















Second Session—Twenty-seventh Parliament

1967

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

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The Honourable T. D'ARCY LEONARD, *Chairman*

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No. 1

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*Complete Proceedings on Bill S-16*

intituled:

"An Act to incorporate Cabri Pipe Lines Ltd."

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THURSDAY, JUNE 29th, 1967

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WITNESSES:

*Cabri Pipe Lines Ltd.*: E. J. Houston, Q.C., Parliamentary Agent; A. J. Cressey, Counsel; S. A. Milner, provisional director.  
*Province of Alberta*: J. J. Frawley, Q.C., Counsel.

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REPORT OF THE COMMITTEE

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ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1967



Second Session—Twenty-seventh Parliament  
1967

THE STANDING COMMITTEE  
ON  
TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

- |  |                                    |
|--|------------------------------------|
| Aird,                                      | Lefrançois,                        |
| Aseltine,                                  | Leonard,                           |
| Baird,                                     | Macdonald ( <i>Brantford</i> ),    |
| Beaubien ( <i>Provencher</i> ),            | McCutcheon,                        |
| Bourget,                                   | McDonald,                          |
| Burchill,                                  | McElman,                           |
| Connolly ( <i>Halifax North</i> ),         | McGrand,                           |
| Croll,                                     | Méthot,                            |
| Davey,                                     | Molson,                            |
| Desruisseaux,                              | Paterson,                          |
| Dessureault,                               | Pearson,                           |
| Farris,                                    | Phillips,                          |
| Fournier ( <i>Madawaska-Restigouche</i> ), | Power,                             |
| Gélinas,                                   | Quart,                             |
| Gershaw,                                   | Rattenbury,                        |
| Gouin,                                     | Reid,                              |
| Haig,                                      | Roebuck,                           |
| Hayden,                                    | Smith ( <i>Queens-Shelburne</i> ), |
| Hays,                                      | Thorvaldson,                       |
| Hollett,                                   | Vien,                              |
| Isnor,                                     | Welch,                             |
| Kinley,                                    | Willis—(45).                       |
| Lang,                                      |                                    |

*Ex officio members:* Brooks and Connolly (*Ottawa West*)

(Quorum 9)

REPORT OF THE COMMITTEE

ROGER BURNELL, P.R.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1967



MINUTES ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, June 13th, 1967:

"Pursuant to the Order of the Day, the Honourable Senator Prowse moved, seconded by the Honourable Senator Bourque, that the Bill S-16, intituled: "An Act to incorporate Cabri Pipe Lines Ltd.", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Prowse moved, seconded by the Honourable Senator Bourque, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNeill,  
Clerk of the Senate.

The following witnesses were heard:

CABRI PIPE LINES LTD:

E. J. Houston, Q.C., Parliamentary Agent.

A. J. Cressy, Counsel.

S. A. Milner, provisional director.

PROVINCE OF ALBERTA:

J. J. Frawley, Q.C., Counsel.

On motion of the Honourable Senator Prowse it was ordered to report the said Bill without amendment.

At 9:59 a.m. the Committee proceeded to the next order of business.

Attest:

Frank A. Jackson,  
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, June 29th, 1967.

The Standing Committee on Transport and Communications to which was referred the Bill S-16, intituled: "An Act to incorporate Cabri Pipe Lines Ltd.", has in obedience to the order of reference of June 13th, 1967, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,

*Chairman.*

J. M. MacNeill,  
Clerk of the Senate.

## MINUTES OF PROCEEDINGS

THURSDAY, June 29th, 1967.

(1)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 9.30 a.m.

*Present:* The Honourable Senators Leonard (*Chairman*), Burchill, Croll, Fournier (*Madawaska-Restigouche*), Gershaw, Gouin, Hollett, Isnor, Kinley, Lefrançois, McDonald, McElman, Molson, Pearson, Quart, Rattenbury, Smith (*Queens-Shelburne*) and Welch. (18)

*In attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

On motion of the Honourable Senator Croll it was *Resolved* to report, recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Bill S-16.

Bill S-16, "An Act to incorporate Cabri Pipe Lines Ltd.", was read and considered.

The following witnesses were heard:

**CABRI PIPE LINES LTD.:**

E. J. Houston, Q.C., Parliamentary Agent.

A. J. Cressey, Counsel.

S. A. Milner, provisional director.

**PROVINCE OF ALBERTA:**

J. J. Frawley, Q.C., Counsel.

On motion of the Honourable Senator Molson it was *Resolved* to report the said Bill without amendment.

At 9.50 a.m. the Committee proceeded to the next order of business.

Attest.

Frank A. Jackson,  
Clerk of the Committee.



## THE SENATE

### STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Thursday, June 29, 1967.

The Standing Committee on Transport and Communications, to which was referred Bill S-16, to incorporate Cabri Pipe Lines Ltd., met this day at 9.30 a.m. to give consideration to the bill.

**Senator T. D'Arcy Leonard** in the Chair.

**The Chairman:** Honourable senators, we have before us for consideration Bill S-16 and Bill S-17 that have been referred to us by the Senate. I think we should consider these bills in their numerical order, so we shall commence with Bill S-16, to incorporate Cabri Pipe Lines Ltd.

I have before me a letter from the Law Clerk of the Senate, Mr. Hopkins, stating that in his opinion this bill is in proper legal form.

May I have the usual motion with respect to the reporting and the printing of the proceedings in French and English of the committee?

The Committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The Committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

The sponsor of this bill is Senator Prowse, and I will ask him to introduce his witnesses at this stage.

**Senator Prowse:** Mr. Chairman, honourable senators: I would like to introduce Mr. E. J. Houston, Q.C., Solicitor for the company, here in Ottawa, who has acted as their agent; and Mr. A. J. Cressey one of the principals of the company, who will be ready to answer any questions and explain the application to you.

**E. J. Houston, Q.C., Parliamentary Agent, Cabri Pipe Lines Limited:** Mr. Chairman, honourable senators: Cabri Pipe Lines Lim-

ited is represented here today by Mr. Cressey, who is a lawyer in the Province of Alberta and is most experienced in this field. After you have heard from him, if you wish to hear any further evidence, Mr. Stanley A. Milner, manager and director of Cabri Pipe Lines Limited, and, as Mr. Cressey will tell you, president of other corporations, is here, and he is also highly experienced in this field. It is my pleasure to introduce you to Mr. Cressey who will give you a brief outline and answer any questions you may wish to put to him.

Senator Prowse has asked that I should bring to your attention that there have been a couple of small changes; they are noted in ink in the draft bill. They are there in order to comply with certain legislation of Parliament.

**Mr. Hopkins:** My understanding is that all agreed changes to an earlier draft have now been incorporated in the bill, so you can forget about any changes made in ink. The bill before you is in final form.

**The Chairman:** Then let us hear from Mr. Cressey and if any questions arise as to any or all amendments, we can deal with them as they arise.

**A. J. Cressey, Counsel for Cabri Pipe Lines Limited:** Mr. Chairman and honourable senators, the changes mentioned were those brought about wherein the original draft of the bill was changed to comply with the recent Canada Corporations Act; they are changes in sections, that is all.

The incorporators, Cabri Pipe Lines Limited, are seeking a charter for a special act company with a right to construct interprovincial and international pipe lines for the transportation of natural gas, or oil, liquefied petroleum and other products.

There are some pertinent facts regarding the incorporators and their plans. Cabri will construct an interprovincial pipe line for transmitting natural gas from one or more

source wells in the Province of Saskatchewan to gas storage facilities in the Province of Alberta.

**Senator Isnor:** What is the distance from the source of supply to storage?

**Mr. Cressey:** I have with me a diagram of the proposed route here.

**The Chairman:** Is it agreed that this diagram be tabled?

**Hon. Senators:** Agreed.

**Mr. Cressey:** The distance of the initial well shown there is approximately 16 miles.

The incorporators are all prominent businessmen in Alberta, and among them are people experienced in oil and gas exploration and the transportation of these products.

The manager and director of Cabri Pipe Lines Limited will be Stanley A. Milner, of the City of Edmonton, who is president of Chieftain Development Company Limited, Blue Crown Petroleum Limited, and the Lloydminster Gas Company Limited. Mr. Milner and his associates are actively engaged in several other enterprises in Alberta and elsewhere.

**Senator Pearson:** Are these all provincial companies?

**Mr. Cressey:** All provincial companies, yes. Mr. Milner and his associates are actively engaged in both production and marketing of natural gas and other petroleum products.

Included in the general objects of the company is the right to construct and operate transportation and communication facilities which might be required for the operation of their systems on an interprovincial basis. These are communication facilities from station to station in the operation of their facilities.

**Senator Pearson:** Has the oil well, which is located at the end of the line to be constructed, already expired?

**Mr. Cressey:** Yes, the well has already expired.

**Senator Pearson:** What is the actual location there; what is the name of the town?

**Mr. Cressey:** Actually it is northwest of Lloydminster. There is a grain elevator there, but I cannot tell you any more. The nearest town is Lloydminster.

As solicitor for the applicants I caused the necessary applications to be advertised in the following publications:

(a) *Lloydminster Times*, Lloydminster, Saskatchewan; (b) *News-Optimist*, North Battleford, Saskatchewan; (c) *Journal*—Edmonton, Alberta, (d) *Leader-Post*, Regina, Saskatchewan, (e) *Canada Gazette*, Ottawa.

All areas directly interested in the location of the line were thus covered. There were no objections to the incorporation of the pipe line company filed at my office by anyone.

**Senator Isnor:** When did you advertise?

**Mr. Cressey:** Roughly three or four months ago. The applicants have conducted their initial feasibility studies and are satisfied that this is an economical venture. The applicants are capable of providing all the necessary engineering and technological personnel for design and construction of the contemplated facilities.

The financing and construction of Cabri are within the capacity of the existing companies, and it is contemplated that a public financing will not be necessary. There is no agreement, undertaking, understanding, nor any intention by the applicants to transfer stock of this company to other than Canadians. They are all Canadian citizens.

**Senator Kinley:** It is only to connect up the supply system?

**Mr. Cressey:** That is right.

**Senator Kinley:** It does not alter anything for the people who are using it at all?

**Mr. Cressey:** No.

**The Chairman:** Senator Molson?

**Senator Molson:** May I ask what is the order of magnitude of the capital expenditures contemplated in the initial projects shown?

**Mr. Cressey:** The initial project would cost about \$23,000 per diameter inch in that area. It would be somewhere around \$15,000 a mile. The distance would vary in the initial phase, but around \$14,000, \$16,000.

**Senator Molson:** That is something under \$300,000 in that initial stage.

**Mr. Cressey:** Right.

**Senator Molson:** With all the facilities that are necessary, other than a pipe?

**Mr. Cressey:** Right.

**The Chairman:** Who owns the source well.

**Mr. Cressey:** The source well is presently controlled by the Lloydminster Gas Company.

**The Chairman:** And the storage well?

**Mr. Cressey:** I would have to call on Mr. Milner for that. There is an agreement whereby they can acquire the source well.

**Mr. S. A. Milner, President, Lloydminster Gas Company:** They are both controlled by the Lloydminster Gas Company.

**The Chairman:** Does the bill generally follow the phraseology of previous pipe line bills?

**Mr. Cressey:** It is identical to predecessor bills passed through the Senate and the House.

**Senator Fournier (Madawaska-Restigouche):** From your gas source well where does it go?

**Mr. Milner:** From the source well?

**Senator Fournier (Madawaska-Restigouche):** No, from your storage well. Where does it go from there?

**Mr. Cressey:** From the storage well during the winter months production would continue to come from the source well, but from the storage well you would have production as well, thus supplying into the system. This enables you to balance rather than having a peak valley type of supply whereby you must purchase outside gas to offset the high consumption during the winter months. It is possible here to produce at a high rate from the source well during the summer even though the demand for gas in and about the Lloydminster area is low. The excess will be pumped into the storage well and during the winter months they will produce from the storage well and balance their load from the source well.

**Senator Burchill:** Where does it go after the source well?

**Mr. Cressey:** Lloydminster.

**Senator Kinley:** Have you a right-of-way?

**Mr. Cressey:** No, no right-of-way has been taken.

**Senator Kinley:** You will have to buy the right-of-way?

**Mr. Cressey:** Right.

**Senator Kinley:** Through cultivated land?

**Mr. Cressey:** Yes.

**Senator Kinley:** Not cities or towns?

**Mr. Cressey:** No, sir.

**Senator Burchill:** Is there any law that gives any right-of-way?

**Mr. Cressey:** No. Should the pipe line company have the charter approved, the company will then proceed to the National Energy Board with their application, and the National Energy Board will decide on the economics and feasibility of the project. Their permission must be acquired before it can be proceeded with.

**Senator Burchill:** Is there any connection between these two bills, S-16 and S-17?

**Mr. Cressey:** No.

**The Chairman:** Mr. Frawley, counsel for the Province of Alberta, is here. I do not know if he has anything to say. He may be here just as an observer, but as a matter of courtesy I would ask if Mr. Frawley wants to say anything.

**Mr. J. J. Frawley, Counsel, Province of Alberta:** I had a conversation yesterday with the Deputy Minister of Mines and Minerals in Edmonton. He knows about this bill, and as a matter of fact said it was a very good thing. About the only reason these people are here is that you cannot go across provincial boundaries without applying for this legislation. Otherwise, it would be entirely a matter of provincial legislation.

**The Chairman:** Are there any other questions?

Shall I report the bill without amendment?

**Hon. Senators:** Agreed.

The Committee proceeded to the next order of business.



















Second Session—Twenty-seventh Parliament

1967

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE**  
**ON**  
**TRANSPORT AND COMMUNICATIONS**

---

The Honourable T. D'ARCY LEONARD, *Chairman*

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No. 2

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*Complete Proceedings on Bill S-17,*

*intituled:*

*"An Act to incorporate Vawn Pipe Lines Ltd."*

---

THURSDAY, JUNE 29th, 1967

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WITNESSES:

*Vawn Pipe Lines Ltd.*: E. J. Houston, Q.C., Parliamentary Agent; D. G. Ingram, provisional director; R. S. Matheson, Counsel.

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REPORT OF THE COMMITTEE

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ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1967



Second Session—Twenty-seventh Parliament

1957

THE STANDING COMMITTEE  
ON  
TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

Aird,  
Aseltine,  
Baird,  
Beaubien (*Provencher*),  
Bourget,  
Burchill,  
Connolly (*Halifax North*),  
Croll,  
Davey,  
Desruisseaux,  
Dessureault,  
Farris,  
Fournier (*Madawaska-  
Restigouche*),  
Gélinas,  
Gershaw,  
Gouin,  
Haig,  
Hayden,  
Hays,  
Hollet,  
Isnor,  
Kinley,

Lang,  
Lefrançois,  
Leonard,  
Macdonald (*Brantford*),  
McCutcheon,  
McDonald,  
McElman,  
McGrand,  
Méthot,  
Molson,  
Paterson,  
Pearson,  
Phillips,  
Power,  
Quart,  
Rattenbury,  
Reid,  
Roebuck,  
Smith (*Queens-Shelburne*),  
Thorvaldson,  
Vien,  
Welch,  
Willis—(45).

*Ex officio members:* Brooks and Connolly (*Ottawa West*)

(Quorum 9)

REPORT OF THE COMMITTEE

ROGER DUNHAM, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1957



MINUTES OF PROCEEDINGS  
ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Tuesday, June 13th, 1967:

"Pursuant to the Order of the Day, the Honourable Senator Prowse moved, seconded by the Honourable Senator Bourque, that the Bill S-17, intituled: 'An Act to incorporate Vawn Pipe Lines Ltd.,' be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Prowse moved, seconded by the Honourable Senator Bourque, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,  
*Clerk of the Senate.*

REPORT OF THE COMMITTEE

THURSDAY, June 29th, 1967.

The Standing Committee on Transport and Communications to which was referred the Bill S-17, intituled: "An Act to incorporate Vawn Pipe Lines Ltd.", has in obedience to the order of reference of June 13th, 1967, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
Chairman.

## MINUTES OF PROCEEDINGS

THURSDAY, June 29th, 1967.

(2)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 9.30 a.m.

*Present:* The Honourable Senators Leonard (*Chairman*), Burchill, Croll, Fournier (*Madawaska-Restigouche*), Gershaw, Gouin, Hollett, Isnor, Kinley, Lefrancois, McDonald, McElman, Molson, Pearson, Quart, Rattenbury, Smith (*Queens-Shelburne*) and Welch.—(18)

*In attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

On Motion of the Honourable Senator Croll it was *Resolved* to report, recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Bill S-17.

