not have a retail credit report on these people?

Mr. PELLETIER: We do when we have evidence they have been convicted. Let me say this—and I am not defending this question—we in the commission are interested in trying to get the best possible people for the jobs. This means a lot of things; it means experience and it means academic standings for certain jobs. The fact that a person has been charged or even that he has been convicted does not mean that that person will not get a job. For example, if we have a candidate who is 40 years of age and who at the age of 18 stole a bicycle and was convicted and sentenced, but has since led a perfectly exemplary life, we will give him the job. Now, charges without convictions are something different again. He may have been charged three or four times and never been convicted. All we would do in that case—and, Mr. Lambert, I want to repeat that I am not trying to defend this question but simply explain why it is there—is look into this person's background perhaps more thoroughly than otherwise would be the case, and the fact he has been charged, once, twice or three times may be meaningless in so far as the end result is concerned.

The CHAIRMAN: Are there any further questions in connection with the application?

Mr. MCFARLANE: Yes, Mr. Chairman. I notice this question is a general policy. I would like to ask Mr. Pelletier if he would broaden his remarks on a local preference.

Mr. PELLETIER: The act says in section—well, I know the substance of it by heart. The act says in effect that outside of Ottawa no person shall be appointed to a civil service job unless he has resided in that locality for a period of twelve months or more. Of course, we do appoint people who do not so reside for twelve months if we cannot find any qualified people who meet that requirement. This again, if I might say so, Mr. Chairman, is something on which we have made substantive recommendations in our report to the government.

Mr. RICHARD (*Ottawa East*): May I ask Mr. Pelletier again, in reference to Mr. Lambert's question, because I think Mr. Lambert is absolutely right—is it true if a young chap, say 22 years old, applies for a position on an open examination for a clerk or something else, and admitted that he had stolen a bicycle and was convicted when he was 12 or 14, that he would be refused permission to enter the competition? That is my impression.

Mr. PELLETIER: Oh no, Mr. Richard; quite the contrary. If it is a sin-of-youth type of offence, and the man has since led a good life, that would not be taken into consideration at all.

Mr. RICHARD (*Ottawa East*): He would be allowed to compete?

Mr. PELLETIER: Certainly.

Mr. CARON: Would there be an inquiry by the R.C.M.P. first?

Mr. PELLETIER: We would conduct certain investigations. We might on occasion use the R.C.M.P.

Mr. CARON: Because I know of an occasion where the R.C.M.P. made an inquiry.

Mr. NESBITT: I notice in question 29 it reads:

How did you first become informed of this competition?

What is the purpose of that question?

Mr. PELLETIER: That is merely for our own administrative purposes and is not unrelated to the question Mr. Bell asked earlier. We want to make sure we are reaching the people, and we want to make sure the advertising media we are using are effective.

The CHAIRMAN: Mr. Pigeon, your question is on this application form?

Mr. PIGEON: No, not on the application.

The CHAIRMAN: All right, we will come back. Mr. Broome?

Mr. BROOME: It is mentioned here, in regard to age. It may have been covered. Are there any age limits?

Mr. PELLETIER: There are age limits for certain jobs, yes. For example, and this is a generalization because we would have to look at specific jobs and explain the reasons why, but in certain entrance groups, particularly at the professional level, we sometimes have a ceiling, because we do not think it is in the public interests, for example, to hire at the entrance level a lawyer who is 55 years old.

Mr. BROOME: What would your ceiling be?

Mr. PELLETIER: This is a generalization.

Mr. BROOME: Generalizing still further, what ceilings do you apply?

Mr. PELLETIER: It varies.

Mr. BROOME: In what range?

Mr. PELLETIER: I do not know that there is a range.

Mr. BROOME: Would you say that a man 50 years old who applied would be under a disability?

Mr. PELLETIER: There are very few positions, except certain types of entrance positions, in which training is important, where there is any ceiling at all.

Mr. BROOME: Well, if training is important then a man gains experience from working at his profession, or whatever it happens to be, and would be better able to handle the job if he is almost at retirement age.

Mr. PELLETIER: But if the man has that experience he would not come in at the entrance level.

Mr. BROOME: Then in fact there are no age restrictions outside of law practice. You do not want a man who is going to be retired in three years. But I think in non-professional circles, where certain employees are employed by others, there is a tendency for companies to refuse, because of pension plans and so on, to employ a man who may have reached, say, age 40; and this is a very bad thing. I am hoping that the federal government is a good employer and is trying to place people who have lots to contribute, although they may be a little farther along in years.

Mr. PELLETIER: I agree entirely. You may not have been at a previous meeting when I said the Civil Service Commission positively tries to take into account not only the older citizen but also the disabled citizen. Both the older citizens and the disabled citizens, who are capable of doing a job, we consciously try to employ.

Mr. BROOME: Your pension requirements and so forth are not a limiting factor in your employment?

Mr. PELLETIER: That is right.

Mr. CARON: On the same line, once a man has passed his examination has the interviewer who sees him the right to tell him, "You are too old"?

Mr. PELLETIER: Mr. Caron, if there is a positive age limit, yes; if not, no.

Mr. CARON: It was not mentioned when a competition was advertised and the man succeeded in his examination and then was told by the interviewer he was too old at 49 to get a job. I am stating that case, because I have a letter here from a chap in the army. He must be a very well learned man, because it is very hard to understand his writing. If it is the case for this one it might be the case for others, where an interviewer takes upon his own to decide that the man is too old for the job. I think that would be very unfair if it was that way and it is up to the commission to decide.

Mr. PELLETIER: Mr. Caron, if that man was told that by the interviewer he should not have been so told.

Mr. BROOME: You mean he should have acted on it without telling him?

Mr. PELLETIER: That man should have been rated on his worth, and then it is up to the commission to appoint him and have him sent to a departmental job. Then the department, of course, as was mentioned earlier, has the right of rejection for cause.

Mr. BROOME: I have one further question—

The CHAIRMAN: Mr. Chambers?

Mr. CHAMBERS: Following this, Mr. Broome brought up the question of pensions and I was just wondering if the pension plan does not reduce the chances of an older person in getting employment.

Mr. PELLETIER: No, it has no bearing whatever except, obviously, the older a person is when he gets in, the smaller the pension will be.

The CHAIRMAN: Have you replied to Mr. Chambers?

Mr. PELLETIER: Yes, I have.

Mr. BROOME: Are there definite instructions to interviewers in regard to the commission policy on this matter?

Mr. PELLETIER: Our general instructions to examiners are that they are to examine candidates on classifications and qualifications for the job.

Mr. BROOME: But are there definite instructions that it is the policy that age is not a limiting factor, except they specifically say it is, and that in fact, if anything, preference is to be given to older aged men?

Mr. PELLETIER: Not that I know of, although there may be.

Miss ADDISON: We have issued a circular in which we stress this point, that consideration should be given to older people.

Mr. BROOME: Right; I am satisfied; thank you.

Miss ADDISON: And it goes to all departments, so it is not just to our own people.

Mr. NESBITT: Just a very brief question. Mr. Lambert and I have these application forms in front of us, and they are a different form.

Miss ADDISON: Is one promotion and one application?

Mr. NESBITT: No, both applications for employment. We are wondering which one is used.

Mr. LAMBERT: I have a 1956 form and Mr. Nesbitt a 1958, but my 1956 was obtained in the last week or ten days here at Ottawa.

Mr. PELLETIER: Old stock, for which I apologize.

The CHAIRMAN: Mr. Nesbitt is considerably more up to date than you, Mr. Lambert.

Mr. PIGEON (*Interpretation*): With special regard to the Department of External Affairs, do you not feel that section 21 is incomplete? Do you not think that as regards the Department of External Affairs at least it should be asked of the candidate whether he speaks another language?

Mr. PELLETIER (*Interpretation*): That question you spoke about is put when the position requires knowledge of another language, but is not put as a general rule. It is not put in applications for general employment where it does not appear to be necessary.

Mr. PIGEON (*Interpretation*): When the National Research Council or the Department of Mines and Technical Surveys, for instance, takes into its employment candidates to be researchers, and who will have possibly to do research on any Russian or German documents, do you not feel it would be preferable to put that question?

Mr. PELLETIER (*Interpretation*): In that case that question would be put.

The CHAIRMAN: Further questions on the application form, gentlemen? We will proceed, then, gentlemen. Are you through on the area of examinations? Further questions?

Mr. McGRATH: This question is not entirely relevant to applications. However, it does deal more specifically with temporary employees—employees of temporary status. I have been trying, without success, to get your attention for some time.

The CHAIRMAN: I am sorry, Mr. McGrath. Will you proceed?

Mr. McGRATH: The question I have specifically deals with the status of temporary employees in the Civil Service Commission. If I may give a specific case, for example, in the province of Newfoundland. A great deal of the public service of Newfoundland were absorbed into the federal civil service ten years ago. I know of several cases where former employees of the Newfoundland government, who are now employed by the federal government, are still on a temporary status and have tried several times without success to get permanent status within the federal civil service.

Mr. PELLETIER: Mr. Chairman, this whole area of so-called long term temporary employees is a very confused and indeed a very confusing one. If I may give a little bit of the history, Mr. Chairman, of this thing—and this does not apply only to Newfoundland where it does exist, I will agree—starting back in the early 1930's and continuing on into the early war years, there were, by government action, certain orders in council passed restricting the total of permanent employees that could be employed in any department.

These restrictions were gradually lifted, and indeed now there are no such restrictions. I hope the committee will be happy to know that for the past few months we have been streamlining our whole appointing procedure and this will go into effect, I hope, this summer, whereby appointments will be made much more quickly, much more effectively and at much less cost.

At the same time, we are looking at this whole area of so-called temporary employees who are in fact permanent, that is, employees who have qualified for permanent appointment and are in fact holding positions of a continuing nature. We are now in discussion with the Department of Justice to try and devise some means whereby the status of these people can be regularized.

I should add in the same breath that, although they are so-called temporaries, they do not suffer at all with regard to pension benefits or any other benefits in comparison with so-called permanent employees.

Mr. McGRATH: Their job cannot be wiped out at any time?

Mr. PELLETIER: No.

Mr. McDONALD (*Hamilton South*): Why are they temporary then?

Mr. PELLETIER: For the historical reasons I have mentioned.

Mr. McCLEAVE: Mr. Chairman, this goes back to a couple of days ago. I wondered if the commissioners could tell me whether in the past ten years any charges have been made under sections 34, 35 and 36 of the present Civil Service Act, which deals with irregularities on the examination for the appointment, and the punishment that is provided if those irregularities are found out.

There are four types of offences—first, fraudulent practice, second, breach of regulations, thirdly, personates any candidates or induces or allows any person to personate him and, fourth, surreptitiously pinches an examination paper.

The other question I would ask is whether the commissioners feel that the proposals for the new act are strong enough in this particular instance, which will be found at page 94 of the report.

Mr. PELLETIER: Your first question was, had any charges ever been made. The answer is yes. There have been some court actions which, of course, I could not begin to cite them from memory; but I do recall there was at least one which was quite notorious at the time. There are brought to our attention, not too often, but on occasion, certain malpractices under these headings on which we take action.

Now, as to whether or not we consider our proposal strong enough, obviously the answer is yes since we recommended that this be done.

Mr. McCLEAVE: Then could I follow up that answer with this question? We have talked about empire building and the fact that people within this particular department can sometimes so arrange examinations to the advantage of certain people. I do not see how your suggestions here would overcome that situation at all and I thought that was something you were anxious to avoid?

Mr. PELLETIER: I am not sure I quite follow your question, but there is one thing I would like to say and that is that, quite apart from what we have recommended or indeed what is in the act now, there is also the Criminal Code which covers many of the areas to which I think you have reference.

Mr. McCLEAVE: This is with reference to remarks about tailor-made competitions at page 346 in the No. 15 minutes of proceedings and evidence, when we dealt with the question of tailor-made competition. Miss Addison replied:

We would certainly call for a new competition, and bring it to the department or deputy head's attention, if we felt it was being done deliberately.

I am wondering do you or do you not usually have some method of dealing with people who deliberately tailor-make these competitions?

Mr. PELLETIER: We must always come back, I think, to the essential principle that it is not the department that sets these examinations, but the commission. I have said previously that we have delegated authority in certain areas to departments to do thus and so, but we have the power at any time to withdraw that delegated authority or, indeed, to leave it where it is and do what Miss Addison said, order a new competition.

Mr. McCLEAVE: Let me clarify my question and perhaps my past remarks made on this subject. I do not think your proposed section is strong enough, but I do not think it is worthwhile having a long argument about it now.

Mr. McGRATH: Could I ask whether use was made of the Criminal Code to overcome the deficiencies in the act?

Mr. PELLETIER: No, it would not be relevant to the kind of thing that has just been referred to, at least I do not think so.

The CHAIRMAN: Is your question relevant to this, Mr. Caron?

Mr. CARON: No.

The CHAIRMAN: All right; Mr. Payne.

Mr. PAYNE: Mine, Mr. Chairman, has to do with the processing of applications once received. What assurances can the witnesses give that once an applicant does in fact submit an application, that he will be notified that the competition is open and he is entitled to enter? I have in mind the machinery of filing. Have there been instances where they have failed to notify because of errors of procedure in filing and, if so, what is the incidence?

Mr. PELLETIER: I hope the incidence is very low. Here again I cannot guarantee that there have not been failures on occasion, but the system we do follow, in addition to our advertising which is extensive, is that, when we receive letters from applicants saying: "I am interested," for example, "in being a postal clerk" and we have at that time no postal clerk competition we will file that application away in a postal clerk file. As soon as a postal clerk competition comes up we pull out that file and notify all the people who have expressed interest in that area.

Mr. PAYNE: Was there an incidence of failure to notify applicants?

Mr. PELLETIER: I cannot say yes or no to that question.

Mr. PAYNE: Well, Mr. Pelletier, you implied the answer was yes. What procedures do you follow in order that the application that the applicant who has been so mishandled is in fact treated fairly in some subsequent manner by the commission?

Mr. PELLETIER: In the manner I have just explained. We send a notification to this man. In the meantime, of course, the man may have moved. All sorts of things might happen.

Mr. PAYNE: I am referring specifically to a filing error whereby an applicant has made his application and due to breakdown in the filing procedures no advice is given of the competition and, as a result of failure in mechanical machinery, he is not given his fair opportunity to enter the competition. I would like to know if this occurs and what the incidence of it is. I think, Mr. Chairman, this is a very important, cardinal point.

Mr. PELLETIER: Mr. Chairman, last year we had something less than 200,000 applications for jobs. The commission has been in existence for 40 years. I just do not know what the incidence is, but if there has not been any failure to notify a candidate in those conditions in 40 years the Civil Service Commission is a much better machine than I think it is.

Mr. PAYNE: You know of no instances?

Mr. PELLETIER: I do not know of any specific instances.

Mr. CARON: Is there a written application filed applying for cleaners and helpers?

Mr. PELLETIER: You mean a specific application form?

Mr. CARON: A written examination. There is a specific application form for that.

Mr. PELLETIER: Mr. Chairman, I think we were talking about this the other day. Perhaps Mr. Caron was not here. There is an examination, but if I remember correctly the examination is largely of the visual type, that is, the candidate does not have to write anything, because it is not terribly important that a cleaner and helper should write well.

Mr. CARON: Even if writing for cleaning is not necessary you want to know if he should write well?

Mr. PELLETIER: No, that is just the point; I said it is not important. Therefore, we have devised a type of visual examination where the man only has to tick off the right answer. He does not have to write anything.

Mr. CARON: He does not have to write anything?

Mr. PELLETIER: No.

Mr. WINCH: For purposes of clarification I would like to ask one more question on promotion?

The CHAIRMAN: Proceed.

Mr. WINCH: We are all agreed that the question of morale in the civil service is of the utmost importance.

The CHAIRMAN: Your question, Mr. Winch.

Mr. WINCH: The question is because of two phone calls this morning from long service employees in Ottawa on recent examination for promotion, and the question is based on the information that the promotions were given to persons of two or three years experience, employed in a certain department over the heads of many who have had between 15 and 23 years' experience in the same type of positions.

Can you explain, or give us some indication of that situation, and as to whether or not there could be an improvement in morale by more attention being paid to those who have long service over those who have not as long service?

Mr. PELLETIER: My personal opinion—and I think Miss Addison shares it—is that perhaps morale would be hurt rather than helped if we gave that kind of weight to seniority alone. What we are attempting to do is to promote the best man, not the man who sat in the chair longest. It might well happen that in some cases a man with three years' experience will get the promotion and the man with twelve years' experience will not, but the three-year man may be a much better man than the twelve-year man. Seniority is a factor but it is not a big one.

Mr. WINCH: Do you think that would apply to a customs appraiser?

Mr. PELLETIER: Yes, I think it would.

Mr. THOMPSON: Mr. Chairman, I would like to ask Mr. Pelletier if he can conceive of any process whereby a person could be offered a job in the civil service before a competition is advertised?

Mr. PELLETIER: Yes, there could be such circumstances. For example—well, to take a very common one and a current one, that is the stenographic area. We have a very great deal of trouble getting stenographers in Ottawa, Vancouver, Toronto, and perhaps elsewhere, but certainly in those places. What we do there is a sort of constant running competition and if a stenographer comes in off the street, we test her and if she passes the test she gets a job that afternoon. But this would not apply generally.

The CHAIRMAN: I wonder if you should perhaps clarify this job.

Mr. PELLETIER: Mr. Chairman, I apologize for a somewhat unfortunate choice of words. But I think my meaning was clear.

The CHAIRMAN: I am sure we understand you.

Mr. CARON: Would you like to be the tester?

The CHAIRMAN: Have you a further question, Mr. Thompson?

Mr. THOMPSON: Not talking about stenographers, but clerks in administrative offices and that type of position, can Mr. Pelletier think of any process or any idea whereby a person could be offered a job in the civil service before the competition is even advertised? I believe that has been done. I have heard of that being done.

Mr. PELLETIER: Yes, that is quite so. There is provision in the act in cases of emergency to hire people right off the street. Those people can only be hired on that basis for a short period of time and, if it is a continuing job, then the policy of the commission is to hold a competition and that person may or may not get it. That can happen.

The CHAIRMAN: Further questions?

Mr. BELL (*Carleton*): May I return for the moment to this question of temporaries that Mr. McGrath raised. Would you have any figures to indicate how many temporaries there might still be at headquarters?

Mr. PELLETIER: At headquarters?

Mr. BELL (*Carleton*): Yes. Perhaps you can give the national total and perhaps the number at Ottawa.

Mr. PELLETIER: I do not think we have those figures. Of course, we can get them but I am afraid it would be a laborious job.

Mr. BELL (*Carleton*): Would you have any approximation? Is it down to the hundreds or in the thousands?

Miss ADDISON: It is in the thousands. It is quite sizable. It is because it is so sizable that we have this problem of finding a legal means of making them permanent.

Mr. BELL (*Carleton*): But it was reduced over the years, was it not?

Miss ADDISON: Yes. What we have tried to do is to bring in regulations or procedures which will bring these temporaries into line so that they would get the same kind of treatment as permanents. This is something the commission has been trying to do.

Mr. BELL (*Carleton*): On another matter, we have just dealt with the power of a department to reject where a promotional certificate has been issued. We dealt with that last week. May I generalize from the question that was raised with respect to age and the power of the department to reject in the case of an initial appointment. What supervision does the Civil Service Commission exercise to ensure that such rejections made in clerical or other types of positions are not just capricious? It is a matter upon which I receive a substantial number of complaints, and I would like to know what review of each of these rejections is made by the commission.

Mr. PELLETIER: Mr. Bell, this is section 23 of the present act which empowers departments to reject for cause any person. The reasons for such rejection must be reported to the commission.

Mr. BELL (*Carleton*): In writing?

Mr. PELLETIER: Yes. It is not so provided in law, but that is the way it happens in practice. We then look at the cause for rejection and, if we think it is a good cause, naturally we do not do anything about it. If we think it is capricious—I think that is the word you used,—we go to the department and try to prevail upon them. It could well be, for example,—you mentioned age,—that age might not really be a good cause for rejection. Then, we would try and prevail upon the department to try and keep the man. We are not, however, empowered to impose anybody on anybody. If we felt that the department was wrong we would try to reassign that person to a suitable job in another department.

Mr. BELL (*Carleton*): Have you any instances where departments may have used the power to reject as a technique of frustrating the actual merit system? By that I mean where they can reject perhaps the first candidates who stand first and second and take the third who is the man they wanted all the time?

Mr. PELLETIER: I know of no specific instances of that kind.

The CHAIRMAN: Are you through, Mr. Bell?

Mr. BELL (*Carleton*): Yes.

Mr. CARTER: In the case of assessing, is it not a fact that in some departments the senior official of the department gives an annual rating of all the employees on his staff?

Mr. PELLETIER: The normal practice is that in all departments, including the Civil Service Commission, the supervisor of each unit rates the people under him.

Mr. WINCH: What is the meaning of these words, A, B-plus, C-plus? I guess A is "really out of this world"?

Mr. PELLETIER: "Outstanding", that kind of thing, yes.

Mr. CARTER: Well, I would like to inquire—does the commission vet these ratings? Do you take any steps to prevent abuse of these ratings? I can quite understand that the top official may have a grudge against another official which would give him a lower rating than he would deserve. How do you prevent that sort of thing? How do you correct it if it happens?

Miss ADDISON: I want to point out that in this case each rating form is filled out by the immediate supervisor, and then it is reviewed by another official in the department.

Mr. CARTER: When you say "supervisor" you mean the fellow's boss?

Miss ADDISON: Yes, his immediate boss; and then it is reviewed by a more senior official in the department. So there are always two people involved in this process. We do not examine all these rating forms.

Mr. CARTER: This senior official might not be in that office at all. An employee could be in Newfoundland and the senior official in Moncton. How would he be in a position to know whether the person had been rated correctly, or not?

Miss ADDISON: I think in the majority of cases you would find that the reviewing officer would be in more close contact with the actual person being reviewed in most cases.

Mr. CARTER: I know of a number of cases where that is not the case, where the branch is in Newfoundland and the top man in charge of that office does the rating and the person over him is in Moncton, or some other place on the mainland. I know of abuses that have crept in in that way and I think it is something the commission should look into to prevent it as much as possible.

Mr. PELLETIER: It could well happen. You see, for example, in a department Newfoundland may be a region of that department. There could well be a regional director. Now, that regional director would vet the ratings of all the people in the region. And he would be right there. The regional director himself would be rated at headquarters but the regional director would be known at headquarters. Then these senior officers are rotated and they are usually known at headquarters but, in so far as the lower salaried civil servants are concerned, their ratings would be vetted by a person who is in the area.

Mr. CARTER: That does not answer my question, Mr. Chairman.

The CHAIRMAN: Would you put your question more specifically?

Mr. CARTER: Well, there is only one person, and I am thinking particularly of Newfoundland offices of the federal government public departments; there is only one person, the head man in charge of the operation in Newfoundland, who would rate these employees on his staff. There is nobody else there to check. The other person who would check on that is somebody far removed in some other part of Canada and he has no personal knowledge of these people to know whether they have been rated thoroughly, or not.

The CHAIRMAN: That is taking the form of a question, is it?

Mr. CARTER: Well, I do not know how to phrase it. Mr. Pelletier said that he would be vetted by the regional supervisor. Well, the regional supervisor would vet the fellow who vetted the lower people. What I want to get at is, what steps does the commission take to make sure that all these ratings are fair?

Mr. PELLETIER: One of the purposes for which the rating form is used is to decide whether or not a civil servant will have a statutory increase—you know what I mean by a statutory increase?

Mr. CARTER: Yes.

Mr. PELLETIER: If his rating is poor, he is refused his increase that year. Then, that civil servant has the right to appeal, which he does not infrequently, the denial of the statutory increase, whereupon the appeal is heard and decided upon. In a fair number of cases the statutory increase is reinstated; in others it is not. He therefore has that kind of protection.

Mr. CARTER: When he fails this rating do you send down an impartial body to make a complete inquiry in these things?

Mr. PELLETIER: In that case we set up an appeal board which is chaired by one of our people.

Mr. CARON: Are these ratings ruled from the Civil Service Commission in every department?

Mr. PELLETIER: We have not imposed the rating but we have derived a rating form and have urged departments to use it and I believe the majority of departments if not all, do.

Mr. CARON: Are those ratings sent to the Civil Service Commission once they are made?

Mr. PELLETIER: Yes.

Mr. CARON: Is the rating submitted to the employee before it is sent to the Civil Service Commission?

Mr. PELLETIER: Here again we have urged departments to show the rating to the individual concerned and if the individual so wishes, to discuss it with him so that he will be able to correct his shortcomings, should he have any. This is not done across the board but it is done in many departments.

Mr. CARON: If the rating is not according to what the applicant thinks it should be, you stated that there was an appeal?

Mr. PELLETIER: I am sorry; there is no appeal against that rating as such. However, if as a result of a poor rating a man is denied an annual increase he can appeal that denial.

Mr. CARON: If he want to appeal the fact that he was denied the annual increase and the heads of the department could build up a very good case against somebody, could this person be represented by a lawyer in front of that committee?

Mr. PELLETIER: You are talking of cases in front of the appeal board?

Mr. CARON: Yes.

Mr. PELLETIER: What we normally do is not to have a lawyer present, because this is not really a judicial process in the true sense of the word. It is not designed to determine whether a man has or has not stolen a bicycle. It is a question of the performance of an employee.

The individual can, however, be represented and is usually represented by one of the staff associations, who presents and defends the case of the individual.

The CHAIRMAN: Gentlemen, I might remind you that we are not considering appeals.

Mr. CARON: I am sorry. I will wait.

Mr. BROOME: There is one point I would like to follow on from what Mr. Caron said.

The CHAIRMAN: You will have an opportunity when we discuss appeals.

Mr. BROOME: It is not on appeals. It is in regard to whether the commission have recommended that these ratings be discussed by the supervisors with the employees, and that this is being followed by certain departments and not by other departments.

With the experience of the Civil Service Commission which embraces the whole federal set-up, it seems to me that one of the failings is this lack of uniformity to improve processes such as this, and what steps the commission may take to try and gain uniformity in the areas where they know uniformity will be to the advantage of the system as a whole.

You leave to the department the right which it seems should be within your hands to say: "We will not use this method because we do not want this man to know what this is all about; it would be unpleasant for the supervisors", and so on, whereas if it is the right thing to do it should be uniform. What are you doing about this question of uniformity?

Mr. PELLETIER: This whole question has been under review for some time, because we are not actually satisfied that the procedure we now have is the best possible procedure that could be devised. I think it could be improved a great deal; and when we have improved it, as I think we can, then this point you raise will be considered quite carefully. That is, whether or not a rating procedure, no matter which one we may devise, is to be applied uniformly, by direction, right across the board.

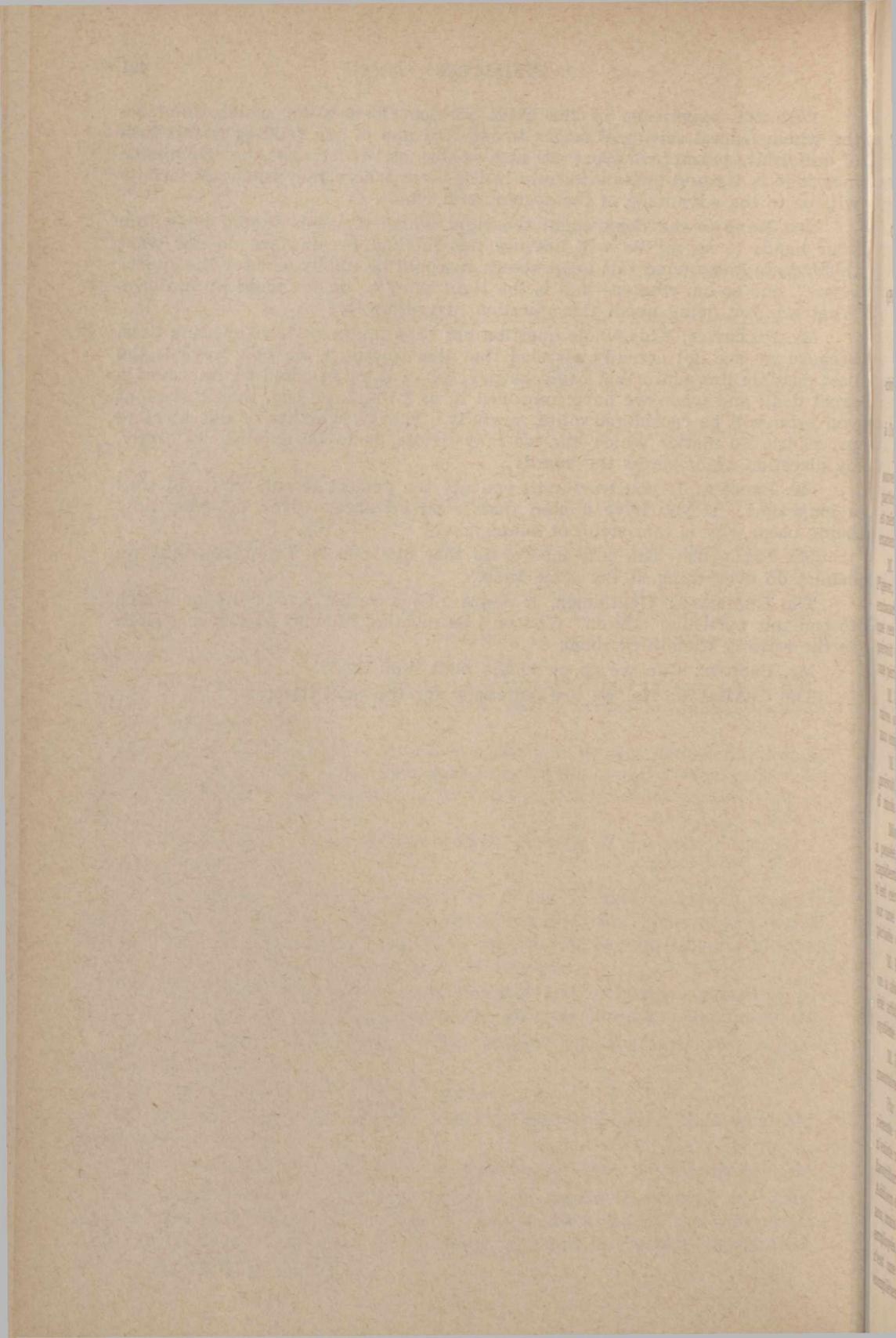
Mr. BROOME: If you wait until you get the perfect set-up, you will wait a long time. If you have a plan that is an advantage over the plan now being used, why is that step not being taken?

Mr. PELLETIER: The only answer to that question is, I suppose, that we cannot do everything at the same time.

The CHAIRMAN: Gentlemen, it seems like a rather good note on which to end this particular session. You will be meeting Monday at eleven o'clock in the railway committee room.

Mr. BROOME: Can we go on to the next item then?

The CHAIRMAN: No, we are not ready for the next item.



THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

(Page No. 381)

Le 28 mai, 1959

M. PIGEON: Monsieur Pelletier, les règlements de la Commission du service civil permettent-ils aux ministères d'embaucher des employés temporaires?

M. PELLETIER: Monsieur le président, la loi du Service civil nous permet, à l'occasion, d'engager des employés temporaires.

M. PIGEON: Monsieur Pelletier, ne trouvez-vous pas qu'il est injuste, assez souvent, pour les candidats qui désirent subir un examen pour un emploi particulier, que la personne qui possède déjà une expérience d'un an, deux ans et même trois ans qu'elle a travaillé dans un ministère, subisse à l'avance un examen et soit assurée d'avoir son emploi?

M. PELLETIER: Monsieur le président, en réponse à la question de M. Pigeon, la loi prévoit, dans divers articles, que des employés peuvent être embauchés sur une base temporaire mais évidemment la loi prévoit également que ces emplois soient véritablement temporaires. Par exemple, l'article 37 prévoit qu'on peut embaucher des gens pour faire une besogne temporaire pour une période n'excédant pas 6 mois.

M. PIGEON: Monsieur Pelletier, à votre connaissance, des employés temporaires ont-ils souvent travaillé durant plus de 6 mois, et ce contrairement aux exigences de la loi?

M. PELLETIER: Oui. Les cas de ce genre sont assez nombreux, mais la loi prévoit également que le stage de 6 mois peut être prolongé de 6 mois en 6 mois.

Monsieur le président, c'est une question très importante que M. Pigeon a posée, une question que l'on tâche de régler aussi bien que possible et aussi rapidement que possible. Je conviens parfaitement avec M. Pigeon que ce n'est certainement pas de la bonne administration que d'embaucher quelqu'un sur une base soit disant temporaire et de maintenir cette situation pour une période de un, deux ou trois ans.

M. PIGEON: Monsieur Pelletier, ne trouvez-vous pas que, dans le passé, on a abusé de la loi dans ce sens-là, de sorte que l'on peut dire que cela a été arbitraire, injuste et discriminatoire, et que l'on a appliqué un peu un système de favoritisme, comme cela se passait à l'époque de Louis XIV?

M. PELLETIER: Monsieur le président, je préférerais ne pas faire de commentaires sur ce qui s'est fait dans le passé.

Par ailleurs, quant à la question de favoritisme, j'ai dit à une assemblée récente qu'il serait évidemment ridicule de prétendre que le favoritisme n'existe nulle part dans le Service civil. Par contre, cela ne veut pas dire que le favoritisme existe d'une façon notoire dans aucun ministère, parce que M¹¹⁰ Addison et moi ne le croyons pas du tout. Cela existait peut-être il y a cinquante ans, mais pas aujourd'hui. Évidemment, dans un Service civil comptant 140,000 employés, qu'il n'existe aucun favoritisme serait remarquable, mais dire que c'est une situation qui existe dans plusieurs ministères serait, à mon avis, complètement faux.

M. PIGEON: Monsieur Pelletier, c'est que je connais à date plusieurs parents d'anciens députés et de députés actuels, et même des parents de chefs d'opposition qui ont été employés, à titre temporaire durant 1 an, 2 ans, et même 3 ans et qui, par la suite, étant au courant des questions posées aux examens, étaient assurés d'avoir l'emploi et ont obtenu l'emploi. C'est la raison pour laquelle je "m'objecte" complètement à cette manière de procéder.

M. PELLETIER: Monsieur Pigeon, il me ferait plaisir de répondre à votre question si vous aviez l'amabilité de me donner des cas précis.

M. PIGEON: C'est assez délicat, mais je pourrai vous rencontrer personnellement et vous donner les cas pour que, si possible, une enquête soit faite.

(Page No. 382)

M. PIGEON: J'ai seulement une dernière question à poser et c'est pour faire suite aux deux questions que j'ai posées à la dernière séance du comité. Pourrais-je avoir un rapport à ce sujet-là?

M. PELLETIER: Vous faites allusion, sans doute, à la question des employés bilingues dans le Service fédéral, à Ottawa?

M. PIGEON: Oui.

M. PELLETIER: La réponse à cette question n'est pas prête.

(Page No. 389)

M. PIGEON: Monsieur le président, je veux éclaircir une situation. On m'a peut-être mal compris, tout à l'heure, et c'est surtout à l'intention des journalistes et des membres du comité.

Lorsque j'ai parlé de parents de députés, d'anciens ministres et de chefs d'opposition, je n'ai pas parlé nécessairement de chefs de l'opposition à l'échelle fédérale. Je veux parler de chefs de partis également à l'échelle provinciale et d'anciens ministres, sans viser qui que ce soit en particulier ici.

Cela ne s'applique pas nécessairement aux anciens ministres fédéraux. Je ne veux pas dire nécessairement les chefs de l'opposition à l'échelle fédérale. Cela peut...

(Page No. 393)

M. PIGEON: Monsieur Pelletier, surtout en ce qui concerne le ministère des Affaires extérieures, ne trouvez-vous pas que l'article 21 est incomplet et que l'on devrait demander, en plus de demander si le candidat écrit et parle le français et l'anglais, si le candidat a une connaissance d'une autre langue, surtout pour le ministère des Affaires extérieures.

M. PELLETIER: Monsieur le président, en réponse à la question de M. Pigeon, on demande cette question-là dans les cas où la connaissance d'une autre langue est utile, mais pas de façon générale. Pour les positions générales, on ne le demande pas, et je ne vois pas quelle utilité cela pourrait avoir, par exemple, lorsqu'il est question d'embaucher des commis...

M. PIGEON: Monsieur Pelletier, pour le Conseil national des recherches, par exemple, le ministère des Mines engage des candidats, des chercheurs qui doivent faire des recherches dans des volumes écrits en langue allemande ou russe, ou d'autres nationalités; croyez-vous qu'il serait préférable de demander cela?

M. PELLETIER: Dans ces cas-là, monsieur Pigeon, on poserait cette question.

APPENDIX "I"

Answer to a question by Mr. Nesbitt on May 19.

Officers from a number of branches of the Civil Service Commission are involved in the preparation of an examination test. The primary responsibility lies with the Personnel Selection Officer who is responsible for the competition and he is assisted in the first place by the Classification Officer in drawing up a statement of the duties and responsibilities of the job and the qualifications required to carry it out and works with this officer to find out what are the essential points that should be brought out by the test. Secondly, he works with the officers in the test development part of the Planning and Development Branch on the kind of test required to bring out these points and together they develop the test in detail, using the various testing techniques that are available for this purpose. In certain cases, other officers, with specialized knowledge in the field for which the test is being used, will be called in for advice and consultation.

In order to give an indication of the qualifications of the officers in the various branches of the Commission in this area of work, a review was made of the training and experience of 123 Civil Service Commission officers who are directly or in an advisory capacity engaged in the preparation of tests.

There are in the Commission 13 officers with a bachelor's degree in Commerce and Accounting and 3 with a Master's degree. In Bacteriology, there is one bachelor of science; in Economics 4 with a bachelor's degree and 2 with a master's; and in Law, there are 2 with an L.L.B. Two officers have a Library Science degree in addition to B.A. In Agricultural Science there are 10 with a bachelor's degree (including 1 chemist) and 1 with a master's. There is 1 with a bachelor degree in Architecture; 16 with degrees in Engineering (3 of these are master's degrees), including the civil, chemical, electrical and metallurgical engineering fields. There are 10 officers with degrees in Psychology, 5 of whom have master's degrees and another 3 have completed all their academic work towards a Ph.D. The background of these ten persons has been mainly in educational psychology with specialization in testing. Two officers of the Commission have a bachelor's degree in Forestry and 1 has a master's degree; 1 has a university degree in Public Administration and 44 others have bachelor degrees and 10 master's degrees, mainly in Arts, with experience and special courses in Administration.