Bill S-17, "An Act to incorporate Vawn Pipe Lines Ltd.," was read and considered.

The following witnesses were heard:

VAWN PIPE LINES LTD.:

E. J. Houston, Q.C., Parliamentary Agent.

D. G. Ingram, provisional director.

R. S. Matheson, Counsel.

PROVINCE OF ALBERTA:

J. J. Frawley, Q.C., Counsel.

On Motion of the Honourable Senator Burchill it was *Resolved* to report the said Bill without amendment.

At 10.10 a.m. the Committee adjourned to the call of the Chairman.

*Attest.*

Frank A. Jackson,  
*Clerk of the Committee.*



## THE SENATE

### THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Thursday, June 29, 1967.

The Standing Committee on Transport and Communications, to which was referred Bill S-17, to incorporate Vawn Pipe Lines Ltd., met this day at 9.50 a.m. to give consideration to the bill.

**Senator T. D'Arcy Leonard** in the Chair.

**The Chairman:** Honourable senators, we have before us for consideration now Bill S-17, Vawn Pipe Lines Ltd. May I have the usual motion for the reporting and printing of the proceedings?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

I have the opinion of Mr. Hopkins, Parliamentary Counsel, that the bill is in proper legal form. Senator Prowse was the sponsor. Would you like to introduce the witnesses, senator?

**Senator Prowse:** Mr. Houston, parliamentary agent for the applicants, is here.

**The Chairman:** Mr. Houston, perhaps you would say who is with you.

**Mr. E. J. Houston, O.C., Parliamentary Agent:** Mr. Chairman, honourable senators, although this bill has no connection with what Mr. Cressey told you, it is in similar form to the bill you have just heard about. We have here as a witness Mr. R. S. Matheson, if you wish to hear him, and after Mr. Matheson has addressed you we have the manager and director of Vawn Pipe Lines, Mr. Donald E. Ingram, a corporation lawyer from the City of Edmonton. Mr. Matheson, who is a Queen's Counsel, is very experienced

in this field; he is from the Province of Alberta and he will, as Mr. Cressey did with the last bill, give an outline of the objects of the company. He also has some maps which he can distribute to you, indicating the area covered by the proposed bill. If you have any questions I am sure he could answer them.

**The Chairman:** Mr. Matheson has a map. Is it agreed that that map shall be distributed?

**Hon. Senators:** Agreed.

**Mr. R. S. Matheson, Counsel, Vawn Pipe Lines Ltd.:** Mr. Chairman and honourable senators, this bill seeks the incorporation of a special act company with a right to construct interprovincial and international pipe lines for the transportation of natural gas, oil, liquefied petroleum and other products. The Vawn Pipe Lines Company requires this charter so that we can evaluate the area in northwestern Alberta and the northern Peace River block generally, with the idea that we can build our pipe line to the nearest economic market facilities.

In the light of the recent Rainbow discoveries, all of which go to the western Alberta boundary, and in the light of the fact that there are pipe line facilities in British Columbia, and because oil and gas reservoirs do not respect boundaries, it is quite likely that it will be necessary to market the petroleum products which might be produced in Alberta through B.C. pipe lines.

The incorporators seeking this petition are Alberta men entirely, businessmen in the City of Edmonton. They are all involved in one way or another and are part of the oil and gas industry in Edmonton. There is no arrangement of any kind with this company that any of its shares or otherwise be transferred to persons outside the Edmonton group, the associated companies with which these people are working, all of which, again, are Alberta companies.

As pointed out to the meeting, Mr. Ingram is, initially, the manager and is also director of Vawn Pipe Lines. He is a lawyer. The firm with which he is associated has been handling oil and gas business for some years, and we are acting in that capacity.

The charter is being asked for on a rather broad basis in view of the fact that the development of this area is still in its initial stages. There are many fields which have been found, but there will be many more fields found. You will note from the map which I have distributed that on the reservation on which there will be development work, exploration work will be taking place immediately. It goes directly to the border of the province. The termination of that line is in the field in British Columbia, which is now tied into existing pipe line facilities.

**Senator Isnor:** How far east does that go from the borderline of British Columbia?

**Mr. Matheson:** At the moment, where they are presently contemplating the well, it is about seven miles east of the border, and then it will have to go about seven or eight miles into British Columbia to connect up with a marketing pipe line in that province. So it is approximately 17 to 18 miles of pipe line that will be necessary, without taking into consideration field lines.

**Senator Isnor:** In other words, the supply is in Alberta but the distributing station will be in British Columbia. Is that correct?

**Mr. Matheson:** The only pipe line facility which goes to market is now in British Columbia. The only one which would make it economically feasible at this stage to market the gas or oil located on this reservation would be in British Columbia.

**Senator Pearson:** How far away is the Rainbow Pipe Line?

**Mr. Matheson:** This particular reservation would be approximately 120 miles south of Rainbow, the actual Rainbow field.

**Senator Pearson:** I am talking about the Rainbow Pipe Line.

**Mr. Matheson:** Oh! That would be east of this line and would be 100 miles east of this particular reservation.

**Senator Gershaw:** What is the significance of the section being coloured on this map?

**Mr. Matheson:** Just so that it will be more easily seen. This is a reservation owned by the associated company with whom we are dealing at this time. They are the people who should be doing the exploration drilling this season. That is a petroleum and natural gas company.

**Senator Croll:** What is the name of that company?

**Mr. Matheson:** It is the Chieftain Development Company Limited.

**Senator Croll:** There is just the one company?

**Mr. Matheson:** It is owned jointly by them and by Blue Crown Petroleum Company Limited. Each company has a 50 per cent interest. They are both Alberta companies.

**Senator Croll:** There is no relation there to the Scurry Rainbow?

**Mr. Matheson:** No, none whatever.

**Senator Croll:** How far away from them are you?

**Mr. Matheson:** How far away from Scurry Rainbow? I have no idea if they have any reservations in this particular area or not, sir.

**Senator Kinley:** What is the significance of the name Vawn Pipe Lines? Is that a man's name?

**Mr. Matheson:** No. The only significance is the absolute necessity of having a name which does not conflict with the name of some other company, because that might cause problems in the future, when we are actually going into construction.

**Senator Kinley:** But what does "Vawn" mean?

**Mr. Matheson:** It is a town in Saskatchewan that we are quite sure will not have any pipe line named after it.

**Senator Molson:** The westernmost point shown on this sketch, then, is in range of the distribution pipe lines of British Columbia. Is this correct?

**Mr. Matheson:** Yes. There is a pipe line right to that point at the moment. There is a producing gas field at that point, and there is a pipe line which ties into the westcoast transmission pipe lines to that point.

**Senator Molson:** Whose pipe lines would those be?

**Mr. Matheson:** The Westcoast Gas Transmission.

**The Chairman:** Would you like to go ahead now?

**Mr. Matheson:** As this is a facility which crosses the Alberta-British Columbia boundary, of course we must seek a charter through a special act company. The advertising for this company was placed some seven or eight months ago very widely in Prince George, the Vancouver *Sun*, the Peace River *Block News*, the *Record-Gazette* of Peace River, the *Edmonton Journal* and the *Canada Gazette*, and there have been no representations made to our office regarding this, other than from our Department of Mines and Minerals in Alberta, and they simply required to know what we were doing and we satisfied them. I believe Mr. Frawley again has dealt with our Deputy Minister of Mines and Minerals.

This pipe line, as contemplated, does not duplicate any existing pipe line facilities as shown on that map, and it is required in order to market from that particular location.

**Senator Molson:** What is the contemplated capital cost of the project as we have it here?

**Mr. Matheson:** About \$120,000 would construct this particular pipe line as presented. It is pretty wild country, but not much right of way would be on developed land, I believe. So \$120,000 would be about the cost.

**Senator Isnor:** What is the distance involved?

**Mr. Matheson:** About 15 to 17 miles.

**Senator Molson:** That is a better price than that quoted by the company which preceded you in this committee hearing.

**Mr. Matheson:** I beg your pardon?

**Senator Molson:** You seem to have a better price of construction.

**Mr. Matheson:** It amounts to about the same on six-inch pipe. I don't know what the size of the pipe was in the other one.

**Senator Molson:** Six inches.

**Senator Burchill:** Has an oil well been established in that district?

**Mr. Matheson:** Not on this particular reservation at the moment. This is a very good geological area and we are very optimistic. This whole area of the Peace River block has produced a lot of gas and oil and, of course, we are into the southern portion of the Rainbow geological trend so that, in fact, we are satisfied that all through this area petroleum and natural gas will be discovered.

**Senator Burchill:** You contemplate going to work there at once.

**Mr. Matheson:** No, not on this pipe line at once. The drilling will certainly go ahead long before the pipe line, and it is contemplated that seismic and drilling activity will be going ahead very shortly.

**Senator Burchill:** You contemplate going ahead with the drilling?

**Mr. Matheson:** Yes.

**Senator Fournier (Madawaska-Restigouche):** What is the scale on the map?

**Mr. Matheson:** The small squares are one mile. As I pointed out, the cost would be about \$115,000 to \$120,000. This is well within the capacity of the people who are interested in this corporation. In very general terms, we must have a company before we can proceed with all of the necessary engineering evaluations, et cetera, and we also are well aware of the fact that we must apply to the National Energy Board before we actually do commence any construction or even undertake the first phase of construction.

**Senator Molson:** Is this area deep-well country?

**Mr. Matheson:** Yes. This would be quite deep-well country. You are not right into the very deep foothills, but you are into the 7,000-foot to 8,000-foot wells.

**Senator Hollett:** How many people would be employed in the construction of these?

**Mr. Matheson:** On a pipe line of this size, your construction crew would probably amount to about 40 to 50 people on the actual construction site.

**Senator Croll:** Let us assume for a moment that someone was looking at this map. I think this is south.

**Mr. Matheson:** I will just have to look at my map—T80.

**Senator Croll:** If somebody else finds a considerable amount of oil or gas immediately there and then they come before us and want to build a pipe line, are they not faced with the situation that you have already got a pipe line there and so they may be precluded while you may take four, five, six, seven or ten years to build?

**Mr. Matheson:** I don't believe so. I think the development of the whole area would be going along simultaneously, and if there are reserves discovered by anybody, we would be co-operating with any kind of marketing pipe line, and we will be watching the area very closely at all times to see what developments take place, and if there are discoveries made off this particular reservation, we would be associating ourselves with any exploration development in any part of the land or in the area. This is a normal thing in the oil industry.

**The Chairman:** My understanding is that while we may grant a charter to this group, for example, it is up to the National Energy Board to decide who should get the pipe line.

**Senator Croll:** The point I wanted to make is that there is no limit on the time in which they must make a move. That point is open; they can get a pipe line charter and they could conceivably wait for a long time before going ahead with the pipe line. Some of the other companies have put a time limit within which they must do something or start building. But Mr. Matheson says they have no plans immediately.

**Mr. Matheson:** Not for the actual pipe line. Our problem is that in the event we get production the development and marketing as quickly as possible is most important. By that time we have got a vast amount of money invested in exploration and development, and the pipe line certainly should go ahead as quickly as possible after discovery. Unless you have the vehicle to do that, it makes it extremely difficult to carry out your financing for your exploration and development. To carry out further activities in the general area it is necessary to have an adequate market arrangement.

**The Chairman:** My understanding is that there has never been a time limit put on any of these charters. By giving them a charter we allow them to come into existence, but then they have to go to the National Energy Board before they can operate.

**Senator Kinley:** You want to have your pipe line before you get the supply of oil?

**Senator Prowse:** This is a field which is back in a remote area. There are no highways and no railway transportation. They are going to drill a well there, and if they get production they have to have a pipe line to take that production to the nearest market point. If they wait until they get production and then come in and make an application for a pipe line the whole thing can be held up for a year. I don't have to tell honourable senators of the difficulty at times in getting such an application through Parliament. While there have not been long delays in this House, in the other place quite frequently the delays have been long. Again before you make an application to the National Energy Board for a pipe line or to the provincial authorities for a gathering system you have to have an incorporated company, and that is why an application is being made for incorporation at this stage. Otherwise the situation could be that they would go ahead and drill and then find themselves having to wait something like a year or a year and-a-half before they have the status necessary to get into production and to get that production, if any, to market. If they do not get production, they have simply wasted the money that they have put into it.

**Senator Kinley:** The National Energy Board controls it. They cannot go ahead unless the National Energy Board says so?

**Senator Prowse:** There may be other companies making application too, in which case the National Energy Board decides which application shall be accepted.

**Senator Isnor:** Have arrangements been completed between your proposed company and the West Coast Distributing Transmission Company?

**Mr. Matheson:** No, there have been no proposals made at this time at all. We have nothing really to propose in the way of specific amounts or specific volumes, or anything else. They are a public carrier and as such are obliged to carry our gas. They are obliged to carry our gas if we have it available for the system.

**The Chairman:** Mr. Frawley, who is counsel for the Province of Alberta is here, and if he wishes to address himself to this I am sure we will be glad to hear him.



**Mr. J. J. Frawley, Counsel, Province of Alberta:** I have nothing to say. I have received an assurance from the promoters that if, as and when they find oil on the Alberta side, they will go to the provincial authorities and obtain the necessary permits for the gathering system, and having had that assurance, I have no objection. In fact, I have no objection at all. The law requires companies that cross provincial lines to obtain a special act of incorporation. The situation is that this

oil is going to go, presumably, into British Columbia by the nearest route. This will mean it will not have to go down to Edson and onward by the Transmountain system.

**The Chairman:** Any further questions?

Do I have a motion to report the bill without amendment?

**Hon. Senators:** Agreed.

The committee adjourned.













Second Session—Twenty-seventh Parliament

1967

Extract from the Minutes of the Proceedings of the Senate, Thursday,  
November 8, 1967

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

---

The Honourable **GUNNAR S. THORVALDSON**,  
*Acting Chairman*

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**No. 3**

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*Complete Proceedings on Bill S-26*

intituled:

"An Act respecting Trans-Canada Pipe Lines Limited".

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**WEDNESDAY, NOVEMBER 8, 1967**

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**WITNESSES:**

*Trans-Canada Pipe Lines Limited*: J. R. Tolmie, Q.C., Parliamentary Agent; J. W. Kerr, Chairman and President; G. W. Woods, Group Vice-President.

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**REPORT OF THE COMMITTEE**

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ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1967



Second Session—Twenty-seventh Parliament

1967

# THE SENATE OF CANADA

## MEMBERS OF THE STANDING COMMITTEE ON

### TRANSPORT AND COMMUNICATIONS

The Honourable Gunnar S. Thorvaldson, *Acting Chairman*

#### The Honourable Senators

Aird,  
 Aseltine,  
 Baird,  
 Beaubien (*Provencher*),  
 Bourget,  
 Burchill,  
 Connolly (*Halifax North*),  
 Croll,  
 Davey,  
 Desruisseaux,  
 Dessureault,  
 Farris,  
 Fournier (*Madawaska-  
 Restigouche*),  
 Gélinas,  
 Gershaw,  
 Gouin,  
 Haig,  
 Hayden,  
 Hays,  
 Hollett,  
 Isnor,  
 Kinley,

Lang,  
 Lefrançois,  
 Leonard,  
 Macdonald (*Brantford*),  
 McCutcheon,  
 McDonald,  
 McElman,  
 McGrand,  
 Méthot,  
 Molson,  
 Paterson,  
 Pearson,  
 Phillips,  
 Power,  
 Quart,  
 Rattenbury,  
 Roebuck,  
 Smith (*Queens-Shelburne*),  
 Thorvaldson,  
 Vien,  
 Welch,  
 Willis—(44).

*Ex officio members:* Connolly (*Ottawa West*) and Flynn  
 (Quorum 9)

## REPORT OF THE COMMITTEE

ROGER DUHAMEL, P.R.S.C.  
 QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
 OTTAWA, 1967



ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 2nd, 1967:

"Pursuant to the Order of the Day, the Honourable Senator Lang moved, seconded by the Honourable Senator Cook, that the Bill S-26, intituled: "An Act respecting Trans-Canada Pipe Lines Limited", be read the second time.

After debate, and—

The question being put on motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Lang moved, seconded by the Honourable Senator Cook, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,  
Clerk of the Senate.

The following witnesses were heard:

Trans-Canada Pipe Lines Limited:

J. R. Tolmie, Q.C., Parliamentary Agent.

J. W. Kerr, Chairman and President.

G. W. Woods, Group Vice-President.

On Motion of the Honourable Senator Malton it was Resolved to report the said Bill without amendment.

At 12:00 o'clock the Committee adjourned to the call of the Chairman.