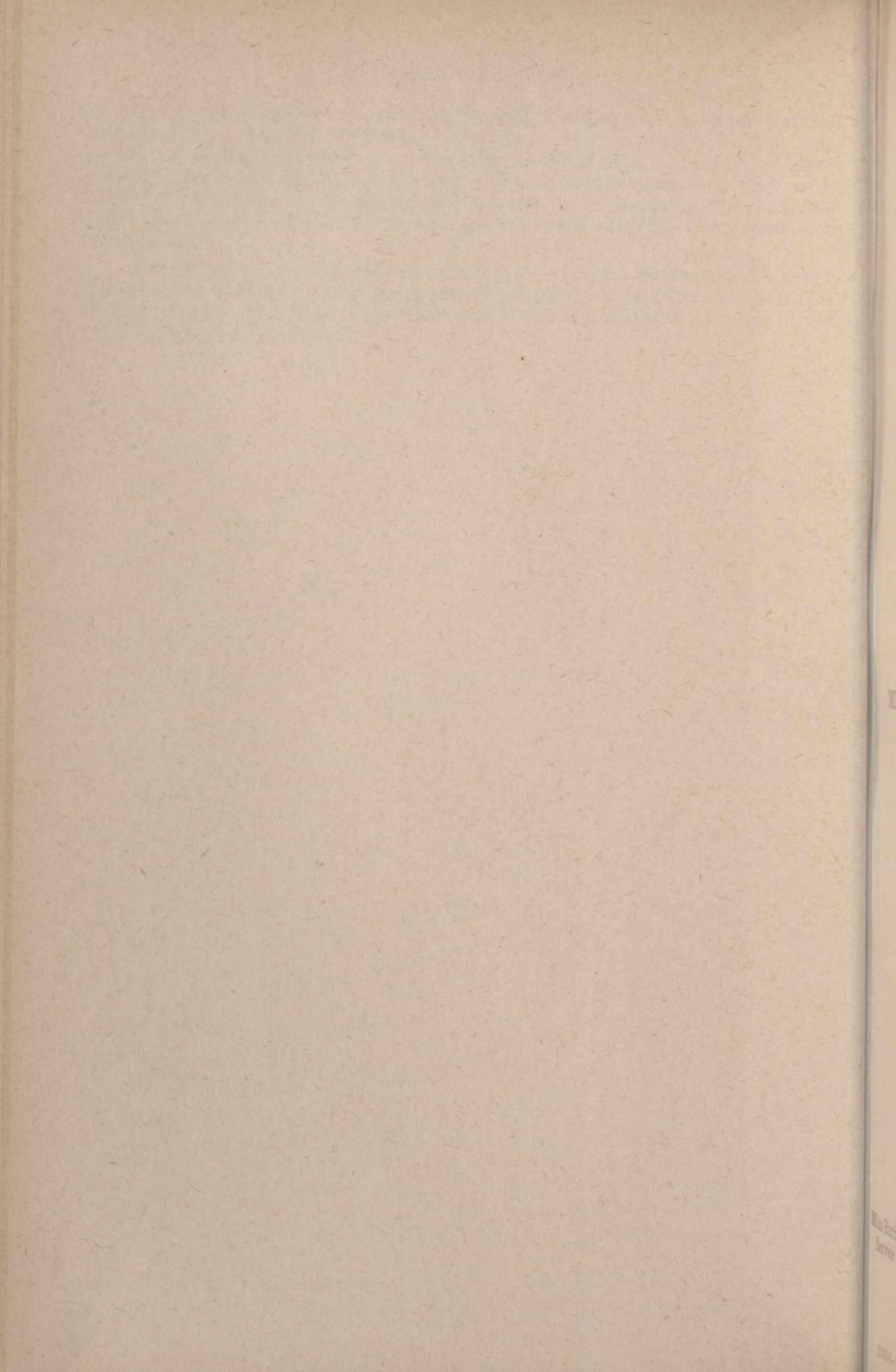
The Committee expressed a particular interest in those engaged in research and test development work. The following covers the educational qualifications and experience in test construction of three of these officers, representing different operating levels:

One of these officers completed his Normal School and has a High School Teacher's Certificate from one of the provinces. In addition he has the following degrees: Bachelor of Science; Bachelor of Education; Master of Arts, and has only to complete his thesis to receive a Ph.D. in Educational Psychology. He has taught school at the elementary and high school levels; was a training and selection officer with the Canadian Army Overseas; lectured in test construction at a Canadian University, and has been with the Commission for eleven years, working in the field of research and test construction.

Another officer has a High School Teacher's Licence, has the following degrees: Bachelor of Arts, with honours in Psychology, and an M.A. degree in the same field, and has only to complete his thesis to obtain a Ph.D. degree.

In addition has attended a Provincial Normal College, took a Radar Course, and received a diploma in Physical Training. His experience in test construction includes two years as a Research Associate at a university, together with Research experience and Clinical work as Psychologist; one year with Nuffield Foundation in England; has worked as a Research Psychologist, Psychometrics and Clinical Research. He has been with the Commission for three years.

A third officer has attended Business College; has a Secondary Teacher's Certificate in Education from a Canadian university, in addition to a Bachelor of Arts degree. This person has been with the Commission for 11 years in the Test Development Section.



HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

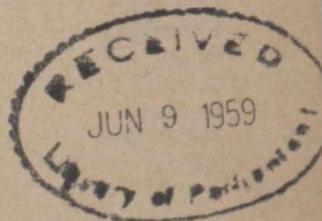
No. 18

MONDAY, JUNE 1, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

Miss Ruth Addison and Mr. Paul Pelletier, both Commissioners of the Civil Service Commission.



STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Grafftey,	McWilliam,
Baldwin,	Hales,	More,
Bell (<i>Carleton</i>),	Halpenny,	Morris,
Benidickson,	Hardie,	Nesbitt,
Best,	Hellyer,	Nugent,
Bissonnette,	Hicks,	Payne,
Bourbonnais,	Howe,	Peters,
Bourdages,	Jorgenson,	Pickersgill,
Bourget,	Korchinski,	Pigeon,
Bruchési,	Lambert,	Pugh,
Cardin,	McCleave,	Ricard,
Caron,	McDonald (<i>Hamilton</i>	Richard (<i>Kamouraska</i>),
Carter,	<i>South</i>),	Richard (<i>Ottawa East</i>),
Cathers,	McFarlane,	Small,
Chambers,	McGee,	Stewart,
Clancy,	McGrath,	Tassé,
Coates,	McGregor,	Thompson,
Dumas,	McIlraith,	Winch,
Fairfield,	McMillan,	Winkler—60.
Gillet,	McQuillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

CORRECTION

Minutes of Proceedings and Evidence No. 16
Tuesday, May 26, 1959

Page 363—In lines 40 and 43, the word "sex" should read "sects".

MINUTES OF PROCEEDINGS

MONDAY, June 1, 1959.

(21)

The Standing Committee on Estimates met at 11.30 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Broome, Caron, Carter, Coates, Fairfield, Halpenny, Hicks, Jorgenson, Lambert, McCleave, McGee, McGrath, McMillan, McQuillan, Nesbitt, Payne, Pigeon, Smith (*Calgary South*), Winch and Winkler—(21).

In attendance: From the Civil Service Commission: Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

Agreed,—That the question of holding extra meetings be referred to the Steering Subcommittee.

The Committee resumed consideration of Item numbered 67—*respecting the Civil Service Commission*, the Commissioners supplying information thereon.

Miss Addison tabled answers to questions asked previously, as follows:

1. Reply to Mr. Hales—*re:* Payment to Supervisors at Civil Service Examinations.
2. Reply to Mr. Hales—*re:* Payment for accommodation for Civil Service Examinations.
3. Reply to Mr. Pigeon—*re:* Persons admitted to examinations, 1954-59,, by Order in Council because of Citizenship or Residence in Canada regulations.
4. Reply to Mr. Bell—*re:* Persons formerly in the Armed Services, who were appointed to similar Civil Service positions without competitions, by Order in Council.
5. Reply to Mr. Pigeon—*re:* (a) Number of competitions in which the Commission required a new selection board, 1956 to date. (b) Number of instances in which the decision of the original board referred to above was not sustained or was sustained.
6. Reply to Mr. Carter and Mr. Winch—*re:* Average age, salary and length of service of the Organization Staff and of the Commission Staff.
7. Reply to Mr. Carter—*re:* Number of persons on Commission Staff, 1939-59.

Agreed,—That the abovementioned answers be included in today's record, (*See Appendix "J" to today's Evidence*).

The witnesses supplied other information orally in reply to questions asked at previous meetings.

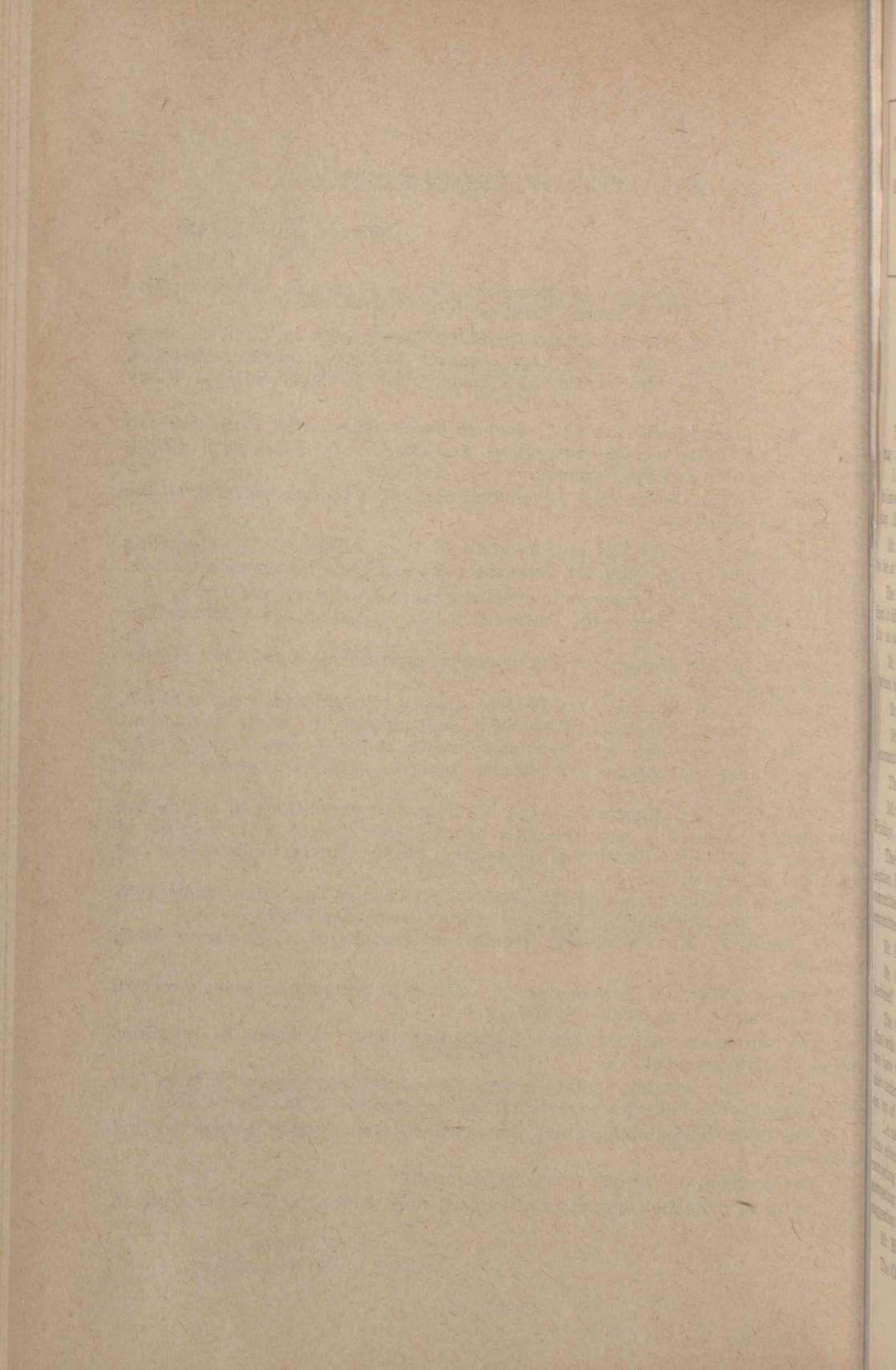
During the meeting certain pamphlets containing general information respecting the Civil Service were distributed to Members of the Committee.

The topic "Examinations and Competitions" was further considered and concluded.

The problem of "Appeals" was considered.

At 12.38 p.m. the Committee adjourned until 9.30 a.m., Tuesday, June 2, 1959.

E. W. Innes,
Clerk of the Committee.



NOTE: *Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.*

REMARQUE: *Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.*

EVIDENCE

MONDAY, June 1, 1959.
11:00 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum and we may now proceed.

I am going to suggest that the additional meeting which we had planned to have on Monday be not held on Monday and that rather we revert to Wednesday. Is that in order? Thank you.

Mr. WINCH: It will mean that we will have to decide whether we want to be at this meeting or at the public accounts meeting.

The CHAIRMAN: I realize that. However, a great many of the members find it difficult to get to the city on Monday. I see no point in the staff waiting for us to get a quorum.

Mr. BELL (*Carleton*): I would take vigorous exception to its being held when the public accounts committee is sitting.

Mr. WINCH: I agree.

Mr. CARON: I have the same problem in respect of the industrial relations committee.

The CHAIRMAN: Do you wish then that we try Friday?

Mr. WINCH: I would agree with Friday, although I will not be here this Friday.

The CHAIRMAN: I will consult with the steering committee. My own suggestion, however, is that we should sit on Wednesdays. We will let the steering committee make the decision. Do you agree that it be referred to the steering committee?

Mr. HALPENNY: I so move.

Mr. CARON: Could we recommend to the house that our quorum be reduced?

The CHAIRMAN: There are some specific objections to that. It seems that with a membership of 60, a quorum of 15 is not too much to ask. I know we have two other committees meeting at the present time this morning. I also understand that one of the groups in the house has an additional meeting on top of that.

Let us be honest with ourselves. We do not obtain the maximum use of the time either on Monday or Friday and, consequently, whether or not we are competing with other committees, we must get through our work. We are competing with two committees this morning. They might raise the same suggestion which Mr. Winch has raised, that it is unfair to compete with them.

Mr. HALPENNY: Leave it to the steering committee.

The CHAIRMAN: Fine.

Gentlemen, we have a number of answers which I suggest we table. Miss Addison and Mr. Pelletier will read the substance of the questions so that you will know that they have been tabled. May I ask that we do not examine the subject matter until it has appeared as an "appendix" to the evidence.

Both Mr. Pelletier and Miss Addison wish to make two oral explanations of questions.

Miss Addison, would you like to read the list of replies to questions which you have? Might I interject here that you will recall, from having been here during our examination of the estimates of the Department of National Defence last year that it is very difficult to hear in this room; the acoustics are extremely poor and, therefore, I would ask you to speak out.

MISS RUTH ADDISON (*Commissioner, Civil Service Commission*): The answers to the questions fall into two groups. The first has to do with competitions and examinations. The first answer is in reply to a question from Mr. Hales, and it deals with payment to supervisors of examinations. The second is also in reply to a question by Mr. Hales and deals with payments for the use of facilities for examinations held in outside centres. The third is in answer to a question by Mr. Pigeon and deals with the number of appointments of non-Canadians. The fourth is in reply to a question by Mr. Bell dealing with the number of appointments of armed services personnel to positions entailing work which previously was done by these persons while in uniform. The fifth also is in reply to a question by Mr. Pigeon dealing with the number of departmental promotion competitions not approved by the commission. The next group deals with the organization and staff of the Civil Service Commission. The first question in this group was asked both by Mr. Carter and Mr. Winch dealing with the average salary and length of service of commission staff as compared with that of the service as a whole.

The next answer is in reply to a question asked by Mr. Carter dealing with the growth rate of the Civil Service Commission staff over the past 20 years.

THE CHAIRMAN: Those replies will be tabled. May I have a motion to attach them as an "appendix" to the evidence?

MR. PIGEON: I so move.

Agreed.

THE CHAIRMAN: I believe Miss Addison has some replies which she wishes to make orally.

MISS ADDISON: I have one reply. It is in respect of a question asked by Mr. Morris in which he asked about a competition for a Russian translator in our bureau of translation. We cannot find any competition which was held for a translator of this kind. We have looked into this pretty thoroughly. We wonder if perhaps he had seen a poster which related to another agency of government, other than the Civil Service Commission, or perhaps he may have seen one of two other posters in which we asked for qualifications which entailed knowledge of Russian.

The first of these was for a Russian language instructor in the Department of National Defence. The salary range for this position was \$6,210 to \$6,660. We received 116 applications for this position and three persons were qualified and placed on an eligible list.

The other competition was for a citizenship officer in the citizenship branch in the Department of Citizenship and Immigration. This person was required to read in the Russian language, translate correspondence and extract information in the Russian language. The salary range was \$3,570 to \$4,170. We received 108 applications and were able to qualify a person for this position.

THE CHAIRMAN: Are there any further questions on this subject matter?

Mr. MCGEE: I discussed a question with the witnesses in private before the meeting began. I wonder if we could make official the intention of the witnesses to provide the information I requested at a previous meeting?

The CHAIRMAN: This is not on the subject before us. Are there any further questions on this subject?

Do you have a reply, Mr. Pelletier?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): I have two. At an earlier meeting Mr. McFarlane referred to a competition conducted by the Civil Service Commission in which there was a person entitled to the veterans preference, which person was not placed at the top of the list. It was competition 59-J-505 for a customs excise officer 2 in Centreville. The hon. member was quite right. There was a candidate who was entitled to the veterans' preference whose name did appear in the eligible list, but not at the top.

As I mentioned at the time I think, what did in fact happen was that the local preference came into play. The gentleman in question had previously been a resident of Centreville, New Brunswick, but had left this place and gone to Ontario in September 1956. He remained there until his return to Centreville in October 1958.

This particular competition closed on January 30, 1959. He did not have the twelve months minimum residence which is specifically asked for in the Civil Service Act. That is the answer to the first question.

The CHAIRMAN: Are there any questions on the first answer?

Mr. WINKLER: That residence clause is required even of a veteran?

Mr. PELLETIER: That is right. It is a general qualification which all candidates must meet.

The CHAIRMAN: And what is your second reply?

Mr. PELLETIER: The second answer, Mr. Chairman, has to do with a question asked by Mr. Graftey, who enquired whether competitions were conducted in connection with jobs already held in a department. There was considerable discussion at the time and I said that a short answer to the question was no. That answer is perfectly correct, but I would not like in any way to mislead the committee.

There obviously can be no competition for a job that has been held under the strict legal provisions of the Civil Service Act; but there can be cases which may appear to contradict that statement and I shall give two examples to make it quite clear to the committee what I have in mind.

Under section 37 of the Civil Service Act it is possible, in cases of emergency, for a man to be appointed without competition. What we in fact do in that case is that, as quickly as possible after the temporary appointment has been made, a competition is held and the man who has been temporarily appointed may or may not get the job. It means, I suppose you could say, that we are holding a competition for a job that is already filled.

Another very good example is the case of a postmaster in a small post office where the postmaster is a civil servant under the terms of the act but his assistant or assistants are not. They are appointed directly by the department. We have adopted, in the commission—and this dates back quite a number of years—the policy that if an assistant has been in the position for ten years or more and if he is well qualified, then we seek an exemption from the governor in council and appoint him without competition. But if that person does not meet these requirements, we will hold a competition whereupon the assistant may or may not get the job. So in the latter case again it might be said that we hold a competition to fill a job that is already filled.

The CHAIRMAN: Are there any further questions? If not, thank you, Mr. Pelletier.

Now, would Mr. McGee like to ask for information?

Mr. MCGEE: May I have a written answer to the question I asked at the last meeting. What form of instructions are given by the commission to members appointed in a department to hold either selection or promotional examinations?

Miss ADDISON: We will get that answer for you.

The CHAIRMAN: This will be obtained for you, Mr. McGee.

All right, we are still under the general heading of examinations and competitions. Are there any further questions?

Mr. PIGEON (*Interpretation*): Do you not think, Mr. Pelletier, that the commissioners appointed at present should only have to look after future positions, that is, those advertised through newspapers, and that other commissioners should be appointed to look after promotions within the service?

Mr. PELLETIER (*Interpretation*): Under the act the commissioners are responsible for all appointments, both appointments to initial positions and promotional appointments, within the civil service. The people appointed to look after promotional examinations or competitions within departments are not commissioners. They are appointed by the commission; they are its agents.

Mr. PIGEON (*Interpretation*): Do you not think, Mr. Pelletier, that because of the enormous burden on the shoulders of the commission it would be good for the government to appoint further commissioners to look exclusively after promotional matters?

Mr. PELLETIER (*Interpretation*): Whatever the government or parliament would do in this connection comes obviously under their jurisdiction. But if I might venture a personal opinion I think it would be wrong. I do not think it would be good to have such a distinction made.

If I may modify the interpretation, Mr. Chairman, I said in French I thought personally that it would not be desirable to have two or three bodies charged with doing precisely the same thing.

Mr. PIGEON (*Interpretation*): I seem to remember that at a previous meeting you told us you were presently short staffed and that you lacked staff to carry out the necessary work. I believe you also said there might be some favouritism shown within certain areas. Do you not think, such being the case, that it would be good for the government to appoint commissioners to look exclusively after these matters of promotion?

Mr. PELLETIER (*Interpretation*): In so far as favouritism is concerned, I said it would be a very surprising fact indeed if out of 140 civil service positions there was no favouritism shown at all.

The CHAIRMAN: I believe that figure should be 140,000.

Mr. PELLETIER (*Interpretation*): Yes, I am sorry. On the other hand, I believe I have said as well that after 50 years I really do not think that there is favouritism in existence to any very significant degree at the present time.

The CHAIRMAN: Are there any further questions, gentlemen?

Mr. CARON: In connection with promotions, are there any set figures for the examination and for the rating?

Mr. PELLETIER: I am sorry, I did not understand your question.

Mr. CARON: Well, there is an examination for promotion the same as there is when they come initially into the civil service, and there are a certain number of points given for the rating.

Mr. PELLETIER: I believe I understand your question now, Mr. Caron. There is a form of examination for every appointment, be it an initial appointment or a promotion. In both cases—and I think this has been made abundantly clear to the committee—it is the commission that eventually makes the appointment. The form of examination can vary. In some cases it can be nothing more than two or three of the senior officials of the department looking over all the possible candidates, if this is an internal promotion position, and rating someone as being the best man for the job. That rating would then come to us and if we agreed that the department was right, we would make the promotion.

Mr. CARON: I was speaking of the rating that was given by the officials of the department. I am referring to the yearly rating. Are there any points given for the yearly rating and certain points given for the written or oral examination on the subject matter?

Mr. PELLETIER: No. We are confusing two things here. There is the efficiency rating, which is one of the things to which I think you have reference, which is in general use in most departments and which, as I have said, we have urged all departments to use. It is done in the majority of departments. Each civil servant is rated on his efficiency, his performance. That rating is normally taken into account when a question of promotion arises. It is not the sole factor, but it is taken into account.

Mr. CARON: But in relation to granting promotions, how large a part does the rating play in that regard; is it 50 or 60 per cent?

Mr. PELLETIER: It is not given that kind of mathematical weighting.

The CHAIRMAN: Your interest is where weight is given to this.

Miss ADDISON: Numerical rating is a factor that is taken into account when we are assessing the candidate. This whole field is a very subjective one. It depends a great deal on the man who is making the rating, and it varies a great deal with different individuals.

Mr. WINCH: Subjective or objective?

Miss ADDISON: Subjective, because judgment comes into this picture. These ratings are considered but are not given a numerical value.

Mr. WINKLER: It is my understanding from previous discussions that the veterans preference does not apply in the case of promotion within departments; is this correct?

Mr. PELLETIER: That is correct.

Mr. WINKLER: In other words, it is not even considered?

Mr. PELLETIER: That is correct.

Mr. WINKLER: It would seem to me that certainly in some instances there is a discrepancy here. I am speaking specifically of one case I know of where personalities entered into it, and the man who received the promotion did not have any military service, whereas the gentleman concerned did. He had to have it to get the job initially, and he was not considered. He was told that his qualifications were better than the man who received the promotion and there was nothing that could be done, yet he had made full application for it. I was interested in the answer given to Mr. Caron's question, because the examination seemed to be of a very superficial type, and it seemed to me that personalities did enter into the situation. If you want to know the specific matter to which I am referring, I can tell you, but I will not do this during this meeting.

Mr. PELLETIER: As I said in reply to the first part of your question, the veterans preference applies only on initial appointment. Once a person has entered the civil service the veterans preference no longer exists and does not

come into play at all. All we do then is to try to choose, in so far as we can, the best man for the job. The veterans preference does not enter into the picture at all.

Mr. BELL (*Carleton*): I would like to pursue Mr. Caron's question in connection with efficiency ratings. Could you tell us what departments at this time do not use that system? Perhaps it is a matter on which you could give us a note at the next meeting.

Mr. PELLETIER: I would not like to be categorical about this, but I believe all departments use some form of rating; however, it may not necessarily be the rating form we have suggested.

Mr. BELL (*Carleton*): I would like to see a detailed statement of what is being done in connection with that, if it can be done. I would like to know in connection with each case where it is used, whether the civil servant himself is shown the rating and required to initial it.

Mr. PELLETIER: No. The practice varies from department to department.

Mr. BELL (*Carleton*): Why?

Mr. PELLETIER: Presumably because some departments feel they should do this and others do not. We have urged all departments to show the individual concerned his rating and, if the employee so wishes, to discuss it with him.

Mr. BELL (*Carleton*): Should there not be uniformity in respect to this?

Mr. PELLETIER: No doubt people hold various views in this connection. My own personal view—and I would not like to commit Miss Addison or anyone else—is that employees should see their rating as a matter of right.

Mr. BELL (*Carleton*): I agree with you.

Mr. BROOME: Have you a list of the departments where this rating is not shown to the employee?

Mr. PELLETIER: I am not sure whether I can obtain that information for you, but if it is possible, I shall do so.

Mr. BELL (*Carleton*): My question in regard to uniformity went a little broader than the question of showing to each employee his or her rating.

The CHAIRMAN: You wish to have those departments which do follow the procedure?

Mr. BELL (*Carleton*): Yes, but I would like Mr. Pelletier now or later to state whether he does not think that the efficiency rating used in departments ought to be uniform throughout the whole public service.

Miss ADDISON: Perhaps I should answer this question, Mr. Chairman, because I have slightly different views on this matter. This is a field in which I think there is a great deal of subjective judgment and I think it depends a great deal on the individual who is using it, and the way it is done. I still feel that probably it is a good idea in principle to show this to the person and have him see it; but I still feel we have to have a good deal of education in this field to make sure these efficiency ratings are done properly and that when they are shown to the individuals it is done under the proper circumstances.

Before this is made compulsory in any department I feel there should be further education in this whole field. However, this is my own personal opinion.

Mr. BELL (*Carleton*): Do you see uniformity in a compulsory system as the objective?

Miss ADDISON: Ideally, yes, if all human beings could rate in the same way. If everyone could assess their personnel efficiently and competently, I

suppose ideally I would. However, there are individual exceptions to this from time to time. The over-all advantages may outweigh the disadvantages, and it may be a good thing to do this.

The CHAIRMAN: Have you a supplementary question, Mr. Winch?

Mr. WINCH: Yes. I would like to ask whether our committee is going to be given the information I requested in connection with the 4,000 promotions, of which there were a number of appeals. I would like to know how many were audited and how many were rejected.

Miss ADDISON: That information was tabled.

Mr. HALPENNY: I was wondering, Mr. Chairman, if there is any other corporation in the world where such a thing that Mr. Bell is talking about is not standardized. It is pretty hard to think of a holding company with twenty different companies, having different rules and regulations in each of the individual companies, and I am comparing the groups of civil servants to the individual companies.

The CHAIRMAN: I do not know whether or not Mr. Pelletier can answer if industry and business follow a procedure like that. He is dealing with the Civil Service Commission. Do you wish to comment on that, Mr. Pelletier?

Mr. PELLETIER: Although I obviously cannot give a direct answer, I can comment on the question. Supplementary to what Miss Addison has said, this whole business of ratings is one which I feel can be improved a great deal. I do not think I would like to see the present rating system imposed at this time on anyone. I think it should be improved first and when we have devised a better rating system, one as perfect as anything human can be, then I think probably it should be imposed across the board.

Mr. HALPENNY: But it should be standardized.

Mr. PELLETIER: Yes.

Mr. MCGEE: The difficulty right now is the question of the qualifications of the individuals holding these posts. Miss Addison suggested that in a previous answer. Miss Addison suggested that there was a great deal of education needed along these lines. It then follows that some of these individuals are not so qualified.

Miss ADDISON: I would like to say no to that. The ratings are done by all the supervisors right across the service. In each individual job the immediate superior does the rating.

Mr. MCGEE: According to your own statement, it is true that many of these people who are performing these functions are not qualified to do so.

Miss ADDISON: That is a difficult question to answer because I do not know what makes up the qualifications to enable them to do so.

Mr. WINCH: Why is only one secretary in the department allowed to type out the ratings?

Miss ADDISON: So far as I know, this is not true.

Mr. WINCH: It is correct in so far as Vancouver is concerned.

Mr. PELLETIER: It may be correct with regard to one department, or to one unit in one department, but I do not think that is done to any great extent.

The CHAIRMAN: Do you wish to continue with your line of questioning, Mr. McGee?

Mr. MCGEE: Yes. I would like to follow along with my previous line of questioning. I gather from your statement that the reason you are not in favour—and Mr. Pelletier has reservations—is because the people who are presently performing these functions are not competent to do so, and to make it mandatory would not produce a desirable result. Clearly the next process

is that in future the people who will be charged with these responsibilities will have these qualifications. I would like to know what efforts the commission has made to guarantee that any future promotions which will result in certain persons moving into these positions will be so qualified.

Mr. PELLETIER: There are a number of ways in which this can be done and, as Miss Addison explained a moment ago, the people who do these jobs use their native intelligence to give the ratings. One person will rate individuals relatively higher and another will rate them relatively lower. There are a number of ways in which this can be improved upon but I would not want to take up the committee's time in explaining this, because it is something we only have under review at the present time. For example, we could have a system whereby it would be mandatory for each civil servant to be rated by three people instead of one; and rather than have a cold mathematical rating, we could have a rating in narrative form. I think the system can and should be improved.

Mr. MCGEE: I worked for the Robert Simpson Company and later with Simpsons-Sears and every person, so far as I know, who was moving into a position where they would be rating other individuals, were given a course of special instructions in regard to the methods of rating. They were given instructions in connection with the approach to it, the manner in which an interview should be conducted subsequent to the rating and so on. This is a company which is spread across the country and a company which probably has as many individual offices as some of the larger offices of the civil service. This clearly has been done. There is a wide background and source of information on this, and I am wondering what has been started in an equivalent way in connection with the civil service.

Miss ADDISON: This is what we mean by an educational process in this field. When we were talking about qualifications I was thinking of something more precise but if this is the type of thing you have in mind it is precisely what we mean by education in this field.

Mr. MCGEE: What is being done specifically? How far are we away from universal application of a fairly standardized process of rating and subsequent interviewing?

Miss ADDISON: This is under review and I cannot answer your question specifically at this time.

Mr. BROOME: At a previous meeting I took exception to Mr. Pelletier waiting for perfection in regard to this weighting procedure. I agree that it is desirable that a rating chart be developed or used for all departments and that the employee be shown these rating charts. In that way I think it will tend to make them a little more honest. However, there will always be variances. I have one specific question. Are promotions based on ratings only in each department?

Mr. PELLETIER: The answer to that is no.

Mr. BROOME: Is the rating a large factor or a minor factor?

Mr. PELLETIER: Here again, it will vary. If you had a large number of candidates applying for a fairly large number of openings—

Mr. BROOME: I am speaking of promotions.

Mr. PELLETIER: Yes, that is what I am referring to. In that kind of situation, the rating probably would be given proportionately more weight than if you have a situation where there are relatively few candidates and only one job to fill.

Mr. BROOME: Therefore, this rating is of tremendous importance to the whole staff?

Mr. PELLETIER: It is not given any more weight than I have said because ratings can be dangerous; one person will rate an individual relatively high and another relatively low.

Mr. BROOME: People who do these ratings should get together in seminars or attend courses of instructions; otherwise, you cannot possibly get uniformity. You can get a fairly close degree of uniformity but you cannot get entire uniformity.

Mr. CARTER: Rather than uniformity, I think really what we are most concerned with is objectivity, because you can have two extremes. You can have a case where an employee tries to ingratiate himself on his superior to get a good rating, and a person who has a personality clash may get a low rating. How do you safeguard the employee from these two extremes?

Mr. PELLETIER: Miss Addison said, and I agree, that whenever you talk of ratings you inevitably bring in some more or less subjective element. This is extremely dangerous and that is why I said, and I repeat, our present rating system could be improved in order to remove as far as possible the subjective element and make it as objective as a rating can be.

Mr. WINCH: These two words have been used so often that I would like the commissioner's differentiation of interpretation between subjective and objective. What interpretation do you place on these two words?

Mr. PELLETIER: My definition is—and it is of course an ad hoc definition since I have not written a treatise on this—that “subjective” means that any human being will inevitably have prejudices of one kind or another. When I say we should try to remove subjectivity, I simply mean that we should endeavour to remove prejudices which are personal to an individual and which do not necessarily reflect the cold facts.

Mr. WINCH: And objectivity?

Mr. PELLETIER: That is judging something strictly on its worth, and not on what I happen to think.

The CHAIRMAN: I will have to ask Mr. Webster to send us a copy of his dictionary in order that we may answer that question.

Mr. WINKLER: Generally speaking, has this been your policy in the past?

Mr. PELLETIER: Yes. That is why, for example, we insist on boards, which is of course, more expensive than having only one man examining candidates.

Mr. WINKLER: The unfair part is this—and it gets back to the point I made recently: in connection with rating a person, this is where the immediate superior of the individual is going to be plagued with these personal aspects of the individual concerned; is that not right?

Mr. PELLETIER: Yes, human nature being what it is.

Mr. WINKLER: Therefore, the method is wrong and I proved it in the case to which I referred; and furthermore in the case where possibly the superior has not gone into his position as a result of examinations for the civil service. Possibly it was an appointment and, therefore, it is very unfair in regard to the person within the department who wishes to be promoted and has the qualifications. He is subjected to the personal thinking of his immediate superior.

Mr. PELLETIER: I am not too sure what your question is.

Mr. WINKLER: It is a suggestion; it is not a question. Would you agree with me when I suggest that the individual concerned would be subjected to the thinking of his immediate superior in putting him into a classification or in being given this rating.

Mr. PELLETIER: I do not think we should confuse things. You mentioned reclassifications, ratings and, I think, promotions. Certainly reclassifications

and promotions—not ratings—are the Civil Service Commission's responsibility. In departmental competitions, I grant that the department procedurally conducts the examination but the results are sent to us. We look at them and make the appointment. There is a point I would like to mention here which I do not think is irrelevant. I think we mentioned the number of appeals we had on promotion competitions and the number of those appeals that were upheld.

Mr. WINCH: The figure was 646 and you rejected 26.

Mr. PELLETIER: No, we upheld 26. There were 664 appeals.

Mr. WINCH: And you upheld 26?

Mr. PELLETIER: And we upheld 26 of those. In each of these appeals we appoint an appeal board and go into it quite thoroughly; if we feel something is wrong we uphold that appeal. The point I am trying to make is again a point I made earlier, and it is this. Although we have delegated to departments the responsibility for conducting these promotional competitions, these cold figures indicate pretty clearly there cannot be too much wrong with the way in which departments are doing this for us.

Mr. WINCH: I was going to say that I think after spending three days on this first phase out of eight that we have had an exhaustive examination and that perhaps we might proceed on to the second stage of the appeal board.

The CHAIRMAN: I was going to say I thought we had covered it thoroughly. There are, however, two gentlemen whom I wish to recognize first.

Mr. BELL (*Carleton*): I would be prepared to second Mr. Winch's motion. First I wish to make this comment that, for the purpose of the record, we want to be clear about the ratings of which we have been speaking this morning. As I understand it we have been speaking of efficiency ratings which are an annual measure of the competence of the employee and which, in themselves, have nothing to do with promotions. In addition to that, there is a promotional competition in which the ratings are given, and in such promotional competition the rating board will take a look at the efficiency ratings—the annual review—and will attach to that some weight. Have I made a correct statement? I do feel there has been some confusion about this this morning.

Miss ADDISON: Yes; I believe you have made a correct statement. These are two separate things.

Mr. CARON: I think Miss Addison stated that, in respect of the efficiency ratings, it would not be good in every case that they should be shown to the employee. Is that what you said?

Miss ADDISON: Yes. I do not see in every single case that good would come from it.

Mr. CARON: What wrong would you see in it?

Miss ADDISON: I feel there would be some occasions when the individual would not be able to show this to another individual in a really objective way in which they could just discuss this objectively. The person might often feel there was personal prejudice when there was not. I still think we have to do more work with individuals and what their attitude should be when they show these ratings to employees, and the sort of things they do with them.

Mr. PELLETIER: May I be allowed to come to Miss Addison's assistance?

The CHAIRMAN: If you think it is necessary.

Mr. PELLETIER: It is obviously not necessary. Mr. Caron, if you were a departmental head and you had an employee who was on the fringe of neuroticism—a mild psychiatric case—this would obviously appear in the rating form. Showing that to the individual concerned might possibly be the worst thing that could happen to that person.

The CHAIRMAN: Shall we accept the suggestion that we move to the next area?

Mr. MCGEE: May I have one further word? What importance do you attach to the study of psychology as far as the promotion and selection officers are concerned? In applying for a position as a selection officer, or for work in connection with promotions, do you consider it desirable that such an applicant have some background in psychology?

Mr. PELLETIER: One of the documents—I believe the only document we tabled at the last meeting—will, I think, throw a little light on this question.

The CHAIRMAN: Have you had an opportunity to read that yet, Mr. McGee?

Mr. MCGEE: No.

The CHAIRMAN: Do you wish to proceed with the question?

Mr. MCGEE: Apparently it is unnecessary.

The CHAIRMAN: I would ask that you take a look at the document and then consider your question.

Mr. WINCH: I move, seconded by Mr. Bell, that we proceed to the appeal board.

The CHAIRMAN: Have you a question, Mr. Broome?

Mr. BROOME: Does the civil service require from a department, which may have work tapering off, lists of their employees who are redundant?

Mr. PELLETIER: Yes. Here we try to get the department to absorb the persons involved within their own establishment. If they cannot, they come to us and we try to find suitable jobs elsewhere.

Mr. BROOME: Can you tell the number of people that are redundant in that manner over a certain year's period?

Mr. PELLETIER: If we cannot, the lay-off procedure comes into play.

The CHAIRMAN: Let me point out that I realize that a chart of information is not yet published, and when it is available you will have an opportunity to examine it.

Are you ready to move into the next area of appeals?

Mr. PIGEON (*Interpretation*): The first item. When we have civil service examinations are all applications examined or only those of veterans, if you find a satisfactory candidate without going on to the applications put forward by other than veterans?

Mr. PELLETIER (*Interpretation*): If it appears prima facie that, upon examination of applications, there is a sufficient number of veterans to fill the requirements, no other applications are entertained. However, if it appears there are not, we pass on to the other applications and examine those.

Mr. PIGEON (*Interpretation*): Do you not think it would be more fair and more logical to examine all applications, since a citizen who is not a veteran might be more highly qualified than a citizen who is a veteran?

Mr. PELLETIER (*Interpretation*): We have no choice in the matter. The act provides for absolute preference in respect of veterans. Our hands are tied.

Mr. PIGEON (*Interpretation*): Does this so-called national security legislation adopted under Mr. Pickersgill still apply? Can an employee be dismissed or be refused a promotion simply because he is considered to be a poor security risk?

Mr. PELLETIER (*Interpretation*): The type of security to which you have reference comes strictly under departmental jurisdiction.

Mr. PIGEON (*Interpretation*): In this case an employee can be dismissed or frozen in his job without having an opportunity to have his case heard.