Attest:

REPORT OF THE COMMITTEE

WEDNESDAY, November 8th, 1967.

The Standing Committee on Transport and Communications to which was referred the Bill S-26, intituled: "An Act respecting Trans-Canada Pipe Lines Limited", has in obedience to the order of reference of November 2nd, 1967, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

GUNNAR S. THORVALDSON

Acting Chairman.

## MINUTES OF PROCEEDINGS

WEDNESDAY, November 8, 1967.

(3)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 11.30 a.m.

In the absence of the Chairman, and on motion of the Honourable Senator Lang, the Honourable Senator Thorvaldson was elected *Acting Chairman*.

*Present:* The Honourable Senators Thorvaldson (*Acting Chairman*), Beau-bien (*Provencher*), Bourget, Burchill, Connolly (*Halifax North*), Desruisseaux, Dessureault, Fournier (*Madawaska-Restigouche*), Isnor, Lang, Lefrançois, McDonald, Molson and Phillips.—14.

*In attendance:* E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

On Motion of the Honourable Senator Isnor it was *Resolved* to report, recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Bill S-26, intituled: "An Act respecting Trans-Canada Pipe Lines Limited". Bill S-26 was read and considered.

The following witnesses were heard:

*Trans-Canada Pipe Lines Limited:*

J. R. Tolmie, Q.C., Parliamentary Agent,

J. W. Kerr, Chairman and President.

G. W. Woods, Group Vice-President.

On Motion of the Honourable Senator Molson it was *Resolved* to report the said Bill without amendment.

At 12.00 o'clock the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,  
Clerk of the Committee.



## THE SENATE

### THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Wednesday, November 8, 1967.

The Standing Committee on Transport and Communications, to which was referred Bill S-26, respecting Trans-Canada Pipe Lines Limited, met this day at 11.30 a.m. to give consideration to the bill.

**Senator Gunnar S. Thorvaldson** in the chair.

**The Acting Chairman:** Honourable senators, may I have the usual motion for the reporting and printing of the proceedings?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

**Senator Lang:** In connection with the presentation of this bill, we have before us this morning Mr. Ross Tolmie, Parliamentary Counsel, Trans-Canada Pipe Lines Limited; Mr. J. W. Kerr, President; Mr. Woods, the Group Vice-President of the company; and Mr. Clarry, Solicitor and Counsel.

**The Acting Chairman:** Well, gentlemen, we are now ready to proceed with this bill. Do you wish to begin, Senator Lang?

**Senator Lang:** I think Mr. Tolmie could introduce the bill most effectively and give a general outline of its provisions.

**Mr. J. R. Tolmie, O. C., Parliamentary Agent, Trans-Canada Pipe Lines Limited:** Mr. Chairman, honorable senators, the purpose of this bill was outlined very completely by Senator Lang on November 2 before the Senate when it was referred here. I will only suggest that Mr. Kerr, Chairman and President, be allowed to speak to you in amplification of what Senator Lang said on that occasion. We also have with us, as Senator

Lang indicated, the Group Vice-President who is the financial man of the company, and also John Clarry of McCarthy & McCarthy, to answer any questions on the specific terms of the change in the capitalization and the terms of the preferred issue which generally is in line with the amended Canada Corporations Act.

Mr. Kerr is a graduate of the University of Toronto, he is an engineer and was a vice-president of Canadian Westinghouse before he came to Trans-Canada. Mr. Woods is a Montreal man originally, and went to McGill and was a practising chartered accountant before he became Treasurer and now Group Vice-President of the company.

This bill, as I have already said, is to authorize the increase of capitalization both of common and preferred to enable the company to finance the expansion of its facilities in Canada in the foreseeable future. It is clearly indicated that such expansion will be necessary to meet the energy and gas requirements of Canada over the next ten years or so. If it is your pleasure, Mr. Chairman, I would ask Mr. Kerr to outline in broader detail what is involved.

**Mr. J. W. Kerr, Chairman and President, Trans-Canada Pipe Lines Limited:** Mr. Chairman and honourable senators, I genuinely appreciate the opportunity to make a few remarks and to discuss the bill which proposes an amendment to Trans-Canada's special act of incorporation. Before discussing the bill I want to say a few words about the company. A year from now Trans-Canada Pipe Lines Limited will be celebrating its tenth anniversary as a gas transmission operation. The system now includes 3,000 miles of pipe lines, big inch pipe lines, from Alberta to the Quebec border and on to the Quebec-Vermont border. I would like you to look at this map, if you can see it from where you are sitting.

Trans-Canada buys its gas at the present time in the Province of Alberta at the well-head, and it is gathered by the Alberta Gas

Trunk Line Company Limited. The Trans-Canada system starts at the Alberta-Saskatchewan border, at Burstall, Saskatchewan. At the present time we have two 34-inch diameter natural gas high-pressure pipe lines through to Winnipeg, a distance of 586 miles. Then we go to the south with a 30-inch line to Emerson, Manitoba. We come through northern Ontario with a 30-inch system, through to Toronto, a distance of 1,248 miles. At that point the system is 1,834 miles long. We have a 20-inch line to Niagara Falls, 110 miles. Then we extend eastward to Montreal from Toronto, a distance of 308 miles of 20-inch pipe, and on to the Quebec-Vermont border. The Great Lakes Gas Transmission Company is shown in hatched red, and comes along the south shore of Lake Superior, across the Mackinac Strait, and back into Canada at a point near Sarnia.

Our system includes 45 compressor stations along the pipe line with a total capacity of more than 575,000 horsepower. We deliver gas to Canadian distribution companies, those that serve directly to the residential and commercial markets, at more than 120 sales points along the line, and we also make export sales at Emerson, Manitoba, Cornwall, Ontario and to Vermont at the Quebec border.

The total sales of natural gas in the last fiscal year, 1966, were 401 billion cubic feet, and our peak day—that is, our maximum sales in one day—was 1,356 million cubic feet. To put that into perspective, against the 401 billion cubic feet last year, in 1959, our first full year of operation, our sales were 74 billion cubic feet.

We are proud of the fact that Trans-Canada is truly a Canadian company. We have 35,000 common shareholders and over 87 per cent of them are residents of Canada, owning over 94 per cent of the common shares of the company. Residents of Canada also own over 99 per cent of the preferred shares. So, we are truly a Canadian company.

Mr. Tolmie mentioned that Mr. Woods came originally from Montreal. My home town is Hamilton, Ontario, and I am always very pleased to be able to say that the senior management team of our company is basically Canadian, nine of our top ten officers having been born and educated in Canada. As you probably know, our two largest corporate shareholders are Canadian companies—Canadian Pacific and Home Oil Company Limited of Calgary.

Prospects for the future requirement for natural gas indicate the need for very substantial additions to our pipe line facilities in the years ahead. After the initial spectacular penetration of natural gas in the domestic energy market, in the last few years the industry has averaged a compound growth—and this is the overall industry—an annual growth on a compounded basis of about 10 per cent per year. It is quite realistic to expect a similar annual growth during the next five years. Our best estimate of the future acceptance of gas is that it will supply 25 per cent of Canada's total energy markets by 1985. In the last statistical year, 1966, it supplied about 18 per cent; and 20 years ago it was just over 3 per cent.

Research and development and new applications for natural gas will certainly contribute to very much greater acceptance of gas in future years in Canada.

During recent years we in Trans-Canada have been transmitting about 50 per cent of the total volume of natural gas moved in Canada. We have been moving about 50 per cent of the total to the market.

**Senator Isnor:** What do you mean by “the market”—the Canadian market?

**Mr. Kerr:** Yes, the Canadian market, the total from British Columbia through to Quebec. We expect that this participation will grow in the future. We will probably grow to 65 to 70 per cent of the total movement of gas in the future. This means that Trans-Canada, as a gas transmission company, will probably grow at a rate even more rapid than the overall natural gas industry. In the early 1960's, after natural gas became available as a result of the Trans-Canada system in eastern Canada, our company was growing at a rate of 15 per cent per annum, which is a rate of growth equivalent to doubling over 4½ to 5 years.

The anticipated future growth of our company is one of the principal reasons that Bill S-26 is before you today. In this bill we are requesting certain amendments of our Special Act of Incorporation. One is an increase in our common stock. We are requesting an increase in our common stock from ten million to 25 million shares; and in our preferred stock from one million to five million preferred shares.

As I believe you know, Trans-Canada was incorporated by a special act of Parliament in 1951, and some changes in the authorized capital were made in 1954. Since that time,

which was prior to the commencement of the operation of our pipe line system, there have been no changes in this special act. During this period, however, we have had very substantial construction programs each year, including pipe line looping, the installation of additional compressor horsepower and the construction of new compressor stations along the line. When I say "looping," I mean the construction of another pipe line parallel or adjacent to the initial one.

In view of this increase in capital investment and requirements for future expansion, I believe you will appreciate that the authorized capital initially required for the company is no longer adequate to meet our needs. Of the 10 million common shares authorized, only about 539,000 are available in the company's treasury for issue. All the one million preferred shares have been issued.

In addition to the increase of the capital of the company, the bill also provides for some amendments to the provisions of the special act dealing with preferred shares, with the subdivision and consolidation of shares, and with payments of stock dividends.

The bill also deals with a change in the scope of the electronic communication facilities used in our gas transmission system. Some of these matters are rather technical and legal, and, as Mr. Tolmie indicated, I have some of my associates with me and we will try to help you with answers to any questions you may have on the proposed bill.

Thank you very much, sir, for letting me make these few remarks.

**The Acting Chairman:** Gentlemen, would any of you like to ask any questions of Mr. Kerr?

**Senator Connolly (Halifax North):** Your preferred shares are held where and by whom?

**Mr. Kerr:** As I mentioned, over 99 per cent are held by residents of Canada.

**Senator Connolly (Halifax North):** The preferred shares?

**Mr. Kerr:** Yes, the preferred shares.

**Senator Burchill:** With regard to your distribution system, you distribute to other companies, do you?

**Mr. Kerr:** Yes. We have 14 distribution companies that are located along the pipe line system: First, in Saskatchewan the Sas-

katchewan Power Corporation; Brandon, Greater Winnipeg and Winnipeg; Twin City in Port Arthur; Northern Ontario; Union Gas in southwestern Ontario; Consumer Gas, eastern Ontario, and Ottawa Gas; Quebec Natural Gas in Montreal—and so on.

**Senator Burchill:** Are they all independent companies? Have you any connection with them?

**Mr. Kerr:** No, they are customers. We serve them with our gas from the fields to their delivery gates, and they sell it at that point. There is no other connection.

**Senator Isnor:** What connection is there between your company and Alberta Gas?

**Mr. Kerr:** Alberta Gas Trunk Line, sir?

**Senator Isnor:** Yes.

**Mr. Kerr:** We have a gas gathering service contract with Alberta Gas Trunk Line. They gather the gas, and so far as connection with them is concerned let me say that we work closely with them on system expansion, making sure that their system goes to fields in Alberta from which we are buying gas. We are always buying ahead of demand. You must realize that it takes up to five years from the time that gas is discovered to the time that it gets into our pipe line. We work closely with them on a technical planning basis, but there is no corporate connection.

**Senator Isnor:** They have 586 miles of line, I understand.

**Mr. Kerr:** That is our line from Burstall, Saskatchewan in western Canada to Winnipeg. Trans-Canada maintains that. That is part of the Trans-Canada system. We have compressor stations and maintenance personnel spotted all along that section of the line. As a matter of interest, we fly that line once a week, and patrol it from the air, and we walk it twice a year.

**Senator Connolly (Halifax North):** Do you contemplate an extension of your line east of Montreal?

**Mr. Kerr:** That is possible. Our policy, of course, is to serve the market that actually exists. Assuming that there is economic feasibility in those areas east of Montreal, then that is quite possible. There have been many market studies done in recent years. We have done some ourselves, and so has Quebec Natural Gas, which is now Northern and

Central Gas Company. When the market is there we expect it will be served.

**Senator Fournier (Madawaska-Restigouche):** Something has been said about the pressure. As a matter of interest, what is the pressure in these pipes?

**Mr. Kerr:** It varies with the diameter of the pipe. West of Winnipeg we have two 34-inch diameter lines, and they operate at approximately 730 pounds per square inch. The 30-inch system in northern Ontario, a smaller diameter line, operates at approximately 925 pounds per square inch.

**Senator Fournier (Madawaska-Restigouche):** And how fast is the flow of gas in these pipe lines? Is that a stupid question or—

**Mr. Kerr:** It is not an easy one to answer. As a generalized answer I can say that it takes gas about five days to get from the Alberta border to Montreal, so we will say it travels at from 40 to 45 miles an hour.

**Senator Isnor:** Senator Connolly asked you about an extension of the pipe line east of Montreal. Do you expect to go into Montreal?

**Mr. Kerr:** We are down to the Quebec border. It is possible that the market east of Montreal will be served, but there is no decision yet as to how far we might go.

**The Acting Chairman:** Mr. Kerr, I might ask you if there is any natural gas being distributed now in the Maritime provinces.

**Mr. Kerr:** No, sir, not at this stage.

**Senator Molson:** You mentioned buying gas at the Alberta-Saskatchewan border. All the gas you carry in your own pipe lines is your own gas, is it? It is all purchased, and is your own once it is in the pipe line?

**Mr. Kerr:** Yes, we buy it at the wellhead in Alberta, and Alberta Gas Trunk Line takes it to the western gate at the Alberta border, and we haul it to the market from there.

**Senator Molson:** But you buy it at the well head?

**Mr. Kerr:** Yes.

**Senator Burchill:** Is your tariff based on distance?

**Mr. Kerr:** Yes, we have a zone system of pricing, and it is tied in with distance, because the capital cost is directly—well, not

directly, but it is generally proportionate to the distance. It is also more expensive to build a pipe line in rocky country than it is over the prairie, for instance. However, the tariff is generally in accordance with the distance.

**Senator Desruisseaux:** In looking at the bill I see that it is proposed to increase the capital stock of the company by 15 million common shares and four million preferred shares. Has any provision been made for the absorption of these shares in this country, or are they to be absorbed by American concerns?

**Mr. Kerr:** No, sir, we have no immediate plans for the issue of any of these additional shares. So far as their ultimate disposition is concerned I would certainly hope there will be a very high Canadian participation. We have a very large Canadian ownership now, and there is no anticipation that there will be large blocks sold in the United States.

**Senator Desruisseaux:** It is an important question because it has been raised many times before. Another question I have is as to whether it is anticipated to retire the debentures and bonds by the money created by the sale of those shares.

**Mr. Kerr:** I shall ask Mr. Woods to assist me in answering that question. I am not sure that I quite understand it.

**Senator Desruisseaux:** Would the income derived from the sale of these common and preferred shares be used to retire the bonds and debentures of the company?

**Mr. Kerr:** This gives me an opportunity to introduce Mr. Woods, who is in charge of our financial affairs.

**Mr. G. W. Woods, Group Vice-President, Trans Canada Pipe Lines Limited:** There is no plan to retire any of our outstanding debt except through the sinking fund and retirement provisions that are in the debt now.

**Senator Bourget:** Do you intend to split the stock? Is that a fair question to ask you?

**Mr. Kerr:** There are no plans before Trans-Canada's management or the board of directors at this stage on that.

**Senator McDonald:** I think you told the committee that you anticipated that by 1980—and please correct me if I am wrong—natural gas would supply 25 per cent of



the energy requirements of this country. Is that correct?

**Mr. Kerr:** It was by 1985, sir.

**Senator McDonald:** Where do you anticipate the growth will come to enable you to meet this target? Is there any given area of Canada that would make this possible, or will this come about by increased sales generally across the area you are serving now?

**Mr. Kerr:** It would be generally across Canada, east of Alberta. The bulk of the growth would be in Ontario and quite likely in the Province of Quebec. The general acceptance of natural gas for home heating is one significant example. The demand for home heating has grown very significantly in recent years, and we expect that to continue.

**Senator McDonald:** That is really answering my second question. Would it be in the industrial areas or in domestic home heating that you expect a large growth to occur?

**Mr. Kerr:** We expect all portions of our market will grow—commercial, residential, and industrial. It is difficult to predict at this stage, but I think the total effect of the growth in the industrial market would be rather significant on our total expansion.

**Senator Molson:** Mr. Chairman, may I ask Mr. Kerr what the present status of the Great Lakes Transmission line is?

**Mr. Kerr:** Yes, sir, it was approved, as you probably know, in the fall of 1966 by the Government of Canada. It was approved in June, 1967 by the Federal Power Commission. Construction started very shortly after F.P.C. approval, and construction is well under way. Since September 23 we have been bringing relatively small volumes of gas from a storage field in Michigan into the storage field in Dawn Township near Sarnia, which is a 20-mile haul.