Mr. PELLETIER (*Interpretation*): Before the civil servant is dismissed, he has a right, under section 118 of our regulations, to present his defense and to have his case heard by his superior officers.

The CHAIRMAN: I would like to point out that item No. 7 deals with dismissals. I suggest we defer questions on that until we reach that point.

Mr. WINCH: I have a question on appeals.

Mr. McCLEAVE: On a question of privilege. As I pointed out at the time, the word which appears twice on page 363 of the Minutes of Proceedings and Evidence should be spelled "sects".

Mr. WINCH: I have a number of questions. I know all of us in the committee are most interested in the morale of the civil service. I would like to ask the commissioners if they could inform this committee as to what power and control they have in some departments—and I say some departments—in respect of the fear in the minds of long-service civil servants that to make an appeal on promotions is promotional suicide as long as the same individual heads that department.

The CHAIRMAN: Are you asking a question?

Mr. WINCH: I am asking what influence the commissioners have, and what they can do to either protect civil servants or get away from this fear. I hear this as a member of this committee and as a member of the House of Commons, especially in Ottawa, that if they make an appeal they are committing promotional suicide as long as certain individuals are in control of that department. This, I think, is a most important question.

The CHAIRMAN: Mr. Pelletier may, and probably will, reply. I am however, pointing out that you are stating an opinion not substantiated by fact. Mr. Pelletier may, of course, reply but I think in making allegations as to fears which may or may not exist we should point out to the committee, that such a statement may only be regarded as an opinion.

Mr. WINCH: And it is damned important to some civil servants.

Mr. PELLETIER: Should the situation which Mr. Winch suggests exist, I would entirely agree it would be contributing to a lowering of the morale and be a pretty serious thing. You asked what kind of action we could take, should such a situation exist?

Mr. WINCH: What is done so that they do not have this idea in their minds?

Mr. PELLETIER: In so far as the commission is concerned, the fact that a person has or has not appealed does not affect his chances of advancement one way or another. It is irrelevant to the question as to whether a person should be promoted or advanced.

In so far as the departments are concerned, my own experience has been that most departments are not only willing but anxious to have an appeal system that works, because it protects them as well as the employees. It creates the atmosphere that the department is not trying to promote its creatures but quite willing and anxious to have the thing aired by an impartial board, such as are all our appeal boards.

Mr. WINCH: I have been considering this matter very seriously. In view of my thoughts, I would like to ask whether or not it would be possible for the commission to make it public that anyone who feels in this way could get his complaints to the commission with an understanding and a knowledge that he would not be penalized if he did so.

I think it would be of great help if there was something of a public notice in that form.

Mr. PELLETIER: You mean a notice from the commission?

Mr. WINCH: Yes; to the effect that any person or persons who feel that way—who feel that this situation does exist—I think this would remove a lot of the misunderstanding and suspicion if your commission could make it public in some way that any persons in the civil service here in Ottawa could come to you and lay this information before you, knowing that in no way whatsoever would they be penalized in their jobs in the department or on future promotions. I think it would help a great deal.

Mr. PELLETIER: It has happened that civil servants have telephoned me and said, "I would like to appeal this thing. Is that going to prejudice me?" In one instance it was a fairly senior person and I said, "Absolutely not. If you feel you have grounds for appeal, then by all means appeal." But that is not a direct answer to your question.

Mr. WINCH: Mr. Chairman, I am thinking of the morale of the public service if we could get some kind of a statement like that in public. I get this kind of phone call every day. They tell me why they object and the department in which they work, but they are afraid to give their names. In the majority of cases they say if there could be that kind of a public pronouncement from the commission it would do a great deal in the civil service.

Mr. PELLETIER: Mr. Chairman, Mr. Winch certainly has raised an important point. Could we be allowed to take his suggestion under advisement?

The CHAIRMAN: Yes. In cautioning you, Mr. Winch, there was no suggestion that we did not have a right to deal with this. I just say we must deal in fact and not in individual opinions as to whether or not great fears do or do not exist.

Mr. WINCH: I wanted to bring it out.

The CHAIRMAN: I suggest you have done so very well.

Mr. CARTER: I have a supplementary question following along the same line. With regard to those 26 appeals which were upheld, do you follow those up in order to find out whether they remained in the department, or whether any recommendations were made in any of these cases that they should perhaps be transferred to another department?

Mr. PELLETIER: I am not sure I understand your question.

Mr. CARTER: Well, the appeal was necessary because somebody got the job. Somebody was recommended for appointment, and this person felt that an injustice had been done. He appealed that; his appeal was upheld and he was recommended to replace the person who had originally been recommended.

Mr. PELLETIER: No. I think perhaps the question is not completely understood. What happens in an appeal of a promotional competition is that, for instance, the number 5 man appealed on the grounds that he was rated improperly. In that case, the appeal board would agree or disagree that he was improperly rated. The appeal board would not, however recommend that he be appointed. The board would simply say that he was not rated properly for this or that reason.

Well, the commission, would order that a new examining board be set up to re-rate all the candidates. The number 5 man might become number 3 or might remain number 5; but all the candidates would be re-examined by a new and a different board.

Mr. CARTER: Can you inform the committee then of these 26 appeals which were upheld how many of them finally received the appointment?

Mr. PELLETIER: I do not have that information here.

The CHAIRMAN: Would you like that information?

Mr. CARTER: Yes. An appeal is no use actually if it only results in being promoted from fifth place to third place.

Mr. PELLETIER: Yes. However, the essential point here is not that the appellant get the job, but rather that justice be done.

Mr. CARTER: But when you said the appeals were upheld I assumed it meant that these 26 persons got the appointments.

Mr. PELLETIER: No.

Mr. CARTER: If that is not so, I think we should know how many of them actually were successful in getting the appointment?

Mr. WINCH: That is a very good point.

The CHAIRMAN: That will be provided.

Mr. WINCH: I am sorry, but I am afraid I will have to read a paragraph.

The CHAIRMAN: Quote the source.

Mr. WINCH: I have a copy of instructions for filing an appeal in connection with the results of a promotion competition. This is from the secretary of the Civil Service Commission, Jackson building, Ottawa. I will read one paragraph:

The information presented in an appeal is extremely important. A statement which merely outlines the length of service and details of experience does not constitute a valid basis for appeal, as this information is already contained in the application form nor does the statement that, 'I consider my qualifications equal to or better than those of the successful applicant', unsupported by definite facts, constitute sufficient grounds. Definite reasons must be submitted for the belief that the ratings were not just and equitable.

My question is, in view of the fact that on this form of appeal the applicant is told what cannot be put in, what therefore are definite reasons that the rating was not just and equitable? In view of all you have wiped out, what are the reasons which are just and justifiable on appeal?

Mr. PELLETIER: All this purports to say is really that it is not good enough for me to say, if I am a candidate, that I am better than Miss Addison for a particular job.

The CHAIRMAN: Which is not a question before this committee.

Mr. PELLETIER: The essential point is that if in a competition there are, for example, four different fields in which the person is examined and one of them is, let us say, personal suitability, which is at best a very difficult thing to gauge, the individual may feel that for the kind of job, for instance a straight research job, the fact that he may not be very good at public relations does not matter very much. Should that case come to appeal the candidate might be right in saying the board gave too much weight to that and not enough to the fact that he is a first rate chemist and has such-and-such experience.

Mr. WINCH: I still have not got that clear. This paragraph intrigues me. If on appeal they cannot use their service and the details of their experience or the fact that their qualifications are equal or better than the successful applicant as a valid base then what are the definite reasons upon which they can appeal?

Mr. PELLETIER: The kind of thing I just mentioned. Experience might be taken into account, but not the bald statement that a person has served in a particular kind of job for 15 years. That is immaterial. Another person may have served only 5 years in the same kind of job and still be a better person.

Miss ADDISON: We do not say he cannot use these special headings, but we ask that he explain them in a little detail and not leave them as bald

statements. We like him to try to explain why his 15 years is more useful and not just say he had 15 years experience. We would like him to say what that experience consisted of and why it is relevant to the job.

Mr. WINCH: You already have that information and you say it is not to be put in.

Mr. PELLETIER: I subscribe entirely to the paragraph you have cited.

Miss ADDISON: It is to avoid the bald statement of fact and to try to get him to enlarge his statement a bit more.

Mr. CARON: When there is an appeal, generally the case is very well prepared by heads of departments; but sometimes you may have a candidate who is a good and hard worker but is very shy and cannot explain his case as clearly as the one who has prepared a case against him. Are they permitted to be represented by a lawyer on these appeal boards?

Mr. PELLETIER: To date we have not allowed that. The procedure that is now in existence is that the individual, if he so desires of course, can represent himself, but that is not answering the problem you have put forth. He can also be represented, and is more often than not represented, by one or more of the staff associations.

Mr. WINCH: This says he must nominate a recognized civil service association.

Mr. PELLETIER: Do we say that there?

Mr. WINCH: Yes. It says in the first paragraph of the same document:

In making an appeal a candidate must nominate a recognized civil service association to represent him or appear at the appeal board.

Mr. PELLETIER: If it says that, and of course I believe you, it is not in accordance with the facts.

Mr. WINCH: Why do you then put this out?

Mr. PELLETIER: What is the date?

Mr. WINCH: There is no date on it, but I think I can tell you. The name of the civil servant was cut out. It was on March 5, 1959.

Mr. PELLETIER: Old stock again, for which I apologize.

Mr. WINCH: But the date of the communication was March 5, 1959.

Mr. PELLETIER: That is not in accordance with the facts. I am glad you drew that to my attention. I think it is wrong. What happens is that the individual can be represented by a staff association, if he wishes, and if he does not, he may present his own case.

Mr. WINCH: This was sent out to this certain person in March of this year, and you say it is old stock.

Mr. PELLETIER: I am not disputing the fact; I am saying it states something which I believe to be wrong.

Mr. BROOME: What would you do with the rest of the old stock?

Mr. PELLETIER: Burn it.

The CHAIRMAN: Gentlemen, you will have an opportunity to continue your discussion in connection with appeals tomorrow morning at 9.30.

Mr. CARON: I have one further question, which will only take a minute; is there any regulation which forbids a man or lady to be represented by a lawyer?

Mr. PELLETIER: No.

Mr. CARON: So if anyone would like to take advantage of this, he or she would be permitted to do so?

Mr. PELLETIER: We do not normally allow that because, as I said at an earlier meeting, in most cases this is not a judicial process in the strict sense of the word. It is not a question of determining whether something is black or white; it is a question of determining whether certain rather intangible elements have been given proper weight by the examining board.

Mr. CARON: We know a lawyer can question a lot better than an ordinary citizen, and if they were allowed to do so it would be a great help in connection with these appeals.

Mr. PELLETIER: That again is something we will take under advisement; there is no regulation forbidding it.

The CHAIRMAN: We will recognize Dr. McMillan at the opening of our next meeting.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

1^{er} juin 1959

(Page No. 412)

M. PIGEON: Ne trouvez-vous pas, monsieur Pelletier, qu'il serait opportun que les commissaires qui sont actuellement nommés ne s'occupent que des emplois futurs, c'est-à-dire les emplois que l'on annonce par la voie des journaux et que le gouvernement nomme d'autres commissaires pour s'occuper uniquement des promotions à l'intérieur du Service civil.

M. PELLETIER: Monsieur Pigeon, les commissaires, d'après la loi, font et sont responsables pour toutes les nominations, qu'il s'agisse de nominations initiales ou de promotions. Les gens qui sont nommés pour examiner les candidats au sein des ministères, lors d'un concours de promotion, ne sont pas des commissaires; ils sont nommés par nous, ils sont nos agents.

M. PIGEON: Ne trouvez-vous pas, monsieur Pelletier, que dans l'intérêt public, vu la charge énorme qui repose sur les épaules des commissaires actuels, il serait préférable que le gouvernement nomme d'autres commissaires pour s'occuper uniquement des promotions en rapport avec les directeurs de service, s'il le faut, ou de nommer de nouveaux commissaires pour s'occuper uniquement de cela.

M. PELLETIER: Monsieur Pigeon, évidemment ce que le gouvernement, et surtout ce que le Parlement veut faire dans ce domaine là est du ressort exclusif de leur autorité, non pas de la nôtre. Si vous me demandez mon opinion personnelle, je suis d'avis qu'il ne serait pas souhaitable de nommer deux ou trois organismes différents pour faire essentiellement la même chose.

* * * *

M. PIGEON: Si ma mémoire est bonne, vous avez dit, lors des dernières séances, qu'il est fort possible que du favoritisme se soit infiltré dans le domaine des promotions et que vous étiez surchargé de travail, que vous manquiez, autrement dit, de personnel. Ne trouvez-vous pas que si le gouvernement nommait des commissaires uniquement pour les promotions, cela ne serait pas dans l'intérêt public.

M. PELLETIER: Sur la question du favoritisme, monsieur Pigeon, j'ai dit que, dans un service qui compte 140,000 personnes, il serait surprenant qu'il n'en existe nulle part. J'ai dit également, par ailleurs, qu'après au delà de vingt ans dans le Service civil, de ma propre expérience, je suis convaincu que le favoritisme n'existe sur une grande échelle nulle part.

(Page No. 419)

M. PIGEON: Lors des examens du Service civil, examine-t-on toutes les demandes ou se limite-t-on à celles des anciens combattants? Si l'on n'y trouve pas de candidats satisfaisants, est-ce que l'on passe à d'autres demandes de personnes qui ne sont pas des anciens combattants?

M. PELLETIER: Si, parmi les candidats, il semble, sur papier, y avoir un nombre suffisant d'anciens combattants pour remplir les postes, on n'examine, en premier lieu, que les anciens combattants. Si, toutefois, on n'en trouve pas parmi les anciens combattants, on passe aux autres.

M. PIGEON: Ne trouvez-vous pas, monsieur Pelletier, qu'il serait plus démocratique, plus logique, d'examiner toutes les demandes d'emplois, puisqu'un citoyen qui n'est pas un ancien combattant serait peut-être plus qualifié qu'un ancien combattant?

M. PELLETIER: Monsieur Pigeon, nous n'avons pas le choix. La loi prévoit une préférence absolue dans le cas des anciens combattants. Nos mains sont liées.

M. PIGEON: Avant de passer au deuxième item, j'ai une autre question à poser, monsieur le président.

En vertu de la fameuse loi dite de sécurité nationale qui avait été adoptée sous le régime Pickersgill, un employé peut être renvoyé ou une promotion peut lui être refusée si l'on semble considérer qu'il est un mauvais risque en ce qui a trait à la sécurité.

M. PELLETIER: La responsabilité, quant à ce qui a trait au genre de sécurité auquel vous faites allusion, est strictement et exclusivement du ressort du ministère.

M. PIGEON: Comme cela, un employé pourrait être remercié ou gelé sans qu'il ait la chance de faire entendre sa défense?

(Page No. 420)

M. PELLETIER: Avant qu'un employé du Service civil soit renvoyé, dans le cas extrême auquel vous faites allusion, il a le droit, en vertu de l'article 118 de nos règlements, de faire ses représentations à ses supérieurs.

APPENDIX "J"

In answer to a question by Mr. Hales:—

Supervisors of Civil Service examinations are paid \$10.00 for any examination lasting two hours or less. For any examination of longer duration, remuneration is at the rate of \$5.00 per hour or fraction thereof.

* * * * *

In answer to a question by Mr. Hales:—

When examinations in outside centres cannot be held in government owned accommodation, the examinations are normally held in classrooms. Very often school facilities are made available free of charge. However, if a charge is made for classrooms the fee paid is about \$5.00 for each room used by the Commission.

* * * * *

In answer to a question by Mr. Pigeon:—

The following table shows the number of persons who, not meeting the requirements of Section 32 of the Civil Service Act with respect to Citizenship and Residence in Canada, were admitted under authority of the Governor in Council to examinations for appointment to the civil service in each of the years 1954 to 1958 inclusive:

Occupational Area	Departments	1958	1957	1956	1955	1954
Actuarial Assistant	Insurance	1	1	1		
Aircraft Mechanic	Transport		2		1	
Architect	DPW-POD			2	3	
Bacteriologist	NH & W	5	4	2		
Chemists	Various Depts.	1	2	4		
Clerical	Various Depts.	1	3	6	3	2
Dental Nurse	DVA-NH & W	1	3			
Draftsman	Various Depts.	3	4	9	3	
Engineer	Various Depts.	1	5	6	5	3
Forestry Officer	NA & NR	3	6	1		
Hosp. Lab. Tech.	DVA-NH & W	4	1	6	4	3
Hosp. Nurse & Assists.	DVA-NH & W	16	13	17	7	4
Lecturer	RMC of ND	1		2	1	
Librarian	Fin. & ND			1	1	
Maintenance Staff	Various Depts:	1	4	1	3	
Medical Officer	DVA-NH & W	1		4		4
Medical Social Worker	DVA-NH & W	1	3	1		
Meteorologists	Transport	4	9	1	6	4
Off. Machine Operator	Various Depts.	1	25	31	10	12
Patent Examiner	Sec. of State		1			1
Physiotherapists	DVA	2	1		1	1
Postmaster	POD		12	1		
Radio Operator	Transport	1		8	1	
Research Officers	Agriculture	9	9	2	3	8
Scientific Officer	MTS	1		1		
Statisticians	T & C-NG	1	3	1		
Stenographers	Various Depts.	11	5	8	6	7
Tech. Off. & Technicians	Agriculture		6	8	7	2
Tech. Off. & Technicians	Various Depts.	3	23	15	8	20
Translators	Sec. of State	7	1	5	2	3
Veterinarians	Agriculture	8	5	4	10	10
Miscellaneous (See breakdown following)....		6	23	1	2	5
TOTAL		94	174	149	87	84

STANDING COMMITTEE

BREAKDOWN OF "MISCELLANEOUS"

	Occupations	Department	Number	
1958	Economist	Transport	1	
	Ship Inspector	Transport	1	
	Proof Technician	National Defence ...	1	
	Jr. Exam. of Companies	Insurance	1	
	Auditor	UIC	1	
1957	Anthropologist	NA & NR	1	
	Admin. Officer	Various Depts.	8	
	Assessor	NR	1	
	Beekeeper	Agriculture	1	
	Classification Officer	CSC	1	
	Cust. Excise Officer	NR	1	
	Geographer	MTS	1	
	Handicrafts Instructor	DVA	1	
	Hospital Nursing Orderly ...	DVA	1	
	Immigration Officer	C & I	1	
	Livestock Products Grader ...	Agriculture	1	
	Orthopedic Appliance Maker ..	DVA	1	
	Parliamentary Reporter		1	
	Settlement Officer	C & I	1	
	Truckman	NR (Customs)	3	
	1956	Hospital Cook	NH & W	1
		1955	Geologist	MTS .....	1
Psychologist	DVA		1	
1954	Anthropologist	NA & NR	1	
	Biologist	AGR	1	
	Geophysicist	AGR	1	
	Instructor	Nat. Defence	1	
	X-Ray Operator	DVA	1	

* * * *

In answer to a question by Mr. Bell:—

During the three year period for which statistics are available (1956-58) ten persons were appointed to perform duties which they had been performing, prior to civil service appointment, as serving officers of the Armed Forces immediately prior to their retirement from the Armed Forces.

In all cases the appointments were made under authority of Governor in Council exempting the positions in order that the Commission might make appointments without competition. In each case the Commission recommended exemption because the peculiar nature of the duties of the positions and qualifications required of the incumbent were such that the Commission felt that a candidate better qualified could not be found through the medium of a formal competition.

* * * *

In answer to a question by Mr. Pigeon:—

1. The question asked for statistics going back five years. Unfortunately records that would serve to answer this question were not maintained until 1956.

2. The number of departmental competitions in which the Commission required a new selection board was as follows:

1956	42
1957	35
1958	42
1959 (to date)	12

3. In respect to the competitions referred to above, the original selections were NOT confirmed in the proportion set out below:—

1956	20
1957	11
1958	21
1959 (to date)	2

4. Of the competitions recorded in paragraph 2 the following indicates the number in which the original selection was confirmed:—

1956	22
1957	24
1958	21
1959 (to date)	10

* * * *

In answer to a question by Messrs. Carter and Winch:—

ORGANIZATION AND STAFF OF THE CIVIL SERVICE COMMISSION

	Whole Civil Service	C.S.C. Staff
Average Age	37 years	35 to 36 years
Average Length of Service	Not available	8 to 9 years
Average Salary	\$3,745.	\$4,463.

* * * *

In answer to a question by Mr. Carter:—

The following table demonstrates the fluctuation in the number of persons on the Commission's staff from year to year over a period of twenty years. The right hand column shows the relationship of the size of the Civil Service Commission's staff to that portion of the public service for which the Commission is responsible.

Year	Civil Service Commission (Staff Strength)	Per cent of Classified Civil Service Establishment
1939	236	0.51
1944	580	0.52
1946 (Peak years)	689	0.57
1949	566	0.44
1954	600	0.41
1955	587	0.41
1956	600	0.41
1957	631	0.42
1958	657*	0.43
1959	658	Not known

*NOTE: If allowance is made for added functions for which staff was provided since 1948 (Training 12, Organization and Methods Division 33, Pay Research Bureau 22, and Suggestion Awards 3) the net staff strength, for functions performed prior to 1948, was 587 employees in 1958—or 0.38% of classified civil service establishment for that year.

.....
.....
.....

.....
.....
.....

.....

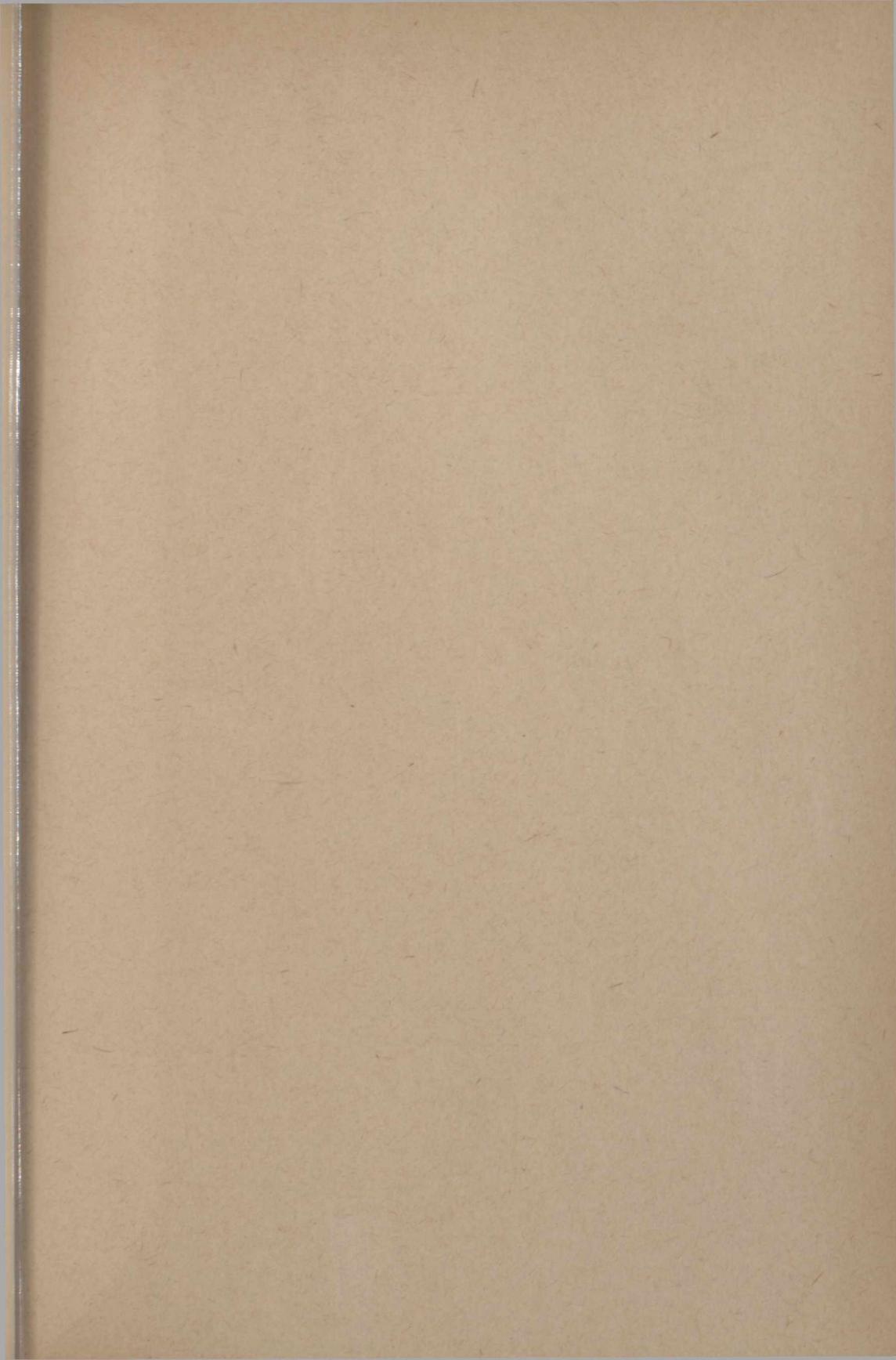
.....

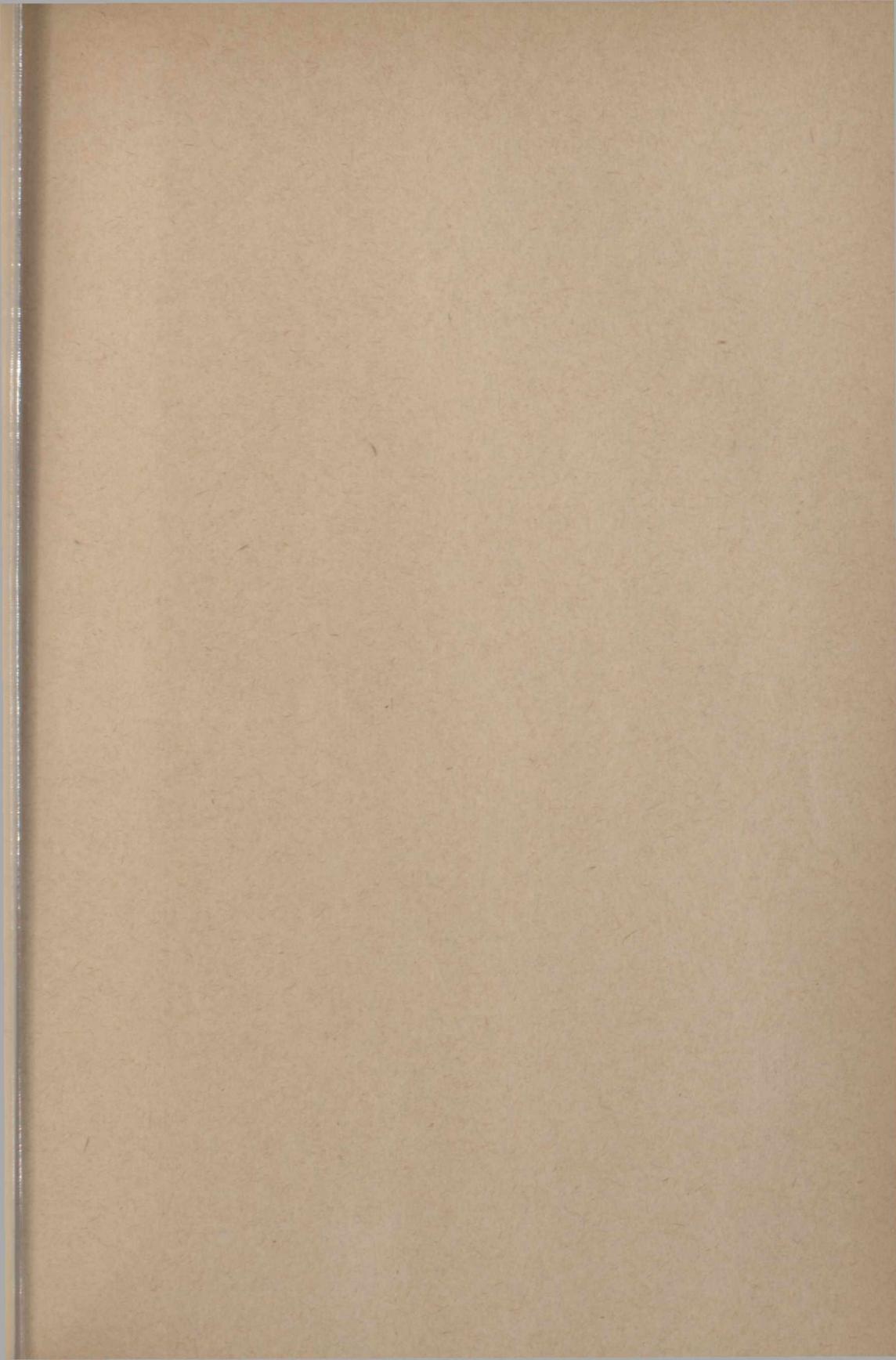
.....

.....

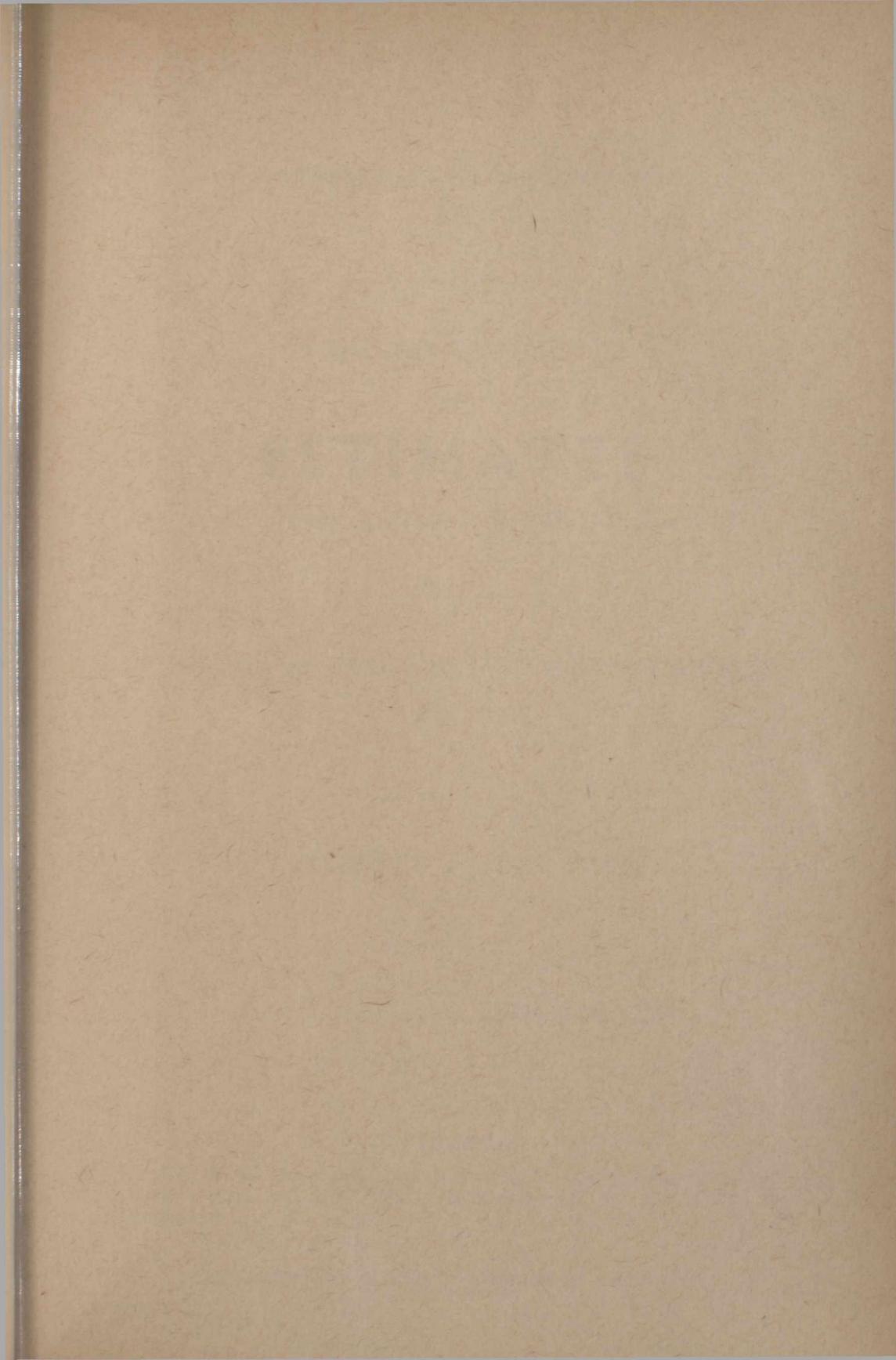
.....

.....









HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament
1959

STANDING COMMITTEE
ON
ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 19

TUESDAY, JUNE 2, 1959

CIVIL SERVICE COMMISSION



WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Miss Ruth Addison
and Mr. Paul Pelletier, both Commissioners of the Civil Service
Commission.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,

and Messrs.

Anderson,
Baldwin,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Caron,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Howe,
Jorgenson,
Korchinski,
Lambert,
McCleave,
McDonald (*Hamilton
South*),
McFarlane,
McGee,
McGrath,
McGregor,
McIlraith,
McMillan,
McQuillan,

McWilliam,
More,
Morris,
Nesbitt,
Nugent,
Payne,
Peters,
Pickersgill,
Pigeon,
Pugh,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Small,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 2, 1959.

(22)

The Standing Committee on Estimates met at 9.50 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Best, Broome, Carter, Chambers, Fairfield, Halpenny, Howe, Jorgenson, Korchinski, Lambert, McCleave, McFarlane, McGee, McIlraith, Pigeon, Richard (*Ottawa East*), Smith (*Calgary South*), Stewart, Winch, and Winkler.

In attendance: Honourable Henri Courtemanche, Secretary of State. *And From the Civil Service Commission:* Miss Ruth Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

The Committee resumed its consideration of Item numbered 67 of the Main Estimates, 1959-60, respecting the operations of the Civil Service Commission, the Commissioners supplying information thereon.

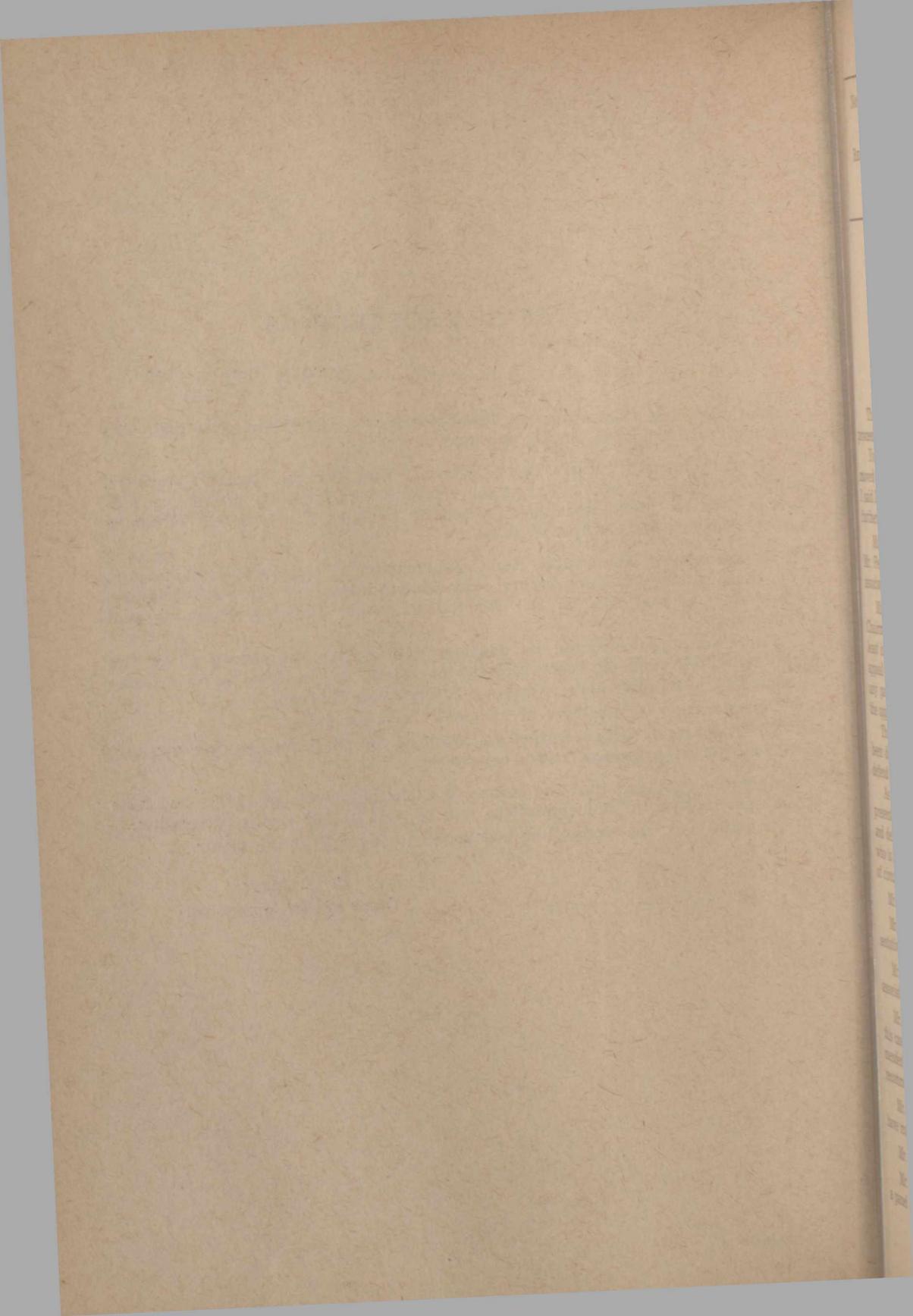
Consideration of the topic of "Appeals" was concluded.

The subjects of "*Organization and Staff of the Civil Service Commission*" and "*Pay Research Bureau*" were considered.

Agreed,—Provided that the House of Commons meets at 11.00 a.m. June 4, the next meeting of this committee will be held at 2.30 p.m. on that date.

At 10.50 a.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.



NOTE: Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.

REMARQUE: Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.

EVIDENCE

TUESDAY, June 2, 1959.
9:30 a.m.

The CHAIRMAN: Good morning, gentlemen, we have a quorum, so we can proceed.

You will recall that at the adjournment of our meeting yesterday we moved on from examinations and competitions to the new heading of appeals. I said I would recognize Dr. MacMillan, but he is not with us, so are there any further questions on appeals?

Mr. BELL (*Carleton*): Yes, Mr. Chairman. I wonder if Miss Addison or Mr. Pelletier would outline in some detail the role and function of the staff associations in these appeals?

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): Yes, Mr. Chairman. If I may outline in brief the procedure that has been followed, at least in the past several years, it is that in the first place the chairman of the appeal board is an official of the Civil Service Commission who has not had any part in our operations, or in the departmental operations out of which the appeal arose.

The second member is a representative of the staff association who has been designated by the appellant to represent him and present his case and defend it.

As I said yesterday, the appellant may or may not wish to have his case presented by a staff association. If he does not wish to have his case so presented and defended, he does it himself; but we normally appoint a board member, who is a representative of the staff association but who does not, in that kind of circumstance, act as the advocate of the appellant.

Mr. BELL (*Carleton*): Excuse me a moment—

Mr. PELLETIER: Just to complete it, if I may: the third member is a representative of the department nominated to present the department's case.

Mr. BELL (*Carleton*): Do I understand the representative of the staff association sits as both judge and counsel?

Mr. PELLETIER: Yes, Mr. Bell. I think an unqualified "yes" is correct in this case, and if you will recall, in our report to government we have recommended a change for precisely that reason. If the government accepts our recommendation, that situation will not arise.

Mr. BELL (*Carleton*): You concede that is an anomaly; and the fact you have made your report indicates that.

Mr. PELLETIER: Yes, I would, Mr. Bell.

Mr. BELL (*Carleton*): Is an appellant who goes to a staff association given a panel from whom available advocates may be chosen?

Mr. PELLETIER: I believe—and I would have to check this to make sure my answer is absolutely correct, Mr. Bell—but I believe the normal practice is for the appellant to say: “I would like to be represented by association X” and then the executive of that association would designate someone to represent the individual.

Mr. BELL (*Carleton*): So the appellant himself has no choice of his own counsel?

Mr. PELLETIER: I believe that normally that is correct.

Mr. BELL (*Carleton*): Surely, again, that is an anomaly, is it not?

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): Except that he chooses which staff association shall represent him; he has that choice, but does not choose the particular individual.

Mr. BELL (*Carleton*): I think none of us would like to be in the situation of having to choose from members of the bar of Quebec or of the bar of Ontario. I think we would like to choose our own counsel in anything that is important.

Mr. PELLETIER: With the chairman's permission, I would like to outline the kind of thing we have recommended. We have recommended that this situation be changed in this way: that the commission will appoint a panel of people, which panel would be quite representative, and from which both the appellant and the department could each choose a person who was acceptable to them. By saying “acceptable”, that does not mean this person or these persons would be an advocate either of the department or of the appellant. For example, we would presumably appoint a panel which would include a number of retired civil servants who were representative of all levels of the civil service, from the deputy minister down to the messenger; and probably a representative number of outside people who had never been in the civil service. The appellant could then choose a person in that panel.

Mr. BELL (*Carleton*): Would that person whom he so chose be judge, or would he be solely advocate?

Mr. PELLETIER: Purely and exclusively judge.

Mr. BELL (*Carleton*): So that the appellant, even under the new system, would then have no advocate of his cause?

Mr. PELLETIER: That is right. He could choose an advocate if he so desired.

Mr. BELL (*Carleton*): Is it clear, despite the document which Mr. Winch produced yesterday, an appellant has personally the right to be present?

Mr. PELLETIER: Yes, absolutely.

Mr. BELL (*Carleton*): Are these representatives of the staff associations sworn to secrecy?

Mr. PELLETIER: I believe not, Mr. Bell.

Mr. BELL (*Carleton*): You believe not?

Mr. PELLETIER: Yes.

Mr. BELL (*Carleton*): Do they have the right to communicate to the appellant the information that comes into their possession?

Mr. PELLETIER: I would not like to give a specific answer to that, without checking.

Mr. BELL (*Carleton*): Would you check that for me, please, Mr. Pelletier?

Mr. PELLETIER: Yes, certainly.

Mr. BELL (*Carleton*): Is the full file on the competition available to a representative of the staff association prior to the sitting of the appeal board?

Mr. PELLETIER: I believe that the answer to that is: in most cases, yes; in some cases, no.

Mr. BELL (*Carleton*): Why is there a difference?

Mr. PELLETIER: Again, Mr. Bell, I would have to check. I believe this applied only to one department—and I do not think consistently—because of some difficulties that arose; but I would be very pleased indeed to find out exactly what happened.

Normally, files that are relevant to an appeal are always made available to all three members of the board. But your question is; are they made available before the hearing?

Mr. BELL (*Carleton*): Yes.

Mr. PELLETIER: Normally, the answer to that question is, yes.

Mr. BELL (*Carleton*): My question, basically, is this, Mr. Pelletier: is there an opportunity for the staff association representative—who is, presumably, caring for the interests of the appellant—to see the file in advance and prepare the appellant's case for him?

Mr. PELLETIER: Yes, normally that is the way it happens.

Mr. BELL (*Carleton*): Normally, that is the way?

Mr. PELLETIER: Yes.

Mr. BELL (*Carleton*): Could you outline in what cases it does not happen, and why it does not happen?

Mr. PELLETIER: I shall find the answer to that and give it to you.

Mr. BELL (*Carleton*): What length of time is taken, generally, in respect of appeals?

Mr. PELLETIER: This varies a great deal, Mr. Bell. It depends on where the appeal arises and the number of appellants. If there is a competition in Ottawa and only one person appeals the case, normally it is disposed of quite rapidly. On the other hand, if it is a national competition, and there is a number of appellants who are situated in different parts of Canada, then it would take much longer. That is the reason why in some cases promotions are held up for some time, because we do not—

Mr. BELL (*Carleton*): That is why?—

Mr. PELLETIER: If I may complete it—because obviously we do not approve the appointment—that is, the promotion of an individual—until all appeals have been disposed of.

Mr. BELL (*Carleton*): Do they frequently take as long as eight or ten months?

Mr. PELLETIER: No, I would say not.

Mr. BELL (*Carleton*): Do they ever take that long?

Miss ADDISON: There might be individual cases: where there is a number of appeals; where this involves districts; and where the difficulty of getting information relative to the case in from the districts takes some time. It might be so in the odd case, but it would certainly be an exception.

Mr. BELL (*Carleton*): Would you, when looking up the other information, seek as well the number of instances in the last two years when appeals have been upheld and the competitions themselves have been cancelled? I believe there have been some such cases.

Mr. PELLETIER: That is the information I gave the other day. There were 26 appeals upheld out of 664 appealed.

Mr. BELL (*Carleton*): Yes, but in those cases, in how many of those cases were the competitions simply cancelled?

Mr. PELLETIER: Oh, I see.

Mr. BELL (*Carleton*): And not been proceeded with, no one being appointed to the vacancy?

Mr. PELLETIER: I see, Mr. Bell.

Mr. BELL (*Carleton*): Would that information be readily available?

Mr. PELLETIER: Yes, Mr. Bell.

The CHAIRMAN: Mr. Pigeon? Are you through, Mr. Bell?

Mr. BELL (*Carleton*): Yes.

Mr. PIGEON (*Interpretation*): In the interest of the civil service as well as the public interest, Mr. Pelletier, do you not find that a bilingual judge should be appointed to hear complaints or appeals by civil servants, so as to bring about a disappearance of difficulties and such litigious matters?

Mr. PELLETIER (*Interpretation*): In the survey we made during approximately a year and a half before submitting our report to the government, we studied all these possibilities, with special reference to the matter of appeals, including the suggestion you made, and we did come to the conclusion that our ideas on the matter would be preferable to the suggestions put forward by you. We feel that there should not be a number of different organizations or agencies to carry out similar or very slightly different functions.

Note: Further statement not interpreted.

Mr. PIGEON (*Interpretation*): Do you not feel that a judge with his experience would be better qualified to give satisfaction to civil servants who have grievances to put forward? I do not want to minimize the capacities of civil servants, but most of them are not lawyers and do not have the required legal experience to carry out such work.

Mr. PELLETIER (*Interpretation*): But as I said yesterday, these appeals are not actually judicial operations. The point at issue is to determine if the employee has been properly rated. It is not a case of determining a matter of law.

Mr. PIGEON (*Interpretation*): I feel that a lawyer acting as a judge—acting judicially—would be much more in a position to determine the facts of a case. For instance, he could call upon witnesses to be sworn. He would be in a much better position to determine the actual facts upon which to base a decision.

Mr. PELLETIER (*Interpretation*): I do not really think a lawyer or a judge would be better qualified to carry out a more complete inquiry. Now, in so far as the swearing of witnesses is concerned, that is what we can also do.

Mr. PIGEON (*Interpretation*): I do not feel it proper that it should be the commissioners who are the ones who, in fact, set the examination and then hear appeals on the results of the competition itself. It does put the civil servant in a very difficult position.

Mr. PELLETIER (*Interpretation*): As I said a moment ago, we examined all the pros and cons of various systems. I think the great weakness of the system you suggest would be that an independent body responsible to no one could be thus empowered to force a civil servant upon the government.

The CHAIRMAN: Mr. Pigeon, I am going to suggest that there is very obviously a difference of opinion between you and the witness. Any additional argument is not going to change the situation. You may however go on to any other questions or continue this if you like.

Mr. RICHARD (*Ottawa East*): I have a few questions. How far could this appeal board go into reopening the competition? When a senior officer is giving

a rating, for example, of 75 per cent to one candidate and 78 per cent to another is there power in the appeal board to look into that? That may be the whole question. The rating of the senior officer usually makes a difference in the competition.

Mr. PELLETIER: The appeal board has no power to do anything but to recommend to the commission. What would happen, in the case of a situation such as the one to which you are referring, would be that the appeal board would make a report to us saying that in their estimation this competition was irregular or was improperly conducted, in such a way that the appellant, for instance, had been improperly rated in some respects. In this event, we can, and do, on occasion order that a new competition be held. The initial competition is washed out. We appoint a new board with different personnel who examine anew the candidates who were at the initial competition.

Mr. RICHARD (*Ottawa East*): Are you suggesting that the board does, as a matter of fact, grant an appeal on the grounds that the ratings of the senior officer were not proper?

Mr. PELLETIER: I think there is some confusion as to ratings. Mr. Bell pointed that out yesterday. If we are speaking about efficiency ratings, that is one thing. The efficiency rating is something which is done annually by the immediate supervisor of the civil servant, and this is placed on his file. Then there is the type of rating done by the examining board when they are holding the competition.

Mr. RICHARD (*Ottawa East*): I am speaking about the rating which is part of the competition.

Mr. PELLETIER: That is not the efficiency rating.

Mr. RICHARD (*Ottawa East*): It is the rating given by senior officials in the department?

Mr. PELLETIER: No; it is a rating given by the three or four, or four or five, members of the examining board.

Mr. RICHARD (*Ottawa East*): The efficiency rating has no bearing on the competition.

Mr. PELLETIER: Yes, it has some bearing, which bearing can vary a great deal. We do not feel, however, that the efficiency rating alone should have too much weight, due to the fact that different persons rate people differently.

Mr. RICHARD (*Ottawa East*): I think that is what everybody wants to get into. The impression is that the efficiency rating given by the department greatly influences both the examining board and then the appeal board. If that is not so, then I would like to have it said.

Mr. PELLETIER: In the majority of cases I would say it definitely has a bearing; but I do not say it has the main bearing on the outcome of the competition.

Mr. RICHARD (*Ottawa East*): What about seniority.

Mr. PELLETIER: Seniority is a factor, but it is a relatively minor one.

The CHAIRMAN: I would like to point out to you that yesterday and the day before we dealt rather extensively with this.

Mr. RICHARD (*Ottawa East*): I read the report; but I think this satisfies me a little better.

The CHAIRMAN: I merely wish to point out that much of this ground has been covered previously.

Mr. RICHARD (*Ottawa East*): I know that. I think if we sat for many days on this we could not cover all the angles.

The CHAIRMAN: We wish to avoid repetition as much as possible.

Mr. RICHARD (*Ottawa East*): The only other question I wish to ask is, after an appeal is held whose decision is it that the competition can be cancelled.

Mr. PELLETIER: The commission's.

Mr. RICHARD (*Ottawa East*): Are there special grounds for this or are they the grounds given by the board.

Mr. PELLETIER: When we receive the report of the appeal board, naturally we look at it carefully because it is important to an individual. If we come to the conclusion, as we often do, particularly if it is a unanimous report, that the appeal should be upheld, we would recommend, depending on the circumstances, that the initial competition be quashed and we would order a new one to examine the same candidates.

Mr. RICHARD (*Ottawa East*): That is not always the case?

Mr. PELLETIER: No.

Mr. RICHARD (*Ottawa East*): In the case where an appeal is upheld, would you appoint a person who was successful on the appeal?

Mr. PELLETIER: No. It does happen quite often that an appellant appeals not because he was not declared the successful candidate, but simply because he feels he was rated too low. In some cases, he may be right. In some cases, the appeal board might say, "He is rated incorrectly", and they would so report to us. He would be re-rated; but that does not necessarily mean he would be rated first, in which case it would not be a new competition.

Mr. BROOME: I would like to pursue the item brought up by Mr. Winch in respect of the instructions issued by the commission which you stated at the last meeting were wrong. That is in reference to the matter that the man could not represent himself. This mimeographed form must have been in use for a good many years. Surely during that period someone must have complained about it and wished to represent himself. Why is it that you have to wait for Mr. Winch to bring this up in order to have that mimeographed form corrected? I am just wondering where in the commission and its staff there has been a falling down, because it appears to me there has been such a falling down.

Mr. PELLETIER: I think that is the perfect demonstration of the usefulness of parliamentary committees.

The CHAIRMAN: Thank you.

Mr. BROOME: It should not require a parliamentary committee to bring this up. What I am saying is, during the years this form has been used there must have been someone who said, "I want to represent myself" and who has complained about that.

Mr. PELLETIER: There may have been such complaints. I do not know offhand of any. However, in fact—and quite apart from what that circular of ours says, and which is wrong—they are allowed to and do present and defend their own case if they so wish.

Mr. WINCH: Has that circular been changed?

Mr. PELLETIER: I was at a meeting all yesterday afternoon, so I do not know.

Mr. BROOME: The point I am attempting to make is that it is inconceivable to me that something like that, which is so important to 140,000 civil servants, or whatever there happens to be, has not been brought to your attention by your own staff.

Mr. PELLETIER: Yes, that is rather surprising, I suppose.

Mr. BROOME: Surprising—it is astounding.

The CHAIRMAN: Would you just let him reply before commenting.

Mr. PELLETIER: The Civil Service Commission has quite a number of circulars and forms, and I do not want to give the committee the impression that I am trying to defend something that is wrong. If we were wrong I want to admit it, and I have. I do not know that there is much point in belabouring the point any further.

Mr. BROOME: Perhaps the only point of it—

The CHAIRMAN: Do you have a question, Mr. Broome?

Mr. BROOME: No, it is a comment.

Mr. CARTER: When an appeal is held, and it is upheld, and you quash the examination, you order a new one. What happens then: must everybody who participated in the first one participate in the second one; and if a person cannot participate in the second one, is his rating in the first one still considered?

Mr. PELLETIER: What normally happens when we quash the original examination, is that we also—as I said earlier—appoint a new board. Then we give the new board all the application forms of the candidates. We do not give the new board the report, the rating, and so on, of the initial board; we let them start absolutely from the very beginning. Then they re-rate all the candidates who were in the initial competition, unless one of the candidates—for his own personal reasons—wants to withdraw.

Mr. CARTER: There is no new competition held, then?

Mr. PELLETIER: It is not a new competition, in the sense—

Mr. CARTER: It is not a new competition, in the sense of a separate examination?

Mr. PELLETIER: It depends; this kind of thing normally happens on oral examinations, because the written type of examination—certainly for some of the more junior, general classes—is something that is mathematically checked. If this arises in oral competitions, all the candidates are re-examined by the new board.

Mr. CARTER: They all appear before the new board and are interviewed all over again?

Mr. PELLETIER: That is correct.

Mr. CARTER: What would happen in the case of a person who might not be able to appear for the second interview? Would he lose out in the competition altogether because he would not appear the second time?

Mr. PELLETIER: No; in that case we would arrange it so he would appear.

Mr. CARTER: He might be in hospital, or something like that.

Mr. PELLETIER: We would try to arrange it so he would appear.

Mr. WINCH: I, too, do not want to belabour the point, and I want to say right now that I admire the honesty of the commission in answering these questions. But I would like to ask—in view of what has been said—if the commissioners have a certain and definite policy in this regard, how does it happen that from within their own office a circular, diametrically opposed to this, is issued?

Mr. PELLETIER: We have to look into that and give a specific answer. I think that would be more satisfactory to the committee. I think I know what has happened, but I would prefer to check.

Mr. WINCH: You understand the importance of that point?

Mr. CHAMBERS: The witness is saying that in some cases appeals are made, not because a person felt he should have won the competition, but because he should have had a different rating to the rating he got. Would that be a large percentage of the appeals, or would the large percentage of appeals be because the man thought he should have got the job?

Mr. PELLETIER: I would be guessing. I do know, from experience, that this kind of thing happens not infrequently. That is, you may have, for example—to take a round figure—15 candidates in a competition, and five of them were qualified; the other 10 were completely disqualified. It does happen, not infrequently, that one of the people disqualified appeals, not on the ground that he should have been rated first, but that he should have been qualified.

Mr. MCGEE: I have a question, Mr. Chairman. I thought I might clear some of their air on this old stock proposition.

The CHAIRMAN: Can you clear the air any more than Mr. Pelletier did by suggesting that he was going to find out what happened?

Mr. MCGEE: I was just going to suggest a review of the stock, and I come back to this question I raised yesterday, which you said I should raise—

The CHAIRMAN: Is it on appeals?

Mr. WINCH: I am on the same angle, Mr. Chairman.

The CHAIRMAN: All right.

Mr. WINCH: Do the commissioners know of any other instances at all whereby the policy of the commission is being negated by the issuance of any documents within the department?

Mr. PELLETIER: The answer is, no.

The CHAIRMAN: Are you through with appeals?

Mr. MCCLEAVE: I was interested in the remarks Mr. Pelletier made to Mr. Pigeon. Is it the plan, when the new Civil Service Act is introduced, to put the appeal board on a judicial basis; that is, lawyers will be recognized in this connection?

Mr. PELLETIER: That is something that would be possible under our recommendations, if they are approved.

Mr. MCCLEAVE: I notice you do use the words “judicial role” in the paragraphs of this new act, with regard to appeals. Thank you very much.

Mr. PELLETIER: May I say a word more, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. PELLETIER: We use the words, I think, “quasi-judicial”,—that the Civil Service Commission has a quasi-judicial function to perform.

Mr. MCCLEAVE: You use the phrase, “the commission shall assume a judicial role”. That is in paragraph 12,003.

Mr. PIGEON (*Interpretation*): A number of civil servants have told me that they are afraid of submitting grievances, because the commission looks after both competitions and promotions, and they feel that if they put grievances, they might eventually be discriminated against.

The CHAIRMAN: May I point out as I did yesterday, Mr. Pigeon, to Mr. Winch; that you are expressing an opinion not substantiated by fact. I merely caution you that it has to be accepted as such.

Mr. WINCH: That has been said about three times, Mr. Chairman. May I ask, what is the difference between an opinion and a statement a member of the House of Commons is prepared to make? Does that mean that because we raise a matter of principle, we are being brought into doubt—because this is the only way we can do it?

The CHAIRMAN: Not at all; the point I am endeavouring to make is this: there is nothing to prevent you from making it. There is nothing to prevent you from expressing an opinion, but I think it is important that we define what is a statement of fact and what is a statement of opinion. I consider it

—rightly or wrongly—my responsibility, as chairman, to point that out at the time the question is asked.

Mr. WINCH: As long as it is understood. As far as I am concerned—and, I think, all members—we only ask questions on principle, based on information that has been given to us; and I think we do it, very definitely, in our position as members of this committee and accept responsibility for it.

The CHAIRMAN: I accept that, and I am attempting to be consistent in cautioning Mr. Pigeon in the same manner. Proceed.

Mr. PELLETIER: I am quite prepared to discuss this matter with Mr. Pigeon, Mr. Chairman.

The CHAIRMAN: Proceed.

Mr. PELLETIER: But we did discuss it at great length yesterday, and I would only repeat myself.

The CHAIRMAN: Do you wish an answer, Mr. Pigeon? Gentlemen, you are now under the heading of organization and staff of the Civil Service Commission. Before we go on to that, I did say to Mr. McGee that after he had had an opportunity to review a statement which had been filed as evidence, he would have an opportunity to examine on it. Would you proceed, Mr. McGee.

Mr. MCGEE: I received this information this morning, Mr. Chairman. It concerns the questions on May 18 put to Mr. Pelletier by Mr. Nesbitt. He was asking about the qualifications of the officers conducting and preparing tests for, presumably, promotion and selection.

Mr. Pelletier's reply was as to what sort of degrees these people had in psychology, et cetera, and then the minutes indicate it was agreed to produce a report, which we have before us this morning. I notice that among the 123 Civil Service Commission officers, only 10 have degrees in psychology. This relates to my question of yesterday as to how valuable you consider a degree in psychology to be, in terms of the functions and operations of the board?

Mr. PELLETIER: May Miss Addison answer that?

Miss ADDISON: We have said that 10 people actually hold degrees in psychology. A number of other persons in the commission have taken courses in this field as well. I think it is a little difficult to say just how much weight we give to this, but I think it has some importance in the commission. But these 10 people actually have degrees in psychology. You will remember we were relating this primarily to examinations and the compilation of tests, and these are the people who are involved in that. There are more than 123 officers in the commission.

Mr. MCGEE: I believe yesterday you indicated that in the Civil Service generally there was a lack of qualified officers to make certain selections and ratings, and so on, and the question I put to you is this: is not a background in psychology—but, more so, a degree—most valuable in furthering the education along these lines?

Mr. BELL (*Carleton*): Mr. McGee has greater confidence in psychologists than some other members of the committee.

Mr. RICHARD (*Ottawa East*): Good common sense is just as important.

Mr. PELLETIER: The Civil Service Commission is not engaged exclusively in personnel selection. We have an organization and classification branch, which deals in organizational matters and classification matters.

We have an operations and methods service, which is a management consultation type of operation, which does a lot of work—on an advisory basis—for departments. We have a pay research bureau, and I think the work is self-defined. All these officers need a lot of qualifications, I grant you, but I do not think psychology comes very high on the list, for such operations.

Miss ADDISON: Mr. Chairman, may I answer Mr. McGee's question more specifically? With regard to rating, you have to bear in mind that this is done by all sorts of people throughout the Civil Service, and you could not ask for a degree, or even a course, in psychology for all supervisors throughout the Civil Service.

Mr. MCGEE: No; but you indicated there was a great need for further education in this field, and, presumably, you have to have qualified people to extend this educational service?

Miss ADDISON: Yes.

Mr. PELLETIER: For test construction purposes, for instance, a degree in psychology is a must.

Mr. MCGEE: But not for normal selection?

Mr. PELLETIER: Not for the kind of thing I described a moment ago.

The CHAIRMAN: "Organization and staff of Civil Service Commission" is the heading, gentlemen.

Mr. CHAMBERS: Mr. Bell wants to know whether it can be replaced by an I.B.M. machine, in due course?

The CHAIRMAN: Under the heading of "Organization and staff of Civil Service Commission", are there any questions?

Mr. WINCH: Yes, Mr. Chairman. I would like to ask, in view of the information given presently, do you find that in our present estimates, the ones we are dealing with now, are you short of staff; and, if so, are recommendations being made for an increase in staff? And in view of the possibility—and it is only a possibility, because it is up to parliament—is planning now in the process to build up the required staff, in order to be able to efficiently function as a commission?

Mr. PELLETIER: In answer to that question, we had a fairly lengthy statement, Mr. Chairman, which I made at the opening of the hearings.

Mr. WINCH: I have it here.

Mr. PELLETIER: We explained what we were trying to do in this field. As you know, we spent a good deal of time looking at the principles involved, and we have submitted a report. If those recommendations are accepted by the government and enacted by parliament, then that will almost inevitably entail some change in the manner in which we operate.

But even if they are not accepted—and I do hope they are accepted—we feel we can improve the manner in which we operate. On the other hand, we do not feel it would be responsible on our part to ask the government to give us a flock of staff just in the hopes we may need them. We have been in the process, in the past several months, of looking at our organization. We are fairly well advanced, and at some stage we will be asking the government to authorize an increase in staff.

Mr. WINCH: May I ask the minister a question on this? This is on policy, I presume. Has any consideration been given, in view of the importance and position of the Civil Service Commission in the administration—I think it is now 180,000 civil servants—

Miss ADDISON: It was 140,000. That is excluding those who are, of course, outside the Act.

Mr. WINCH: —to having the commission, not on its present basis, completely responsible to parliament itself, but parliament having itself only the responsibility of moving outside the civil service those who normally come under the civil service?

Hon. Henri COURTEMANCHE (*Secretary of State*): We did not discuss anything on that in cabinet meetings.

Mr. WINCH: Is it being considered at all?

Mr. COURTEMANCHE: Not yet.

Mr. WINCH: That is, whether or not the commission should be responsible to parliament itself?

Mr. COURTEMANCHE: Maybe when we discuss the report of the Civil Service Commission we will have something of this kind.

Mr. WINCH: In our opening session, under this category, we were given, I think, those very bare reported recommendations, but they do not include that principle. Does it mean the matter is closed, or that there is a possibility of this being the commission report alone?

Mr. COURTEMANCHE: I could not say either way.

Mr. PELLETIER: Could I say a word to that, if Mr. Courtemanche does not mind?

The CHAIRMAN: Yes, Mr. Pelletier.

Mr. PELLETIER: Under the present act that is precisely the situation. The Civil Service Commission is responsible directly to parliament, and I suggest the reason the government, the present government, has asked Mr. Courtemanche, the Secretary of State, to speak for us in the house is because no one but a member of parliament can appear on the floor of the house.

Mr. WINCH: I am not quite certain what you mean.

Mr. PELLETIER: Under the present law, the Civil Service Commission is in exactly the same position as the Auditor General. We are responsible to parliament, and parliament, alone. We are not responsible, in any way, to the executive of the day, but to parliament as a whole.

Mr. WINCH: The reason I am asking that question is I want to be clear in my own mind that no matter what government is in—be it Conservative Liberal, C.C.F.—no, do not say “heaven forbid”—there cannot be any political influence on the civil service in their operation or their policy. That is the point. Is that clear now?

Mr. PELLETIER: Mr. Chairman, the present commission endeavours at all time to apply the Civil Service Act as parliament said that it ought to be applied.

Mr. WINCH: Mr. Chairman, I will have to wait now, I presume, until we have reached another phase, because I want to come to people outside their control.

The CHAIRMAN: You will have every opportunity to ask that later.

Mr. WINCH: That is the important angle, as far as I am concerned, of a political nature.

Mr. BROOME: I was rather impressed by what Mr. Pelletier said. Is this the first time the Civil Service Commission has appeared before a committee of parliament?

Mr. PELLETIER: No, it is not the first time. I think the 1935-36 session was the last occasion.

Mr. BROOME: The last time you probably appeared before a committee of parliament was in 1935-36?

Mr. PELLETIER: I think that is correct.

Mr. BROOME: One other question under this heading—are we in “methods” as well?

The CHAIRMAN: That is a separate item.

Mr. BROOME: That is a separate item, is it?

The CHAIRMAN: Yes.

Mr. BROOME: Would the question of extensions, civil service extensions, come under that heading?

Mr. PELLETIER: Do you mean extensions beyond the age of 65?

Mr. BROOME: Yes.

Mr. PELLETIER: That is really something over which the Civil Service Commission has no jurisdiction.

Mr. BROOME: You have no regulations, or you have no authority to set up rules in regards to extensions?

Mr. PELLETIER: That comes under the Civil Service Superannuation Act and regulations made thereunder.

Mr. BROOME: Who administers the Civil Service Superannuation Act?

Mr. PELLETIER: The Department of Finance; and in so far as extensions of terms of office of individual civil servants are concerned, that comes under the jurisdiction of the deputy head between 65 and 70; and over 70 it comes under the jurisdiction of the governor in council. I think that is correct.

But, here again, Mr. Chairman, as we said the other day, I would prefer not to answer questions on the Civil Service Superannuation Act, because I am not sure of my ground.

Mr. BROOME: I am asking that in regard to responsibility, that is all.

Mr. PELLETIER: We are not responsible.

Mr. BROOME: You have no responsibility in that field?

Mr. PELLETIER: That is correct.

Mr. WINCH: If, in view of what the witness has said, they are responsible only to parliament, wherein is your power removed, that without the authority of parliament certain persons can be taken outside of the jurisdiction? Also, along the same line, do you have any control whatsoever over crown corporations, on the question of appointments?

Mr. PELLETIER: The answer to the first part of your question is, there are two ways—and, I think only two ways—in which the kind of thing to which you refer can happen. The first one is, of course, that parliament being supreme can pass an act establishing an organization which is outside the jurisdiction of the Civil Service Commission, and has, in the past, done so.

The other way—and that is a question to which we will give you a reply in detail a little later on, Mr. Chairman, when we get to that item—the other way is to have an order in council passed exempting a position or group of positions from the Civil Service Act; but that must be done on the recommendation of the commission itself.

Mr. WINCH: Of the commission?

Mr. PELLETIER: That is correct.

Mr. WINCH: You mean the government cannot pass any order in council without your authority?

Mr. PELLETIER: With our recommendation, in so far as posts that are now in the civil service are concerned.

Mr. WINCH: Although you are responsible to parliament?

Mr. PELLETIER: I beg your pardon?

Mr. WINCH: Although you are responsible to parliament?

Mr. PELLETIER: That is correct.

Mr. WINCH: Are these filed?

Mr. PELLETIER: They are orders in council; they are public domain.

Mr. WINCH: Are they filed in the House of Commons as such?

Mr. PELLETIER: I do not know, Mr. Winch.

The CHAIRMAN: Mr. Pigeon?

Mr. PIGEON (*Interpretation*): Is your organization complete enough for civil servants to be placed in their proper position, in the position for which they are most suited, in the best interests of the country? Do you have an organization which is complete enough to achieve that purpose?

Mr. PELLETIER (*Interpretation*): In answer to that question, I will say that normally when an opening occurs within a department we endeavour to find an employee who is best suited to fill that appointment and this is the main purpose of our existence. Once he is, of course, within that department, it is up to the department itself to see that he is used to the best advantage.

Mr. PIGEON (*Interpretation*): Do you have, within the commission, bilingual officers who are able to put questions to a candidate in his or her own language, without using an interpreter?

Mr. PELLETIER (*Interpretation*): Here in Ottawa we have a number of bilingual officers; and in our regional offices, in Quebec and Montreal, of course, all officers are bilingual.

Mr. WINCH: I would like to come to policy, and I would like to direct a question to the minister.

Has any, or is any consideration being given so that the Civil Service Commission of Canada shall have the administration and control of the civil servants of Canada?

Mr. COURTEMANCHE: No, sir.

Mr. WINCH: It is not?

Mr. COURTEMANCHE: No.

Mr. WINCH: Would the minister—because of the importance of the civil service and the importance of the Civil Service Commission—be prepared to give any reason as to why consideration is not being given to the Civil Service Commission having control of the civil servants of Canada?

Mr. COURTEMANCHE: I am afraid I cannot say that right away.

Mr. WINCH: Would you be prepared, perhaps, to give an answer at some later meeting?

Mr. COURTEMANCHE: I do not think so.

Mr. BELL (*Carleton*): Surely, that question is an over-simplification of the situation, and answered in that way gives a most misleading impression.

Mr. WINCH: I am not misleading.

Mr. BELL (*Carleton*): I do not know what my friend is driving at.

Mr. WINCH: If they want to know what I am driving at—

Mr. LAMBERT: I want to be perfectly clear: is Mr. Winch including in the civil service the crown corporations, or just saying the present civil service?

Mr. WINCH: The present civil service. I think it was a straight question, because we have under the law, responsibility to Canada of the Civil Service Commission which, I take it, should have control of the civil service of Canada—which, obviously, from the information we have received this last three weeks, it has not.

I ask the minister, therefore, on a question of policy, is any consideration being given to the Civil Service Commission of Canada having administrative control of the civil service and his answer was "no".

Mr. LAMBERT: In commenting on that, it sets in there a premise which is a conclusion of Mr. Winch, which may not be shared by other members of the committee.

The CHAIRMAN: May I suggest you are now on the pay research bureau?

Mr. PIGEON (*Interpretation*): When you have a civil servant who does not keep to his oath of office and who, for instance, communicates a document to a newspaperman, do you have adequate staff to carry out and sufficiently investigate that case, to discover who is that civil servant?

Mr. PELLETIER (*Not interpreted*).

Mr. PIGEON: Do you carry out an investigation and try to find the guilty party?

Mr. PELLETIER (*Interpretation*): That responsibility is incumbent upon the department involved, and not on the commission.

Mr. WINCH: Even in a case as in a recent committee, where a document appeared in *La Presse* of Montreal, that was refused both in committee and in the House of Commons. You have no responsibility. That document was refused in committee and in the House of Commons, and it appeared in the press in detail.

Mr. PELLETIER: Naturally, the commission is responsible for any breach of that kind that occurs within the Civil Service Commission staff, but we have no responsibility whatsoever for that kind of breach when it happens in a department.

Mr. MCGEE: On a point of order, Mr. Chairman, Mr. Winch asserts the publication in a certain newspaper was, in fact, the very document which he presumed it was taken from.

The CHAIRMAN: I accept that as such, Mr. McGee.

You are on pay research bureau now, gentlemen. Any questions on pay research bureau?

Mr. WINCH: I would like to ask this, and it is rather important: would either one of the commissioners explain just what is the relationship between the associations and the commission? They report, I take it, to treasury board on the matter of pay. What is the procedure, and how do you work it out?

Miss ADDISON: That is a big question. On this question of pay determination, it is the responsibility of the commission to make recommendations to government. In order to aid us in this field, we set up recently the pay research bureau, to provide factual and objective information on salaries that are paid by outside employers for work comparable to that in the Civil Service.

This information is for the use of the commission, the government, and the staff associations concerned with pay matters. The way in which this now works is that the report of the Pay Research Bureau is given in confidence, to the government, to the staff associations, and to the commission, so that each can study the information which has been presented in the report.

Following this, it is the responsibility of the commission to make recommendations on pay to treasury board that is, to the Minister of Finance.

Mr. WINCH: May I ask a question following on that? I am strictly seeking information. I notice in the press today that an association, or associations, has met or is meeting—as a matter of fact, it has met now with the cabinet, or the Prime Minister, on the question of pay.

First of all, it is for a preliminary examination or presentation made by associations to your commission before there is a presentation to the cabinet? Is there any formal procedure to tie in the three, or does the association get in touch with your commission and then get in touch with the cabinet?

Miss ADDISON: There is no formal procedure laid down. This is one of the points in which we have made recommendations in our report, for what we call systematic discussions.

Mr. WINCH: After consultation with the association?

Miss ADDISON: I am talking generally now of what we feel the procedure should be in this area, and this is laid out in our report. That is so it will be done on a more systematic and more orderly basis. However, in the present case, after the pay research bureau report was distributed to the staff associations, on a confidential basis, we arranged meetings with the staff associations so they could discuss with the commission what their views were on the interpretation of the findings of the pay research bureau. We held meetings on Friday with each of the three staff associations.

Mr. WINCH: And then they go to the cabinet, if they are not satisfied with your recommendations?

Miss ADDISON: They do not know what our recommendations are, at this stage. They were merely given an opportunity to present what they felt were the points that should be considered by us when we come to make our recommendations to the government.

Mr. WINCH: Their presentation, then, is made to the cabinet, and not to yourselves as a commission; is that correct?

Miss ADDISON: It is made to the Commission because, naturally, they are interested in what the commission is going to recommend, and they came to us to discuss and to present to us their case. In addition, they are free to go to the government, if they so wish.

Mr. WINCH: Do you always contact and get the recommendations and views of the associations before you put in your own recommendation to the cabinet, or to the Minister of Finance?

Miss ADDISON: There has been no formal procedure in this area at all. This is what we did this year.

Mr. WINCH: This is what you actually did yourselves this year?

Miss ADDISON: Yes.

Mr. WINCH: You consulted the associations before you put in your recommendation?

Miss ADDISON: We have not yet made our recommendations to the government; but we have given the associations the chance to make their views known to us.

Mr. WINCH: In other words, the association's presentations to the cabinet, made a day or two ago, is there before your own recommendations have gone to the cabinet; is that correct?

Mr. PELLETIER: May I say a word, Mr. Chairman? The Civil Service Commission, under the act, is responsible—and this is mandatory—for making pay recommendations, as Miss Addison has said, to the government of the day. There are certain criteria that have been laid down by successive governments as to how this is to be done. There is the question of trying to determine facts, comparability, and other things.

We have set up the pay research bureau to find the facts. But in addition to that, we have—as a matter of practice: this is not a matter of law—always tried to gather all the factual information we could get, in order to put up to the government the most reasonable and well-supported recommendations we could. Obviously, staff associations are quite interested in this. They do a lot work in this field, and we are interested in knowing what they think, before we make a recommendation. But the recommendation, in the final analysis, is ours, and ours alone, based on what we consider to be sound facts.

Mr. BELL (*Carleton*): And that recommendation has not yet been made, Mr. Pelletier?

Mr. PELLETIER: That is correct.

The CHAIRMAN: I am going to suggest that we adjourn, gentlemen; but before we do that, we have a matter of procedure to settle in so far as our meetings are concerned. It is just this: as you know, there is a motion before the house requesting the sitting of longer hours, so that our meeting next Thursday might fall during the period that the house is in session. Of course, we have the right to sit when the house is in session.

Our meeting time is normally 11 o'clock. Quite obviously, a number of members would like to be in the house for the orders of the day. The thought has occurred to me that, without conflicting with other committees, and the fact that we are going to be sitting when the house is in session, in any event, we might sit on Thursday at 2.30 rather than in the morning, because we will break the morning up and would have to adjourn, or we would have a very short period for the lunch hour. May I have your thoughts on that matter, gentlemen?

Mr. LAMBERT: In that connection, Mr. Chairman, we will certainly run into difficulties with the bilingual stenographic service, and also with the translation service.

The CHAIRMAN: We are going to run into it anyway.

Mr. LAMBERT: Therefore, it may be that those services will only become available on the non-sitting mornings. We certainly could not expect that during the sessions while the house is sitting—not under the present limitations of staff.

The CHAIRMAN: I agree with that. That is, after all, a problem for the Speaker. We have six items yet to consider, and I think we want to carry out a pretty thorough examination of the balance. My thought was that if we sat at 2.30 in the afternoon, we would have at least an unbroken period.

Agreed.

Mr. WINCH: Mr. Chairman, before we adjourn, in order to clear this up—

The CHAIRMAN: No, Mr. Winch.

Mr. WINCH: It is a very short question.

The CHAIRMAN: No; we cannot continue this examination now. If you proceed to do that, we will follow by having other people who have a right to ask questions.

Mr. WINCH: It was done last time and the time before.

The CHAIRMAN: That question can be asked at the next meeting. Are there any further questions on procedure? A motion to adjourn is in order.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

(Page 436)

M. PIGEON: Monsieur Pelletier, dans l'intérêt public et dans l'intérêt du fonctionnarisme fédéral, ne trouvez-vous pas qu'il serait opportun qu'un juge bilingue soit nommé par le gouvernement pour recevoir les plaintes des fonctionnaires et reviser les cas spéciaux? Ce juge serait nanti de pouvoirs extraordinaires et s'occuperait des litiges.

M. PELLETIER: Monsieur Pigeon, dans l'étude que nous avons faite, pendant environ un an et demi avant de soumettre notre rapport au gouvernement, rapport que vous connaissez...

M. PIGEON: Oui...

M. PELLETIER: ...nous avons étudié avec soin toutes les possibilités, dont celle à laquelle vous faites allusion, pour disposer des appels. Nous en sommes venus à la conclusion, pour plusieurs raisons, que le système que nous avons préconisé serait préférable au système que vous préconisez.