Construction of Stage 1, which is from Farwell, Michigan—which is at about that point on the map (*indicating*)—to the border is well on the way, and will be completed very shortly. It will not be very long before it is tested and in operation.

Then, the construction of Stage 2 will be started this winter and will continue on through to the fall of 1968. That is from Emerson, Manitoba, on the Minnesota-Manitoba border, to connect up with the point at Farwell, Michigan. This includes the

Mackinac Strait crossing, which is a rather difficult engineering feat.

**Senator Molson:** It will be concluded when?

**Mr. Kerr:** The target is November, 1968. The U.S. opponents of Great Lakes have launched a court action to try to hold it up, but the interim financing is completed, and construction is under way, and all our plans are made.

**Senator Molson:** Will this require a Presidential permit?

**Mr. Kerr:** At the time the Federal Power Commission granted its approval in June of this year it did, yes.

**The Acting Chairman:** Mr. Kerr, can you estimate now how big an increase this new construction is going to develop in the area you now serve? What will be the percentage increase in sales?

**Mr. Kerr:** We have under contract at the present time sales that will give us a throughput of 725 billion cubic feet by 1972. That is a very conservative estimate of where we will go. Assuming that gas is available in western Canada, and I think it will be, sales five years from now could be substantially in excess of 725 bcf. As I mentioned earlier, in Canada, in 1966, it was 401.

**Senator McDonald:** Is the Great Lakes Gas Transmission Company wholly owned by Trans-Canada?

**Mr. Kerr:** No sir, it is 50 per cent owned. We own half and the American Natural Gas Company of Detroit owns half. The President and Executive Vice-President and General Manager, the two key executives in Great Lakes Gas Transmission Company, are former Trans-Canada people.

**Senator McDonald:** They are Canadian?

**Mr. Kerr:** Mr. McNeill is from Calgary.

**The Acting Chairman:** Mr. Kerr, at the outset you mentioned that the C.P.R. was one of the largest shareholders of the company. Do you mean C.P.R. or C.P.I., Canadian Pacific Investments?

**Mr. Kerr:** Canadian Pacific Investments.

**The Acting Chairman:** Are there any further questions of Mr. Kerr?

Are there any questions you would like to ask of any of the officials here?

Do you want to go through the bill clause by clause or will you accept it as a package?

**Senator Molson:** I move that we report the bill.

**Senator Isnor:** I second.

**The Acting Chairman:** Shall I report the bill without amendment?

**Hon. Senators:** Agreed.

**The Acting Chairman:** I should just like to add that I have the usual certificate of the Law Clerk and Parliamentary Counsel to the effect that the bill is in proper legal form.

The committee adjourned.











Second Session—Twenty-seventh Parliament

1967

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

The Honourable T. D'ARCY LEONARD, *Chairman*

No. 4

*Complete Proceedings on Bill S-29,*  
intituled:

"An Act to provide for the dissolution of Northern Ontario  
Pipe Line Crown Corporation".

WEDNESDAY, DECEMBER 6th, 1967

WITNESSES:

*Northern Ontario Pipe Line Crown Corporation:* W. J. Mulock,  
Secretary; N. Tokaryk, Treasurer.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1967

THE STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

Aird,	Lang,
Aseltine,	Lefrançois,
Beaubien ( <i>Provencher</i> ),	Leonard,
Bourget,	Macdonald ( <i>Brantford</i> ),
Burchill,	McCutcheon,
Connolly ( <i>Halifax North</i> ),	McDonald,
Croll,	McElman,
Davey,	McGrand,
Desruisseaux,	Méthot,
Dessureault,	Molson,
Farris,	Paterson,
Fournier ( <i>Madawaska- Restigouche</i> ),	Pearson,
Gélinas,	Phillips,
Gershaw,	Power,
Gouin,	Quart,
Haig,	Rattenbury,
Hayden,	Roebuck,
Hays,	Smith ( <i>Queens-Shelburne</i> ),
Hollett,	Thorvaldson,
Isnor,	Vien,
Kinley,	Welch,
	Willis—(43).

*Ex officio members:* Connolly (*Ottawa West*) and Flynn

(Quorum 9)

WITNESSES:

Northern Ontario Pipe Line Crown Corporation, W. J. Malock,  
Secretary; N. Tokarsky, Treasurer

REPORT OF THE COMMITTEE

ROGER DUBAMEL, P.R.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1971



MINUTES OF PROCEEDINGS  
ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 23, 1967:

"Pursuant to the Order of the Day, the Honourable Senator Benidickson, P.C., moved, seconded by the Honourable Senator Isnor, that the Bill S-29, intituled: "An Act to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Benidickson, P.C., moved, seconded by the Honourable Senator Isnor, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,  
*Clerk of the Senate.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, December 6th, 1967.

(4)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 12.00 noon.

*Present:* The Honourable Senators Leonard (*Chairman*), Aseltine, Burchill, Connolly (*Halifax North*), Fournier (*Madawaska-Restigouche*), Hays, Hollett, Lefrançois, McDonald, McGrand, Molson and Rattenbury—(12).

*Present but not of the Committee:* The Honourable Senator Benidickson.

On Motion of the Honourable Senator Connolly (*Halifax North*) it was *Resolved* to report, recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Bill S-29, intituled: "An Act to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation".

Bill S-29 was read and considered.

The following witnesses were heard:

*Northern Ontario Pipe Line Crown Corporation:*

W. J. Mulock, Secretary.

N. Tokaryk, Treasurer.

On Motion of the Honourable Senator Molson it was *Resolved* to report the said Bill without amendment.

At 12.15 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,  
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, December 6th, 1967.

The Standing Committee on Transport and Communications to which was referred the Bill S-29, intituled: "An Act to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation", has in obedience to the order of reference of November 23rd, 1967, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
Chairman.

On Motion of the Honourable Senator Molson it was Resolved that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee intituled: "An Act to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation".  
The following witnesses were heard:  
W. J. Mulock, Secretary.  
M. Toftoy, Treasurer.  
On Motion of the Honourable Senator Molson it was Resolved to report the said Bill without amendment.  
At 12:15 p.m. the Committee adjourned to the call of the Chairman.  
Attest:  
Patrick J. Savoy,  
Clerk of the Committee.

## THE SENATE

### THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Wednesday, December 6, 1967.

The Standing Committee on Transport and Communications, to which was referred Bill S-29, an Act to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation, met this day at 12.00 noon to give consideration to the bill.

**Senator T. D'Arcy Leonard (Chairman)** in the Chair.

**The Chairman:** Honourable senators, it is 12 o'clock and we have a quorum. We have before us for our consideration Bill S-29, to provide for the dissolution of Northern Ontario Pipe Line Crown Corporation. This bill originates in the Senate, so may I have the usual motion for the reporting and printing of the proceedings?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

As witnesses we have Mr. W. J. Mulock, Secretary of Northern Ontario Pipe Line Crown Corporation, and Mr. N. Tokaryk, its Treasurer.

Second reading of this bill was moved in the Senate by Senator Benidickson who explained it very well. If it is agreed, I will ask Mr. Mulock to tell us about the bill, its purpose, and what we have to deal with in it. Is that agreed?

**Hon. Senators:** Agreed.

**Mr. W. J. Mulock, Secretary, Northern Ontario Pipe Line Crown Corporation:** Mr. Chairman, shall I speak from this position, or shall I stand?

**The Chairman:** You may remain seated, if you wish.

**Senator Connolly (Halifax North):** Is this bill so onerous, Mr. Mulock, that you have to sit down?

**Mr. Mulock:** No. I will stand. The Northern Ontario Pipe Line Crown Corporation was established on June 7, 1956, for the purpose primarily of constructing the Northern Ontario section of what was then known as the all-Canadian natural gas pipe line, or, in other words, the portion of that pipe line between the Ontario-Manitoba border and Kapuskasing, a distance of 675 miles.

It also had the responsibility of carrying out the undertakings of the Government in respect of the making of loans to Trans-Canada Pipe Lines Limited for the construction of the western section. The western section was completed, and subsequently work was undertaken on the Northern Ontario section. That construction was completed, and the line was leased to Trans-Canada Pipe Lines Limited pursuant to a lease agreement. That agreement included the terms that had been agreed upon between the Government of Canada and Trans-Canada Pipe Lines Limited.

The corporation, having completed construction, and having entered into a lease agreement with Trans-Canada Pipe Lines Limited was not then too active except as to its responsibilities for obtaining the rentals from Trans-Canada.

Subsequently, pursuant to the lease agreement, Trans-Canada exercised its option to purchase on May 29, 1963, for a price calculated pursuant to the purchase option clause. The aggregate of rental payments for the period from October 22, 1958, to May 29, 1963, amounted to \$41,110,773. This rental payment was applied to yield a 3½ per cent return on investment in the amount of \$19,627,330, and the balance of \$21,483,443 to the amortization of capital cost.

The purchase price paid by Trans-Canada Pipe Lines Limited on May 29, 1963, was \$108,372,873, representing the capital cost

amortized at 3½ per cent per annum together with interest thereon at 3½ per cent per annum compounded annually from October 22, 1958.

**Senator Aseltine:** Was the rental applied on the purchase price, or was that sum paid following the making up of the agreement for sale?

**Mr. Mulock:** Perhaps Mr. Tokaryk, the Treasurer, might answer that question.

**Mr. N. Tokaryk, Treasurer, Northern Ontario Pipe Line Crown Corporation:** The amount of \$108 million-odd that was paid was the net amount after the rentals were completed. The total cost was \$129 million odd.

**Senator Aseltine:** And the rent?

**Mr. Tokaryk:** That portion of the rent that was in excess of the 3½ per cent return on investment was applied to the purchase price.

**Senator Aseltine:** It was applied on the purchase price, and the balance was how much?

**Mr. Tokaryk:** The balance was \$108 million odd.

**Senator Aseltine:** And that has been paid?

**Mr. Tokaryk:** That has been paid, yes. It was paid on May 29, 1963.

**Senator Rattenbury:** In other words, the interest was considered as rent?

**The Chairman:** The sum owing was calculated as if it would yield 3½ per cent, and the rentals were also calculated at the same rate, so that one offset the other, and the net amount then due—in effect, I understand that the Government got its purchase price back, with 3½ per cent interest on it.

**Mr. Tokaryk:** That is right. The purchase clauses were created with that in mind. There were several clauses in the purchase agreement geared to encourage Trans-Canada Pipe Lines Limited to buy it at the earliest possible date on which they could afford to buy it. For example, four years after completion there were additional rentals due which were not applied to the purchase price. It was a sort of penalty which had been directed towards discouraging undue delay.

**Senator Rattenbury:** After four years?

**Mr. Tokaryk:** Yes, after four years, and if they had to carry on there were further

penalties which would encourage them to buy at as early a date as possible, because the price was getting tougher as the years went on.

What they paid us was \$108 million odd that was the net, plus additional rental because they got into the fourth year, and the thing was becoming a little more costly.

**Senator Connolly (Halifax North):** And was there an actual loss?

**Mr. Tokaryk:** A loss to whom?

**Senator Connolly (Ottawa West):** To anybody concerned?

**Mr. Tokaryk:** No, the Government got all the interest, and it was paid all the administrative expenses of the employees and the supervision, and everything.

**The Chairman:** And the interest on its money?

**Senator Aseltine:** And the construction costs?

**Mr. Tokaryk:** Yes, all the construction costs, and the interest on loans made by the Government during the construction period was capitalized into the cost of the line. All of that was paid back.

**Senator McDonald:** And all of that was included in the \$129 million odd?

**Mr. Tokaryk:** That is right.

**Senator Fournier (Madawaska-Restigouche):** So, nobody lost anything?

**Senator Connolly (Halifax North):** Nobody was hurt.

**Mr. Tokaryk:** There is a surplus of \$690,000 odd.

**The Chairman:** Which is with the Receiver General?

**Mr. Tokaryk:** Yes.

**The Chairman:** Have you finished your statement, Mr. Mulock?

**Mr. Mulock:** I have here, Mr. Chairman, a copy of the minute of the meeting of the Committee of the Privy Council which approved the exercise of the option and the disposal of the Northern Ontario section of Trans-Canada Pipe Lines Limited. From May 29, 1963, when Trans-Canada Pipe Lines Limited exercised its option, to this date the Corporation's activities have been limited to

the holding of the annual meetings of the board of directors, the preparation of the annual reports, and replies to correspondence and parliamentary inquiries.

**Senator Molson:** It sounds like a very happy story, Mr. Chairman. I move we report the bill without amendment.

**The Chairman:** I think it might be as well to put on the record that in 1965 there was an item in the Estimates, a one dollar item, to wind up this corporation, and do it as it is now being done by statute. Apparently it was thought that this could be done by an item in the Estimates. Is that right, Mr. Mulock?

**Mr. Mulock:** Yes sir.

**The Chairman:** And what happened to that?

**Mr. Mulock:** That item was withdrawn. Certain exception was taken at the time to the principle that a one dollar item in a supplementary estimate should be used for purposes that were legislative in nature. It was not on the issue of the Northern Ontario Pipe Line, but in another connection. It was decided at that time to withdraw.

**The Chairman:** And now this is being done in the appropriate way by bringing in a statute to terminate the existence?

**Senator Burchill:** Was it in 1966, too?

**The Chairman:** In 1965, it was in the Estimates.

**Senator Burchill:** Was it in 1966, too?

**The Chairman:** As far as I know, it has never been in the Estimates since. Is that right?

**Mr. Mulock:** It has not, not to my knowledge.

**Senator Aseltine:** Was it because a one dollar item did not mean so much?

**Mr. Mulock:** Because it was withdrawn.

**The Chairman:** Senator Molson moves that we report the bill without amendment.

**Hon. Senators:** Agreed.

**The Chairman:** Is there any other business? If not, the meeting is adjourned.

The committee adjourned.

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Second Session—Twenty-seventh Parliament

1967

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

The Honourable T. D'ARCY LEONARD, *Chairman*

No. 5

*Complete Proceedings on Bill C-151,*  
intituled:

“An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1967 to the 30th day of June 1968, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company”.

WEDNESDAY, DECEMBER 20th, 1967

WITNESSES:

*Canadian National Railways:* R. T. Vaughan, Vice-President and Secretary (and Secretary, Air Canada); J. W. G. Macdougall, Q.C., General Counsel; and W. G. Cleevely, Co-ordinator of Capital Budgets.  
*Air Canada:* H. D. Laing, Assistant Vice-President, Finance.

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1968



Second Session—Twenty-seventh Parliament

1981

THE STANDING COMMITTEE  
ON  
TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

Aird,	Lang,
Aseltine,	Lefrançois,
Beaubien ( <i>Provencher</i> ),	Leonard,
Bourget,	McCutcheon,
Burchill,	McDonald,
Connolly ( <i>Halifax North</i> ),	McElman,
Croll,	McGrand,
Davey,	Méthot,
Desruisseaux,	Molson,
Dessureault,	Paterson,
Farris,	Pearson,
Fournier ( <i>Madawaska- Restigouche</i> ),	Phillips,
Gélinas,	Power,
Gershaw,	Quart,
Gouin,	Rattenbury,
Haig,	Roebuck,
Hayden,	Smith ( <i>Queens-Shelburne</i> ),
Hays,	Thorvaldson,
Hollett,	Vien,
Isnor,	Welch,
Kinley,	Willis—(42).

*Ex officio members:* Connolly (*Ottawa West*) and Flynn.

(Quorum 9)

REPORT OF THE COMMITTEE

ROGER DUBARDEL P.R.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1981



MINUTE ORDER OF REFERENCE PROCEEDINGS

Extract from the Minutes of the Proceedings of the Senate, Tuesday, December 12, 1967:

“Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Thompson seconded by the Honourable Senator Argue for second reading of the Bill C-151, intitled: “An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian Railways System for the period from the 1st day of January 1967 to the 30th day of June 1968 and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian Railway Company”.

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Thompson moved, seconded by the Honourable Senator Desruisseaux, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—  
Resolved in the affirmative.”

J. F. MacNEILL,  
Clerk of the Senate.

The following witnesses were heard:

Canadian National Railways:

R. T. Vaughan, Vice-President and Marketing and Secretary, Air Canada  
J. W. G. Macbain, Q.C., General Counsel.

Absent but not heard:

W. H. Cleavelly, Co-ordinator of Capital Budgets, C.N.R.  
H. B. Lalage, Assistant Vice-President, Finance, Air Canada.

On motion of the Honourable Senator Van B. was Requested to report the said Bill without amendment.

At 11:55 a.m. the Committee adjourned to the call of the Chairman.

Attest:

Frank A. Jackson,  
Clerk of the Senate.



## MINUTES OF PROCEEDINGS

WEDNESDAY, December 20th, 1967.

(5)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 10:00 a.m.

*Present:* The Honourable Senators Leonard (*Chairman*), Connolly (*Ottawa West*), Fournier (*Madawaska-Restigouche*), Gouin, Macdonald (*Brantford*), McDonald, McGrand, Méthot, Paterson and Vien—(10).

*Present, but not of the Committee:* The Honourable Senators Grosart and Thompson.

*In attendance:*

E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

R. J. Batt, Assistant Law Clerk, Parliamentary Counsel, and Chief Clerk of Committees.

On motion of the Honourable Senator McDonald it was *Resolved* to report as follows: Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on Bill C-151.

Bill C-151, "Canadian National Railways Financing and Guarantee Act, 1967", was read and considered.

The following witnesses were heard:

*Canadian National Railways:*

R. T. Vaughan, Vice-President and Secretary, and Secretary, Air Canada.

J. W. G. Macdougall, Q.C., General Counsel.

*Present, but not heard:*

W. G. Cleevly, Co-ordinator of Capital Budgets, C.N.R.

H. D. Laing, Assistant Vice-President, Finance, Air Canada.

On motion of the Honourable Senator Vien it was *Resolved* to report the said Bill without amendment.

At 11:20 a.m. the Committee adjourned to the call of the Chairman.

Attest:

Frank A. Jackson,  
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, December 20th, 1967.

The Standing Committee on Transport and Communications to which was referred the Bill C-151, intituled: "An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1967 to the 30th day of June, 1968, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company", has in obedience to the order of reference of December 12th, 1967, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,

*Chairman.*

## THE SENATE

### THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Wednesday, December 20, 1967.

The Standing Committee on Transport and Communications, to which was referred Bill C-151, to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System for the period from the 1st day of January, 1967 to the 30th day of June, 1968, and to authorize the guarantee by Her Majesty of certain securities to be issued by the Canadian National Railway Company, met this day at 10 a.m. to give consideration to the bill.

**Senator T. D'Arcy Leonard (Chairman)** in the Chair.

**The Chairman:** Honourable senators, 10 o'clock has already struck and I see a quorum. We have before us this morning Bill C-151, the Canadian National Railways Financing and Guarantee Act of 1967. This has been debated over several sessions in the Senate and referred to the committee. We have as witnesses some gentlemen who have been with us before and who are quite well known to us: Mr. R. T. Vaughan, Vice-President and Secretary of the Canadian National Railways. He is also Secretary of Air Canada, so that he is familiar with that aspect as well.

Also with us is J. W. G. Macdougall, Q.C., General Counsel for the Canadian National Railways; Mr. W. G. Cleevely, Co-ordinator of Capital Budgets, and Mr. H. D. Laing, Assistant Vice-President, Finance, of Air Canada.

Before we proceed with any evidence, in view of the fact that this is a Government bill of some importance, shall we have the usual order for the printing of the proceedings in French and in English?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the

printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

**The Chairman:** Shall we proceed in the usual way by having Mr. Vaughan make a statement in connection with this bill and then, when he has finished, if there are any further statements that he would like the other witnesses to make they could proceed to do so, after which we might begin our questioning. Is that agreeable?

**Hon. Senators:** Agreed.

**The Chairman:** Mr. Vaughan, would you like to go ahead?

**Mr. R. T. Vaughan, Vice-President and Secretary, Canadian National Railways:** Thank you. Mr. Chairman and honourable senators, it is a great pleasure for me and the other officers to appear before you again, and we hope that the explanation we give in relation to Bill C-151 might assist you in your deliberation of it. Following that, we would endeavour to answer any particular questions you may have.

Mr. Chairman and senators, with your permission, I might like to suggest that we could proceed in the fashion that we did the last time we were here, and in that connection I would like to ask Mr. Macdougall, the General Counsel of the company, if he would give a brief explanation of the bill, clause by clause, in order to put the various elements of it into perspective, if that is agreeable.

**Hon. Senators:** Agreed.

**Mr. J. W. G. Macdougall, Q.C., General Counsel, Canadian National Railways:** Thank you. Mr. Chairman, honourable senators, as you are aware the financing of Canadian National requirements and those of Air Canada begins early in each calendar year with the preparation of the budget for both of these companies for the ensuing year. Under the

Canadian National Railways Act, section 37, there is a direction that the annual budget of the company shall be under the control of the board of directors, and the procedure is set out there for the approval of the budget. It is submitted by the board of directors, after they have approved it, to the Minister of Transport who in turn obtains the approval of the Governor in Council. This is also done pursuant to section 80 of the Financial Administration Act. Then upon the recommendation of himself and the Minister of Finance the budget is approved and then laid before Parliament. The budget that was laid before Parliament in April 1967 contained details of the work to be done and the moneys to be spent for that work for the year 1967.

In connection with the year 1967, which we are dealing with here today, this budget was approved by Order in Council No. 1967/795 on April 20, 1967. The budget was laid before both the House of Commons and the Senate at that time. That budget, as you may know, is in two parts, a capital budget and an operating budget. The capital budget details the capital works program of the company for the year, and the operating budget deals with the general operating needs of the railway's services during the year.

The purpose of this annual financing and guarantee bill is really to establish a line of credit so that we may proceed with the capital projects set out in the budget and have them financed in an orderly manner for a period of 18 months. The budget itself is an annual budget dealing with 12 months of the year. This bill is designed to provide a vehicle whereby those works can be financed not only for the year contained in the budget but to carry over into the first six months of the following year. This bill which you have before you will provide that authority for 1967 and the first half of 1968 up until July 1. It provides power to borrow the money and it also provides power if necessary for the issuance of securities to obtain those moneys.

As honourable senators are well aware, the capital requirements of Air Canada sometimes need financing arrangements. The Air Canada budget also is dealt with in much the same way as I have described for the C.N. budget and it also is placed before Parliament following approval by the Governor in Council. For the year 1967 Air Canada's budget was approved by Order in Council No.

1967/330 on February 23, 1967, and as is usual this budget for the year 1967 has been laid before both Houses of Parliament.

As a matter of convenience, the practice has been for many years that if Air Canada requires some borrowing during any particular year, this arrangement for borrowing of money and financing—it is contained in the Finance and Guarantee Act such as the one you have before you. You will see on page 2 of the bill that in addition to the requirements estimated for the year 1967 for Canadian National, under Investments of Affiliated Companies there is provision for \$67 million to be borrowed by Air Canada in the year 1967.

I will explain the makeup of clause 3 which is really the most important and perhaps the most complicated part of the bill. I should also say that the bill before you today is in the same general form as previous bills running back quite a number of years. Sometimes, as you know, this bill comes before the house quite early in the year to cover the entire year ahead, thus it may come along either before or immediately after the approval of the capital budget by order in council. Sometimes for reasons over which there is little control it comes along late in the year, such as is the case now, with the result that most of the year is gone.

As you also know, there have been occasions in the past when other things have intervened and the bill has not been passed until the following year. But this does not interfere at all with the authority of the company to go ahead with the capital projects approved by the budget. As soon as that budget is approved the company has authority to proceed with those projects. Of course, if it doesn't have the money then it has to make other arrangements—it has to borrow the money, then you need a bill of this kind to enable it to borrow the money from the Government or from the public.

Subclause (1)(a) of clause 3 of the bill deals with the capital works to be undertaken by the company in the year 1967, and these are the same capital works as were approved in the budget last April. The money to carry out those works which has been spent during the year was not borrowed but was raised by Canadian National through its own resources, such as, from depreciation, amortization, sale of preferred stock, salvage, etc. As far as Air Canada is concerned, the \$67 million shown

there as required for Air Canada's purposes would have to be borrowed by Canadian National for Air Canada.

This statement of the estimated requirements is really a statement of what we call the line of credit required by the company to carry out its projects. It also shows the limit of the line of credit. The amount required for C.N.'s projects for the year comes to \$197.8 million. That total is not shown there, but that is the total amount less the \$67 million for Air Canada. As I say, it will be available from our own resources, depreciation, amortization, sale of preferred stock, and so on. It may assist you to understand this if I look back to our performance in earlier years. In 1966 the total estimated requirements in our budget, which was approved, was for \$192 million. We estimated that we would likely not be able to complete about \$20 million of this work. That would leave us with \$172 million as our estimated capital requirements for 1966.

**Senator Grosart:** Would that include anything for Air Canada?

**Mr. Macdougall:** No. The actual amount required and in fact spent was \$176.5 million which was a shade over our estimate but was under our total authorization.

In 1965 our total estimated requirements was \$161.6 million for capital works. This, of course, had nothing to do with the day-to-day operation of the trains and so on. This was purely for capital projects. Actually in 1965 we only spent \$136.3 million. The difference in the two figures comes about because of the fact that where we get involved in expenditures of this order of magnitude, we know that everything will not be accomplished, but we cannot tell at the time we are estimating in which areas we will be unable to accomplish our objective. We do not know what may intervene to prevent this. Sometimes there is a shortage of material; sometimes there is a lack of trained personnel and sometimes we have problems of weather in remote areas of Canada. Things of this kind occur to affect our ability to carry out the capital program completely. Therefore, it is an estimate, as we have shown, of our requirements.

Perhaps I should give a little explanation of these various items of road property, branch lines, equipment, and so on. Some may wonder what is included in them.

Road property is the work done on existing lines, such as adjustment of curvature or diverting a line for some purpose. It also includes roadway improvements, which embraces all the real housekeeping of the railway, which we do each year to keep the track, buildings and structures, ballast, ties and fittings all in good condition for efficient operation. This is the type of work, as in maintaining a home, that is always with you; you have to do it to maintain your property in workable condition. It also includes items like our large terminals, such as major hump yards and main flat yards at Port Mann and Edmonton. These major programs are usually on a two- to five-year basis, and the expenditure thus continues over several years. A portion is done this year and some next year and so on, but this is the portion of that general housekeeping work we have estimated we will spend this year.

**Senator Fournier (Madawaska-Restigouche):** Has that amount been increased over the last year, Mr. Macdougall?

**Mr. Macdougall:** The amount last year, senator, was \$60,560,000, and this year it is \$79,701,000. Yes, there has been a slight increase there.

**Senator McDonald (Moosomin):** But this expenditure would not fluctuate that much in any one year over another?

**Mr. Macdougall:** No, it is a large general item of housekeeping we have every year. We have just got to live with that if we are going to keep the property in operating condition.

**Mr. Vaughan:** The sort of what you call basic machinery you require every year in this zone or range of operation. This is what we consider the basic expenditure necessary on the property to overtake obsolescence, and so on.

**Mr. Macdougall:** It also includes yard tracks, buildings, signals, roadway, shop machinery and general items—the basic things we have to have.

**Senator Fournier (Madawaska-Restigouche):** It is a maintenance item, in general?

**Mr. Macdougall:** Yes, and a replacement item.

Under branch lines you see the figure of \$13,125,000. These are expenditures we expect to make this year on new branch lines that

have been previously authorized to be constructed by individual Acts of Parliament. We have the Amesdale to Bruce Lake line, 68 miles in length, requiring \$6,415,000. There is another, in Manitoba, from Stall Lake to Osborne Lake, an extension of the Flin Flon operations of the Hudson Bay Mining & Smelting Co., 12 miles, and that is an item of \$1,740,000; and another line in Saskatchewan of 18 miles, from Watrous to Guernsey, mainly to serve a potash development, that line will require \$1,900,000. In addition, several older lines that were built in earlier years that require some finishing work to be done—making a total of \$13,125,000.

These are resource development lines being built to serve major industries in the country and all, of course, built with our having received guarantees of traffic from the industries they are going to serve to the effect that they will produce enough traffic to make the lines profitable and satisfactory.

Under equipment there is an item of \$85,304,000. This covers the things we know so well, such as locomotives, freight cars, new passenger cars, if we are buying any, and also highway vehicles—trucks, trailers, buses and things of that nature. It also includes additions and conversions to existing equipment, such as passenger and freight cars. There is a continual program of modernization of existing equipment, such as the changeover from ice-cooled refrigerator cars to mechanical refrigeration. There is a large program on the railway going from the old ice-activated to mechanical refrigerators. We are buying new types of equipment and altering various types of equipment demanded by the traffic requirements of our shippers, such as cars for wood chips, potash, sulphite pulp. We are also installing cushioning devices in many of our box cars to cut down loss and damage to freight, and are installing compartments in other cars to meet the needs of particular shippers who require compartmentization. Also we usually have a substantial program of rebuilding diesel locomotives to make them more up-to-date and efficient.

So this is a major item in order to make us competitive and to keep our fleet in a position where it can deal with the traffic requirements.

**Senator Gouin:** I would like to ask about your turbo equipment. Is it included in this amount?

**Mr. Macdougall:** No, the turbo trains, senator, is a special contract arrangement whereby the company producing them will lease them to us on a rental basis. We are not putting up any capital to buy the turbo trains.

The next item is telecommunications. It includes the general maintenance and continuance of the telecommunications plant. The inside plant, as we refer to it, includes switching equipment and other electronic apparatus and devices inside the buildings necessary to handle this type of traffic. We also have what we call outside plant: pole lines, microwave towers and things of that nature. And, as you know, we are continually being called upon to expand the capacity of our system as the demands for additional service over existing lines or in new areas continue. A great deal of the effort of the company in this department has been made in the radio telephone and microwave system in the Canadian North. Canadian National provides a great deal of service in the North, and has been a leader in opening up communication to settlements and industries there.

Under hotels, we have had a five-year program of renovation of our hotels, as honourable senators know. You have seen an example of this in the Chateau Laurier. A substantial portion of the present item is related to the renovations which have continued over these past few years in the Hotel Vancouver. This program is now pretty well drawing to a close.

"Investment in affiliated companies" I have mentioned earlier. This is the capital contribution of Canadian National to railways which we do not fully own but of which we own a part; this is the \$200,000 item called "Other".

I am sure honourable senators are aware that such companies as Northern Alberta Railways, the Toronto Terminal Railway and the Shawinigan Falls Railway are partly owned by the C.N. and partly by the C.P. We also have an interest in two American railways in Chicago; the Chicago and Western Indiana Railroad and Belt Railway Company of Chicago. We own about 8 per cent of the stock in the latter, and 20 per cent of the stock in the Chicago and Western.

**Senator Vien:** Have we on the record a list of the subsidiary and affiliated companies to which this bill refers? We are giving wide powers. I do not object to that at all, but we



are giving wide powers to the company with respect to refinancing or financing subsidiaries.

Then, I would like to ask another question along the same lines, on the distinction between the subsidiary companies wholly owned by the C.N. and what you call affiliated or associated companies. Are there any associated companies in which the C.N.R. have only a part ownership, or is it entirely owned by the C.N.R.?

**Mr. Vaughan:** Mr. Chairman, perhaps in a general way I could refer to that.

Each year, under the various statutes that exist, and principally the Canadian National Railways Act, which is on the statute books and is a statute which, by its predecessor statutes, goes back to 1919, the company is required each year to lay before Parliament, as it does, a copy of its annual report of the year's operations.

**Senator Vien:** In this booklet do you give the ownership of the shareholdings and the corporate ones?

**Mr. Vaughan:** Yes, in this book you will find all this detail.

**Senator Vien:** What is the title of the booklet?

**Mr. Vaughan:** It is called the *Canadian National Railways Annual Report*, and the most recent one is for the year 1966. You will see there, Senator Vien, all this detail to which you refer.

**Senator Vien:** As a general statement, could you say if all the companies to which we suggest the C.N.R. should be allowed to lend money, or to assist in any other way financially, are separately incorporated companies?

**Mr. Vaughan:** Oh yes, sir, they are separately incorporated companies. Some of them exist under old charters which the Parliament of Canada granted even before Confederation. They were the first railways. We are in an historic room here, and I would say that back even before the Act of Confederation, to 1836, there were charters given by provincial legislatures. The first railway act was passed around 1836. There were actually 300 or 400 companies that would be the predecessor companies of the Canadian National Railway Company as you know it today. The companies that now comprise the Canadian National Railway Company are all listed in this annual

report. There is really nothing in this legislation before you that expands, extends or increases any of the authorities that the Canadian National has under its prior statutes.

**Senator Vien:** I was under the impression that when the Canadian National Railway Company was consolidated it acquired the equity in all of these subsidiaries or affiliated companies, and there was only the bonded indebtedness that was outstanding.