Ici encore, une des raisons, c'est qu'il nous semble, à nous, qu'il ne serait pas "désirable" d'établir différents organismes pour faire à peu près la même chose. La Commission du service civil, d'après la loi présente et d'après la loi que nous avons recommandée au gouvernement, est un organisme absolument indépendant, est un organisme qui nous semble, à nous, être tout désigné pour disposer des appels des fonctionnaires individuels.

M. PIGEON: Oui, mais, monsieur Pelletier, un juge, un avocat ou un juge, avec son expérience, serait sûrement en mesure, avec ses connaissances, serait sûrement en mesure de donner plus satisfaction au fonctionnaire qui soumet des griefs et des plaintes,—non pas que je veuille minimiser les connaissances des commissaires,—mais la plupart ne sont pas des avocats, ils ne connaissent pas le point de vue légal, souvent, d'une question.

M. PELLETIER: Oui, mais ici, monsieur Pigeon, j'en reviens à ce que je disais, je pense, hier: dans une question d'appel, ce n'est pas précisément une question de loi; il s'agit de juger si, oui ou non, l'individu a été coté de façon juste, il n'est pas question de voir si, oui ou non, une loi quelconque a été violée.

M. PIGEON: C'est que, monsieur Pelletier, à mon avis, un avocat nanti des pouvoirs de juge pourrait sûrement faire une enquête plus approfondie et connaître beaucoup plus la vérité, exiger le serment s'il y a enquête, après que les commissaires...

M. PELLETIER: Monsieur Pigeon, je ne crois pas qu'un avocat ou un juge puisse faire une enquête plus approfondie, et, quant à ce qui est d'insister sur le serment, évidemment, nous pouvons le faire nous aussi.

M. PIGEON: Une dernière question seulement, monsieur Pelletier. Je ne trouve pas, à mon sens, je ne trouve pas correct que les commissaires à la fois censurent,—pas censurent,—je veux dire examinent les promotions, lorsqu'ils peuvent le faire, ou les examens, et à la fois fassent une enquête pour savoir s'il y a une injustice qui a été commise. Cela place sûrement le fonctionnaire dans une très mauvaise situation.

M. PELLETIER: Tout à l'heure, monsieur Pigeon, j'ai dit que nous avons considéré toutes les raisons pour et contre de divers systèmes, et, entre autres raisons, contre le système que vous préconisez, il nous semble, à nous, qu'il y aurait mauvaise administration, qu'il serait inéquitable, en somme, d'établir un organisme qui n'est responsable à personne et qui pourrait, par une décision, imposer un employé au gouvernement.

* * * * *

(Page 440)

M. PIGEON: Plusieurs fonctionnaires m'ont dit qu'ils ont peur de soumettre des griefs parce que, à la fois, la Commission du service civil s'occupe des promotions,—lorsqu'elle en a le temps,—et également des examens. Alors, plusieurs employés du gouvernement fédéral ont peur de soumettre leurs griefs et leurs plaintes à cause de cela; ils ont peur de subir, peut-être, des représailles un jour ou l'autre.

* * * * *

(Page 445)

M. PIGEON: Monsieur Pelletier, est-ce que votre organisation est assez complète pour que, sincèrement, les services des fonctionnaires soient utilisés dans l'administration dans le meilleur intérêt du pays, et que les fonctionnaires soient placés réellement aux postes les plus utiles? Est-ce que votre organisation est assez complète pour cela?

M. PELLETIER: Monsieur Pigeon, je pense que, en réponse à cette question, il faudrait que je vous dise que, normalement, la Commission du service civil, quand il se produit des ouvertures dans un ministère, tâche de trouver,—et c'est le but principal de son existence,—tâche de trouver le meilleur individu pour cette position-là. Maintenant, une fois cette chose faite, évidemment, la responsabilité primordiale est celle du ministère; il doit voir à ce que les gens que nous avons nommés chez eux soient utilisés de la meilleure façon possible.

M. PIGEON: Monsieur Pelletier, également dans l'intérêt des fonctionnaires, est-ce que vous avez réellement quelques officiers bilingues qui peuvent poser les questions au candidat dans sa langue sans utiliser un interprète? Est-ce que vous avez quelques officiers qui sont bilingues?

M. PELLETIER: Aux quartiers généraux, ici à Ottawa, nous avons un nombre assez considérable d'officiers bilingues et, évidemment, dans nos bureaux régionaux de Montréal et de Québec, tous les officiers sont bilingues.

* * * * *

(Page 446)

M. PIGEON: Monsieur Pelletier, lorsqu'un fonctionnaire manque à son serment d'office et dévoile un secret ou donne un document, par exemple, soit aux journalistes ou à toute autre personne en dehors du ministère, est-ce que vous avez le personnel requis pour faire une enquête sérieuse afin de découvrir ce fonctionnaire qui a manqué à son serment d'office?

M. PELLETIER: C'est une chose qui est garantie par la loi.

M. PIGEON: Oui, mais est-ce que vous faites une enquête afin de découvrir le coupable?

M. PELLETIER: Cela, c'est la responsabilité du ministère en question, et non pas la responsabilité de la Commission du service civil.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament

1959

STANDING COMMITTEE
ON
ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.



MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

THURSDAY, JUNE 4, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Miss Ruth Addison and Mr. Paul Pelletier, both Commissioners of the Civil Service Commission.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,	Grafftey,	McQuillan,
Bell (<i>Carleton</i>),	Hales,	McWilliam,
Benidickson,	Halpenny,	More,
Best,	Hardie,	Morris,
Bissonnette,	Hellyer,	Nesbitt,
Bourbonnais,	Hicks,	Payne,
Bourdages,	Horner (<i>Acadia</i>),	Peters,
Bourget,	Howe,	Pickersgill,
Bruchési,	Jorgenson,	Pigeon,
Cardin,	Korchinski,	Pugh,
Caron,	Lambert,	Ricard,
Carter,	McCleave,	Richard (<i>Kamouraska</i>),
Cathers,	McDonald (<i>Hamilton</i>	Richard (<i>Ottawa East</i>),
Chambers,	<i>South</i>),	Skoreyko,
Clancy,	McFarlane,	Stewart,
Coates,	McGee,	Tassé,
Crouse,	McGrath,	Thompson,
Dumas,	McGregor,	Winch,
Fairfield,	McIlraith,	Winkler—60.
Gillet,	McMillan,	

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

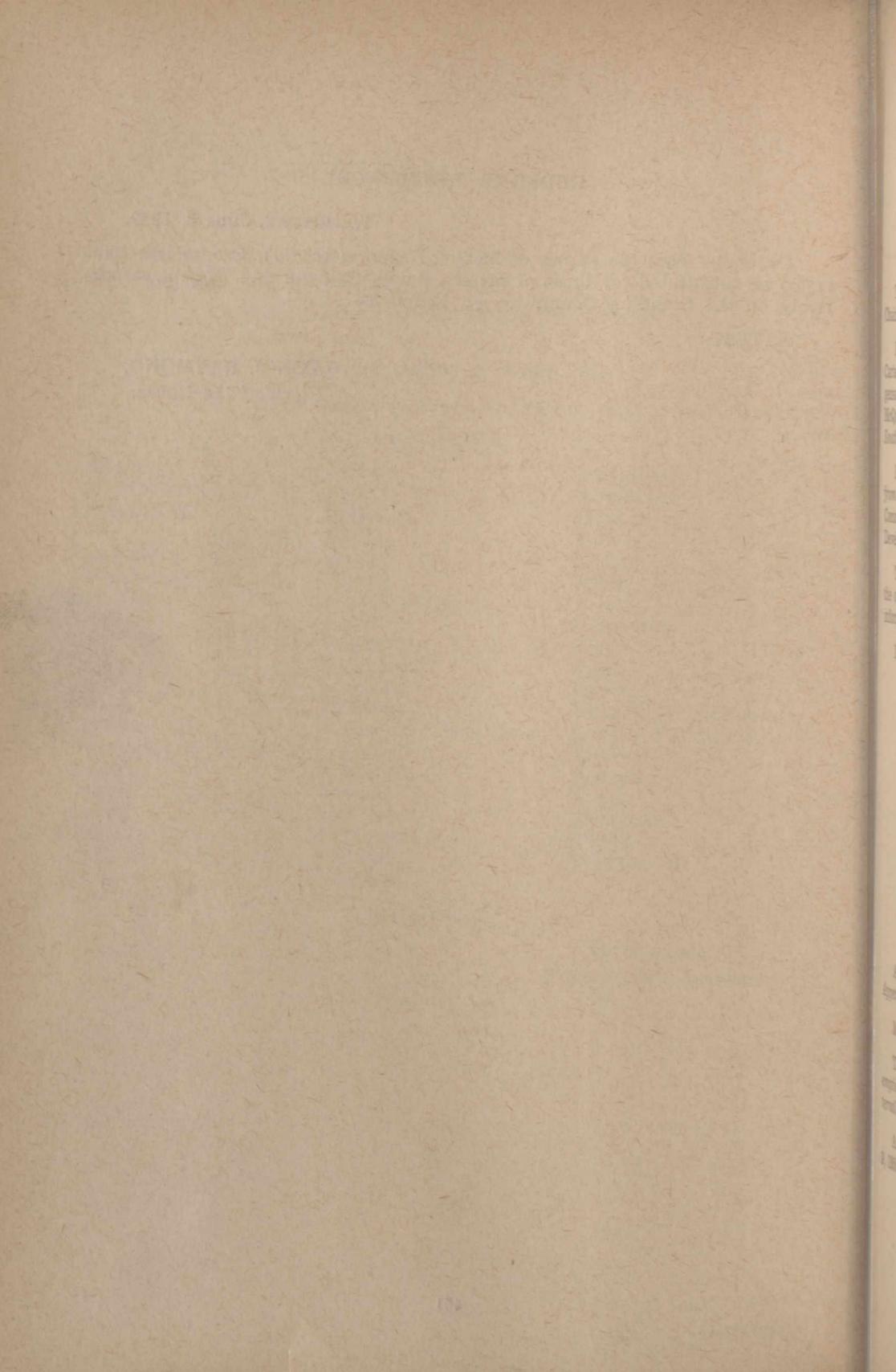
ORDER OF REFERENCE

WEDNESDAY, June 3, 1959.

Ordered,—That the names of Messrs. Horner (*Acadia*), Crouse and Sko-
reyko be substituted for those of Messrs. Small, Baldwin and Nugent respec-
tively on the Standing Committee on Estimates.

ATTEST.

LÉON J. RAYMOND,
Clerk of the House.



MINUTES OF PROCEEDINGS

THURSDAY, June 4, 1959.

(23)

The Standing Committee on Estimates met at 11.10 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Benidickson, Best, Broome, Carter, Chambers, Clancy, Fairfield, Grafftey, Halpenny, Hellyer, Hicks, Jorgenson, Lambert, McCleave, McDonald (*Hamilton South*), McGee, McGrath, McQuillan, Nesbitt, Payne, Pigeon, Richard (*Ottawa East*), Smith (*Calgary South*), Stewart, Tasse and Winch—(27).

In attendance: Honourable Henri Courtemanche, Secretary of State. *And from the Civil Service Commission:* Miss Ruth Addison, and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

The Committee resumed its consideration of Item numbered 67 respecting the operations of the Civil Service Commission, the Commissioners supplying information thereon.

Miss Addison tabled replies to questions posed previously as follows:

- (1) Reply to Mr. Bell and Mr. Winch—*re:* Method of payment to former officers of Armed Services, on pension, who receive a Civil Service salary.
- (2) Reply to Mr. Broome—*re:* Number of persons declared redundant during past two years.
- (3) Reply to Mr. Bell—*re:* Efficiency ratings.
- (4) Reply to Mr. Bell—*re:* Manner in which efficiency ratings are carried out in various departments.
- (5) Reply to Mr. Carter —*re:* Number of appellants who were appointed to positions as a result of appeals.

Agreed,—That the above mentioned replies be printed in the record (*See Appendix "K" to today's Evidence*).

Mr. Pelletier supplied other answers orally.

The topics "*Pay Research Bureau*", "*Management Advisory Service*", "*Exemptions from the Civil Service Act and Regulations*", and "*Commission's external relations*" were considered.

At 12.30 p.m. the Committee adjourned until 9.30 a.m. Tuesday, June 9, 1959.

E. W. Innes,
Clerk of the Committee.

THE UNIVERSITY OF CHICAGO

1911

1912

THE UNIVERSITY OF CHICAGO LIBRARY

NOTE: Text of the Proceedings recorded in the French language appears immediately following this day's Evidence.

REMARQUE: Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.

EVIDENCE

THURSDAY, June 4, 1959.

11 a.m.

The CHAIRMAN: Good morning gentlemen; we have a quorum so we can proceed.

We have a number of unanswered questions and I think we will open our proceedings this morning by asking Miss Addison to read those and either she or Mr. Pelletier intend to file as appendices to the minutes. Also, they may wish to give some oral answers.

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): I would like to table the following answers to questions. The first is in the field of competitions and examinations and was asked by Mr. Bell and Mr. Winch. It deals with the pension status of both retired armed forces personnel and retired civil servants who are re-engaged for duties in the civil service. The document has been prepared in the office of the comptroller of the treasury.

The next answer is in reply to a question by Mr. Broome who wanted to know the number of persons declared redundant as a result of work curtailment, and who were not absorbed in other positions during the past two years.

The third question was asked by Mr. Bell. He wanted to know what departments use the Civil Service Commission efficiency rating form and what departments do not show their departmental ratings to the employee.

Next is an answer to a question by Mr. Carter and he wants to know how many of the applicants in the twenty-six appeals that were upheld in 1958 were subsequently successful in getting the appointment for which they had competed.

Mr. Pelletier would like to answer orally a question which was asked of him.

The CHAIRMAN: Will you proceed, Mr. Pelletier.

Mr. PAUL PELLETIER (*Commissioner, Civil Service Commission*): This question was raised by Mr. Winch and Mr. Broome in connection with the notice form we send to candidates to advise them of their right to appeal. It was pointed out that it seemed to contradict the facts as I had presented them previously. I think the record shows Mr. Winch as having read the whole paragraph. To the best of my recollection, I do not think he did.

Mr. WINCH: There were three paragraphs and I read the second one completely.

Mr. PELLETIER: Could I read that paragraph? I said at the time the incident had happened probably because old stock had been used, and that has turned out to be correct. Actually this form was used until 1955 and why it was used in this particular instance, I really do not know. But the paragraph, although it is ambiguous, is not completely wrong. It says this:

No, I am sorry, it is this one:

If you make an appeal you are privileged to nominate a recognized—

Mr. WINCH: That is not the one either.

Mr. PELLETIER: I am sorry. Perhaps it is this one:

This is the only appeal period which will be—

Mr. WINCH: That is not the one which I read.

The CHAIRMAN: Perhaps we may clear this up by you reading it, Mr. Winch.

Mr. WINCH: I am sorry; it was borrowed by someone on the staff and they have not returned it.

Mr. BELL (*Carleton*): It was the reporters.

Mr. PELLETIER: I think this is the one.

It must be an organization and not an individual, but not necessarily an association—

The CHAIRMAN: May I suggest you consult with Mr. Winch after the meeting and discuss what he was reading from. We will deal with it at a further meeting.

Mr. BROOME: I remember Mr. Winch reading it and he did read it.

The CHAIRMAN: Just a minute, Mr. Broome. We are going to get the form and the reply can be made at a later time.

Mr. BELL (*Carleton*): It is at page 423 of the transcript.

The CHAIRMAN: Yes.

Mr. BELL (*Carleton*): Before we leave this, Mr. Chairman, I wonder if this is the appropriate time to revert to some of the questions which were tabled at the last meeting. At that time we did not have an opportunity to engage in a discussion in regard to them. There was one on which I would like to have some additional information.

The CHAIRMAN: I have no objection to your asking for additional information, and that can be provided. Gentlemen, if we may deal with all these items and then, as in the past, have a catch-all meeting, we would be able to deal with all unanswered questions at that time.

Mr. BELL (*Carleton*): Yes, it is satisfactory. Could we have the opportunity now to ask for additional information, because my fear is that at a catch-all meeting the information may not then be made available.

The CHAIRMAN: Is the additional information that you anticipate receiving something that is going to require some research?

Mr. BELL (*Carleton*): Yes.

The CHAIRMAN: Please proceed.

Mr. BELL (*Carleton*): This relates to the answer given at page 428 of our proceedings, which deals with the number of persons serving as officers in the armed forces who were immediately appointed to civil service positions. I believe the answer there deals exclusively with those who were appointed to the identical position in which they were serving prior to civilian appointment. I will like to have information about those who might be appointed in such circumstances to equivalent positions, either through exemption by authority of the governor in council or through competition. I have reason to believe the figures are considerably larger than those which are given in this particular situation. It may be that I phrased my question in too specific language and it is a specific answer to my question. However, it does not give me the information which I sought.

Mr. PELLETIER: How far back would you like us to go?

Mr. BELL (*Carleton*): I would be satisfied with a three-year period or, if that is too long, for any lesser period.

Mr. PELLETIER: We shall try to obtain that information for you, Mr. Bell.

The CHAIRMAN: Gentlemen, we are under the heading of the "pay research bureau"; are there any further questions in connection with this subject? If not, we will move on to the next general heading.

Mr. WINCH: I am sorry, Mr. Chairman, but I have a question. Do you recall when we adjourned last time I was going to ask a question which had to do with recommendations they made to members of the cabinet and Mr. Pelletier said that the recommendations of the commission had not yet gone forward. You said you would give me an opportunity of asking a question at the next meeting.

The CHAIRMAN: Yes, I recall that, Mr. Winch; would you please proceed.

Mr. WINCH: The question I had in mind at that time, sir, was: can Mr. Pelletier tell us when they expect their recommendations will go forward.

Mr. PELLETIER: I am afraid we are not in a position to give that information now. All I can say in reply is that we are working hard on this matter and our recommendations will be made to government as soon as we have completed our work.

Mr. WINCH: Do you mean that you cannot give any indication whatsoever?

Mr. PELLETIER: I am afraid not.

The CHAIRMAN: Do you wish to read that note before you ask a further question?

Mr. WINCH: No, I do not, sir.

The CHAIRMAN: All right, gentlemen, we will proceed.

Mr. WINCH: Because this is policy and I cannot.

The CHAIRMAN: It has been suggested to us by Mr. Pelletier and Miss Addison that we revise the sequence a bit in order to preserve continuously. Our next heading is management advisory service and Mr. Broome wanted an opportunity to discuss the advisory service of the commission. Would you proceed, Mr. Broome.

Mr. BROOME: The reason I ask this, Mr. Chairman, is because it has to do with what I consider general efficiency throughout the whole federal civil service—standardization of procedures, what the Civil Service Commission does in coordinating and correlating forms and procedures within departments which would be common to the entire civil service. I had some specific reference to leave extensions which seem to vary from department to department, and there appear to be different regulations. I do not know whether the Civil Service Commission did any work in that regard to try to make working conditions somewhat equivalent and privileges somewhat equivalent from one department to another. It may be that I have gone too far afield and I am thinking of areas which you do not cover. But necessarily there must be some standardization of methods procedures carried on by the commission. It was in that regard that I wanted a general statement from the commission, and so requested.

Miss ADDISON: I suppose I should begin by saying the general responsibility for the effective functioning of a department rests with the head of that department and with the deputy minister, subject to the direction of the minister in this area.

One of the things that the commission tries to do in connection with efficiency in the government, and to make procedures effective, is to provide a management advisory service which is available to departments upon request.

The management advisory service was started in 1946 and in the period that it has been operating has conducted over 400 surveys of various kinds for departments. These surveys have covered activities such as those relating to the formulation of administrative policy, those relating to changing conditions, to the reduction backlogs of work, and others which to try to provide a work simplification program to see where cost reductions can be made. This service, in addition to the subjects I have mentioned, has covered a wide variety of fields of operation. The surveys cover such administrative activities as production planning and control purchasing, purchasers' inventories and stores control, office mechanization, electronic data processing, filing and recording operations, forms design and control, and a variety of office services.

Perhaps I should mention certain units in our organization and methods division. There is the electronics unit within the division. I am sure you are aware of the important part that electronic computing devices now play in the field of administration and research. This group is responsible for providing to government departments and agencies information in this field. In addition, they conduct surveys; do some research, and carry out certain training programs in the field of electronic data processing. Several surveys have already been done in this area and there are, of course, others that are under way.

There is another group or unit within the division which provides special information and advice on office machine and equipment applications. They try to keep abreast of new developments in this field so that they can give advice to the departments as to what is available. Demonstrations, tests, and analytical studies are arranged and the emphasis is to tie in, where this can be done, with the electronic data processing equipment, and its possible applications. But they do more than that they investigate all kinds of office machinery and equipment, so departments can come to them for advice in this field.

Mr. BROOME: How large is the staff in the management advisory service division or in your organization and methods division, if that is the way it is broken down?

Miss ADDISON: Ninety-seven.

Mr. BROOME: And how much use has been made by departments of these facilities?

Miss ADDISON: A great deal of use. As I said, over 400 surveys have been made and in addition the division is continually supplying advice on an informal basis.

Mr. BROOME: Say, in the past year?

Miss ADDISON: I would have to get that information for you. Just a minute, I think perhaps I can get it for you now. In 1958, the Organization and Methods division of the Commission conducted forty-one major surveys for fifteen departments and agencies, and in addition it carried out 150 small-scale studies for thirty departments and agencies.

Mr. MCGEE: Did you say fifteen major surveys? Could we have the figures again?

Miss ADDISON: Forty-one major surveys, which are large-scale surveys, for fifteen departments and agencies and 150 small-scale studies for about thirty departments and agencies. Perhaps I should give you an example of what is a major survey. Well, one of the services the division undertook was the review of the organization and procedures of headquarters and six harbours for the national harbours board; another was a review of the organization and methods of the appraisers branch of the customs check branch of the Department of National Revenue, customs and excise division. An example of a small-scale survey was a survey conducted on the design and use of transferable personal files within the government service and another example was the survey made in connection with the naval records for the chief of the technical naval service.

Mr. LAMBERT: Having particular reference to your electronics division, and also your office machine studies, have you had—or have you now in progress—any studies for the use, or possible use, of centralized dictating equipment, in order to utilize your stenographic staff to the optimum, particularly in large offices where you have a number of personnel who would normally be dictating, who could do it right into a telephone, it goes right to a central pool, and then is handled from the electronic equipment?

Miss ADDISON: I would have to look into that, Mr. Lambert. I am not sure if there is such a study under way.

Mr. CARTER: Are the reports of these surveys confidential, or are they available to the public?

Miss ADDISON: They are provided to the department, and are for the use of the department. Therefore, it is up to the department to decide whether they should be kept confidential or not.

Mr. CARTER: With regard to this survey that was made about the steno. services here in the House of Commons some time ago; does that come under this department?

Miss ADDISON: Yes.

Mr. CARTER: To whom would your report be made in this respect—the Speaker?

Miss ADDISON: To the Speaker of the House of Commons.

Mr. MCGEE: I am not too clear in my mind about this. You have a management advisory service, and a branch of that service is organization and methods research?

Miss ADDISON: No; we use the phrase “management advisory service” just to describe what they are doing, but we only have the one division: it is the organization and methods division.

Mr. MCGEE: You said there had been 41 major surveys for 15 departments and agencies. Do I assume that crown companies come under the definition of “agencies”?

Miss ADDISON: Yes. These agencies frequently ask this service, and we provide it to them if they so request.

Mr. MCGEE: Did you provide such a service to C.M.H.C. two years ago?

Mr. PELLETIER: No, we did not.

Mr. MCGEE: In other words, a crown corporation has the choice, does it, of calling on your organization and methods division or going into private industry for the equivalent service?

Mr. PELLETIER: This service is on a purely voluntary basis as far as the regular departments are concerned, or crown agencies. We do not impose this service on anyone. It is really a management advisory counsel type of thing. The departments and crown companies come to us from time to time and ask for a specific survey to be made, in which event we normally comply, if we have the time and the manpower.

Mr. MCGEE: It occurs to me that in industry—and from my own experience, in business—if there was some doubt about the efficiency and methods of the organization in a company, the management would direct that certain investigations be made in some area or other. By reversing this, presumably you are not accomplishing what you would otherwise accomplish.

Let us assume that a most efficient, and interested person who is affected in a department would call on this service: would it not follow that the fellow who was least interested in improving his methods would be the last one to request this service?

Mr. PELLETIER: No; that is precisely the point. In departments, management consists of the minister and the deputy minister. Management frequently does request this kind of thing because they are not satisfied that certain areas of their organization are as efficient as they should be.

Miss ADDISON: It is exactly the same position, I think, as industry: it is management looking at its operations and deciding that the operations are not as efficient as they should be. Therefore, they ask our O and M people to come in and see how their operations can be improved. The responsibility rests with management to do this, in the government, as it does in industry.

Mr. CLANCY: Out of the 41 surveys that you made, could you give us an example of where the survey did lead to a streamlining or a saving of manpower, or are they purely academic?

Miss ADDISON: No, they are much more than academic; they certainly do lead to both a saving in manpower and a saving in costs. This is the whole object of these surveys, to try to reduce—if it is possible to reduce—personnel, and certainly to reduce costs.

Mr. MCGEE: Has there been any similar experience to the experience of C.M.H.C., where, as a consequence of an independent survey which was made, they not only appreciably reduced, I understand, the number of their staff, but increased the work load in that agency?

Miss ADDISON: We have figures on this, which I think could be supplied.

Mr. PELLETIER: I am reminded of a rather good example. When the Income Tax Department was brought into the regular Civil Service some years back, they asked us to look into the department's whole operation, and as a result there was quite a reduction of staff.

Miss ADDISON: I would like to read a short statement on savings, which might be useful.

The savings from "O and M" work cannot be precisely calculated. The end result of many jobs is to make operations more speedy and effective to conserve the time of senior administrative and scientific officers for their more specialized work, and to improve morale and conditions of work. The savings from these results, though very real, cannot be measured conveniently and precisely. There are, however, savings that can be measured at the end of almost every survey, and the total of these savings alone far exceeds the total costs involved in providing the service.

Mr. WINCH: Mr. Chairman, did I get it correctly from the preliminary statement by Miss Addison, that the question of overtime and delayed holidays comes under this question of management? There was some statement on that, on overload; overwork; is this the right time to ask a question on policy in that regard? I believe there was some mention of it. I want to be sure I am in order.

Miss ADDISON: I am not sure that I understand what you are talking about.

Mr. WINCH: I am talking about a person whose holidays have not been taken and who has a great deal of overtime coming to him.

Miss ADDISON: Not that I am aware of; I do not think I made any such statement.

The CHAIRMAN: Obviously, it does not come under management advisory services, however we will find a place for it.

Mr. BROOME: A criticism of the government is that a lot of red tape is involved. Would you say the organization and methods branch tends to eliminate red tape?

Miss ADDISON: Yes.

Mr. BROOME: Is that one of your objectives?

Miss ADDISON: That is the main objective.

Mr. BROOME: Would it not be a good idea, then, if this service were on a regular basis? Has the Civil Service Commission ever suggested to all government departments that certain schedules should be set up whereby they could take advantage of this service and plan the work load ahead, with the help of your organization and methods department?

The CHAIRMAN: I think Mr. Pelletier might answer that.

Mr. PELLETIER: No; it seems to me that one of the advantages of the O and M service is precisely the fact that it is not imposed. I think that is a very important factor. Management—the minister or deputy minister—come to O and M and ask it to make a survey. The O and M study is then prepared and submitted to the department. The department may, or may not, accept the findings of the study, but I think it is correct to say that in the majority of cases they are accepted and put into effect. Naturally, the O and M service itself plans its work so that it can be done effectively.

Mr. BROOME: The recommendations which are made are, in the main, acceptable, although there may be recommendations which are not acceptable?

Mr. PELLETIER: Yes.

Mr. BROOME: It seems to me that the O and M division, having knowledge of how operations are carried on in practically all departments, and being the only division which would have that knowledge, would have much to contribute to any department. I am wondering about the selling job, on the part of the commission, to departments which may not be using this service; in other words, getting them to use it, so that at some time over a space of maybe five years you have been into every department.

If the results are good, then should these good results only rest on the basis of the departmental administration asking for them? And if another department does not ask for them, would it not be good policy on the part of the commission to try and get those departments who are not using this service to use it, in the interests of the over-all efficiency of the department?

Miss ADDISON: I think we feel that the best advertising for the O and M division is the fact that their services are becoming well known throughout the government and are very much appreciated by the departments they have served.

Mr. BROOME: Do you send out regular mailings to deputy ministers, describing these services and what has been done, or anything like that?

Miss ADDISON: No, we do not do that. But we have provided information on this matter. For instance, there are four manuals that are available from the Queen's Printer on certain fields in which the Organization and Methods branch operates.

The CHAIRMAN: Pardon me. There are a number of persons endeavouring to compete with the members and witnesses who are answering questions. May we have a little order.

Miss ADDISON: There are also a number of guides, papers and special notes, which are also available to departments.

Mr. BROOME: This flood of publications from the Queen's printer is beyond anybody's ability to keep up with, and I doubt if anybody could do it, least of all a busy executive like a deputy minister. It seems to me this has to be put on a selling job basis.

Miss ADDISON: I think the O and M division has been sold to departments. I think departments are well aware of this service, and they are using it quite extensively.

Mr. LAMBERT: Mr. Chairman, this is a commentary question, arising out of the statement made by the witnesses, that the function of management in departments is the responsibility of the minister and the deputy minister. That, I take it, is within the limits of the Civil Service Act and regulations?

Mr. PELLETIER: Yes, to a degree it is within the limits of the Civil Service Act, and certainly within the limits of their own departmental act which they have to administer—or acts, as the case may be.

Mr. LAMBERT: But any chief administrator who would want to, shall we say, make a complete overhaul of his department, whether it was suggested by your own O and M division, or on his own initiative as a result of his own studies, is still limited by the Civil Service regulations and the act?

Mr. PELLETIER: That is so; but I cannot quite see what limitation imposed by the Civil Service act and regulations would be relevant with regard to the problem we are discussing.

Mr. LAMBERT: The difficulty is, you are getting rid of dead wood; that is what I am getting at.

Mr. PELLETIER: I see.

Mr. McGRATH: Has there ever been an analysis of your own organization, with regard to organization and methods? If so, of what type?

Miss ADDISON: Do you mean, do we use our own services?

Mr. McGRATH: Not necessarily. I want to know if there is an outside agency you call on to look into your own organization?

Mr. BROOME: Who judges the judges?

Miss ADDISON: We sometimes use our own organization and methods service to carry out surveys within the commission itself for our own staff.

Mr. McGRATH: Is this on a regular period basis, or just ad hoc?

Miss ADDISON: On an ad hoc basis, when we think there is something that requires investigation.

Mr. McGRATH: May I conclude my questioning with a comment, Mr. Chairman?

The CHAIRMAN: It is hardly practice, but if it is a short one, we can make an exception, because you have not done so before, however you would help the chairman if you would phrase it in the form of a question?

Mr. McGRATH: All right, I will phrase it in the form of a question. Do you think that perhaps it would be advisable—have I succeeded?

The CHAIRMAN: Proceed, Mr. McGrath: we will find out.

Mr. McGRATH: —in small and medium sized Canadian cities to perhaps rotate the chairmen of your Civil Service Commissions, because, human nature being what it is, no matter how closely the system is adhered to, there are definite criticisms which one always hears in small and medium sized cities, particularly with respect to unfairness and bias within the Civil Service Commission. To overcome that, would it not be advisable to rotate the chairmen of the Civil Service Commissions?

Mr. PELLETIER: I am not quite sure to what you are referring when you say "local Civil Service Commissions". Are you referring to our local examining boards?

Mr. McGRATH: Perhaps it is a question of terminology.

Mr. PELLETIER: If that is what you have reference to, I agree with you, and we do that, in fact, where we can. As you know, the chairman of our examining boards is one of our officials. In some of our local offices we have very few officials. In the larger places, Montreal and Toronto, we have a number of officers, and it is a simple matters to switch them around. The other two members normally are changed. We try not to use the same people over and over again.

The CHAIRMAN: Mr. McGrath, you were successful in asking a question, but it is off the point. I would like to keep to the subject matter before us.

Mr. MCGRATH: The last part of my question was not clearly understood. Do you change some of the local advisory board, in other words the civil service officer to whom I was referring specifically?

Mr. PELLETIER: Do you wish me to answer?

The CHAIRMAN: If it is brief. I wish to get back to the subject matter.

Mr. PELLETIER: We are trying, among other things, to solve that problem by rotating our personal between district offices.

Mr. CARTER: I have several questions. First I wish to go back to my former question concerning the survey in respect of the House of Commons. Could you say as yet whether the report has been forwarded to the speaker?

Miss ADDISON: It has not yet been forwarded.

Mr. CARTER: Earlier this morning one of the witnesses mentioned a number of major reports and a number of smaller reports. I was not quite clear what period that covered.

Miss ADDISON: 1958.

Mr. CARTER: Just in the last year?

Miss ADDISON: Yes.

Mr. CARTER: Would it be asking too much to have appended to our reports these surveys and the dates on which the reports went forward?

The CHAIRMAN: That will be done.

Miss ADDISON: It will just be a list, because the reports themselves are confidential.

Mr. CARTER: What I want are the surveys made and the dates they were forwarded.

The CHAIRMAN: That will be done.

Mr. MCGEE: I have the same question in mind. What I want is the 41 major surveys. They mentioned 15 departments and agencies. I would like to know which agencies and which departments. There were 150 inquiries and I would like to know the departments and agencies those include.

The problem I was trying to get at before is that I am informed in the case of the Central Mortgage and Housing Corporation they went from 2,300 personnel down to 1,800. When you are preparing this report, would you also point out any equivalent savings and the number of persons involved who perform the functions. Clearly, with a growing population there will be an increase in the work load in the civil service. Here, however, we have in the C.M.H.C. a reduction from 2,300 to 1,800 and a substantial increase in the work load which is the most dramatic since 1957. Are you satisfied, in view of the fact that this particular survey was done by private industry, that the method or the calibre of the survey you apply is of an equivalent standard? Are you satisfied that the methods of the civil service research division are as efficient as its private enterprise counterpart?

Miss ADDISON: We think it is much better because we feel our O and M division has more knowledge of what happens in the service. When an

agency comes in from outside it has to get to know how the government works, and this is a complicated business. We feel our people can go in and make a survey in less time.

Mr. MCGEE: Presumably, we will have to wait for the tabling of this report to see whether or not there are any equally dramatic figures produced in terms of savings in the numbers of persons involved. Are you prepared to say as a result of these surveys which you mentioned earlier, that there has been a reduction of the number of people to perform the task involved?

Miss ADDISON: Yes. Also we are not limited to the O. and M. services.

Mr. MCGEE: How can you account for the fact that there has been an increase in personnel in the last few years.

Miss ADDISON: There are increased functions to be carried out by the departments.

Mr. MCGEE: If, as a result of a survey, a particular function turns out to be not required, what happens to the marginal people?

Miss ADDISON: We try to find jobs for them somewhere else in the department. If that is not possible, they are put on the lay-off list. However, there is a great turnover in the service, people are leaving and there are vacancies created which are not filled.

Mr. MCGEE: In spite of that there has been an increase over this period?

Mr. PELLETIER: Yes.

Mr. MCGEE: How do you explain that?

Mr. PELLETIER: By the growth of the service, the taking on of new functions, and the continual growth of the population. It is almost inevitable that the over-all government operation will grow in these circumstances.

Mr. MCGEE: You used the phrase "almost inevitable". I do not want to be a bore about C.M.H.C., but they are reducing staff and increasing the work load and activity.

Mr. PELLETIER: Far be it from me to comment on C.M.H.C. I do not know how they did it. There are, however, several ways of doing this. There was a large reduction in the post office when they went from two to one deliveries a day. There are many ways in which you can achieve this.

Mr. MCGEE: You say do not know how C.M.H.C. effected this. Am I being a little unfair in assuming that when such a dramatic thing happened as this in terms of the rest of the operation that it might probably have been a wise thing to thoroughly investigate how that did come about?

Mr. PELLETIER: I am not trying to give the impression that the commission has a defeatist attitude, that we feel the Service just has to grow, and that we are therefore passively content to let it grow; far from it. I have mentioned there was quite a dramatic cut in the income tax department.

Mr. MCGEE: What I am saying is this did happen in C.M.H.C.

Mr. HELLYER: Mr. Chairman, that is an assumption.

The CHAIRMAN: Mr. McGee, may I suggest you have asked your question. You may not have had a reply but it is rather a similar situation to that which may occur in the house. Would you like to ask one final question?

Mr. MCGEE: May I answer the interjection?

The CHAIRMAN: I would prefer not.

Mr. MCGEE: I am basing this on evidence produced by the Senate committee last year which quoted the figures. I am now asking my last question. Have you looked into the manner by which this was accomplished by C.M.H.C.?

Mr. PELLETIER: The answer to that, I believe, is no.

Mr. McDONALD (*Hamilton South*): Miss Addison, you made a statement that there was a survey of the revenue department several years ago.

Miss ADDISON: No; it was in 1958.

Mr. McDONALD (*Hamilton South*): Can you tell me how much of a cut was instituted by your survey and what jobs were cut out.

Miss ADDISON: This will come out in the information we are trying to supply Mr. McGee.

Mr. GRAFFTEY: In making these surveys do you take advantage of the element of surprise?

Mr. PELLETIER: I am not sure I understand your question.

Mr. GRAFFTEY: Does the division take advantage of the element of surprise. In making the surveys? I realize they are made at the request of the deputy minister.

Mr. PELLETIER: O. & M. provides a voluntary service. Therefore an O. & M. survey is not made until management asks that it be made. I do not see how the question can be relevant.

Mr. GRAFFTEY: I assume that if the deputy minister asks that this survey be made it does not necessarily mean his whole department knows it will be made.

The CHAIRMAN: We will have to ask the deputy minister if he informs his staff.

Mr. BROOME: Miss Addison said that the O. & M. division is familiar with the government work. Have you considered that the outside agencies would be familiar with the way outside companies in industry work and that might be of some value in an analysis of government operations.

Miss ADDISON: I think a useful comment to make at this time, is that we recruit many of our people in the organization and method division from industry. Some of these people have actually worked in industry in this same field. Our people try to keep in touch with what is being done in industry as well.

Mr. BROOME: I just take exception to the remark that it was because they knew government. Frankly, I would think if they did not know government it would perhaps be more effective.

My second question is in connection with this. Some departments are setting up a methods division of their own.

Miss ADDISON: Some.

Mr. BROOME: What is the liaison between those officers and the civil service? Is there any liaison?

Mr. PELLETIER: Oh, yes. The O. & M. service in a department is a service specialized to that department. The big advantage of ours is that it covers the whole field of government activity.

Mr. BROOME: I believe the Department of Veterans Affairs have a service like that, consisting I believe of one officer and one girl. There are some 15,000 employees in that department. You, of course, would have to find the methods officer for that department. It is a new division. Would you have anything to say in connection with that if they wanted to set up something new.

Mr. PELLETIER: If they wanted us to have a say, certainly.

Mr. BROOME: In other words, if they put in a requisition for you to go out and find a suitable person.

Mr. PELLETIER: I am not sure I follow you.

Mr. BELL (*Carleton*): I think the question should be answered.