**Mr. Vaughan:** That is correct. We acquired the debt. There really was not much equity. That is the reason why the consolidation was made. Looking back into history, as many of the senators know, that was the basic reason for the consolidation—many of these companies were facing bankruptcy. This was the reason for the consolidation in the 1919 statute.

**Senator Vien:** Does that apply to shares in the capital stock of the subsidiaries as well?

**Mr. Vaughan:** Yes.

**Senator Vien:** I thought we had acquired all of them.

**Mr. Vaughan:** Yes, you acquired all of them. Everything was acquired, but what I was really saying was that the acquisition was really mostly debt. The shares were there, but they had no value. This was the whole point of it. Canada assumed the debt.

**Senator Vien:** Were there any other people outside of the C.N.R. who had an equity in these companies, outside of a bonded holding?

**Mr. Vaughan:** I think, through the legal department, we endeavoured to gather in all of those shares that were held. There may have been a few items held, but there is nothing of any size. In any event, these shares are of no value. It was really a matter of simple consolidation, and we tried to gather in all the shares that were outstanding, and then many of the charters of these companies were surrendered.

**Mr. Macdougall:** Over the past number of years we have had a very active program of endeavouring to amalgamate the companies, and so get rid of this huge list. We had a list at one time of about 90 companies, and we are now down into the twenties. We have amalgamated many of these companies, and

eliminated some of them entirely. We found in this process that there were a few shares of stock at some place or other, and these were gathered in to the greatest extent possible. But, most of them were worth nothing because the debts of the company were so much greater than the assets, and the stock was actually worthless.

**Senator Méthot:** What is the company that you mentioned operating at Shawinigan Falls?

**Mr. Vaughan:** It is a small switching terminal railroad in Shawinigan Falls serving the C.N. and the C.P.

**The Chairman:** Would you like to go ahead with your statement, Mr. Macdougall?

**Mr. Macdougall:** Yes, sir. If you look at paragraph (b) of clause 3(1), which is on page 2 of the bill, you will see that having dealt with the capital program for the year 1967 we look ahead to the next six months of the 18-month period covered by this bill. You will see there that authority is given to make capital expenditures not exceeding \$135 million during the first half of 1968—that is, up to July 1, 1968.

The \$135 million is made up of a requirement for \$80 million for capital works for Canadian National, which it plans to execute in the first half of 1968, and \$55 million on behalf of Air Canada.

The \$80 million for Canadian National will not require outside borrowing, other than interim financing, because it will be generated from internal sources of the company, just as all the capital requirements for 1967 have been. Air Canada's \$55 million will be raised by borrowing.

Paragraph (c), just below that, is an important part of this financing arrangement. As honourable senators well know, the contract requirements for both Canadian National and Air Canada are spread over a number of years. Contracts may be made in 1964, to be performed in 1967, 1968 or 1969—for the purchase of equipment and other material.

Paragraph (c) authorizes Canadian National to enter into contracts during the first six months of 1968 to the extent of \$94 million, and the payments for those contracts will not be required until later on in 1968 after the expiry of the first six months, and probably not until 1969, 1970 or 1971. Most of this is for equipment. A large portion of this \$94 million—something in the order of \$75 mil-

lion—is for orders for equipment. If we do not place these orders now we will not get the equipment when we need it. This authority is given to enter into these contracts, but the actual money to be spent will be included in future budgets.

**Senator Fournier (Madawaska-Restigouche):** What percentage of that will be for rolling stock?

**Mr. Macdougall:** About \$75 million of the \$94 million.

**The Chairman:** Does paragraph (c) cover any part of Air Canada's requirements?

**Mr. Macdougall:** No, it does not, sir.

**Senator Vien:** This is still a basic departure from the usual practice of financing from year to year?

**Mr. Vaughan:** This is what we have done for many years. It is no different. It has served us well. We have used it, tried it, and worked with it, and it is satisfactory. It is no different from what it has been.

**Mr. Macdougall:** Now, I should say that in our next ensuing Financing and Guarantee Act which will come a year from now, the \$135 million that I referred to, and for which authority to spend in the first half of 1968 is given, will be included in the overall budget for 1968. In the same manner in the \$264.8 million in paragraph (a) there is included the amount that was approved in the 1966 Financing and Guarantee Act for the first half of 1967. Thus there is no duplication.

**Mr. Vaughan:** Those figures on page 2 will form part, in the next financing act, of the comparable figures that you see now in the authority that is to be given under this bill.

**Mr. Macdougall:** Yes, that is right.

**Mr. Vaughan:** It goes back again, do you see?

**The Chairman:** Yes.

**Mr. Macdougall:** Now, the remainder of Clause 3—that is, subclauses (2), (3), (4), (5) and (6)—deal, with the standard provisions giving Canadian National, with the approval of the Governor in Council, the general authority to borrow from the minister to provide interim financing for Air Canada, which we referred to earlier. There is a general authority to issue securities for that purpose, and a direction that these matters are to be set out definitely in next year's budget—which, of course, we always do.

Section 4 is related to the issuance of securities by the National Company, either to the public or to the Government, for the requirements of Air Canada that have been mentioned.

So far as Canadian National is concerned, while in former years we had to borrow from the Government and the public, we are now in a position where we do not need to do that, but Air Canada, as you know, is met with a situation where it will be required to borrow, mainly for the provision of new aircraft. This provision authorizes the issue of securities to look after these requirements. The total of \$122 million is made up of \$67 million for 1967, to which I referred earlier, plus \$55 million, which is part of the \$135 million in paragraph (b) on page 2, to which I also referred earlier. It is a combination of those two amounts, and is referred to in the explanatory note opposite section 4.

Section 5 authorizes the Governor in Council to guarantee these securities when issued, which is the normal practice.

Section 6 grants authority to the Minister of Finance to loan money to Canadian National which may be required by Air Canada before we have been able to do the financing through securities. Sometimes it is necessary to get money more quickly and this allows the Minister of Finance to make these loans and have them repaid out of the proceeds of the securities. If a public issue is required, this has been done in the name of Canadian National. When the funds are obtained from the minister they stand in their books for C.N., earmarked for Air Canada. Here again you see the amount required is \$122 million, referred to earlier in paragraph 4.

Section 7 contains the general statutory authorization permitting Canadian National to consolidate the capital requirements for telecommunications, hotels, steamships, etc., and it is in the normal form so that we can operate the whole enterprise as an entity.

Section 8 again is a usual requirement which we have always had, that if we do go to the public and sell bonds the proceeds shall be deposited to the credit of the Minister of Finance and then paid out by him. It is the mechanics of how we get the money when the bonds are sold to the public.

Sections 9 and 10 are again normal sections which are in each one of these bills. As I am sure honourable senators are aware, it is usual that at the beginning of the year there

are heavy requirements for operating expenses, and revenues may not be able to keep pace with expenses, so we may require some borrowing to keep going.

Section 9 provides assistance for Canadian National in this regard where the earnings of the company are insufficient to meet its operating requirements. The Minister of Finance may advance money to cover the deficits, and when sufficient funds come into the company treasury these advances are paid off. It is the same thing for Air Canada under section 10.

Sections 11 and 12 are required because of the expiry of the provisions in the Canadian National Railways Capital Revision Act, 1952. Because of this these sections have been incorporated in every Financing and Guarantee Act subsequent to the expiry of the ten-year period in the 1952 act—that is since 1962. They continue the principles of that act until such time as some new capital revision arrangements may be made and approved by Parliament.

The first one provides that C.N. is relieved of the interest payment of the sum of \$100 million, and the second provides for the purchase by the Minister of Finance of 4 per cent preferred stock in an amount equal to 3 per cent of our gross earnings per annum. This is one of the provisions of the Canadian National Railways Capital Revision Act of 1952 which are being carried on. The real effect of sections 11 and 12 is to extend what was intended to be a ten-year period set out in the 1952 Capital Revision Act. It has now become a 15-year period up to the end of 1967.

Section 13 provides for the appointment of auditors for C.N. for the year 1968 and is in the usual form contained in this bill each year.

I hope that gives a clear indication of what the bill is intended to do and what it covers. Thank you.

**Senator Fournier (Madawaska-Restigouche):** Do you always go to the same firm of auditors?

**Mr. Macdougall:** Over a long period of time I would say, no; they change from time to time.

**Mr. Vaughan:** Perhaps I could answer that. We do not appoint the auditors; Parliament does. This appointment of the parliamentary auditor is another requirement which is in another statute, in the Canadian National

Railways Act. It reverts back to the old C.N.-C.P. act, whereby Parliament ordered by statute that the auditor be appointed by Parliament to carry out a continuous audit of the accounts and affairs of the railway system. This is a Government bill and we do not select the auditor; the Government does.

**The Chairman:** I might add that I happen to have in my file a 1962 report, and there was a different auditor at that time.

**Mr. Vaughan:** Yes, they change; it is not the same auditor forever.

**Senator Fournier (Madawaska-Restigouche):** I am not being critical of the auditors, I am just getting curious.

**Senator Grosart:** Mr. Vaughan, when the budget is, to use your not too clear phrase, laid before Parliament, I understand it normally goes to a standing committee of the House of Commons. Is that so?

**Mr. Vaughan:** The procedure is this. Around about now in the company we are putting together the final phases of the 1968 capital budget, and when it is ready that will go to the board of directors of the company, who are ordered by statute to approve the capital budget of the system. When that is done the company forwards this budget to the Minister of Transport and the Minister of Finance. There then ensue various discussions between the company, the Department of Finance and the Department of Transport concerning various features and aspects of the budget, relative to the financing arrangements, if any, that may be required.

Following consideration by the Government—and I do not wish to speak on behalf of the Government; I merely want to give you the procedure—it goes to the Governor in Council and an order in council issues. That order in council is then laid before Parliament. If that is not the correct phrase, it is tabled in Parliament, in any event. After the order in council is passed, the budget is tabled in Parliament.

The other procedure associated with and allied to that is that at about the same time our annual report is referred to Parliament, that is, it is presented to or laid before Parliament. The House of Commons then refers the annual report and the annual budget to a committee of the House. The officers of the company are then called to appear before the House of Commons Transport and Communications Committee, and each year we go there and deal with this annual report and the

budget. Following that examination of the officers on all aspects of the company the budget is then put into this legislative form. That bill is then introduced in the House and debated there; it is not referred to a committee there. It is then referred to the Senate, and the Senate deals with it and refers it to this committee. That roughly, Senator Grosart, is the procedure that is followed.

**Senator Grosart:** Was the 1967 budget and report referred to a Commons committee?

**Mr. Vaughan:** Yes, sir, we appeared before a House of Commons committee. I am not sure of the date, but I believe it was in May or June. In any event, we do go before a committee. Air Canada was there in April and I believe we were there in June; it was in that approximate vicinity. It may vary from March, April and May. These are the times we are called before the committee, depending on house business.

**Senator Fournier (Madawaska-Restigouche):** That is at a time when it has a couple of easy days, I understand.

**The Chairman:** This bill is generally dealt with in Committee of the Whole House, is it not?

**Mr. Vaughan:** Yes, it follows its normal procedure there. Perhaps I eliminated that stage of the house procedure. They take it through its full three readings and it goes through Committee of the Whole.

**The Chairman:** The Special Committee of the House of Commons deals with the budget and the annual report. When the bill comes along the Committee of the Whole deals with it. We rather change the procedure.

**Mr. Vaughan:** Rather than repeat the procedure, I gather that is the reason for this. You do not want to have a duplicate of the method and the manner of that procedure, I gather.

**Senator Grosart:** Why is it necessary to have this act authorized by Parliament, when the details in the act, the grants in the act, the authorities under the act are already approved?

**Mr. Vaughan:** There are certain elements of this legislation that cannot be implemented until you pass it.

No. 1 is any borrowings that are required, that are referred to here, cannot be proceeded with, nor can they be implemented, until this legislation is considered and approved by you. And particularly the borrowings that are

mentioned here, referring to Air Canada. The Government cannot lend the money to Air Canada until this legislation is approved.

No. 2, the references to the preferred stock purchases by the Minister of Finance—they cannot be implemented until this legislation is approved.

Furthermore, the auditor is another element—he cannot officially be paid nor be the legal auditor, until this legislation is approved.

In prior years, perhaps the reason why the practice was that this legislation went to Parliament early in the year, back in the 1950s, was that the borrowing that the Canadian National had in its budget was a very sizeable amount of money. The borrowing requirement did run into \$200 million or \$300 million in the budgets involved. And that borrowing to be arranged with the Government and the Bank of Canada could not be implemented until this legislation was approved by Parliament.

The other element, of course, why the practice is not continued of arranging to pass it in the spring, is that since 1960 the Canadian National system has not required any borrowing to finance its capital expenditures at all, although the authorities and the powers are still, nevertheless, contained in the legislation. All of this money that is involved here for the Canadian National comes mainly through its depreciation account and the preferred stock. However we cannot get the preferred stock funds from the Government until this legislation is passed. So it is meaningful legislation and there are many things that cannot be done until it is on the books.

**Senator Grosart:** Is there a reason why the things that can be done without the authorization of this bill are included in a bill such as this?

**Mr. Vaughan:** The point you make is, I suppose, in some respects a valid one and I have read your remarks in the Senate concerning this. Granted, I know there are certain improvements which can be made in everything. I suppose the reason is that this is the way it has been done. It also has the merit of showing in a complete fashion, everything having to do with the system and its finances for the calendar year.

There are certain authorities that we derive from the other various statutes that Parliament has passed in years gone by. We draw the authorities from those, and for some of

the things that you mention—for instance, the Order in Council was passed pursuant to the Financial Administration Act. That is the statute that Parliament considered and passed some twenty years ago. That gave a method and manner of procedure of continuity for these enterprises to carry on. That is the reason for that. But there is certain room for improvement in anything and I and perhaps the Department of Finance would recognize this. And in the future we could consider this when we consider the other capital structure arrangements that are referred to in this bill.

**Senator Grosart:** Would it make the operation of the company or the system more difficult if your estimates were brought before Parliament in the way that those of the department are?

**Mr. Vaughan:** I have a comment on that but I would like to offer it as a personal comment and really not in relation to the bill.

The tradition and concept of the operation of the Canadian National system, if you look back over its history, was the subject of many royal commissions. The principal one, I believe, would be the Drayton-Acworth Commission back in 1917. That commission was set up because of the difficulties that the then railroads were encountering. After exhaustive review of the operation, (that commission also examined railway operations of many countries throughout the world), it came to the conclusion that it would be better for Canada to have a commercial operation and not have the system operated as a department of Government.

This is the concept of it, but the control and management of it, are nevertheless circumscribed by statutory protections given to a board of directors; and that board of directors by statute is then answerable to Parliament by its annual report. The supreme and final authority rests with Parliament to remove the board of directors and do anything it wishes concerning the system.

My only comment leading from that is that, personally, while I think there is nothing wrong with the manner in which the Departmental estimates are considered, I think that, in dealing with a commercial organization of this kind, it is to the benefit of the organization that it operates commercially and in that fashion, and that the responsibility for the management be left to the managers, with, I say, the statutory controls that Parliament may wish to impose on it.

**Senator Grosart:** Mr. Vaughan, that was not my point. I would agree fully that that would go further than the present arrangements go in allowing a system to operate more commercially.

**Mr. Vaughan:** I thought that was what you had in mind.

**Senator Grosart:** My question here is really related to the fact that you do derive your authority from two ministers.

**Mr. Vaughan:** Well, through statute.

**Senator Grosart:** It does not matter whether...

**Mr. Vaughan:** It is by statute. It is important to remember, that it is by statute.

**Senator Grosart:** It could not be derived any other way.

**Mr. Vaughan:** Well, there may be discretion granted to ministers, under statute.

**Senator Grosart:** I object myself to this principle, because it is an extension of executive authority by order in council, which to me is a highly dangerous thing in a democratic system.

Surely there must be some more sensible way of handling this whole thing? You say that you wish the C.N.R. to operate commercially and to be responsible to Parliament, but this is not what is happening here. This is not the situation that faces us.

**Mr. Vaughan:** Really, senator, with due respect, and I respect your views but I think you really take me beyond my call here.

**Senator Grosart:** I only want you to speak from the point of view of the system, not the politics.

**Mr. Vaughan:** I know that honorable senators will indulge me in this, that I would not care to engage here in discussion as to whether or not a system is good as related to that broad general question. There are points however that would bear consideration.

**Senator Grosart:** Can I ask one further question? Does it still make sense to have Air Canada tied in this way to the operation of the system?