Mr. BROOME: Perhaps I do not understand how it operates. Suppose a department which did not have a methods division decided it would be a good idea to have a staff and obtain approval to requisition for a methods officer. They would go to you in order to get this staff and you would set up the competition and so on. Would you backtrack and say that in order for it to be effective at all you would need three, five or eight?

Mr. PELLETIER: What would happen on that score is the department would have to obtain authority to enlarge its establishment to get one, two, three, four, five or six employees and we would have our say, naturally, in that. We are in it at the very beginning. Treasury would not consider it until we made our recommendation.

Mr. BROOME: You are in it at the inception?

Mr. PELLETIER: Yes.

The CHAIRMAN: Gentlemen, may I suggest that we have now dealt with employment advisory service. We will now go on to the Civil Service Act and regulations.

Mr. WINCH: I have been asking if I might have information in respect of the orders in council. Is that available now?

Mr. PELLETIER: I have that information. Could I put it on the record now?

The CHAIRMAN: Yes.

Mr. PELLETIER: Mr. Winch asked some time ago about orders in council under section 60 of the act which removed groups of positions from the authority of the Civil Service Act. I have here a list. These exemptions, incidentally, are reported annually to parliament by us. In respect of the exemptions of the type referred to by Mr. Winch, in 1958 there were two treasury board minutes, which involved 254 positions—I am sorry—there were three treasury board minutes covering 254 positions. One was for a secretary to executive in a minister's office. One was for a clerk 4, also in a ministerial establishment. Another was for a special assistant to a minister. The balance of 251 related to the staff in the northern stations of the air service branch of the Department of Transport.

Then in 1956 there was a treasury board minute which exempted a total of 1,400 positions. This was an addition to the so-called prevailing rates group and included such positions as first cook, second cook, kitchen helper, survey crew supervisors for the Department of Public Works, beachmasters and assistant beachmasters for the Department of Transport; also a port warden at Port Churchill. That is the type of positions that were included in this group of 1,400 prevailing raters.

In 1956 there was another treasury board minute exempting the so-called casual clerk class. Under this minute the departments are authorized to employ a clerk for occasional work for a temporary period. I cannot give you any statistics on that.

The CHAIRMAN: Might I ask in respect of these 1,400 people is there any further breakdown other than the beachmasters and so on?

Mr. PELLETIER: Just the categories I have read.

Mr. WINCH: That is all by treasury board minutes?

Mr. PELLETIER: Yes.

Mr. WINCH: I think it is now obvious why I desire some information. My question is this: When you have, by orders in council or by treasury board minutes, exemptions of 251 persons in 1956 and 1,400 under another treasury board minute, I would like to ask what is the position, or the policy of the commissioners under an act of parliament which puts certain people

or classifications under the civil service commission when we find by one swoop 1,400 are removed? What is the effect on the merit system? Is not the merit system being completely wiped out in these cases by power of a treasury board minute to remove what parliament gave as authority to the Civil Service Commission?

Mr. BENIDICKSON: Did not parliament give treasury board this authority too?

Mr. PELLETIER: The whole area of prevailing rates is one which has been and still is quite confusing. There are a number of so-called prevailing raters who are now under the Civil Service Act for all purposes except pay. Their pay is based on the rate prevailing in the region. They are civil servants for all purposes except pay and such things as leave. I do not know how else to answer your question.

Mr. WINCH: May I put it in a manner which will assist you a little bit. As commissioners of the civil service, are you in a position to express a view that the merit system is of the utmost importance to the morale and efficiency of the civil service?

An hon. MEMBER: Order.

Mr. WINCH: And that these exemptions should be kept to an absolute minimum in order to bring in the merit system?

Mr. McCLEAVE: Order, Mr. Chairman. Surely this is a matter of policy.

Mr. WINCH: If it is a matter of policy, I will address my question to the minister if Mr. McCleave wants to take that attitude.

The CHAIRMAN: If you would just listen to the reply, Mr. Winch.

Mr. PELLETIER: Obviously the commission believes unquestionably in the merit system. If you will refer to the report we submitted to the government, you will note there is a fairly lengthy appendix "C", which deals with this question of exemptions. It states our views pretty lucidly I believe. If I may speak in broad terms, we feel that, whenever it is practical and possible to do so, prevailing raters who work on a continuing basis should be brought under the Civil Service Act, and we have so recommended in our report to government.

Mr. WINCH: May I ask a question in connection with that?

The CHAIRMAN: Proceed.

Mr. WINCH: I will take one case now for 1956. There was a treasury board minute which removed 1,400 from the civil service. Are you asked for a recommendation on that or do you make the recommendation?

Mr. PELLETIER: Well, I do not know in this case how it happened; I will have to check into it. In the case of some of these categories it is all very well to talk in principle but it would be impractical to bring all these people into the regular civil service.

Mr. WINCH: I have a question on policy.

The CHAIRMAN: Mr. Winch, we will come back to you. Mr. Benidickson has a question.

Mr. BENIDICKSON: In connection with the questioning about the direction of parliament, would not the authority for this treasury board adjustment be something that stems from parliamentary authority, in the act?

Mr. PELLETIER: That is correct.

Mr. BENIDICKSON: My second question is this. You made reference to your section of the report and you used the phrase that wherever there was evidence of continuous employment, notwithstanding the prevailing rate background, you recommended that these people come within the civil service. I agree.

But when we come to these trades such as you have suggested in that group of 1,400 like beach masters and so on, were these people likely to be continuously employed?

Mr. PELLETIER: I do not know; but certainly in this whole area—

Mr. BENEDICKSON: There are not very many beaches which are open very continuously.

Mr. PELLETIER: But in this whole area there are certain types of occupations, seasonal, sporadic, casual, and so on, where it is not practical to try to make the incumbents regular civil servants.

Mr. MCGRATH: May I ask the witness a question with respect to the treasury minute of 1956 authorizing various departments to hire clerks for temporary periods of employment. What is the maximum for which a department can hire a temporary clerk?

Mr. PELLETIER: In terms of time?

Miss ADDISON: It is set out under the establishment review in terms of man-years, and it is decided at the time of the establishment review how many man-years a department can use for this purpose.

Mr. PIGEON (*Interpretation*): I am not sure I am under the right topic at this point, Mr. Chairman, but I would like to ask Mr. Pelletier if it is a fact or has happened in the past that orders in council have been put out appointing civil servants who normally should have been appointed by the Civil Service Commission.

Mr. PELLETIER (*Interpretation*): In answer to that question, I will say that, saving the exemptions which I have mentioned, all appointments must be made by the Civil Service Commission.

Mr. PIGEON (*Interpretation*): Has it happened often in the past that an order in council has been issued appointing a civil servant who normally should be appointed by the commission?

Mr. PELLETIER (*Interpretation*): That has never happened because it is specifically prohibited under the Civil Service Act.

Mr. WINCH: I have two questions. Perhaps if I ask them both I will save time. In connection with the treasury board minutes, you said that a clerk grade 4 was exempted from the civil service; is it usual to have a clerk grade 4 exempted from the authority of the civil service?

Mr. PELLETIER: Perhaps I misled you. The secretary to an executive, the grade 4 clerk, and the special assistant to the minister are positions in the minister's own personal establishment.

An hon. MEMBER: Political appointments.

Mr. WINCH: That is what I mean.

The CHAIRMAN: Mr. Winch, will you please direct your remarks to the Chair.

Mr. WINCH: Could I ask the minister a question. Mr. Pelletier said it was a political appointment.

Mr. PELLETIER: I did not say that. I said the three positions were on the minister's own personal staff.

The CHAIRMAN: Are there any further questions?

Mr. WINCH: Yes, and it has to do with policy. I would like to direct my question to the minister and I might say I am glad he is here.

The CHAIRMAN: We are happy too.

Mr. WINCH: Would the minister state that as the minister responsible for the Civil Service Commission it is his policy that so far as possible there should not be exemptions removing a civil servant from the authority of the Civil Service Commission.

Hon. HENRI COURTEMANCHE (*Secretary of State*) (*Interpretation*): I will answer that in this way. It is difficult for a minister to obtain through the Civil Service Commission persons suitable for certain types of work because certain types of work in respect of the minister's own office have a great deal to do with the constituency he represents—and we must remember that the minister has to get himself elected.

Mr. WINCH: Do you mean by your answer that 1,400 were exempted?

Some hon. MEMBERS: No, no, no.

The CHAIRMAN: Mr. Hellyer, have you a question?

Mr. HELLYER: Mr. Benidickson put the question I had in mind, but I will repeat it. Could we find out by one or two of those treasury board minutes to which you have referred what proportion of those people may be referred to as temporary employees, or employees who are not likely to last beyond a certain definite limited period.

Mr. PELLETIER: Perhaps I should clarify immediately that when we are talking about exemptions under the act, it is the position that is exempt, not the person. Once the position is exempted then the authority lies elsewhere than with the commission to make the appointment. I could not answer the other part of your question in regard to how many of these are of a continuing nature without going into it very thoroughly; also, I am not too sure how successful I would be, because these positions are not under our jurisdiction at the present time.

Mr. HELLYER: Would it not be responsible, for example, if cooks were going to be required on a production project for a year or two—and after that time they would no longer be required—that that position should then be made exempt from the Civil Service Commission?

Mr. PELLETIER: Well, here again it depends a great deal on the nature of the project. If it was a bonafide temporary project it would make more sense to have those positions exempt because in that way you would not give these people a sort of vested interest in the civil service job, in superannuation, and everything else pertaining to the civil service.

Mr. GRAFFTEY: Am I correct in stating that while many jobs are in fact exempt from the Civil Service Commission and they are not civil service jobs, on the other hand the Civil Service Commission have jobs, such as temporary jobs, sets the examinations—

The CHAIRMAN: How do we find ourselves on this subject; we are under exemptions?

Mr. GRAFFTEY: I mean exemptions. I am thinking of temporary summer work in customs houses. I do not believe these students who work temporarily in customs ports get civil service jobs. I believe the Civil Service Commission handles their applications and such. But I think it is very important that we make this quite clear to certain members who have asked questions this morning.

Mr. PELLETIER: Mr. Chairman, we should be quite clear on this. There are certain temporary jobs under the jurisdiction of the Civil Service Commission. As an example, there are the clerks—and there are quite a number of them—in the bureau of statistics who are employed each time there is a census. They are employed on some occasions for quite a while, anywhere

from two months to two years. All these appointments are made by the Civil Service Commission after examinations held by the Civil Service Commission. Is that the kind of thing you have in mind?

Mr. GRAFFTEY: Yes, as well as these temporary customs employees in the summer.

Mr. PELLETIER: In connection with the summer jobs, the Civil Service Commission also conducts examinations. Here, of course, it is more difficult to apply the merit system because you have a large number of students for a few jobs. We try to rate them as well as we can, basing it on their academic standing, and so forth.

Mr. GRAFFTEY: I asked the question, Mr. Chairman, because I think it is important that we should demonstrate to the commissioners here today and to the public at large that just because a job is outside the Civil Service Commission that in the full sense of the word it does not necessarily mean that political considerations have been given in connection with it.

Mr. BELL (*Carleton*): These exemptions are all made under section 60 of the Civil Service Act?

Mr. PELLETIER: Yes with respect to the type we are now talking about.

Mr. BELL (*Carleton*): So in each case the Civil Service Commission itself made the recommendation of the exemption as required by section 60 of the act?

Mr. PELLETIER: That is correct. In every single instance to which I have referred, we made the recommendation in the first place.

Mr. BELL (*Carleton*): And consequently no treasury board minute was passed at any time in that period spoken of without an appropriate recommendation of the Civil Service Commission.

Mr. PELLETIER: That is correct.

Mr. BELL (*Carleton*): As required by the act, they report in respect of that, or file in parliament immediately after.

Mr. PELLETIER: No. The Treasury Board minutes are not filed but a report on the substance of the exemptions is.

Mr. BELL (*Carleton*): Within thirty days of the commencement of the succeeding session.

Mr. PELLETIER: Yes. In every single instance in which there have been exemptions, they have been reported each year.

Mr. BELL (*Carleton*): Then the Civil Service Commission satisfies itself, before making any recommendations on the basis of these minutes that were passed, that there was no breach of the merit system.

Mr. PELLETIER: That is correct and, if you will look at these reports, you will see that in each case or in each group of similar cases we give reasons for our recommending exemptions.

Mr. BELL (*Carleton*): And in practically all these instances these are for jobs in the north country; very few would be at headquarters?

Mr. PELLETIER: Very, very few, except the ministerial type of job.

Mr. BELL (*Carleton*): Apart from that there are practically none at headquarters?

Mr. PELLETIER: That is right.

The CHAIRMAN: Do you wish to ask a question, Mr. Carter?

Mr. CARTER: Mr. Bell asked practically all the questions I had in mind. However, I will ask this question. Who takes the initiative in connection with these exemptions; does it come from the government or the commission?

Mr. PELLETIER: This would vary a great deal. In some cases it would be the department. The department would represent to us that it had a really difficult practical problem and that it would be quite satisfied if the problem could be solved under the strict terms of the act but that the department did not think this was possible for this, that, or the other reason. If we agree with the departments, and in some cases we do, then we would recommend to treasury board that this position or these positions be exempted.

Mr. WINCH: 1,400 at one swoop?

Mr. CARTER: Mr. Pelletier mentioned about a lot of people being employed up at Fort Chudchill. Could this large block we are talking about be employed on the DEW line system?

Mr. WINCH: Not in 1956.

The CHAIRMAN: Mr. Winch, will you allow the witness to reply?

Mr. PELLETIER: With regard to the 251 block I mentioned, the treasury board minute was passed in 1957. Most of those people were employed on northern projects.

Mr. BENIDICKSON: I have a question along the line of Mr. Grafftey's in connection with the approval by the Civil Service Commission notwithstanding the fact that the work was of a temporary nature. Have the commissioners any knowledge as to whether or not extra staff was needed by the Department of Agriculture to cope with the survey that had to be made quickly with respect to the western acreage payments and, if so, to what extent was it needed and was that recruiting done by the Civil Service Commission?

The CHAIRMAN: That information will be made available, Mr. Benidickson.

Mr. MCGEE: Could we obtain one more figure in connection with the survey in 1958, which we discussed earlier? Could you provide in addition to the number of departmental agencies the number of persons less required. Could you give us also the figure for the increase and the total number of civil servants during that year?

Mr. PELLETIER: Do you want the increase in the total number of civil servants from the beginning of 1958 to the end of 1958?

Mr. MCGEE: Yes, covering the same period which we covered in this report of the survey.

Mr. PELLETIER: What we can do is give you a total increase for a twelve-month interval.

Mr. MCGEE: Is that the same twelve-month interval we discussed in connection with this survey?

Mr. PELLETIER: We will try to get it as closely as possible.

Mr. LAMBERT: In connection with Mr. McGee's question, does he have reference to those particular departments and agencies, or the global civil service?

Mr. MCGEE: That is a good question.

The CHAIRMAN: Would you think it over and let us know?

Mr. MCGEE: Yes, I will.

Mr. GRAFFTEY: Mr. Pelletier, reverting to the subject Mr. McGee was on, I have one very brief question. In the division survey of the House of Commons, could you ascertain for us whether they are making a comparative study with the United States congress to see what type of secretarial help—

The CHAIRMAN: Now, Mr. Grafftey, I permitted you to ask a question before which was not under this heading. I expressed the view a while ago that you would have an opportunity to ask this type of question when we are summarizing, but not under the present headings.

Mr. McGee, have you the information now? If possible, I would like these figures for the departments and agencies referred to in the report.

The CHAIRMAN: All right; they will be obtained.

Mr. McGEE: There are a total of 45 departments and agencies which are going to be contained in this report.

Mr. PELLETIER: There is one small problem here, Mr. Chairman, and it is this. Some of these agencies do not come under our jurisdiction and we would have to get the figures from them. If they agree, I suppose he would be prepared to table them.

Mr. BENIDICKSON: I was wondering how much of this was available in the bureau of statistics information?

The CHAIRMAN: May I suggest that Mr. McGee discuss with Mr. Pelletier what he desires, and we can then come to an agreement. Would it be satisfactory if the information was tabled?

Mr. McGEE: I am not quite sure what you said.

The CHAIRMAN: I suggested that you discuss this matter with Mr. Pelletier following the meeting and he will obtain the required information; is that satisfactory?

Mr. McGEE: Yes.

The CHAIRMAN: Gentlemen, if you have completed exemptions, you are now under the heading of commissions—external relations.

Mr. CARTER: I have a question which has to do with what is called semi-staff post office. Does the commission insist on having appointees to these positions from the neighbourhood of the post office?

Mr. PELLETIER: In that situation, the local preference, to which reference has been made before, comes into play. Therefore, in order to qualify for a postmaster's job in any locality, a person would have to come from that locality, except in the situation where we just cannot find a qualified officer in the locality in which event we might appoint someone else.

Mr. CARTER: Have you ever had any discussion with the Post Office department with a view to changing that procedure?

Mr. PELLETIER: The Post Office department has no say in the matter; this comes under the Civil Service Act.

Mr. CARTER: Why, then, does the Civil Service Commission not agree to a sensible change?

Mr. PELLETIER: I am afraid this does not quite come within the heading under discussion, Mr. Chairman, but if you wish me to reply, I shall.

Mr. CARTER: It is external relations, is it not?

The CHAIRMAN: No. I permitted you to continue, hoping you were going to get on to the subject of external relations with treasury board.

Mr. CARTER: Is there not a heading for other departments?

The CHAIRMAN: No.

Mr. CARTER: How do you discuss external relations with other departments, then?

The CHAIRMAN: We will concern ourselves with other departments.

Mr. CARTER: This concerns the Post Office.

Mr. PELLETIER: I will try and make my reply relevant under the current heading, if I can. We certainly have relations with all departments; I think that goes without saying. In the area in which you are interested at the moment,

we do have discussions with the department—a great many of them—because, for example, there is the problem of post offices where the postmaster is a civil servant and the assistants are not, which, of course, creates a real problem. This matter is under discussion all the time. And other matters. I am not too sure what else I can say.

Mr. CARTER: Are you not barring people from promotion who are already in the service, who could be promoted to a better job in a better post office, by insisting on this: he cannot be promoted: you must pick somebody from outside and bring him in?

Mr. PELLETIER: Mr. Chairman, I think we are again getting away from the heading. Many of these assistants are not civil servants; they are appointed directly by the department—and this is of course quite legal.

Mr. CARTER: No.

Mr. PELLETIER: When an opening occurs higher up the ladder, we cannot promote them, because they are not civil servants.

Mr. CARTER: Surely, if you appoint that staff—

Mr. PELLETIER: But we do not.

Mr. CARTER: You just said you—

The CHAIRMAN: All right, Mr. Carter.

Mr. CARTER: No, no.

The CHAIRMAN: Mr. McGee, would you just remain with us for a few minutes, so we do not lose a quorum? We are about ready to adjourn. Proceed, Mr. Carter.

Mr. CARTER: Mr. Chairman, I want to ask this question. You just admitted that you insist that the act be upheld and the appointment made from the area served by the Post Office—you admit that?

Mr. PELLETIER: I admit that, for those jobs that come under our jurisdiction; but they do not all come under our jurisdiction.

Mr. CARTER: I am talking about jobs that do come under your jurisdiction, because you make the appointments—or, at least, you issue the competition.

Mr. PELLETIER: That is right.

Mr. CARTER: I know definite cases where people are in a certain post office, and are civil servants. If the post office has a revenue of a certain level, they are appointed by the Civil Service Commission; they are not postmasters appointed by patronage. A person employed in such a post office—

Mr. WINCH: Are you making an admission?

Mr. CARTER: A person employed in such a post office, who is already trained and knows the work, cannot be promoted from that post office to a higher position in another post office, because he does not actually live in that particular area.

Mr. PELLETIER: He can be so promoted.

Mr. CARTER: No, sir. Somebody is wrong, but the Post Office department tells me it cannot be done, that the Civil Service Commission will not permit it.

Mr. PELLETIER: No, I am afraid that statement is incorrect. The Civil Service Commission can, and does, permit it.

Mr. BELL (*Carleton*): I wonder, Mr. Pelletier, if you would give us a brief outline of the respective roles of treasury board and the commission in relation to the organization of the service, and perhaps I may outline the present situation. Would you give us a brief statement of the views of the commission as to any changes which ought to be made in the relationship between treasury board and the commission?

Mr. PELLETIER: That is a very good question, the answer to which, however, is somewhat difficult; but I shall try to give you the best possible answer. At the present time, by law, the Civil Service Commission must report on the organization of all departments, and then treasury board must approve, or disapprove, or modify. In any event treasury board is the exclusive and final authority in determining how the various government departments shall be organized.

This, for several years now, has been done under a procedure we describe as the annual establishment review, which is a three-cornered affair. This is chaired by the Civil Service Commission, and both the department and treasury board participate.

Then a report is sent to treasury board and, as I said a moment ago, treasury board makes the final decision.

We have recommended to the government a slight modification of this. We have recommended that, in future, treasury board and the department should be the final authorities in this and that the commission should not withdraw from the field of organization but act very much in the same manner as a management consultant firm. We also recommended that, not less than once every five years, the Civil Service Commission would make a report on the organization of each department and that this be on a compulsory basis.

The reason we recommended that the Civil Service Commission remain in the field of organization on this advisory basis, rather than on a quasi control basis, is twofold. In the first place, it is very difficult to divorce entirely organization from classification, and since classification has a significant bearing on the merit system, we believe we should be left in control of classification. But, as a corollary, we also, should retain an advisory function in organization. In addition, because of the very nature of our functions, we should be, if we are not, experts in organizational matters.

Mr. BELL (*Carleton*): Do you not think there is a possibility, if your recommendations were adopted, of weakening the actual control of the commission over the whole of the service?

Mr. PELLETIER: My own view is that the Civil Service Commission should not exercise control over organization because organization, in our mind, is not something which is relevant to the upholding of the merit system. On the other hand, organization is of essential concern to management. Consequently, in our view, management at the general manager level—government and cabinet—and at the branch level—minister and deputy minister—should be fully and finally responsible for organization while the Commission should act only as expert adviser.

The CHAIRMAN: Mr. Winch, I am going to suggest that we close with your final question.

Mr. WINCH: I was wondering whether the commissioner could give us a brief and concise statement on the extent of the liaison with the associations of the civil service. This deals with external relations. What is your policy today in respect of liaison with various associations and organizations of the civil service?

Miss ADDISON: In this field we get together with the associations when they request a meeting, particularly when they ask to present a brief to the commission. We meet with them on those occasions and go over the brief and discuss it with them. In addition, the Commission has an informal association with the staff organizations on many matters. A good deal of informal liaison takes place between members of the staff association executive and officers of the commission.

Mr. PELLETIER: Might I add that we have an officer in the Commission, whose main job it is to keep in touch with these associations, to make sure

that their recommendations are followed up and processed, and also to keep in constant touch. And we do not wait until the associations ask to see us. For example, with regard to our forthcoming recommendations on pay, after the research bureau report was put out, we invited them to give us their views on the report.

Mr. WINCH: Mr. Chairman, before we rise, would you mind announcing that I have filed with you the document which was mentioned at the opening of the meeting?

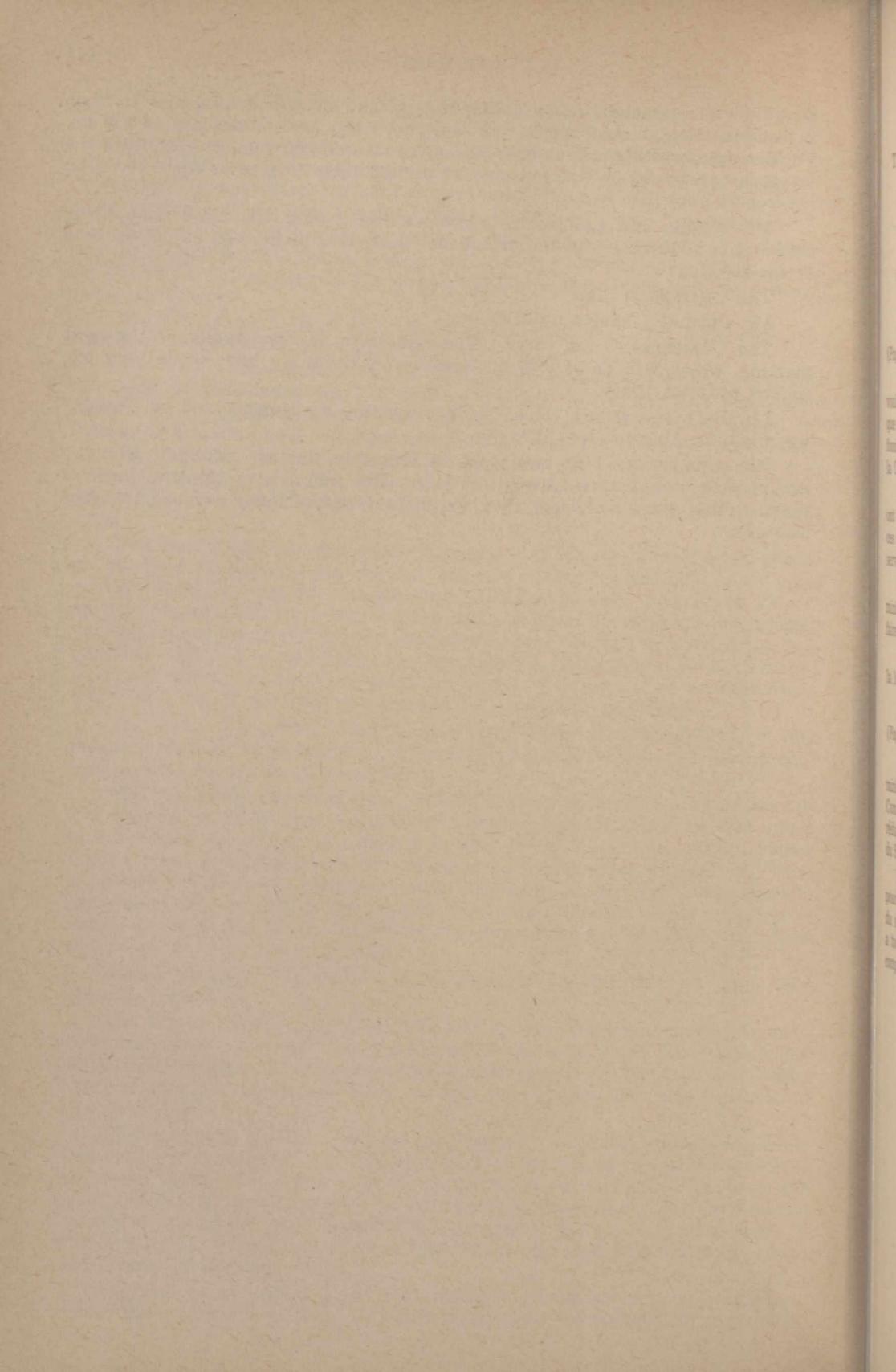
The CHAIRMAN: Yes.

Mr. PIGEON: I have a question—

The CHAIRMAN: I am sorry. You will have an opportunity at the next meeting, which will be at 9.30 on Tuesday. I think we have made very excellent progress today.

Mr. BELL (*Carleton*): If we have a meeting on Monday and on Tuesday we might be able to clear this up.

The CHAIRMAN: I do not want to entertain another situation where a group of us would have to wait for thirty-five minutes. I think in view of the fact that we have made very excellent progress today we can meet on Tuesday.



THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

Le 4 juin 1959.

(Page No. 468)

M. PIGEON: Je ne sais si je suis dans le même sens de questions, mais je voulais vous demander ceci, monsieur Pelletier: Dans le passé, est-il arrivé que le gouvernement ait "passé" un arrêté ministériel pour la nomination de fonctionnaires, quand normalement les nominations devaient être faites par la Commission?

M. PELLETIER: En réponse à cette question, sauf dans les cas où les positions ont été exemptées tels, par exemple, les cas que j'ai cités ce matin, sauf dans ces cas-là, toutes les nominations doivent être faites par la Commission du service civil.

M. PIGEON: Est-ce que cela s'est présenté, dans le passé, qu'un arrêté ministériel ait été "passé", quand normalement les nominations devaient se faire par la Commission?

M. PELLETIER: Cela ne s'est jamais produit, monsieur Pigeon, parce que la loi du Service civil le défend spécifiquement.

* * * *

(Page No. 469)

M. WINCH: (*Interprétation*) Est-ce que je puis poser une question au ministre? Est-ce que vous nous diriez, en tant que ministre répondant à la Commission du service civil, est-ce que vous ne croyez pas qu'il faudrait réduire au minimum le nombre des fonctionnaires soustraits à la juridiction du Service civil?

L'hon. M. COURTEMANCHE (*Texte*): Je répondrai en disant qu'il est difficile pour le ministère, pour le ministre plutôt, d'avoir des gens de la Commission du service civil pour certains ouvrages, étant donné que, comme ministre, il a tout de même des ouvrages qui concernent plutôt son comté et qu'il faut compter que le ministre se fait élire.

APPENDIX "K"

Information requested by Messrs. Bell and Winch.

The following statement is tabled by the Civil Service Commission on behalf of the Comptroller of the Treasury at the request of Messrs. Bell and Winch:

A former *officer* of the Armed Forces in receipt of a pension under the Defence Services Pension Act who accepts employment in the Public Service of Canada may receive salary and full pension, but only if the aggregate of salary and pension is equal to or less than the pay and allowances he was receiving at the time of his separation from the Forces or the current rate of pay and allowances for the rank he held at the time of separation, whichever is the greater. If there is an excess, his pension is reduced by the amount of such excess. A Warrant Officer or Chief Petty Officer, 1st Class and 2nd Class, who retired under Part V of the Defence Services Pension Act, receives the same treatment in this regard as a commissioned officer. Any pensioners other than those mentioned above may receive salary and full pension.

If a person in receipt of an annuity under the Public Service Superannuation Act is re-employed in any capacity in any branch of the Public Service and does not again become a contributor, he is entitled to receive salary and full annuity, but only if the aggregate of salary and annuity is equal to or less than the salary he was receiving at time of separation from the Public Service. Where there is an excess, his annuity is reduced by the amount of such excess.

* * * *

In answer to a question by Mr. Broome:

The number of persons declared redundant as a result of a curtailment of departmental work and who were not absorbed in other positions during the past two years is 539.

* * * *

In answer to a question by Mr. Bell:

1. The following departments use efficiency rating forms developed by the Civil Service Commission:

Auditor General
 Civil Service Commission
 Department of External Affairs
 Fisheries Research Board
 Department of Insurance
 Department of Justice
 Department of Labour
 Department of Mines and Technical Surveys
 Royal Canadian Mint
 Department of National Defence
 Department of National Health and Welfare
 Department of National Revenue
 Department of Northern Affairs and National Resources
 Public Archives
 Department of Public Printing and Stationery
 Department of Public Works
 Secretary of State Department
 Department of Trade and Commerce
 Board of Grain Commissioners

2. The following departments use an efficiency rating form very similar to that developed by the Commission, but revised to include additional data of particular interest to the departments:—

Department of Agriculture
 Department of Defence Production
 Department of Veterans Affairs

3. The following departments do not use an efficiency rating form of the sort devised by the Civil Service Commission, but use some form of rating:

Department of Citizenship and Immigration
 External Affairs Department
 Post Office Department
 Department of Transport
 Unemployment Insurance Commission

4. With reference to those departments listed in paragraph 1 a number of those departments use a special efficiency rating form for some positions, but in such cases these special forms are in addition to the forms developed by the Civil Service Commission.

* * * *

In answer to a question by Mr. Bell: It is the Commission's understanding that Departmental practice with regard to efficiency ratings is as follows:

1. In the following departments it is obligatory for the supervisor to discuss the efficiency rating with the rated employee:—

Department of Defence Production
 Department of National Defence
 Department of National Revenue
 Post Office Department
 Public Archives
 Department of Public Printing and Stationery
 Department of Public Works
 Unemployment Insurance Commission
 Department of Veterans Affairs

2. In the following departments it is general policy that supervisors should discuss efficiency ratings with the employee, but there is no detailed check made to insure that this is done universally:—

Department of Agriculture
 Department of External Affairs
 Department of Finance
 Department of Justice
 Department of National Health and Welfare
 Department of Transport

3. In the following departments it is the policy that branch directors shall determine whether or not in each case ratings shall be discussed with each employee:—

Department of Insurance
 Department of Northern Affairs and National Resources
 Department of Secretary of State

4. In the following departments the general policy is that the rating officer shall use his discretion as to whether or not efficiency ratings shall be discussed with the rated employee (in practice unfavourable ratings are so discussed):—

Auditor General
Department of Citizenship and Immigration
Civil Service Commission
Department of Fisheries
Department of Labour

5. In the following departments the general policy is that there should be no discussion of efficiency rating with employees:—

Department of Mines and Technical Surveys
Department of Trade and Commerce

* * * *

In answer to a question by Mr. Carter:

Of the 26 appellants whose appeals were sustained in 1958, 13 were subsequently appointed to the position for which they had competed.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament
1959



STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

TUESDAY, JUNE 9, 1959

CIVIL SERVICE COMMISSION

WITNESSES:

Honourable Henri Courtemanche, Secretary of State; Miss Ruth E. Addison and Mr. Paul Pelletier, both Commissioners of the Civil Service Commission.

STANDING COMMITTEE ON ESTIMATES

Chairman: Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Caron,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Crouse,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Horner (*Acadia*),
Howe,
Jorgenson,
Korchinski,
Lambert,
McCleave,
McDonald (*Hamilton
South*),
McFarlane,
McGee,
McGrath,
McGregor,
McIlraith,
McMillan,

McQuillan,
McWilliam,
More,
Morris,
Nesbitt,
Payne,
Pickersgill,
Pigeon,
Pugh,
Regier,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Skoreyko,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

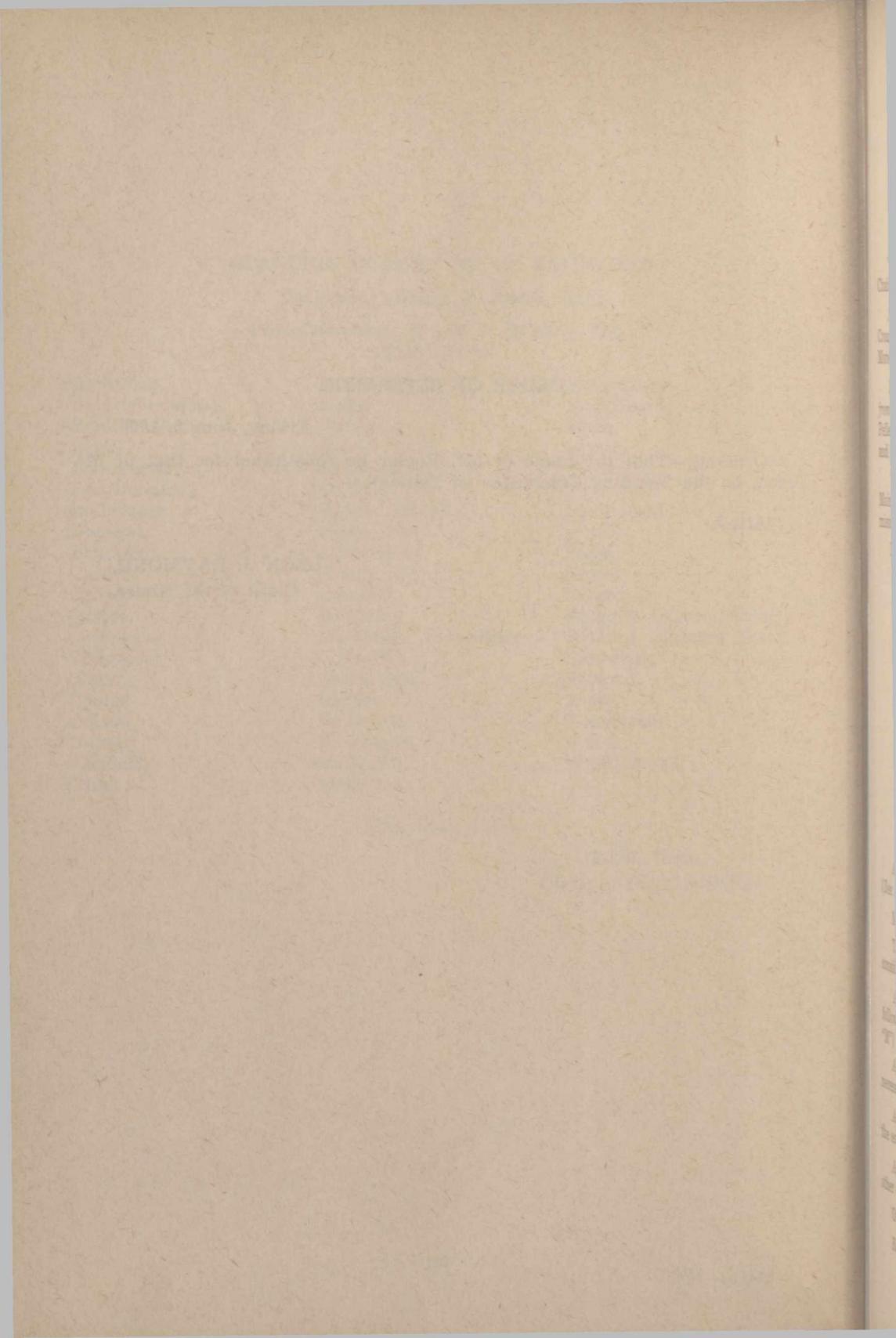
ORDER OF REFERENCE

Friday, June 5, 1959.

Ordered,—That the name of Mr. Regier be substituted for that of Mr. Peters on the Standing Committee on Estimates.

Attest.

LÉON J. RAYMOND,
Clerk of the House.



MINUTES OF PROCEEDINGS

TUESDAY, June 9, 1959
(24)

The Standing Committee on Estimates met at 10.55 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Broome, Chambers, Clancy, Crouse, Halpenny, Hicks, Jorgenson, Korchinski, McCleave, McGee, McGrath, More, Morris, Payne, Pigeon, Smith (*Calgary South*), Tassé and Thompson. (19)

In attendance: Honourable Henri Courtemanche, Secretary of State; *And from the Civil Service Commission:* Miss Ruth E. Addison and Mr. Paul Pelletier, Commissioners; and Mr. G. A. Blackburn, Acting Director, Planning and Development.

The Committee resumed its consideration of Item numbered 67 of the Main Estimates 1959-60, respecting the operations of the Civil Service Commission, the Commissioners supplying information thereon.

Miss Addison tabled answers to questions asked previously as follows:

- (1) Reply to Mr. Bell,—*re:* Persons appointed to "acting pay status" in 1958.
- (2) Reply to Mr. McGee,—*re:* (a) Instructions to departmental personnel in selection work respecting promotion competitions, (b) Outline of Training and Guidance Program as related to promotion competitions.
- (3) Reply to Mr. Bell,—*re:* (*Supplement to information tabled June 1*). Appointment without competition of persons formerly in armed Forces.
- (4) Reply to Mr. Lambert,—*re:* Studies respecting centralized dictating equipment.
- (5) Reply to Messrs. McGee, Carter and McDonald,—*re:* Major surveys carried out by Organization and Methods Division.

Agreed,—That the above-mentioned information be printed in the record (*See Appendix "L" to today's Evidence*)

Miss Addison and Mr. Pelletier supplied orally additional answers:

The topics "Commission's external relations" and "Dismissals" were considered.