**Mr. Vaughan:** My only comment on that is—when you say “tied”—and I preface my remarks by saying that I am an Air Canada officer as well, and Mr. Laing, Assistant Vice President, Air Canada, is here, and Mr. Macdougall is associated with Air Canada affairs. I could say that the reason

for this developed because Air Canada, while in a technical, legal sense, is a wholly owned subsidiary of Canadian National, has for all practical purposes its own management. It submits its capital budget to Government; it submits its own annual report to Parliament. Its president appears before a parliamentary committee, and my comment is that there really is not any inhibition, as I see it, on Air Canada through this method. The reason that it developed in this way was that Canadian National acted as the banker for Air Canada because in the early stages of Air Canada's development its financing was but a fraction of the Canadian National requirements.

But the situation now is changing. You see in this bill that there is no borrowing on the C.N. side but Air Canada does have requirements. And as it goes on into the future, with airplane development and acquisitions, then there are going to be more financing arrangements that will have to be worked out.

But I know to which element you are referring, and I would like, with your indulgence, to leave it on this point, that the particular matter of the financing arrangements which must be worked out vis-a-vis Air Canada's capital acquisitions over the next few years is now under active consideration between the company and the Government, and I would hope that some sensible system will be devised.

**Senator Grosart:** But, Mr. Vaughan, is there any compelling reason from the corporate viewpoint of either company why Air Canada should not operate as a separate Crown corporation?

**Mr. Vaughan:** Well, it does in all respects. It is a corporation, you know, incorporated by statute.

**Senator Grosart:** Let me say, then, as a corporation unaffiliated—to use the term in the act.

**The Chairman:** In other words, why should the present connection, whatever it may be, not be severed so that they would be two separate Crown corporations?

**Mr. Vaughan:** Yes, I see that point.

**Senator Grosart:** I am asking; is there a compelling corporate reason? I am not asking you to discuss policies.

**Mr. Vaughan:** I do not wish to discuss policies, because, as you know; these matters are under consideration at the moment. But there

are benefits to the two corporations being affiliated, and Air Canada's senior officers would be the first to admit that in many respects. But I did say, and I think it is fair to say—and Mr. Laing, if he wishes to, might make a comment on that—that I do not consider any inhibitions on the Air Canada management resulting from the affiliation.

But the point you are making—and I have read about it in the *Financial Post* and elsewhere—is a matter that is now under active consideration and debate. As I say, it is a matter that is current at the moment.

**The Chairman:** Are there any other questions?

**Senator Vien:** Mr. Chairman, I think that the company has submitted a very satisfactory submission in support of this bill which tends to obtain certain powers according to the normal method followed from year to year.

The Canadian National Railways and Air Canada are two great national assets of which we are all very proud and from which we have all benefited very largely. They have been a substantial and powerful factor in the growth of the Canadian nation, and without them we would not have accomplished so much as we have in the last 100 years, and more particularly in the last 50 years during which time both systems have been in operation.

Both of these systems are national assets, but the time may come—perhaps it has already come—when there should be greater competition between the air lines in Canada, with a view to giving greater service to the public. After all, these are public utilities created for the purpose of serving the public. In any event, I am quite sure that in the near future it will become necessary to allow increased competition in air services. At the same time, it may also be necessary not to allow one corporation to become gigantic in all fields. Perhaps when that moment comes it might be wise for Air Canada to fly on its own wings, without counting on the Canadian National.

However, to this day I believe it has been of immense benefit, both for the two companies and for the Canadian people at large, that they have been co-ordinated, for it has helped them substantially in their beginnings, enabling them to overcome the disabilities of a first period of establishment.

I recall that I was in Parliament in 1936 when the hon. C. D. Howe introduced that bill, and at that time it was thought we could have Air Canada as a separate entity. As a matter of fact, we offered 50 per cent ownership in Air Canada—at that time of course it was known as Trans Canada Air Lines—to the Canadian Pacific Railways, but they flatly turned the offer down, stating that it would always be a deficit and a drag on the country.

Well, I would say that we have proved that Air Canada is a great asset to the country today and that it should continue to grow and give greater services from day to day. We have been extremely fortunate in this country to have had such able management in charge of Air Canada and the Canadian National Railways, who have given their best to make them a success.

I was interested in hearing the story of these deficient companies that had been grouped together to make the Canadian National Railways System. I was on the Board of Railway Commissioners when Sir Henry Thornton tried to reconcile the various views of the Canadian Northern Railways, the Intercontinental Railway and the Canadian Government railways and so on, all of which had been living within the corporate entity of the particular section of the system. They continued, when they were joined in the national system, to have their own views of the importance of their particular districts and sections, and they had also in the back of their mind that one day, sooner or later, the Canadian National Railways would give back to these various sections the corporate entity and would allow them to prosper on their own. But it was not thought feasible to do that, and it would have been a serious mistake to do so.

The Canadian National Railways, therefore, has had great success through its very efficient management, and like it so has Air Canada. I think we should all be very proud of the fact.

This morning we have had a remarkable submission concerning these powers, which are normal. So far as I am concerned, if the committee is ready, I will move that we adopt the bill.

**The Chairman:** Thank you, Senator Vien. Is there any further discussion on the matter?

**Senator Fournier (Madawaska-Restigouche):** Could we take half a minute to have a word on the future of the turbo, or is that a secret?

**Mr. Vaughan:** Well, the turbo train which you see on the cover of this annual report is a new concept. It was designed by United Aircraft Corporation of the United States. The train engines are being built, and have been designed by, United Aircraft Company of Canada at Longueuil near Montreal. The train itself is being constructed in Montreal by the Montreal Locomotive Works. We have ordered five trains, not on a purchase basis because it was a new concept, but on a lease arrangement with United Aircraft Corporation of Canada. These trains should be in operation in 1968. There has been some delay in the construction of the trains and the principal reason was that the prototype train being built by the American authorities in Chicago became delayed through shortages of materials, and so on, and also through some matters of design they wished to correct. But the program is going forward. The first train is out of Montreal Locomotive Works and is now being tested. We hope and expect that

the deliveries will come along in 1968, and we are convinced from the engineering discussions that have been going on that it is going to be a very fine train, but as with anything else involving a new concept there have to be many tests made, and so far they have proven that the concept is firm and sound.

**The Chairman:** Any further discussion? Shall I report the bill without amendment?

**Hon. Senators:** Agreed.

**Mr. Vaughan:** Mr. Chairman, Senators, we thank you very much for your kind attention and the interested hearing you gave us. We look forward to seeing you again, and we wish you all the best for the Holiday season.

**The Chairman:** Thank you, Mr. Vaughan. We reciprocate your good wishes and we look forward to seeing you again.

The committee adjourned.





Mr. Vaughan: Well, the turbo train which you see on the cover of this annual report is a new concept. It was designed by United Aircraft Corporation of the United States. The main engines are being built, and have been designed by, United Aircraft Company of Canada at Longueuil near Montreal. The train itself is being constructed in Montreal by the Montreal Locomotive Works. We have ordered five trains, not on a purchase basis because it was a new concept, but on a lease arrangement with United Aircraft Corporation of Canada. These trains should be in operation in 1968. There has been some delay in the construction of the trains and the principal reason was that the prototype train being built by the American authorities in Chicago became delayed through shortages of materials, and so on, and also through some matters of design they wished to correct. But the program is going forward. The first train is out of Montreal Locomotive Works and is now being tested. We hope and expect that

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The Chairman: Any further discussion? Shall I report the bill without amendment?

Hon. Senators: Agreed.

Mr. Vaughan: Mr. Chairman, Senators, we thank you very much for your kind attention and the interested hearing you give us. We look forward to seeing you again, and we wish you all the best for the Holiday season.

The Chairman: Thank you, Mr. Vaughan. We reciprocate your good wishes and we look forward to seeing you again.

The committee adjourned.



Second Session—Twenty-seventh Parliament

1967-68

Extract from the Minutes of the Proceedings of the Senate, Thursday,  
February 1, 1968

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

The Honourable T. D'ARCY LEONARD, *Chairman*

No. 6

*Complete Proceedings on Bills S-33 and C-163,*

intituled:

“An Act respecting The Bonaventure and Gaspé Telephone Company, Limited”.

“An Act to implement a broadcasting policy for Canada, to amend the Radio Act in consequence thereof and to enact other consequential and related provisions”.

TUESDAY, FEBRUARY 20, 1968

WITNESSES:

BILL S-33:

Honourable Senator Langlois, Sponsor; John G. Porteous, Q.C., Counsel; Jacques Fortier, Counsel, Dept. of Transport.

BILL C-163:

The Honourable Judy LaMarsh, Secretary of State; G. G. E. Steele, Under Secretary of State; D. Sim, Member, Board of Broadcast Governors; Dr. Andrew Stewart, Chairman of the Board of Broadcast Governors; W. A. Caton, Controller, Radio Regulations Division, Dept. of Transport; Dr. George F. Davidson, President, Canadian Broadcasting Corporation.

REPORTS OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1968



Second Session—Twenty-seventh Parliament

1987-88

THE STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

- |  |                                    |
|--|------------------------------------|
| Aird,                                      | Lang,                              |
| Aseltine,                                  | Lefrançois,                        |
| Beaubien ( <i>Provencher</i> ),            | Leonard,                           |
| Bourget,                                   | McCutcheon,                        |
| Burchill,                                  | McDonald,                          |
| Connolly ( <i>Halifax North</i> ),         | McElman,                           |
| Croll,                                     | McGrand,                           |
| Davey,                                     | Méthot,                            |
| Desruisseaux,                              | Molson,                            |
| Dessureault,                               | Paterson,                          |
| Farris,                                    | Pearson,                           |
| Fournier ( <i>Madawaska-Restigouche</i> ), | Phillips,                          |
| Gélinas,                                   | Power,                             |
| Gershaw,                                   | Quart,                             |
| Gouin,                                     | Rattenbury,                        |
| Haig,                                      | Roebuck,                           |
| Hayden,                                    | Smith ( <i>Queens-Shelburne</i> ), |
| Hays,                                      | Thompson,                          |
| Hollett,                                   | Thorvaldson,                       |
| Isnor,                                     | Vien,                              |
| Kickham,                                   | Welch,                             |
| Kinley,                                    | Willis—(45).                       |
| Kinnear,                                   |                                    |

*Ex officio members:* Connolly (*Ottawa West*) and Flynn.

(Quorum 9)

REPORTS OF THE COMMITTEE

HOGAN DUNHAM, P.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1988

MINUTE ORDERINGS  
ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, February 1, 1968:

"Pursuant to the Order of the Day, the Honourable Senator Langlois moved, seconded by the Honourable Senator Cameron, that the Bill S-33, intituled: "An Act respecting The Bonaventure and Gaspé Telephone Company, Limited", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Langlois moved, seconded by the Honourable Senator Cameron, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, Thursday, February 15, 1968:

"Pursuant to the Order of the Day, the Senate resumed the debate on the motion of the Honourable Senator Davey, seconded by the Honourable Senator Kinnear, for second reading of the Bill C-163, intituled: "An Act to implement a broadcasting policy for Canada, to amend the Radio Act in consequence thereof and to enact other consequential and related provisions".

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Davey moved, seconded by the Honourable Senator Urquhart, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—

Resolved in the affirmative."

ROBERT FORTIER,  
Clerk of the Senate.

MOTIONS:

(Full text of the following motions will be found by reference to the evidence herein.)



YEAS—12      NAYS—1

## MINUTES OF PROCEEDINGS

TUESDAY, February 20, 1968.

(6)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 9.30 a.m.

*Present:* The Honourable Senators Leonard (*Chairman*), Bourget, Burchill, Connolly (*Ottawa West*), Connolly (*Halifax North*), Croll, Davey, Gélinas, Haig, Hollett, Lefrançois, McCutcheon, McDonald, McElman, McGrand, Méthot, Paterson, Pearson, Power, Quart, Rattenbury, Roebuck, Smith (*Queens-Shelburne*), Thompson and Willis—(25).

*In attendance:*

E. Russell Hopkins, Law Clerk and Parliamentary Counsel.

R. J. Batt, Assistant Law Clerk and Parliamentary Counsel.

On motion of the Honourable Senator Croll, it was resolved to report recommending that 800 English and 300 French copies of these proceedings be printed.

Bill S-33, "An Act respecting The Bonaventure and Gaspé Telephone Company, Limited", was read and considered.

The following were heard:

Honourable Senator Langlois, sponsor.

John G. Porteous, Q.C., counsel.

Jacques Fortier, Counsel, Dept. of Transport.

On motion of the Honourable Senator Croll, it was resolved to report the Bill without amendment.

Bill C-163, "An Act to implement a broadcasting policy for Canada, to amend the Radio Act in consequence thereof and to enact other consequential and related provisions", was read and considered clause by clause.

The following were heard:

The Honourable Judy LaMarsh, Secretary of State.

G. G. E. Steele, Under Secretary of State.

D. Sim, Member, Board of Broadcast Governors.

Dr. Andrew Stewart, Chairman of the Board of Broadcast Governors.

W. A. Caton, Controller, Radio Regulations Division, Dept. of Transport.

Dr. George F. Davidson, President, Canadian Broadcasting Corporation.

MOTIONS:

(Full text of the following motions will be found by reference to the evidence herein.)

The Honourable Senator Flynn moved that clause 2(i) be deleted.

The question being put, the Committee divided as follows:

YEAS—4

NAYS—12

Motion lost.

The Honourable Senator Flynn moved an amendment to clause 2(i).

The question being put, the Committee divided as follows:

YEAS—4

NAYS—9

Motion lost.

The Honourable Senator Flynn moved an amendment to clause 16(1)(b) (i).

The question being put, the Committee divided as follows:

YEAS—3

NAYS—10

Motion lost.

The Honourable Senator McCutcheon moved an amendment to clause 28(1).

The question being put, the Committee divided as follows:

YEAS—3

NAYS—10

Motion lost.

On motion duly put, it was resolved to report the Bill without amendment, on division.

At 12.30 p.m. the Committee adjourned to the call of the Chairman.

Attest.

John A. Hinds,

Assistant Chief, Committee Branch.



REPORTS OF THE COMMITTEE

TUESDAY, February 20, 1968.

The Standing Committee on Transport and Communications to which was referred the Bill S-33, intituled: "An Act respecting The Bonaventure and Gaspé Telephone Company, Limited", has in obedience to the order of reference of February 1st, 1968, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
*Chairman.*

TUESDAY, February 20, 1968.

The Standing Committee on Transport and Communications to which was referred the Bill C-163, intituled: "An Act to implement a broadcasting policy for Canada, to amend the Radio Act in consequence thereof and to enact other consequential and related provisions", has in obedience to the order of reference of February 15th, 1968, examined the said Bill and now reports the same without amendment.

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
*Chairman.*



## THE SENATE

### THE STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Tuesday, February 20, 1968.

The Standing Committee on Transport and Communications, to which was referred Bill S-33, respecting The Bonaventure and Gaspé Telephone Company, Limited, met this day at 9.30 a.m. to give consideration to the bill.

**Senator T. D'Arcy Leonard (Chairman)** in the Chair.

**The Chairman:** Honourable senators, it is now 9.30 and we have a quorum.

Two bills have been referred to us for consideration, namely, Bill S-33, respecting The Bonaventure and Gaspé Telephone Company, Limited, and the other is Bill C-163, the very important broadcasting bill. The Secretary of State and other witnesses will appear before us in respect of Bill C-163. As Bill S-33 is a private bill, and our proceedings on it may not be too protracted, I suggest that we proceed with its consideration first.

May I have the usual motion with respect to the reporting and the printing of the proceedings of the committee on this bill. This is a bill that originates in the Senate.

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

The sponsor of Bill S-33 is Senator Langlois, and I believe he has some witnesses here in support of the bill. Mr. Fortier, the legal counsel for the Department of Transport is also present.

Senator Langlois, would you like to introduce this measure to the committee?

**Senator Langlois:** Mr. Chairman and honourable senators, when I introduced this bill in the Senate at the beginning of the month I

said that its purpose was to resolve doubts as to whether the Bonaventure and Gaspé Telephone Company may dispose of its undertaking to a company incorporated under the laws of a province.

The Bonaventure and Gaspé Telephone Company, Limited was incorporated under federal law, and the majority of its stock—98 point something per cent—was purchased in 1956 by the Quebec Telephone Company. Ever since then and for all practical purposes the activities of the two companies have been joined under a common management. This company operates exclusively within the limits of the Province of Quebec, and the district it serves is completely surrounded by that served by the Quebec Telephone Company.