Agreed,—That any additional information submitted by the Commissioners following today's meeting be included in this day's record. (*See Appendix "M"*)

Agreed,—That, following the publication of the answers tabled today, if necessary, the present witnesses may be recalled.

Agreed,—That the Committee do not call any other witnesses respecting the estimates of this department.

Agreed,—That the Committee do not recommend that the Estimates of any other department be referred to it during this session of Parliament.

On motion of Mr. McCleave, seconded by Mr. Jorgenson,

Resolved,—That the Committee meet again on June 16, 1959.

The Chairman, on behalf of the Committee, expressed appreciation for the attendance and assistance of the witnesses, and for the services rendered to the Committee by the translators and the staff of the House. Miss Addison and Mr. Pelletier were permitted to retire.

At 11.00 a.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

NOTE: Text of the Proceedings recorded in the French language appears immediately following the day's Evidence.

REMARQUE: Le texte des témoignages recueillis en français figure immédiatement à la suite du compte rendu des délibérations de la séance d'aujourd'hui.

EVIDENCE

TUESDAY, June 9, 1959
9.30 a.m.

The CHAIRMAN: Good morning, gentlemen. We have a quorum; we can proceed. We have, I believe a number of unanswered questions. Some will be tabled as an appendix to the evidence and others will be given orally. I suggest we proceed with the replies to those questions which either of our two witnesses would like to file now.

Miss RUTH E. ADDISON (*Commissioner, Civil Service Commission*): I would like to table the following items. The first group is in reply to questions that relate to competitions and examinations. The first is in response to a question by Mr. Bell, who asked for information relating to the number of persons appointed to acting pay status during 1958.

The second is in response to a question by Mr. McGee, who asked for information relating to the form of instructions given by the Commission to departmental persons who are engaged in selection work in connection with promotion competitions.

The third is in response to a question by Mr. Bell, who asked for further information on armed forces officers appointed to the Civil Service after retiring from the armed forces.

The next group of questions had to do with the management advisory service. The first is in reply to a question by Mr. Lambert, who asked for information relating to studies on the use of centralized dictating equipment. The second is in response to questions by Messrs. Carter, McGee and McDonald, who asked for detailed information about the 41 major surveys which were conducted by the organization and methods division during 1958.

Then I would just like to answer orally one question which was asked by Mr. Benidickson. He asked if a survey was required by the Department of Agriculture in respect to western acreage payments. As far as the Commission is concerned, we have had nothing to do with this survey, and we have no knowledge of it; but we do understand that the survey in question was carried out by an agency that does not come under the Civil Service Commission.

The CHAIRMAN: Mr. Pelletier, have you some questions to which you wish to reply?

Mr. Paul PELLETIER (*Commissioner, Civil Service Commission*): Yes. Mr. Chairman. At the last two meetings Mr. Winch raised a question and, as a result of an apparent contradiction between what I had previously stated and what appeared to have been said by the Commission in one of its printed circulars, I suggested that this was a perfect demonstration of the usefulness of parliamentary committees. Of course, I would not wish to leave the impression that what I am about to say in any way diminishes the validity of that statement; but, as a matter of fact, the Commission was not responsible for the particular piece of paper that Mr. Winch had in his hand at that time.

On June 1, Mr. Winch quoted from what he referred to as "a copy of instructions for filing an appeal in connection with the results of a promotion competition". Mr. Winch went on to say, "this is from the Secretary of the Civil Service Commission, Jackson Building, Ottawa". The hon. members will recall the discussion which ensued after Mr. Winch had quoted from the document referred to.

In accordance with the request of the chairman, the document was filed by Mr. Winch just prior to the close of the meeting on Thursday, June 4, and the document was at that time made available to us for study.

I am pleased to say that the document referred to was not prepared and was not issued by the Civil Service Commission and, therefore, the questioning and comment relating to the document will, we presume, be ignored by the committee.

It appears the document in question was prepared by a departmental personnel officer and is the result of rewriting of a Commission circular. Steps, Mr. Chairman, have already been taken to prevent, in so far as possible, a recurrence of such an instance.

The other—

The CHAIRMAN: Perhaps we might stop at this point. Are there any questions from the committee with respect to the reply made by Mr. Pelletier?

Mr. BROOME: Yes. Do personnel officers usually rewrite your instructions?

Mr. PELLETIER: In several cases, yes, Mr. Broome.

Mr. BROOME: On what authority?

Mr. PELLETIER: On their own authority. We issue general instructions on a wide variety of subjects and because of the wide variety of functions carried out by different departments, it may be useful, in order to clarify our general instructions in relation to the particular kind of functions being carried out in the department, that they be rewritten to a certain extent by departmental personnel officers.

The CHAIRMAN: Are there any further questions? Proceed, Mr. Pelletier.

Mr. PELLETIER: Mr. Chairman, at a previous meeting Mr. Bell, during the discussion with respect to appeal procedures, asked for information which we were unable to give at the time the questions were raised. I would now like to endeavour to give clear answers to the questions asked by Mr. Bell at that time.

The staff association officers representing an appellant may use material obtained from official sources in the preparation of the appellant's case, and they may convey to the appellant the substance of the information that comes into their possession.

As a matter of normal practice, the competition and the personal files of the appellants and other candidates are made available to the members of the appeal board before the hearings begin. It is the Commission's practice to make relevant documents available to the board members without waiting for a request to have them so made available. We know of no instance in which access to the competition file has been refused to any member of an appeal board.

The number of instances in the last two years in which appeals have been upheld and in which a competition has been cancelled outright is zero. But I should add an explanation because I think that answer alone would be misleading although it is strictly true that in no such instance was the competition as such cancelled. You will remember there were 664 appeals, of which 26 were upheld. In each instance a new examining board was appointed by the Commission to re-examine all the candidates in that competition. So to answer your question strictly, the competition was not cancelled,

but still a new examining board was appointed to re-examine all the candidates. As you may recall—we tabled this earlier on—out of these 26 appeals that were upheld and 26 new examining boards appointed, 13 of the 26 appellants were subsequently appointed to the position for which they had competed.

The CHAIRMAN: Mr. Bell, have you any further questions?

Mr. BELL (*Carleton*): You have said that in no case was a competition completely cancelled subsequent to an appeal?

Mr. PELLETIER: That is correct, Mr. Bell. However, to go on and complete the record, in four instances during that period competitions were quashed outright—not as a result of appeals, but for other reasons.

In one case I remember, following certain representations which were made to us, we found that the qualifications were not properly geared to the job, so we quashed the competition outright, re-wrote the specifications and re-advertised it. That was a new competition. There were four such cases, but not as a result of appeals.

Mr. BELL (*Carleton*): In each of the four cases, was a new competition held?

Mr. PELLETIER: That is correct—no, I am sorry. In one case the job disappeared entirely. We decided the job was not necessary.

Mr. BELL (*Carleton*): We are probably thinking of the same job.

Mr. PELLETIER: In that particular instance—and I know the one to which you refer—that was not as a result of an appeal, but as a result of certain representations. The Civil Service Commission, in that case, made a complete inquiry. We decided it would be in the public interest to re-rate all the candidates in that competition, which we did. Then, while we were so doing, the U.I.C. came to us with a request for a fairly significant reorganization of its own operations.

I am sorry, Mr. Chairman, I have identified the department.

The CHAIRMAN: Proceed.

Mr. PELLETIER: We then decided that since that agency was going to be re-organized it would be a waste of the taxpayers' money to proceed with the competition until the re-organization had been completed.

Mr. BROOME: Mr. Chairman, I would like to revert to the previous reply.

The CHAIRMAN: One moment, Mr. Broome. Any further questions on this?

All right, revert to the previous reply made by Mr. Pelletier, Mr. Broome.

Mr. BROOME: Mr. Pelletier, you did say personnel officers re-wrote the civil service instructions or circulars for clarification purposes, and, perhaps, to add into that any particular information which was pertinent to their own department. But the case brought forward by Mr. Winch was not a clarification but was an outright revision and, in fact, deleted something which you said was fundamental to your instructions. I do not think your answer really went into that phase of it. I was asking whether they had authority to do it. You say, "yes, for clarification," but have they the authority to take your instructions and amend and revise them in any way they may wish to do

Mr. PELLETIER: Mr. Chairman, in the specific instance to which Mr. Broome has made reference, he is perfectly right. In my reply I think I said that we have already taken steps to ensure this does not happen again. Because in this specific instance, I agree with Mr. Broome that the directive issued by the Civil Service Commission should not have been distorted.

On the other hand, it is not only a question of clarification. Departments have their own departmental practices and quite a number of departments have their own departmental manuals, which will include, naturally, the

general directives issued by the Civil Service Commission, plus instructions issued by the department, which are directed to their own specific operations and which would not apply to any other department.

Mr. BROOME: Will such manuals or specific instructions be filed as a matter of record with the Civil Service Commission?

Mr. PELLETIER: Normally, yes, Mr. Chairman.

Mr. BROOME: So that your staff can check and see whether any fundamental rule of the commission is being abrogated, changed or distorted, as you say?

Mr. PELLETIER: Yes, but there are large numbers of these manuals, and some of them are quite formidable.

The CHAIRMAN: Have you any further replies to make to inquiries.

Mr. PELLETIER: No, Mr. Chairman.

The CHAIRMAN: Mr. Pigeon, you have a question which was unanswered, I believe?

Mr. PIGEON (*Interpretation*): At the previous meeting, I asked you, Mr. Pelletier, if you would be so kind as to provide the approximate number of bilingual civil servants; and I would be very happy if you could do so.

Mr. PELLETIER (*Interpretation*): Since the question has been put, Mr. Chairman, we have communicated with all departments. I asked to be told—at the very latest yesterday—if it was at all possible to answer that question and when, and how long it would take. We have communicated with 41 departments and agencies, and we have received, as yet, no answer from 16 of those. Eight departments said that they require more time to answer that question. The average time required, in all instances, is approximately one week. The maximum amount of time required is six or seven months, but in certain other cases it is only a matter of a few days.

Mr. PELLETIER: Mr. Chairman, may I interject in English at this moment?

The CHAIRMAN: Please do.

Mr. PELLETIER: Mr. Pigeon asked the total number of bilingual civil servants in departmental headquarters at Ottawa. From my answers it is clear that I have not that complete figure now. If the chair so wishes, I can give the total for 17 departments.

The CHAIRMAN: Do you require that information, Mr. Pigeon?

Mr. PIGEON: Please.

The CHAIRMAN: Proceed.

Mr. BROOME: Might I ask one question now on the reply given to Mr. Bell?

The CHAIRMAN: No. Proceed, Mr. Pelletier.

Mr. PELLETIER (*Interpretation*): For the 17 departments in respect of which we have answers here are the figures: the total establishment for these 17 departments is 4,879. The total number of bilingual civil servants out of that number is 1,798. That is 37.7 per cent.

Mr. PIGEON (*Interpretation*): I appreciate the answers you have given and I understand that it would be difficult and time consuming to give me the amount of bilingual employees earning \$5,000 or more. I assume that the proportion would be rather small. Such being the case, could you tell me—according to you—what would be the cause and the remedy to this state of affairs?

Mr. PELLETIER (*Interpretation*): That is a very delicate question, of course. I agree that in certain departments in Ottawa the proportion of bilingual civil servants is too small. I believe you have asked what were, to my mind,

the causes and the remedies. There are a large number of causes, of course, and to my mind they are to a great extent historical. While our universities at this time do—

Mr. PELLETIER: I am sorry—"French language".

Mr. PELLETIER (*Interpretation*): French language universities do supply the type of training required for the federal Civil Service here in Ottawa, such was not the case 20 or 30 years ago. An example of the fact that the type of training is now such as is required by the federal Civil Service, I might point out that in the field of engineering, for instance, we are obtaining an ever increasing number of very good engineers from the Ecole Polytechnique and Laval University.

Mr. PELLETIER: Mr. Chairman, I will try to make this as brief as possible. (*Interpretation*): In our experience too we have noted that a large number of French Canadians have been hesitant, do not like to come to Ottawa, do not like to leave their home town.

I believe the remedies, as far as we see, are, to begin with, to encourage universities to continue along the road on which they have embarked and, secondly, to encourage young French Canadians to think of a career in the federal Civil Service, which I believe to be in the very best interests of the country as a whole.

The CHAIRMAN: Mr. Pigeon, I suggest that you continue your line of questioning when we complete the agenda in front of us.

Mr. PIGEON: Very well, thank you.

The CHAIRMAN: You have the right, of course, to ask for a reply to a question which you asked previously. Mr. Broome, you had a question?

Mr. BROOME: It was on the answer here on page 478. It is just a rather silly little point. Under heading No. 1 it states:

The following departments use efficiency rating forms developed by the Civil Service Commission.

It lists there the Department of External Affairs. Then item No. 3 says:

The following departments do not use an efficiency rating form of the sort devised by the Civil Service Commission, but use some form of rating.

In there is the External Affairs Department. I was wondering about that.

Mr. PELLETIER: The explanation there—and this is probably quite ambiguous—is that in some areas in the Department of External Affairs they use our form; in other areas they use another form.

The CHAIRMAN: I think we have completed the replies to questions, and you are now under the heading of "Commission's external relations". You have had a series of questions on this subject. Are there any further questions dealing with this heading?

Mr. McCLEAVE: I have one question, Mr. Chairman, that I think perhaps does fit in here. It is a very simple one. Do the commissioners know the number of civil servants who take post graduate administration and business courses that are offered by certain universities in the summer time? I am thinking of King's College in Halifax and the University of Western Ontario.

Miss ADDISON: We would have to get the information.

The CHAIRMAN: Would you like that, Mr. McCleave?

Mr. PELLETIER: We do know the answer but do not have it here.

Mr. McCLEAVE: Even if I had an approximate figure, it would be sufficient for my purpose. I am told the number is very low in relation to the total Civil Service.

Miss ADDISON: Would the last two years be all right?

Mr. McCLEAVE: Yes, the last two years would be sufficient.

The CHAIRMAN: Could you estimate, Mr. Pelletier?

Mr. PELLETIER: I know that the number is very low.

Mr. McCLEAVE: Is there any reason why this number could not be increased; that is the sole purpose of my question.

Mr. PELLETIER: I cannot think of any reason offhand.

Mr. McCLEAVE: Would it be up to the individual departments to see that more of the men and women got out for this post graduate training?

Mr. PELLETIER: No; it is also a question of cost, of course, and the question of the usefulness to be derived from these courses. This question of extramural education—that is, education outside the department—is something that goes on all the time, not only in the summer time; and it is something we look at very carefully, the total cost—naturally—to the taxpayer, and also the usefulness the department and the public generally will derive from it.

Mr. BELL (*Carleton*): Does the Commission conduct the executive training courses that take place at Kemptville Agricultural School?

Mr. PELLETIER: Yes.

Mr. BELL (*Carleton*): Has that been found to be a successful project?

Mr. PELLETIER: We like to think it has been; and that, incidentally, is a very inexpensive course because of the cooperation of provincial authorities and for other reasons. On those quite intensive courses we think we have very good lecturers, and it lasts for a month each year. In our view, the results have been very good.

An Hon. MEMBER: Who pays for it?

Mr. PELLETIER: It is the government that pays for it in the final analysis.

The CHAIRMAN: Is your question under this heading, Mr. Pigeon?

Mr. PIGEON: Yes. (*Interpretation*): I hope I am within the matter under discussion. What part has the Civil Service Commission played in the choice and appointment of civil servants with the Arts Council and the C.B.C.?

Mr. PELLETIER (*Interpretation*): None at all.

Mr. PIGEON (*Interpretation*): Why was there a Civil Service competition for the appointment of the secretary to the board of governors—the B.B.G., the board of broadcast governors?

Mr. PELLETIER (*Interpretation*): The staff of the B.B.G., or board of broadcast governors comes under the Civil Service Commission; but the staff of the C.B.C. does not.

The CHAIRMAN: Are there any further questions under "Commission's External Relations?" If not, we will go to our final heading. The final heading, gentlemen, is "Dismissals". Have you any questions under the heading of "Dismissals"?

I wonder if I might ask you, Mr. Pelletier, a question under this heading. You have the situation where an individual is dismissed from a particular department. I have heard it stated that there is some concern expressed by them—of course, this is only an opinion—that the procedure was often not inclined to give them the proper right of appeal. I realize right of appeal is contained in it. I understand there has been some suggestion of amending this or, at least, changing the system. Can you comment on that?

Mr. PELLETIER: Yes, Mr. Chairman; I would like to. Under the present law—and, if I may, Mr. Chairman, with respect, I should like to make a slight correction: there is no right of appeal. The only provision regarding dismissals in so far as anything approaching appeals is concerned is a regulation made under the authority of the act, regulation 118. This regulation stipulates that

before an employee can be dismissed, he must be given an opportunity to present his side of the case to the deputy head, or to a senior officer of the department nominated for that purpose by the deputy head.

The CHAIRMAN: This is what I was referring to as the appeal.

Mr. PELLETIER: Yes. That is the only provision and we naturally insist that that provision be honoured in all cases. If any case is brought to our attention where it has not been done, then we insist that it be complied with.

Dismissals are entirely within the hands of the department and the governor in council, and even this mitigated form of appeal—if you want to call it that—does not come under our jurisdiction; it is strictly within the department. We have recommended that this whole area of dismissal be altered and that instead—with one exception, which I will mention later—of having the governor in council responsible for dismissals, that the Commission be made responsible for dismissals.

Here again—just to tie the whole thing in together—the Civil Service Commission is the sole body responsible for appointments, and we feel it is logical that the Commission be responsible for dismissals. The regime we have proposed is that when a deputy head recommends that an individual be dismissed, the Commission will look into the case thoroughly, and in that process the individual would have a true right of appeal to the Commission—that is, to a third party, not to the department. If the Commission felt that the dismissal was appropriate and justified, then the Commission would dismiss; otherwise, it would not.

This does not mean, however, that if the Commission felt the department was wrong we could impose this person on the department. We could not, and would not, and we think it would be wrong for us to have the power to do so. But in that instance we would try and place that individual in some other position.

Mr. BROOME: How many civil servants were dismissed in, say, the last three years, by years?

Mr. PELLETIER: I think we have that right here. In 1958 there were 1,010 dismissals; in 1957 there were 1,356.

Mr. BROOME: Will you go back a couple more years?

Mr. PELLETIER: That is as far as I have the figures here.

The CHAIRMAN: You do not see any real conflict—this is an unfair question, so I will reword it: there obviously would be some conflict between the department and the Commission in the event your recommendation was accepted, with the single exception you mentioned, where you say you would not insist that the employee go back to the position from which he had been released. You question the right—I gather—of the department to determine whether or not an employee should be dismissed: is that, roughly, it?

Mr. PELLETIER: No, Mr. Chairman, I am afraid it is not it. In appointments, the same situation applies. We are the only appointing body. But even there, the department has a right of rejection of the employee, and we feel that is entirely right, because in the final analysis the minister and the deputy minister are responsible for the operation of that department, not the Commission.

The only reason we suggest this is that it does provide the kind of protection that will ensure that the merit system is upheld and yet will not interfere at all with the administration of the department. If I might go on for just a moment: I said earlier, with one exception. The proposal we made does not in any way take away from the governor in council the right to dismiss, if he so desires; but we suggest the normal practice should be the one I have outlined. Furthermore, with regard to dismissals for political partisanship, we recommend that the Commission should not enter the picture at all; that it be com-

pulsory that the Minister of Justice appoint a commission of inquiry under part I of the Inquiries Act to look into the thing, and that if the commission of inquiry found the man guilty, ipso facto and automatically, the man be dismissed by the governor in council.

Mr. MCGEE: I have heard it said—whimsically—that in Ottawa, when heads roll, they roll uphill. How does the rate of dismissal in the Civil Service compare with comparable areas in industry?

Mr. PELLETIER: I have no statistics, Mr. McGee.

Mr. MCGEE: Have you an idea?

Mr. PELLETIER: It would only be a guess, and I would prefer not to make it.

Mr. PIGEON (*Interpretation*): Does the so-called national security legislation enacted under Mr. Pickersgill—is this legislation still in force? Can a civil servant be refused promotion on the ground that he is a poor security risk?

Mr. PELLETIER (*Interpretation*): In the last analysis, the matter of security, within the Civil Service is a matter for the government and not for the commission.

Mr. PIGEON (*Interpretation*): What are the cases which are considered to be poor security risks?

Mr. PELLETIER (*Interpretation*): As I have said, this is not a matter for our determination; this is a matter for determination by the government alone. The Civil Service Commission—as I have pointed out—does not look after dismissals.

Mr. PIGEON (*Interpretation*): Can a civil servant be heard? By whom shall he be heard?

The CHAIRMAN: I think he has pointed out, Mr. Pigeon, that this is a matter for consideration by the government, rather than by the Commission.

Mr. PIGEON: Very well, thank you.

The CHAIRMAN: Do you wish to address the question to the minister?

Mr. PIGEON: If you please.

Hon. HENRI COURTEMANCHE (*Secretary of State*) (*Interpretation*): If I may answer from memory, these matters are determined by the Department of Justice.

Mr. PIGEON (*Interpretation*): Are there many dismissals on these grounds? Have there been any number since 1950?

Mr. COURTEMANCHE (*Interpretation*): I am not able to say.

The CHAIRMAN: As I said, when we completed the agenda, we would provide an opportunity for you to ask any general questions. Mr. Broome, have you a general question?

Mr. BROOME: I have a question on dismissals. When the commission is making the recommendation to have dismissals put through the commission, has the commission on its own account been making any survey of dismissals which have taken place so that they will have a backlog of facts as to why persons were dismissed? After all, they set the competitions and necessarily you are going to have to build up a background of experience. Have you been going ahead in that field?

Mr. PELLETIER: We have been attempting to gather statistics as to the number of dismissals.

Mr. BROOME: I am speaking about the failure to make good on the job.

Mr. PELLETIER: Here, we really do not know. This is a matter entirely between the department and the government.

Mr. BROOME: You have no records on it except numbers?

Mr. PELLETIER: No.

Mr. BROOME: And you receive no reasons for dismissal?

Mr. PELLETIER: No.

Mr. BROOME: They are not filed with you as a matter of record?

Mr. PELLETIER: No.

Mr. BROOME: Would it not be of interest to you to have that? When a person is dismissed there must be some sort of a statement made on it and if a copy of that were sent to you your staff would have something to go on in building up within your own department a knowledge of where these failures are taking place.

Mr. PELLETIER: If our recommendation is accepted by the government this problem will be solved automatically. However, in the present situation we have no jurisdiction and we are loath to interfere in areas where we have no jurisdiction.

Mr. THOMPSON: Who has the authority to make dismissals?

Mr. PELLETIER: At the present time?

Mr. THOMPSON: Yes?

Mr. PELLETIER: Exclusively the governor in council.

Mr. THOMPSON: Does the deputy minister in some cases have authority to dismiss?

Mr. PELLETIER: I should clarify. There is a probationary period for any person who is appointed to the civil service. There is a probationary period of six months which may be extended to twelve months. That is designed to do just that, to discover whether or not the employee is suitable for the job. If he is found by the department to be unsuitable he can be rejected, but we do not consider that a dismissal. There is no further action required.

Mr. THOMPSON: Does this apply to all employees of the government?

Mr. PELLETIER: This certainly applies to all the so-called permanent employees of the civil service.

Mr. THOMPSON: I assume that an individual could be dismissed on the grounds of incompetency. I would like to know who is to judge as to whether or not a person is incompetent.

Mr. PELLETIER: That is one of the reasons for the probationary period. We feel that management is the competent authority to judge whether or not an individual is competent.

Mr. THOMPSON: Does the Civil Service Commission conduct any spot checks or anything of that nature in order to ascertain whether or not persons are competent in their jobs?

Mr. PELLETIER: On that score, when departments reject employees during a probationary period they must, by law, report to us and give the reasons for rejection. If we find, in our judgment, that the man really is incompetent we do not do anything about it. If we find that perhaps we do not quite agree with the department, that the man may not be entirely suitable for that job but might be suitable in another job, we attempt to place him in some other department.

Mr. THOMPSON: Does the Civil Service Commission conduct any spot checks through the department in order to see whether or not there are any persons doing jobs for which they are incompetent and are really being protected by superiors who do not report incompetency?

Mr. PELLETIER: Not precisely of that nature. In respect of these young university graduates whom we bring in each year, the junior administrative officers, we do sometimes bring them back for a series of intensive courses in

order to judge whether they are in the right slot and whether or not they are likely to develop into good civil servants. That, however, really is not an answer to your question. We do not do the specific kind of spot checks which you mention.

Mr. CROUSE: When assessing the qualifications of an applicant for a position, does area preference take precedence over veterans preference?

Mr. PELLETIER: Yes; it does.

Mr. CROUSE: Would you care to elaborate on the reasons for that.

The CHAIRMAN: I wonder, Mr. Crouse, if you would be good enough to check the evidence. We have dealt in some detail with this. I think I am right?

Mr. PELLETIER: I think so.

The CHAIRMAN: Mr. Crouse, have you any other questions? Does anyone else have any questions?

Mr. BELL (*Carleton*): I have two or three general matters which I would like to raise.

First of all, I wonder if Mr. Pelletier would like to make a comment on the Civil Service Commission's view in respect of bringing the staff of the crown corporations under the jurisdiction of the commission.

Mr. PELLETIER: That is one of the recommendations contained in our report which has been most widely misunderstood. What we have said in essence—and I hope Miss Addison will correct me if I am wrong—is simply that the Civil Service Act of 1918 was obviously designed by the sheer words of the act, and the debates at the time, to create a single civil service where all individuals would be subject to the same benefits, the same advantages and the same liabilities. Throughout the years that has been altered gradually for good, bad or indifferent reasons—but the fact remains that it has been altered.

Particularly since World War II, we have had the creation of a number of crown corporations, or agencies, which do not come under the Civil Service Act. We do not for one moment suggest that all these agencies should be brought back under the Civil Service Act. Indeed, we went so far as to say it seemed to us in some instances there was a *prima facie* case for leaving them out without any further consideration. What we said was that the others should be considered on their merits and, if in the judgment of the government, not the commission, these agencies should be brought under the Civil Service Act, then that ought to be.

There are all sorts of different kinds of agencies. I would not like to name them publicly. There are, however, some which it would seem to us completely illogical to have outside the Civil Service Act. There are others where one can argue on both sides and perhaps it is perfectly right that they should be left out. That is all we have suggested. This matter needs a great deal more study before the Civil Service Commission would be prepared to go on record as to whether they should or should not remain outside the Civil Service Act.

Mr. BELL (*Carleton*): Perhaps the reason for the trend may have been the speed of selection and the possibility of cutting down the staff when peak loads were finished. If those qualities are in the Civil Service Commission itself, or if those qualities can be brought into the Civil Service Commission, there should be no objection to bringing in all those crown corporations.

Mr. PELLETIER: The reason you have suggested is certainly cogent. We have tried in our report to recommend a regime which would provide the kind of efficient administration which would enable that sort of situation to prevail generally throughout the civil service.

Mr. McCLEAVE: I would like to have some opinion, if possible, as to whether or not the appointment of a general manager would assist the work of the Civil Service Commission. I ask that question because I notice the four main branches, personnel selection, planning and development, organization and classification and pay research bureau seem to be overlapping. For example, I suppose pay is a matter which would pertain to all four sections. I understand these four groups perhaps are not water-tight compartments and work with each other.

Mr. PELLETIER: As you know, and as I think we mentioned earlier, we are right now in the process of reorganizing. The question of a general manager, or executive director, which is the kind of person you had in mind, is something we are seriously considering. Whether we will finally decide to have one or not is another matter. You must remember that as our organization stands now, there are a number of branches which are really staff branches and not operating units. At the moment, it does not seem to me that these branches need to be brought under a general manager. However, this is a very good point and one which we have under consideration at the moment.

Mr. BROOME: In respect of the members' secretaries in the House of Commons, when the house prorogues these secretaries fill in other jobs throughout the civil service. When they do go to another job they invariably revert to grade 2 as far as pay is concerned. They also do not have the advantage of continuing sick leave, as I understand it. Considering the statement in respect of the Civil Service Act that all civil servants were to have the same benefits, the same advantages and the same liabilities, I would think it would be fair that if a secretary has a grade 3 or grade 4 and can do that type of work, if possible they should be fitted into a job for which their abilities are suited.

My question is it seems to me the members' secretaries—and I wish it to be understood that I am not referring to my own secretary and that this is just general information I have picked up around the building—do not seem to be treated fairly when they go into the regular civil service employment.

Mr. PELLETIER: Unfortunately, the area of the staff in the House of Commons is one in which I must confess a fair degree of ignorance. I do know, however, that a number of them are not civil servants in the sense that they do not come under the Civil Service Act. Those persons, of course, are in precisely the same situation as a stenographer in Central Mortgage and Housing Corporation, or any other Crown agency.

Mr. BROOME: I am not referring to that group.

Mr. PELLETIER: I would expect that the women in the House of Commons who are regular civil servants under the Civil Service Act would get precisely the same treatment as an employee in any other department.

Mr. BROOME: The point I am making is they go back to a grade 2 regardless of whether they have done grade 3 or grade 4 work. They go back to a pay grade of grade 2.

Mr. PELLETIER: I do not see how that can happen. I would suggest that if you have specific cases you might bring them to my attention.

Mr. BROOME: There is another question about the accumulation of sick leave benefits.

The CHAIRMAN: What is the question, specifically?

Mr. BROOME: The question is that in respect of service in the House of Commons, although they are continually employed, they are not on the same basis for sick leave as other civil servants.

Mr. PELLETIER: They are in the exempted group.

Mr. BROOME: What is the exempted group?

Mr. PELLETIER: Persons who have not come in through the regular civil service channels.

Mr. BROOME: What if they did?

Mr. PELLETIER: Then they would have all the benefits.

Mr. BROOME: Would you check that, because I doubt it.

The CHAIRMAN: The commission will, of course, check into it; but they have made their statement.

Miss ADDISON: We will re-examine it.

Mr. MCGEE: Might Mr. Pelletier prepare for the next meeting a statement of what he regards as the desirable qualities making up good civil servant?

The CHAIRMAN: Might I point this out; it is now within twenty minutes of our adjournment time. The statement could be filed, but unfortunately you would not be able to examine the witnesses on it. If we leave that over a day, Mr. Pelletier and Miss Addison will not be with us for the in-camera study of our report. How do you wish to deal with that? You see the problem we have unless the committee requests it, because we have completed the hearing.

Mr. MCGEE: Is it not possible to ask a question and have the reply filed as part of the record?

The CHAIRMAN: Yes, but you would not have an opportunity of examining it with the witness.

Mr. BELL (*Carleton*): Put it on the record.

The CHAIRMAN: Could that be done, Mr. Pelletier?

Mr. PELLETIER: I did not understand the question.

Mr. MCGEE: Could you define what you regard as the good qualities of a civil servant? I am not speaking of a technical civil servant, but I think this answer would be of much interest to a great number of civil servants in Ottawa.

Mr. PELLETIER: With all due respect to the honourable member, it seems to me this is a fairly academic question on which any ten individuals might have ten different opinions.

The CHAIRMAN: I am inclined to agree.

Mr. MCGEE: Might I suggest, further, Mr. Chairman, your particular opinion would be of great interest to a large number of people?

The CHAIRMAN: Mr. Pigeon?

Mr. PIGEON (*Interpretation*): The employees of the Post Office Department have to pass two exams per year. This is not the case in other departments. Do you not find this situation unusual?

Mr. PELLETIER (*Interpretation*): Of course, I have no personal knowledge of this, and I would have to check, but I am advised that the people who sort letters have to pass these examinations, so as to ensure they really carry out their work efficiently.

Mr. PIGEON (*Interpretation*): In regard to hours of work in the Post Office, for Post Office employees, and more particularly concerning those who have to work at night who only have half an hour for a meal, and so on, and whose hours of work are completely different from those of any other civil servant do you not think it would be possible, or should be possible, for the Civil Service Commission to improve the situation, so as to bring these hours of work more in line with what obtains elsewhere?

Mr. PELLETIER (*Interpretation*): The hours of work, of course, do come under the jurisdiction of the Civil Service Commission. But it is quite obvious the hours of work in the Post Office Department will be different, and it is quite obvious that there has to be night work. I might say, though, that this matter of hours of work and working conditions has been under review for some time by us.

Mr. PIGEON (*Interpretation*): This matter should be solved as quickly as possible.

Now, upon another matter: Post Office employees must work seven years to reach their maximum salary—that is, \$3,900 per annum—whereas any other employees reach that after four years of apprenticeship.

Mr. PELLETIER (*Interpretation*): The Civil Service Commission always tries to recommend salaries that are in line with the work performed; and if a Post Office Department employee has sufficient capacity to rise to another and higher grade, there is no reason in the world why he should not. But the fact remains that the Civil Service Commission always does try to recommend a salary which is in line with the work performed.

Mr. PIGEON (*Interpretation*): At present, you are reviewing the conditions of work of the Post Office Department, and you do believe an improvement will be made in this respect by the Civil Service Commission in the very near future?

Mr. PELLETIER (*Interpretation*): I have not said that we had the working conditions in the Post Office Department under specific review; but I did say that we had under review these matters of working hours and working conditions in all departments including the Post Office Department, and especially the matter of over-time.

Mr. PIGEON (*Interpretation*): Do all civil servants have the same hours of work? Do they have the same time off for meals? Are they credited with the same number of holidays? Do they obtain the same benefits from performing night work, for instance, in all cases?

Mr. PELLETIER (*Interpretation*): All civil servants who come under the jurisdiction of the Civil Service Commission have the same amount of annual holidays; that is, statutory holidays.

Mr. PELLETIER (*In French not interpreted*):

Mr. McCLEAVE: I wonder if at our next meeting, for the preparation of the report, the commissioners could file with you, so you could bring before us, the firings and dismissals that have taken place since 1950, by year?

The CHAIRMAN: That will be done, Mr. McCleave. Will you translate the last answer?

The INTERPRETER: If I can remember it.

Mr. PELLETIER (*Interpretation*): This matter of the time off for lunch is left to the discretion of department heads. What the Civil Service Commission does is to determine the total amount of working hours per week, and within that limitation the department organizes the distribution of those working hours to its own convenience, generally in consultation with staff associations.

Mr. McCLEAVE: Perhaps I should make it clear, this information I asked for will be part of the public record of this committee?

The CHAIRMAN: I assumed, as such, it will be.

Mr. PELLETIER: That information, if we can obtain it, Mr. Chairman, will be filed with you.

The CHAIRMAN: There is a point here, gentlemen: some of the answers you have not had an opportunity to examine—I refer to the answers to questions that were tabled today.

I am certainly not going to suggest that we rush this committee in any way, because it is obvious the house is going to be sitting for some time yet. But if there are any questions on which any member, after having seen the replies, wishes to recall witnesses regardless of what decision we make today, we will still call those witnesses back. Is that understood?

Agreed.

The CHAIRMAN: Mr. Pigeon, your final question?

Mr. PIGEON (*Interpretation*): Do you not think that in so far as the commission is concerned in this matter, it would be a good thing for it to revise the hours of work for civil servants and the time they are given for lunch?

Mr. PELLETIER (*Interpretation*): In so far as this matter of working hours is concerned, I will repeat that we do determine the total number of working hours. But to do this we only put forward recommendations, and in the last analysis it is the government itself, treasury board, which decides whether the amount of work per week will be 37½ hours or 40 hours, and so on.

The CHAIRMAN: Gentlemen, I have two matters of procedure I would like to deal with before we adjourn. Mr. Pigeon, you are through?

Mr. PIGEON: Yes.

The CHAIRMAN: Thank you, Mr. Pigeon.

The first matter is, do you wish to call any further witnesses?

Mr. MCGEE: I would like to ask some questions on the answer that was tabled today.

The CHAIRMAN: Proceed now, Mr. McGee.

Mr. MCGEE: This report of the number of services and departments affected, and the savings which have resulted, while it is an impressive dollars figure—\$1,690,000—you were not able or there was no way you could translate this into the actual number of jobs saved?

Miss ADDISON: No, this was too difficult to do. We could not do it with any accuracy.

Mr. MCGEE: I am puzzled by something which is probably in the public printing and stationery branch. There were three surveys made in three separate instances with no result in saving. Does that mean the recommendations were not accepted, or there might be a certain period before the suggestion, as a result of the survey, might be put into effect?

Mr. PELLETIER: No, this could be the result of a number of things. In the first place, as I think I mentioned at a previous meeting, a survey is not always specifically aimed at saving money. In the second place, it can happen, and has happened, that as a result of a survey it is found that no improvement can be made.

Mr. MCGEE: Is it fair to assume that in agriculture, defence, post office and public printing and stationery there is no room for improvement?

Miss ADDISON: No, I think it means largely the measures indeed might not actually save money in terms of measureable savings, but it would produce a more efficient service.

They try to measure it in terms of actual people saved or in the saving of some processes, that type of thing. In other words, there are no direct savings; the savings are intangible.

Mr. MCGEE: One final thing—

The CHAIRMAN: Is this a question, Mr. McGee?

Mr. MCGEE: I think the Departments of National Defence and of National Revenue should be congratulated for the unusual savings they have produced.

The CHAIRMAN: We will express that to them on your behalf, Mr. McGee.

I might point out, there is no desire by the committee to hear more evidence or call any further witnesses before this committee?

Agreed.

The CHAIRMAN: May I ask the committee if you wish to call any other departments before the committee? The answer is "no"?

Agreed.

The CHAIRMAN: Are there any further questions before I close the meeting? You have a very brief time. Mr. Pigeon?

Mr. PIGEON: I have only one question.

Mr. PIGEON (*Interpretation*): Is it true that certain old employees are employed for a considerable length of time after the superannuation age?

Mr. PELLETIER (*Interpretation*): This does not come under our supervision. There are some, but I do not know how many.

Mr. PIGEON (*Interpretation*): When they are superannuated, to replace them do we act through a competition or through promotion?

Mr. PELLETIER (*Interpretation*): Sometimes through a competition; sometimes through promotion.

Mr. McCLEAVE: Could I ask Mr. Pelletier to give a quick estimate of the number of firings in 1956 or 1958? Would they be the same as or different from those of latter years?

Mr. PELLETIER: I understand they are about the same.

Mr. McCLEAVE: Thank you, very much.

Mr. PELLETIER: Mr. Chairman, could I have one word?

The CHAIRMAN: You may, in just a moment, Mr. Pelletier.

Gentlemen, you have decided not to examine any other departments or to call any other witnesses. I am going to suggest, in view of a certain event which occurs next Thursday, it might be difficult to obtain a quorum to meet at that time.

In fact, I have a motion by Mr. McCleave, seconded by Mr. Jorgenson that this committee not meet next Thursday, but meets next Tuesday. Does that meet with the approval of the committee? That motion has been moved and seconded.

Agreed.

The CHAIRMAN: That will also give your chairman an opportunity to consider the report and to present the material to you in proper form next Tuesday.

There is some comment you wish to make, Mr. Pelletier?

Mr. PELLETIER: Please, Mr. Chairman. On Miss Addison's behalf, on my own and that of the officers and members of the staff of the Civil Service Commission, I would like to thank you and the committee for the eminently fair and extremely courteous manner in which we have been received here. We have enjoyed every minute of it, and I hope it will prove to be as profitable to others as it has been profitable to us.

The CHAIRMAN: Gentlemen, before we adjourn, I want to thank not only the committee members but Miss Addison, Mr. Pelletier and, of course, the minister. I know you would also want me to thank our very excellent staff, the interpreters, the reporters of the evidence, and, of course, our fine Clerk.

Gentlemen, a vote of thanks on your behalf to this group would be appreciated.

Mr. PIGEON: I wish to thank the gentleman who did the translating for his able work.

THE FOLLOWING IS THE TEXT OF THAT PART OF THE
COMMITTEE'S PROCEEDINGS CONDUCTED IN
THE FRENCH LANGUAGE

ON TROUVERA CI-DESSOUS LE TEXTE DE LA PARTIE DES DÉLIBÉRATIONS
DU COMITÉ QUI S'EST DÉROULÉE EN FRANÇAIS

9 JUIN 1959

(Page No. 488)

M. PIGEON: Lors d'une séance antérieure, je vous demandais, monsieur Pelletier, de donner la proportion approximative des bilingues au fonctionnarisme. Je serais heureux s'il était possible d'avoir...

M. PELLETIER: Depuis que la question a été posée, nous nous sommes mis en communication avec tous les ministères. J'ai demandé qu'on me réponde, au plus tard hier, si, oui ou non, on pouvait répondre à la question et combien de temps cela prendrait.

Nous nous sommes mis en communication avec 41 ministères. Des 41, nous n'avons encore reçu aucune réponse de 16.

Il y a certains ministères, huit ministères, qui ont besoin de plus de temps pour répondre à la question. Le temps moyen requis pour répondre à la question est d'environ une semaine, et le maximum requis est de plusieurs mois, six ou sept mois. Dans d'autres cas, ce n'est qu'une question de quelques jours.

* * * *

Pour les dix-sept ministères qui nous ont déjà répondu, voici les statistiques. L'établissement total, c'est-à-dire le total des employés dans ces dix-sept ministères est de 4,879; de ce total, le nombre des bilingues est 1,798, soit 37.7 p. 100.

* * * *

M. PIGEON: Pour revenir à cette question, je vous remercie beaucoup, je comprends qu'il est impossible, vu le court temps que vous avez à votre disposition, d'avoir la proportion des bilingues qui commandent \$5,000 et plus, mais, de toute façon, à mon sens, la proportion qui gagne des salaires de \$5,000 et plus doit être beaucoup plus faible.

Quels seraient d'après vous, les causes ou les remèdes qui pourraient être apportés et qui pourraient entraîner une amélioration, s'il y a lieu?

* * * *

M. PELLETIER: Monsieur Pigeon, évidemment, c'est une question très délicate. Personnellement, je crois que dans certains ministères, à Ottawa, la proportion des bilingues est trop faible.

Vous avez demandé, je crois, quels sont, à mon avis, les causes et les remèdes. Les causes sont multiples et en grande partie historiques, à mon sens.

Il y a la question de nos universités qui, maintenant, en grande mesure, donnent le genre d'éducation requis dans l'administration fédérale à Ottawa. Ce n'était pas nécessairement le cas il y a 20 ou 30 ans. Un exemple du fait que nos universités donnent ce genre d'éducation, c'est que, par exemple, dans le domaine scientifique, dans le domaine du génie, nous obtenons pour le service fédéral, à Ottawa, de plus en plus d'ingénieurs très bien qualifiés de l'école Polytechnique et de l'université Laval.

* * * *

Il y a aussi le fait que notre expérience à nous semble démontrer que trop de Canadiens français craignent de venir à Ottawa. Ils ne veulent pas laisser leur patelin. Ce sont là les causes, les principales causes, à mon sens.

Je crois que le remède, c'est tout simplement d'encourager les universités de langue française de continuer à faire ce qu'elles font de mieux en mieux, et également d'encourager les jeunes de langue française à s'engager dans une carrière au service civil fédéral ce qui, en somme, est très important pour le bien du pays tout entier.

* * * *

(Page No. 490)

M. PIGEON: J'espère être dans le sujet. Quel a été le rôle de la Commission du service civil dans le choix des fonctionnaires au Conseil des arts et à la société Radio-Canada?

M. PELLETIER: La Commission n'y a joué aucune part.

M. PIGEON: Comment se fait-il que l'on a demandé un concours au Service civil pour le choix des secrétaires des gouverneurs de Radio-Canada.

M. PELLETIER: Le personnel de ce bureau des gouverneurs relève de la "juridiction" de la Commission du service civil, mais Radio-Canada n'en relève pas.

* * * *

(Page No. 492)

M. PIGEON: La fameuse loi dite de sécurité nationale, adoptée sous le régime Pickersgill, continue-t-elle d'être appliquée et un employé peut-il être renvoyé de ses fonctions ou se voir refuser une promotion simplement parce qu'on le considère comme un mauvais risque au point de vue sécurité?

M. PELLETIER: La question de sécurité dans le Service civil, en dernière analyse, est une question pour le gouvernement et non pas pour la Commission du service civil.

M. PIGEON: Mais quels sont les cas que l'on considère comme des mauvais risques au point de vue sécurité?

M. PELLETIER: La question de sécurité n'est pas pertinente ici, pour la simple raison, comme j'ai dit tout à l'heure, que c'est une question qui relève strictement du gouvernement et, deuxièmement, parce que la Commission du Service civil, en ce moment, n'a rien à voir aux renvois.

M. PIGEON: Un employé peut-il se faire entendre? Auprès de qui peut-il se faire entendre?

* * * *

L'hon. HENRI COURTEMANCHE (secrétaire d'État): Je peux répondre de mémoire. Ces cas relèvent du ministère de la Justice.

M. PIGEON: Est-ce que les renvois ont été nombreux depuis deux ans, depuis cinq ans, par exemple.

L'hon. HENRI COURTEMANCHE: Je ne pourrais pas dire.

* * * *

(Page No. 496)

M. PIGEON: Monsieur Pelletier, contrairement à d'autres ministères, vous avez les employés des Postes qui sont obligés de subir, après du Service, deux examens par année. Ne trouvez-vous pas cette situation inusitée?

M. PELLETIER: Il faudrait que je vérifie, parce que je ne suis pas absolument au fait, mais je crois que les gens qui font le tri des lettres sont obligés

de "passer" deux examens de ce genre par année, tout simplement afin que le ministère s'assure que les employés, de fait, font une besogne efficace.

M. PIGEON: Également, monsieur Pelletier, les heures de travail des employés des Postes, je veux dire surtout de ceux qui travaillent la nuit, par exemple, ils ont seulement une demi-heure pour prendre leurs repas; ne trouvez-vous pas qu'il y aurait moyen que la Commission du service civil améliore les heures de travail des employés des Postes, lesquelles sont complètement différentes, si on les compare avec l'industrie?

M. PELLETIER: La question des heures de travail est une question qui ressort de notre "juridiction". Par ailleurs, une entreprise telle que le bureau de poste requiert évidemment du travail de nuit. Vous demandez s'il peut y avoir amélioration? C'est fort possible. La question des heures de travail, de surtemps, etc., est à l'étude depuis quelque temps déjà.

(Page No. 497)

M. PIGEON: Il serait important, monsieur Pelletier, que la Commission du service civil règle cette question, cette situation le plus tôt possible.

Et, également, un autre point sur lequel je veux attirer votre attention. L'employé des Postes doit travailler durant sept ans pour atteindre le maximum de salaire, c'est-à-dire \$3,900, tandis que dans d'autres métiers, cela prend seulement quatre ans d'apprentissage.

* * * *

M. PELLETIER: La réponse à cette question est tout simplement que la Commission du service civil, en autant que cela est possible, tâche de recommander au gouvernement des salaires qui sont appropriés au genre de travail exécuté.

Si un employé se trouve dans une classe, au bureau de poste, et s'il a la capacité requise pour faire un autre travail, il n'y a aucune raison pour qu'il ne puisse pas passer à cette autre classe, mais le fait demeure que nous tâchons toujours de recommander des salaires appropriés au genre de travail accompli.

* * * *

M. PIGEON: Comme cela, monsieur Pelletier, vous étudiez présentement les conditions de travail des employés des Postes et vous croyez qu'une amélioration sera apportée par la Commission du service civil avant longtemps, le plus tôt possible?

M. PELLETIER: Je n'ai pas dit, monsieur Pigeon, que nous faisons une étude spéciale au bureau de poste. J'ai dit que cette question des heures de travail en général, dans tous les ministères, y compris le bureau de poste, la question de surtemps, d'*over-time* est également à l'étude.

M. PIGEON: Également pour les vacances des employés civils, est-ce que la durée est la même. Est-ce qu'ils ont les mêmes vacances; est-ce qu'ils ont les mêmes heures pour dîner? Est-ce qu'on leur donne également le même temps supplémentaire accrédité lorsqu'ils travaillent le soir?

M. PELLETIER: Tous les fonctionnaires qui sont sous la "juridiction" de la Commission du service civil obtiennent le même nombre de jours de vacances, de vacances statutaires, c'est-à-dire de vacances annuelles.

* * * *

Quant à la question des heures pour le dîner, cela évidemment, c'est une question qui est laissée au ministère. Tout ce que la Commission gère, ce sont les heures totales de travail par semaine. Le ministère, ensuite, organise à sa

façon, normalement après consultation avec les associations d'employés, la durée de la période pour le déjeuner, l'heure à laquelle on commence et à laquelle on finit, etc.

* * * *

(Page No. 498)

M. PIGEON: Aussi, monsieur Pelletier, ne trouvez-vous pas qu'il serait opportun que votre Commission, en tant que cela la concerne, revise les vacances... revise les heures de travail des employés, le temps que l'on alloue pour le dîner?

M. PELLETIER: Monsieur Pigeon, quant au total des heures de travail, quant aux heures "travaillées" dans une semaine, j'ai dit que cela relevait de notre "juridiction", et c'est parfaitement vrai, comme d'ailleurs dans le domaine des salaires. Nous faisons les recommandations et c'est le gouvernement, le Trésor qui décide finalement si oui ou non, le total des heures sera 37½, 40, 44 ou 35.

* * * *

(Page No. 499)

M. PIGEON: Est-il vrai que certains vieux employés sont maintenus en fonction longtemps après l'âge de la retraite?

M. PELLETIER: Cela également est une question qui ne relève pas de notre "contrôle". Il y en a assurément, mais j'ignore le nombre exact.

M. PIGEON: Quand ils sont mis à leur retraite, pour les remplacer, est-ce qu'on agit par voie de promotion ou de concours?

M. PELLETIER: Parfois par voie de concours, parfois par voie de promotion.

APPENDIX "L"

In answer to a question by Mr. Bell:—

During the calendar year 1958, 490 persons were appointed by the Civil Service Commission to "acting pay status".

Of those appointed to "acting pay status" in 1958, 30 persons were subsequently appointed by the Commission to the positions in which they had held "acting pay status".

Of the 30 persons referred to immediately above:

- (a) 19 persons were appointed by the Commission as a result, in each case, of the outcome of a formal promotion competition; and
- (b) 11 persons were appointed by the Commission as a result of a comparative study of the qualifications of employees who, in the view of the Commission, possessed the minimum requirements for appointment but in each of these cases there was no formal competition of the sort referred to in sub-paragraph (a) above.

In answer to a question by Mr. McGee:—

The Commission was requested to table a statement indicating the form of instructions given by the Commission to departmental persons who are engaged in selection work in connection with promotion competitions.

The following sets out a list of the main directives which have been sent to Deputy Heads since the inauguration of a decentralized programme for the conduct of promotion competitions in 1949. There is also included in the following an outline of the Commission's Training and Guidance Programme as related to promotion competitions.

(a) *Directives*

On August 11, 1949, a circular letter was sent to Deputy Heads outlining the Commission's intention to decentralize the operational aspects of departmental promotion competitions. The aim of decentralization was stated to include improvement in selections and increased speed of handling promotion competitions. Tentative procedures were outlined and comment was requested from departmental heads with respect to the proposals.

After a study of departmental comments, another circular letter was addressed to Deputy Heads on September 29, 1949. It set forth, in detail, the procedures to be followed in the conduct of promotion competitions by departmental officers—this procedure to be effective October 23, 1949. The appendices—running to some 30 pages—included detailed instructions:—

- (a) to officers of the Civil Service Commission staff with respect to the post-audit of these competitions and processing appeals arising out of them;
- (b) to departmental officers on the use of the Commission's competition procedures for setting up and operating selection boards;
- (c) on the use of forms for reporting results to the Commission.

On November 17, 1949,—as a result of a detailed study of results of the decentralization—extensive amendments to the original instruction were distributed. The aim of these revisions was to improve procedures, to eliminate delays, and to improve the degree of validity of the selection process.

On February 13, 1950, a further circular letter to Deputy Heads contained additional revisions to the general instruction. This circular also emphasized the proper establishment of departmental examining boards, and gave instructions with respect to oral interviewing. At this time there was an undertaking on the part of the Commission to provide additional Commission officers to assist departmental selection boards.

On May 25, 1950, a letter was dispatched to departments outlining, as a consequence of experience with appeals, the areas in which there appeared to be some weaknesses in the conduct of departmental promotion competitions, and offered further advice and direction on the proper methods.

On August 8, 1950—as a result of a review of the clerical processes—revised forms for reporting results of competitions were distributed to departments.

On August 17, 1950, a general circular to Deputy Heads set out in more detail the Commission's policy with respect to the attendance of Civil Service Commission officers on departmental rating boards.

August 28, 1952—as a result of a review of the decentralized process to that time—instructions were sent to departments outlining changes in policy with respect to the attendance of Commission officers at departmental examining boards, and at the same time Commission officers were instructed to select a cross section of competitions in each of the departments for which they were responsible, and to attend these boards to ensure that the departmental officers (particularly at points outside Ottawa) understood and complied with the Commission's instructions.

On May 6, 1954, improved forms for application for promotion were introduced. At the same time further direction was given to departments with respect to the display poster announcements.

July 27, 1955, further revisions to the general procedural instructions were issued.

As a result of a study completed in 1957, the Commission now controls more closely the promotions and transfers of senior officers.

Since 1949, a great many additional directives were sent to departments. These referred either to the clerical processes associated with promotion or contained instructions relating to specific classes e.g. standard statements of duties and qualifications for operating classes and departmental classes.

(b) Training and Guidance

In addition to these directives there were a number of training courses, conducted by the Civil Service Commission, relating to the functions of the departmental personnel officer and the Commission officer in respect to promotion competitions. In each case the texts used for these courses was sent to all government departments for reference purposes in connection with the performance of the personnel function in the departments. Such booklets were distributed in:

- June 1950
- November 1953
- May 1955
- May 1957

In addition, the Commission prepared and distributed a booklet giving instruction on the conduct of oral examinations. The first edition was distributed in October 1954.

Finally, departments were encouraged to prepare guidance material for departmental officers on the conduct of promotional competitions. Major departments—like Veterans Affairs, National Defence, Transport, and Public Works—prepared and now use pamphlets on this subject. These pamphlets were, in every case, submitted to the Commission for editing before being printed.

In answer to a question by Mr. Bell—

In addition to the information tabled June 1, 1959, (page 428 of the minutes), 7 persons were appointed during the same period to perform duties similar to those which they had been performing, prior to civil service appoint-

ment, as serving officers of the armed forces immediately prior to their retirement from the armed forces. These persons were appointed without competition under authority obtained from the Governor in Council for the same reasons as in the cases previously reported.

It is impossible to determine within a reasonable time, the additional number of persons appointed, as a result of normal open competitions, to positions with duties similar to those performed by those persons while in the armed forces.

In answer to a question by Mr. Lambert:

The Organization and Methods Division of the Civil Service Commission has made a number of studies of the use of centralized dictating equipment. It has been found that this sort of equipment is economic and practical in cases where the various users dictate for relatively short periods and at pre-scheduled times. These systems are not practical where general secretarial service is required in addition to dictation service.

There are now four such installations operating in government departments. A further possible application of this sort of equipment is under study at the present time.

In answer to a question by Messrs. McGee, Carter and McDonald:

Referring to Minutes of Proceedings and Evidence for Thursday June 4, 1959, it was stated that the Organization and Methods Division conducted 41 major surveys in 15 departments and agencies. The table which follows provides further information with respect to these 41 major surveys.

The column headed "Estimated Measurable Savings" represents the Commission's estimate of the annual savings which would be obtained if all the Commission's recommendations are implemented by the department. To obtain the precise savings it would be necessary to go to the department concerned. It should be pointed out that this information would not be available in all cases because many of these surveys are being studied with a view to implementation. Where no figures are given in this column, there were no measurable savings.

Department	No. of Surveys	Date Sent to Department	Estimated annual Measurable Savings
			1958 \$
Agriculture.....	1	June.....	—
Citizenship and Immigration.....	2	May, July.....	25,000
Civil Service Commission.....	3	July, Jan., Nov.....	130,900
Finance.....	1	September.....	—
Justice.....	1	January.....	—
Mines and Technical Surveys.....	3	Feb., Aug., Nov.....	1,500
National Defence.....	8	May, Jan., June, June, Oct., Sept., Dec., Sept.....	480,220
National Harbours Board.....	7	July, Aug., Sept., July, July, Aug., Nov.....	85,880
National Revenue.....	3	Jan., July, June.....	713,410
Northern Affairs and National Resources.....	3	Jan., Nov., Nov.....	113,370
Post Office.....	1	Feb.....	—
Public Printing and Stationery.....	3	Mar., Mar., June.....	—
Public Works.....	3	Mar., Jan., Jan.....	18,500
Transport.....	1	Oct.....	4,100
Unemployment Insurance Commission.....	1	July.....	118,000
TOTAL.....	41		\$1,690,880

As closely as can be determined the increase in the number of employees under the Civil Service Act for the period covered by the above table was about 2,500—that is less than 2%.

One of the Honourable Members asked the Commission to cite instances of dramatic staff savings. For this purpose we refer to a survey done for the department of National Defence in 1957. The Department has informed the Commission that as a result of this study, and the Commission's recommendations, a saving of 658 positions out of 8,585 was effected. The Commission previously referred to the savings of personnel in the Taxation Division of the Department of National Revenue. When this division was brought under the Civil Service Act the Commission was requested to advise departmental officials of the most effective means for organizing district office operations. Arising out of the advice given by the Commission the reorganization of Taxation Division District Offices resulted in an overall saving (from May 1949 to December 1951) of 6,120 persons out of a total establishment of 11,941 employees.

APPENDIX "M"

Information submitted following June 9th meeting

CIVIL SERVICE COMMISSION OF CANADA

RUTH E. ADDISON,
Commissioner

OTTAWA, June 9th, 1959.

Dear Mr. Innes:

During the meeting of the Standing Committee on Estimates on June 9th, a Member of the Committee, Mr. McCleave requested information regarding the number of dismissals in the civil service for each year since 1950. We regret that we are unable to provide the statistics for 1950 and 1951. The following table gives the number of dismissals for the years 1952 to 1958:

1952	1,776 employees
1953	1,866 "
1954	1,086 "
1955	1,226 "
1956	1,515 "
1957	1,356 "
1958	1,010 "

Yours sincerely,

(Sgd) RUTH ADDISON,
Commissioner.

Mr. E. W. Innes,
Clerk of the Committee,
Standing Committee on Estimates,
House of Commons,
Ottawa.

HOUSE OF COMMONS

Second Session—Twenty-fourth Parliament
1959

STANDING COMMITTEE

ON

ESTIMATES

Chairman: ARTHUR R. SMITH, Esq.

MINUTES OF PROCEEDINGS

No. 22

TUESDAY, JUNE 16, 1959
THURSDAY, JUNE 18, 1959
MONDAY, JUNE 29, 1959



Including

INDEX OF ITEMS

and

FIFTH REPORT TO THE HOUSE

Respecting the Estimates of the

DEPARTMENT OF THE SECRETARY OF STATE

and of

THE CIVIL SERVICE COMMISSION

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1959

STANDING COMMITTEE ON ESTIMATES

— *Chairman:* Arthur R. Smith, Esq.,

Vice-Chairman: Ernest J. Broome, Esq.,
and Messrs.

Anderson,
Bell (*Carleton*),
Benidickson,
Best,
Bissonnette,
Bourbonnais,
Bourdages,
Bourget,
Bruchési,
Cardin,
Caron,
Carter,
Cathers,
Chambers,
Clancy,
Coates,
Crouse,
Dumas,
Fairfield,
Gillet,

Grafftey,
Hales,
Halpenny,
Hardie,
Hellyer,
Hicks,
Horner (*Acadia*),
Howe,
Jorgenson,
Korchinski,
Lambert,
McCleave,
McDonald (*Hamilton
South*),
McFarlane,
McGee,
McGrath,
McGregor,
McIlraith,
McMillan,

McQuillan,
McWilliam,
More,
Morris,
Nesbitt,
Payne,
Pickersgill,
Pigeon,
Pugh,
Regier,
Ricard,
Richard (*Kamouraska*),
Richard (*Ottawa East*),
Skoreyko,
Stewart,
Tassé,
Thompson,
Winch,
Winkler—60.

(Quorum 15)

E. W. Innes,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, June 16, 1959

(25)

The Standing Committee on Estimates met *in camera* at 9.50 a.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Best, Cathers, Chambers, Crouse, Fairfield, Halpenny, Hicks, Horner (*Acadia*), McCleave, McDonald (*Hamilton South*), McFarlane, McGee, McGrath, McIlraith, More, Nesbitt, Payne, Pigeon, Smith (*Calgary South*), Thompson, Winch and Winkler. (24)

The Committee proceeded to the preparation of its "Report to the House" respecting the Estimates of the Department of the Secretary of State and of the Civil Service Commission.

The Chairman outlined the manner in which the Report will be prepared. The Committee then began a review of the printed evidence and suggested certain points that should be included in the "Report".

At 10.55 a.m. the Committee adjourned until 3.30 p.m., Thursday, June 18, 1959.

THURSDAY, June 18, 1959

(26)

The Standing Committee on Estimates met *in camera* at 3.50 p.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Anderson, Benidickson, Bissonnette, Broome, Carter, Cathers, Clancy, Fairfield, Hellyer, Hicks, Horner (*Acadia*), McCleave, McFarlane, McGee, More, Nesbitt, Smith (*Calgary South*), Thompson and Winch. (19)

Continuing the preparation of its "Report to the House", the Committee resumed consideration of the printed evidence respecting the Civil Service Commission. Various suggestions were made and discussed, and the Chairman was requested to draft recommendations in accord with the decisions reached.

The Chairman advised the Committee that he had received a letter from Miss Ruth Addison, Civil Service Commissioner, respecting an error in her evidence before the Committee. Miss Addison pointed out that on page 458, line 31, the words "ninety-seven" should read "thirty-three".

At 5.00 p.m. the Committee adjourned to the call of the Chair.

MONDAY, June 29, 1959

(27)

The Standing Committee on Estimates met *in camera* at 3.45 p.m. this day. The Chairman, Mr. Arthur R. Smith, presided.

Members present: Messrs. Bell (*Carleton*), Clancy, Crouse, Graftey, Halpenny, Hardie, Hicks, Howe, Lambert, McFarlane, McGrath, More, Nesbitt, Payne, Skoreyko, Smith (*Calgary South*), and Stewart.

The Committee resumed the preparation of its "Report to the House" respecting the Estimates, 1959-60, of the Department of the Secretary of State and of the Civil Service Commission.

The Chairman submitted a draft "Report". The said report was considered, discussed, and amended and adopted, as amended. The Chairman was instructed to present it, as amended, to the House as the Committee's Fifth Report.

The Chairman thanked the Members of the Committee for their co-operation and assistance, and the Members congratulated the Chairman on the efficient manner in which he had conducted the Committee's proceedings.

At 5.00 p.m. the Committee adjourned to the call of the Chair.

E. W. Innes,
Clerk of the Committee.

REPORT TO THE HOUSE

THURSDAY, July 2, 1959.

The Standing Committee on Estimates has the honour to present the following as its

FIFTH REPORT

On February 9, 1959, the members of this Committee were appointed and the Estimates of the Department of National Revenue were referred to it for consideration.

During the study of those estimates, the Committee held 14 sittings and received information from the department and from persons outside the department of the government. In its Fourth Report, dated May 8, 1959, the Committee returned these estimates to the House of Commons together with observations and recommendations thereon.

On June 11, as recommended by the Committee, the House referred to this Committee items numbered 372 to 379 inclusive of the Main Estimates, 1959-60, relating to the Department of the Secretary of State together with item numbered 67 respecting the Civil Service Commission. During its study of these items, 13 meetings were held and evidence was received from the Secretary of State, the Honourable Henri Courtemanche, the Under-Secretary of State and a number of departmental officials as well as from the Commissioners and officials of the Civil Service Commission.

The Committee has considered and approved the Main Estimates, 1959-60, of the Department of the Secretary of State and of the Civil Service Commission (being respectively items numbered 372-379 inclusive and item numbered 67) and commends them to the House with the following observations and recommendations:

I. DEPARTMENT OF THE SECRETARY OF STATE

1. *General*

The Committee notes that the actual increase in the department's estimates for the current year amounts to \$20,452.00 over the Vote for the same period one year ago. This fact is not reflected from the figures contained in the book of Estimates, which does not include a Supplementary Vote. From the evidence submitted to the Committee, the anticipated additional expenditure does not in itself appear to be disproportionate to the increase in the work-load of the department. We would point out, however, that over the year period, the actual expenditure for 1958-59 increased by 10.4% over the preceding year; and it therefore follows that in the consideration of the estimates it is significant to relate actual expenditures of the year previous to the anticipated disbursements for the current year. In this respect, it is recommended, in order to facilitate such a comparison, that the actual expenditure of the preceding year should be shown in relation to the detailed Vote for the department.

2. *Patent Office*

The Committee was informed that the Patent Office was a revenue producing office prior to the printing of patents in 1949. The department recovers

50 cents per copy in the sale of these patents; however, it is noteworthy that the office has incurred a deficit of \$584,000 in the past year.

While the Committee would not like to see any deterrent placed in the way of an individual wishing to acquire a patent, it is nevertheless our view that some effort should be made to close the gap between the cost of this printing service and the amount realized from the sale of the copies. It is therefore recommended that the department increase the price per copy to a minimum of \$1.00, thus permitting the department to recover annually a substantial portion of the cost of providing this service.

3. *Patent, Trade Marks and Copyright Branch Accommodation*

Some concern was expressed by the Committee members with respect to the accommodation presently occupied by the Patent, Trade Marks and Copyright Branch of the department. The present accommodation, in the opinion of the Committee, offers little or no protection against fire loss; consequently, there exists an unnecessary risk to the many valuable documents and records held by this Branch. It is therefore recommended that immediate attention be given to providing adequate and secure accommodation for these offices.

4. *Amalgamation of Votes*

In an opening statement to the Committee, the Secretary of State suggested that consideration should be given to the amalgamation of the three Votes for the Patent and Copyright Offices (being items 376, 377, and 378). The Minister stated that such a move would serve as an administrative convenience. This opinion was later supported by the Under-Secretary of State, who advocated this action on the basis that it would provide a little more leeway in the administration of the department.

The Committee, however, is unconvinced that there is any particular advantage to be gained from such an amalgamation. We further submit that as each of the Votes represents a separate administrative responsibility peculiar unto itself, a division of the respective Votes should be continued in the "Estimates" of the department, thereby providing an accurate and itemized accounting of the expenditures contemplated.

5. *Translation Bureau Accounting*

It was drawn to the attention of the Committee that the Translation Bureau is responsible for the translation work performed within the Government service, and that the resulting expenses are reflected in the estimates of the Bureau. Your Committee considers that the departments serviced by the Bureau should be charged proportionately for the translation service rendered to them. While it is recognized that this recommendation contains little more than a bookkeeping change, the proposed procedure follows a pattern established by the Queen's Printer in the levying of charges to departments for their printing services. The result, we suggest, will provide a more accurate tabulation and control in the assessment of the Bureau's function to the department concerned.

II. CIVIL SERVICE COMMISSION

1. *General*

During the course of the Committee hearings, several references were made to the report and recommendations recently submitted to Parliament by the Civil Service Commission. As many of the Committee's conclusions listed below, if implemented, would require amendments to both the Act and

the Commission's regulations, it is respectfully suggested that the Governor-in-Council take into consideration the content of this report in any redrafting of the Civil Service Act of 1918.

Your Committee was advised that the Civil Service Commission has not appeared before a Parliamentary Committee since late in the nineteen-thirties. It is therefore further recommended that the estimates of the Commission be referred more frequently to a Parliamentary Committee. Such a review, we suggest, will remove many anomalies which might otherwise exist.

2. Recruitment of Personnel

(a) Members of the Committee expressed concern over complaints received from applicants in the middle-age bracket who are unable to contest Civil Service competitions successfully. It is argued that the examinations, particularly for clerical or secretarial appointments, are so devised as to favour younger candidates. It was conceded by one of the witnesses that age is a factor, especially for the more mature applicant who has been away from the classroom for a somewhat longer period than a younger contestant.

The Committee, while recognizing that for certain positions it may be considered advisable to recruit employees from younger age groups, nevertheless recommends that greater emphasis should be placed on the qualities of experience and stability to be found in the more mature candidate.

(b) The Committee understands that in the selection of personnel, considerable importance is attached to the character reference of the individual candidate. While we have no disagreement with this requirement providing it does not conflict with the principle of the merit system, we also recommend that the Commission encourage public officials and other leading citizens to submit character references on behalf of candidates.

(c) The Committee was informed that it is the Commission's practice to notify candidates, in writing, of their success or failure, together with the mark obtained in a Civil Service examination. With respect to this information, however, unsuccessful candidates are not provided with an indication of the area of their deficiency. It is therefore recommended that when a candidate desires to obtain an analysis of his examination results, this information should be provided on request. It is the opinion of the Committee that if such practice is followed, unsuccessful applicants may take the necessary steps to improve their deficiency, thereby enabling them to compete with more success in future competitions.

(d) The Committee was told that in the event that a competition has been constructed or "tailor-made" for an individual applicant, the Commission calls for a new competition and refers the incident to the officials of the department concerned. The Committee is not satisfied that this action is severe enough to discourage the possibility of such an occurrence. It is therefore recommended that the section of the Civil Service Act dealing with irregularities in examinations and appointments be strengthened so as to provide some form of disciplinary action in this regard.

3. Application Form

The Committee reviewed the Civil Service application form and respectfully suggests that question 26, which reads as follows, should be amended:

Have you ever been charged with offences other than minor traffic violations?

We would point out that an applicant registering in the affirmative to this question, may have been charged with an offence but subsequently acquitted.

Under such a circumstance, the present wording of the question does, in our view, place such an applicant in a highly prejudicial position before the Examining Board. We therefore recommend that question 26 read as follows:

Have you ever been *convicted* of an offence other than minor traffic violations?

4. *Departmental Ratings*

Your Committee is of the opinion that in the interest of the Civil Service as a whole, and in order to assure equality to all civil servants regardless of the department to which they may be assigned, the basic working conditions, rights, privileges, and responsibilities should be clearly defined by the Commission and impartially applied to all departments, without exception. In this respect, your Committee is informed that in the annual efficiency rating compiled for each employee there is a variation in the method of determining individual efficiency assessments. This variation occurs in situations where departments have developed their own standards, while yet others employ procedures adopted by the Commission itself. It is, therefore, recommended that a standard rating form should be adopted throughout the entire Civil Service, and we further recommend that the employee attest that he has been informed of his rating and has discussed it with an officer of his department.

5. *Nepotism within a Department*

The Commission members were questioned on their policy with respect to "family compacts" existing within a department. The Commission has no firm ruling which would prevent a department from employing several members from the same family. It was indicated, however, that certain departments had assumed responsibility in discouraging such a practice. The Committee concurs in this action and furthermore recommends that the Commission introduce a uniform regulation with a view to discouraging nepotism in the public service.

6. *Departmental Competitions*

The Committee reviewed the responsibility of personnel officers within a department and their influence in departmental competitions for promotion. The Commissioners agreed that in the interest of assuring impartiality, and to avoid the possibility of favouritism, personnel officers should be rotated frequently between departments.

7. *Delay in Filling Vacancies*

It was drawn to the attention of the Committee that positions on occasion remain vacant for lengthy periods despite an apparent attempt by the Commission to fill the vacancy. It is suggested that while the delay may not be intentional, it may lead to a circumstance which will encourage the pre-selection of certain applicants without regard to the usual procedure required by open competition. In this respect, it is recommended that there should be no undue delay in the calling of a competition to fill a vacancy in a required establishment.

8. *Appeals and Appeal Boards*

(a) In reviewing the Commission's method of providing for appeals, the Committee notes that while the regulations do not forbid an appellant from being represented by counsel, the Commission, nevertheless, does not normally

permit legal representation. The Committee is of the view that an appeal should be considered a "judicial process", and therefore recommends that an appellant should not be discouraged from retaining legal counsel when appearing before an Appeal Board.

(b) The Committee also was informed that an appellant may select, as his representative, a Civil Service Staff Association. The Commission, under examination, conceded that under such a circumstance the representative of the Staff Association sits as both judge and counsel during the course of the appeal. The Committee acknowledges that the Commission has itself suggested an improvement of this system, and we therefore recommend that this anomaly be removed at the earliest possible date.

(c) An appellant, in appearing before an Appeal Board, should be permitted to exercise wider choice in the selection of an advocate. Under the present system the employee may only choose a Staff Association as his counsel and is therefore denied a selection as to the individual who will represent him. It is therefore recommended that the Staff Associations should provide a panel of advocates from which the appellant may be entitled to select his personal counsel.

(d) It is further recommended that the officials appointed to act on an Appeal Board should be senior to the members of the original examining Board.

(e) It was brought to the attention of the Committee that under certain circumstances, unsuccessful candidates were apprehensive in registering an appeal on either an appointment or on a promotion. This apprehension, we were advised, results from alleged discriminatory action against the appellant on a subsequent occasion. While it is acknowledged that there is no evidence to suggest the degree to which such a situation may exist, the Committee recommends that the Commission should undertake to remove any cause for apprehension and to reassure every appellant of his complete freedom against any such discrimination.

9. Temporary Status

The Committee was advised that temporary civil servants registered with the Commission continue to be numbered in the thousands. It is acknowledged, however, that some progress has been made to reduce this total through re-classification or the discontinuance of the service of those persons who are surplus to the requirements of the public service of Canada. The Committee, however, views with some concern the substantial number of civil servants who, having served continually for many years in the Civil Service, are continued to be regarded as temporary employees. It is therefore recommended that where the requirement has been established, every effort should be made to reclassify those entitled to qualify under the regulations, so as to provide some assurance of employment stability to the individuals concerned.

10. Organization and Methods Division

(a) Your Committee examined in some detail the effectiveness of the Organization and Methods Division of the Civil Service Commission. While recognizing the need of staff requirements resulting from the increased activity of government departments, the Committee is of the opinion that the present procedure, which only permits a department to come under the scrutiny of the Organization and Methods Division on the invitation of the department head, does not satisfy the principle of providing an analysis of the growth trends and efficiency of individual departments. It is our view that in addition, surveys should be initiated by the Commission, thus maintaining some assessment of those departments who are reluctant to invite such an examination.

(b) The Committee also holds the view that the general recommendations of any such report respecting a survey of a department should be submitted to Parliament, so that it may be determined whether or not the recommendations have been acted upon.

(c) While the Committee recognizes that the Organization and Methods Division of the Commission has performed a useful function, it must be recognized that, as an arm of the Commission itself, its capacity to provide a completely independent evaluation is open to question.

This, we subscribe, should not be construed as a reflection on the efficiency of the personnel of this agency, but it is, we suggest, an unavoidable limitation resulting from the relationship of the agency to the Commission. We therefore recommend that Parliament give consideration to the appointment of independent consultants who, from time to time, will be authorized to analyse such matters as the administrative capabilities of the Commission, procedural methods, and the general growth trend of the public service of Canada.

11. Conclusion

Mr. Paul Pelletier, speaking as a member of the Commission, emphasized during the course of his evidence that every effort is being made to maintain the "merit system" in relation to both selection of personnel and also in their future promotion. In his initial statement to the Committee, he said in part:

It seems to us that the commission's greatest problem in the administration of the Act of 1918 has been to function in such a manner as to meet administrative needs for flexibility, and at the same time to ensure a career service based on the merit principle as provided for by law.

While the Committee concurs in this sentiment, we cannot agree that the administrative needs or any other consideration designed to produce flexibility should provide cause for any basic deviation from the principle of the merit system. The Committee is of the view that it is not inconsistent to achieve flexibility in the administration of the Act while at the same time retaining the full provision of the merit system. While there was not sufficient evidence to indicate that there has been any substantial departure from this principle, the exceptions to the rule, we believe, are numerous enough to warrant a rededication of the purpose and intent of the Act.

In reviewing the evidence and the recommendations contained in the foregoing, your Committee wishes to impress upon Parliament the importance and the necessity for reaffirming our belief in the fundamental and underlying principle of the public service of Canada. The principle to which we refer is generally described as the "merit system", which we suggest provides the one assurance that the civil servant will remain free from political or other influences in discharging his responsibility to the Canadian public.

The Committee wishes to express its appreciation to the Secretary of State, the Under-Secretary of State and the Departmental officials, together with the Commissioners and officials of the Civil Service Commission, for the co-operative manner in which they presented their evidence.

A copy of the Committee's Minutes of Proceedings and Evidence respecting the Estimates of the Department of the Secretary of State and of the Civil Service Commission, is appended.

Respectfully submitted,

ARTHUR R. SMITH,
Chairman.

INDEX

ESTIMATES OF THE SECRETARY OF STATE DEPARTMENT

PROCEEDINGS Nos. 12 and 13.
PAGES NUMBERED 255-297 inclusive.

<u>Item No.</u>		<u>Pages</u>
	ESTIMATES OF THE SECRETARY OF STATE DEPARTMENT	
372	—Departmental Administration.....	257-269, 296
	—General statement by the Minister.....	257-260
	—Office of Custodian of Enemy Property.....	261-264
	<i>See also</i>	297
373	—Companies Division.....	269-280
374	—Trade Mark Division, including a contribution to International Office for the protection of Industrial Property.....	280
375	—Bureau for Translation.....	281-284
	PATENT AND COPYRIGHT OFFICE	
376	—Administration Division.....	264, 265, 284-294
377	—Patent Division.....	264, 265, 284-294
378	—Copyright and Industrial Designs Division including an amount to International Office for Protection of Literary and Artistic Works.....	264, 265, 294-296
379	—Special Expenditure in connection with a Commission under the Inquiries Act to inquire into the workings of the Patent Act, the Copyright Act and the Industrial Designs Act and related legislation.....	296

ESTIMATES OF THE CIVIL SERVICE COMMISSION

PROCEEDINGS Nos. 14 to 21 inclusive.
PAGES NUMBERED 299 to 509 inclusive.

<u>Item No.</u>		<u>Pages</u>
	ESTIMATES OF THE CIVIL SERVICE COMMISSION	
67	—Salaries and Contingencies of the Commission.....	301-509
	Organizational Charts.....	321-325
	Introductory Statement by Secretary of State.....	301, 302
	General statement by Commission.....	302-308
	Examinations and Competitions.....	309-418, 428, 478-480, 505
	Appeals.....	418-441, 455, 456
	Organization and Staff of the Commission.....	429, 441-446, 505-508
	Pay Research Bureau.....	446-457
	Management and Advisory Service.....	457-466, 505-508
	Exemptions from the Civil Service Act and Regulations.....	427, 428, 466-472
	Commission's external relations.....	472-490
	Dismissals.....	490-499, 509