The company is contemplating improvements to its system. I should add, for your enlightenment, that this telephone system is a global one, and it has become necessary to improve it and bring it up to the standards of telephone systems operating in urban centres. To achieve this purpose the company will need some financing, which financing will have to be supported by the Quebec Telephone Company.

Quebec Telephone, then, is desirous of acquiring the assets of the Bonaventure and Gaspé Telephone Company, Limited, and since, as I said at the outset of these remarks, there is a doubt as to the ability of the company to sell this system, which comes under federal jurisdiction, to a company which is incorporated under the laws of the Province of Quebec, it has been deemed prudent, to say the least, to have the situation clarified, and to come before the federal Parliament in order to have this doubt resolved.

I have with me this morning Mr. John Porteous from Montreal, counsel for the Bonaventure and Gaspé Telephone Company Limited; Mr. Norman Gendreau, the second vice-president and treasurer of the company, and Mr.

Côté the secretary of the company. I am sure these gentlemen would be only too pleased to add any further information which honourable senators may desire to obtain. That is all I want to say by way of opening remarks. I am your entire disposal to answer questions you may wish to put.

**The Chairman:** Mr. Porteous, we are glad to have you here, and the committee would like to hear from you.

**Mr. John G. Porteous, Q.C., Counsel, The Bonaventure and Gaspé Telephone Company Limited:** I find it difficult, honourable senators, to follow Senator Langlois, because I think his exposé was so clear and to the point. We are a small company, having some 14,000 telephones in service compared with the Quebec Telephone Company which has about 112,000. For many years it has been operated practically as part of the Quebec Telephone Company. In order to avoid endless expenses, which run into many thousands of dollars a year, a great deal of extra book-keeping, and so on, we would like to transfer the assets of the Bonaventure and Gaspé Telephone Company undertaking to the Quebec Telephone Company, so that what is now being done can be done, perhaps I might say, legally. At the moment all the people working for the Bonaventure and Gaspé Telephone Company are employed by the Quebec Telephone Company for two reasons, namely to provide an opportunity for advancement in seniority and for better use of working crews. This bill will have no effect on the labour force.

The Quebec Telephone Company has, in the last five years, invested some \$7 million or \$8 million in a construction program, and there is a construction program of some \$9 million for the current five-year period. If the Bonaventure and Gaspé Telephone Company assets form part of the same undertaking, the Quebec Telephone Company will be able to finance it better, have better security and a better bond, and it will be easier to market. That is one of the secondary reasons why we want to transfer the assets of the Bonaventure undertaking, apart from avoiding expense.

**Senator Paterson:** Are the shareholders the same in both companies?

**Mr. Porteous:** There are four shares outstanding out of about 44,000. These four shares belong to an estate in Detroit which

has accepted an offer for their shares. There are some transfer tax problems which have not been cleared up. We made an offer considerably in excess of the book value of the shares and that offer has been accepted.

The company was originally formed by residents and was rather a haywire arrangement. They had only \$100,000 and they refused to borrow, and the 120 miles of telephone line divided into the \$100,000 did not go very far.

**Senator Paterson:** Can you legally be taken over by the Quebec Telephone Company without those shareholders?

**Mr. Porteous:** We could sell the assets and divide up the proceeds, but the offer made for the four shares is larger than we think would be a fair price. It saves costs by paying more for the four shares.

**Senator Paterson:** Have you given a time limit to the Bonaventure shareholders?

**Mr. Porteous:** There are four shares.

**Senator Paterson:** Only four?

**Mr. Porteous:** Yes, four out of 44,000. It is one shareholder holding four shares.

**Senator Paterson:** I did not understand that.

**Senator Pearson:** There is no bond issue outstanding?

**Mr. Porteous:** No, it was all owned by the Quebec Telephone Company. There was a \$100,000 bond issue which was retired last year.

**The Chairman:** Are there any other questions of Mr. Porteous?

I might say that I have the opinion of our Law Clerk and Parliamentary Counsel to this effect:

In my opinion this bill is in proper legal form.

If there are no further questions you want to put to Mr. Porteous, Mr. Fortier would like to speak to you. Mr. Fortier is counsel for the Department of Transport, and this telephone company, in so far as it was under dominion jurisdiction, was under the jurisdiction of the Department of Transport.

**Mr. Jacques Fortier, Counsel, Department of Transport:** Mr. Chairman, honourable senators, I must inform the members of this

committee that the Minister of Transport has no objection to this bill, but we would like to point out that if the undertaking of the Bonaventure and Gaspé Telephone Company is disposed of in favour of a provincially incorporated company, the undertaking would be removed from federal jurisdiction and from the jurisdiction of the Canadian Transport Commission with respect to rates. However, it is noted that section 11 of this bill is identical with section 11 of the company statute as amended in 1955. The only amendment is the addition of the last six lines in section 11, which is simply to clarify the right of the company to dispose of its undertaking to any other company whether incorporated under federal jurisdiction or under provincial jurisdiction.

**The Chairman:** Are there any questions to be directed to Mr. Fortier?

**Senator Hollett:** I notice that section 11 says:

no such sale or disposal shall be made until it is approved by a meeting of shareholders duly called for that purpose.

Has that been done?

**Mr. Fortier:** That is not new, senator. That provision was already in section 11 as passed and amended.

**Senator Hollett:** But has it been done now with reference to this matter?

**The Chairman:** Perhaps, Mr. Porteous should answer that.

**Mr. Porteous:** No, we have not called any meeting. We doubted whether we had authority to sell, so we did not ask our shareholders to approve it. We will have a shareholders' meeting.

**Senator Hollett:** I understand.

**Senator Langlois:** To clarify the situation, I might add that this will have to be approved by the Transport Commission, which I hope will see that the law is complied with.

**Senator Croll:** It is a little difficult for me to conceive how the legislative authority of the Parliament of Canada would come into question.

**Mr. Porteous:** In the sale? We have asked for authority to sell to anybody whether governed by the laws of Canada as opposed to the laws of Quebec. The former chairman of the Board of Transport Commissioners had

some doubt whether the law allowed a sale to a Quebec company, which is within the legislative authority of Quebec.

**The Chairman:** I think the question really was that possibly this federal company could only sell to another federal company. This bill makes it clear that they can sell to a company which is not within the federal legislative authority.

**Mr. Porteous:** The question has never been raised. For instance, the Bell Telephone Company in Quebec has bought a dozen Quebec companies, the control of the companies has passed from the public service board, the Board of Transport Commissioners, and nobody ever raised the point. The point was raised by the Chairman of the then Board of Transport Commissioners, and he resolved the doubt before you.

As far as rates are concerned, the residential rates in Bonaventure and Gaspé is \$4.90 for a telephone, as against the Quebec Telephone, \$4.80. The business rate is slightly different; but the parallel is drawn, for all intents and purposes. The Quebec Telephone is, of course, subject to the Quebec Public Service Board, for the fixing of rates. It has recently been before the board, to make changes.

**Senator Croll:** I move that the bill be reported without amendment.

**Hon. Senators:** Agreed.

**The Chairman:** Thank you Mr. Porteous.

—The Committee proceeded to the next order of business.

Ottawa, Tuesday, February 20, 1968.

The Standing Committee on Transport and Communications, to which was referred Bill C-163, to implement a broadcasting policy for Canada, to amend the Radio Act in consequence thereof and to enact other consequential and related provisions, met this day at 10 a.m. to give consideration to the bill.

**The Chairman:** Honourable senators, the Senate has referred to us Bill C-163, to be known as the Broadcasting Act. This bill was sponsored on second reading by Senator Davey. Shall we have the usual order as to the printing of the proceedings?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

**The Chairman:** There has been distributed to you a memorandum prepared by the Canadian Association of Broadcasters. This came to the chairman on behalf of Mr. T. J. Allard, Executive Vice-President of the association. There was also a larger or longer memorandum received from the association, which was put into the mail boxes of senators.

Mr. Allard, however, did not wish to appear before the committee or was unable to appear. At any rate I call these memoranda to your attention so that you may give them consideration.

We are very glad to welcome this morning the Honourable Miss Judy LaMarsh, Secretary of State, under whose jurisdiction this bill comes. She has with her the Under Secretary of State, Mr. George Steele. We have also Dr. George Davidson, President of the Canadian Broadcasting Corporation; Mr. James Gilmore, Vice-President and Mr. Ronald Fraser, Vice-President, Canadian Broadcasting Corporation; Dr. Andrew Stewart, Chairman of the Board of Broadcast Governors; Mr. Pierre Juneau, Vice-Chairman; and Mr. David Sim, a member of the board.

Shall we act in the usual way and ask the minister to make a statement at this time?

**Hon. Senators:** Agreed.

**The Honourable Judy LaMarsh, Secretary of State of Canada:** Mr. Chairman, ladies and gentlemen, there is sort of an air of unreality this morning. If I am a little amazed, perhaps you will understand in the circumstances. Incidentally, I do not know who is keeping the store at the C.B.C. and B.B.G. this morning, with all these illustrious gentlemen here. Perhaps my general remarks will be shorter because I know that you have the fount of all wisdom at hand.

As senators know, we are here to discuss Bill C-163. I know my former colleague has handled the bill before you already in most exemplary fashion. I have had the opportunity of reading *Hansard*, and I would like to thank him for his help to this point.

As you know, the bill has been studied and has had, prior to bill form, a great deal of study in the other place and has had a great deal of public discussion. There was an exhaustive—perhaps it might be called exhausting—discussion in the lower chamber, whence it finally came to you.

Because there has been so much discussion elsewhere, I propose not to make too lengthy a statement this morning, after which perhaps I could answer any questions you might wish to put.

It seems to me that whenever we talk about broadcasting we readily, as do members of the public, begin to talk about programming, and, especially—we often forget that the whole of the broadcasting apparatus is concerned, both public and private—we zero in, as it were, on programming of the public corporation with respect to the national broadcasting service.

I know it is a subject of considerable interest and also from time to time a frustration for both members and senators, but we feel a sense of responsibility to the CBC, about which many of us receive a very considerable volume of mail and with whose estimates we must deal every year. We receive much criticism and much public comment with respect to it. On the other hand, I think that members of both chambers have indicated more than once, and most firmly, that they wished to respect the continued essential independence of the corporation. Thus, whenever there is any talk of control, we have to realize that we must be very careful in the area of programming. While we should be able to voice our comments and criticisms, we may not put ourselves in position to ensure directly that they be heard by those involved in the management of the corporation.

It seems to me that senators have every right to voice their criticisms of the CBC. After all, a great deal of money is spent every year, and people send us, one way or another, to this building in order to be answerable for the money that is spent on the CBC as well as on other public corporations.

It seems to me that that should mean that the corporation would welcome informative comments from parliamentarians, because the representatives of all Canadians, whether elected or appointed, should be in a position to reflect the moods and attitudes of Canada towards the national broadcasting service in a very special way and in a way perhaps no other corporation in the world—or at least

North America—has of testing the acceptability of its programming. I do not think the CBC should bend to every criticism—especially when you realize that the criticisms for the main in the program field are always *ex post facto*, and not very much can be done about a program after it has gone over the air. But I think that it should be responsive to the over-all trend of such comment as reflects the will of the public—and the will of the public as a whole.

I do not think we can do any more than that in the Parliament. We can try to lay down general guidelines as to the kind of broadcasting system we want, and that has been attempted, particularly in clause 2 of this bill. We can use the regular opportunities that arise to express our views as to how the components of the system are living up to our expectations. Indeed, I would like to hear more public comment in both chambers on the programming and the effectiveness of CTV and non-affiliated private institutions.

I think we have to seek to appoint to the management of the CBC as well as to the regulatory agency people having the best qualifications we can find to take jobs which are very sensitive and very difficult and which, by their very nature, almost set up the individuals as targets for public controversy.

With the new management of the CBC sitting here, it is all right to say that. After he has been appointed, you can tell him he is going to be a target, but I think Dr. Davidson already had that idea before he was appointed.

In the case of management I think the two houses must always reserve the ultimate right to judge their performance. The public will judge it, and the two houses must judge it accordingly. But we cannot try to manage the corporation nor can we try to manage the regulatory functions. Very few of us in either chamber are experts in this highly complex field of broadcasting, and even those who have had some experience whether it be as an announcer or as a station owner do not find themselves with sufficient experience to be able to run the C.B.C. Even if that were the case I do not think that anyone in either house would want to see the system brought under political control, no matter what flavour of politics might be involved.

We follow a line which is quite different from that in France; it is the line between public broadcasting and State broadcasting

with a capital "S". It has been said since the beginning of broadcasting in this country that that is our Canadian method and that is what we have tried to carry out. So out of many ideas and great work and consultation with the public and private agencies interested in the field the bill has been produced which is now before you. It is an attempt to spell out in general terms the kind of broadcasting system the people of Canada want with the hope that, having spelt it out, we might be able to leave the detailed operations of the system where it belongs to the regulatory agency, to the management of C.B.C. and to private broadcasters.

Honourable senators, if I might pass to dealing with the bill itself. We have indicated that the key lies in clause 2. This took many days debate in the house, and I think interested senators who have had an opportunity of reading those debates will see that for the first time there has been an attempt to set down in general language the objectives of Canadian broadcasting. In subclauses (f) and (g) in particular—and again for the first time—it sets out the special mandate of our public broadcasting service. The system has been studied most recently in the Fowler Committee Report and again and again the comment has been made that the mandate has never been given in specific terms of legislation to either the regulatory body or to the public corporation in order that they might know what Parliament expects of them. This is an attempt to do that. The remainder of the bill, whether referring to the Canadian Radio-Television Commission or C.B.C., is simply concerned with the mechanism by which we expect clause 2 to be implemented.

Clause 2, subclause (h), was amended in the House of Commons and now reads:

where any conflict arises between the objectives of the national broadcasting service and the interests of the private element of the Canadian broadcasting system, it shall be resolved in the public interest but paramount consideration shall be given to the objectives of the national broadcasting service;

If I may, I should again underline the words which are particularly important "the objectives of the national broadcasting service" must prevail. That is as opposed to the interests of the private element of the Canadian broadcasting system. This is declared to be resolved necessarily in the public interest and with particular considera-

tion to the objectives of the service. I would ask honourable senators to notice particularly the words "service", "system", "objectives" and "interests".

The phrase "the national broadcasting service" in the bill does not mean just the C.B.C. and the physical assets owned by the corporation. Rather it is essentially a programming service which is and can be provided not only through the so-called owned and operated hardware of the C.B.C. but through the privately-owned affiliates as well. I think most senators will realize that much of the service carried on the private stations is carried privately but they have an agreement with C.B.C. to carry some parts of the national service. Those who envisage some sort of conflict arising out of this should remember that it is not correct to assume that the regulatory body must automatically favour a C.B.C.-owned station. All it does mean is that it shall give primary consideration to the national broadcasting system.

Again I would like to draw attention to the fact that subclause (g) deals with the responsibilities of the national service as opposed to the interests of the privately-owned stations. I would draw your attention to the fact that the subclause speaks of the "objectives of the national broadcasting service" as compared with the "interests of the private element." The objectives are precisely those set out in this bill, particularly in subclause (g) and they represent the views not simply of the C.B.C. management but of Parliament itself and that is why they are given primary consideration. I might add too that whether these objectives really are at issue in any conflict will be a decision to be made not by the C.B.C. but by the regulatory agency whose job it will be to adjudicate any such dispute. Thus this subclause does not stack the deck in favour of any C.B.C. management of the day; what it does is to give priority to the special objectives of our national broadcasting service as established by Parliament itself.

Another matter which has been the subject of considerable debate in the house is the position of the community antenna systems—CATV—under this bill. About all the bill does, in reality, is to bring these systems within the ambit of the overall broadcasting system and thus under the supervision of the regulatory agency by including subclause (d) of the definitions "a broadcasting receiving undertaking" as one of the things that constitute a broadcasting undertaking to be licensed under this legislation. Again from the

representations that many of the members of the committee are receiving this might be a matter of some concern to honourable senators.

We realize of course that CATV systems are basically different from other broadcasting undertakings; they do not originate programs but merely deliver to subscribers program services originated by other stations. The C.R.-T.C. would take this into account in drafting their regulations, and in this regard I would imagine that such regulations relating to CATV would differ from their usual regulations. But it is clear, too, that the operations of CATV can and often do have a very real effect on broadcasting services in any given area, and that in that sense they are very much a part of the Canadian broadcasting system.

I could give a number of examples of the effects of the CATV system on other elements in the system. There are cases where the development or the presence of a CATV system could well inhibit the development of local broadcasting service in the area. Many members of the House of Commons said "What difference does that make?" They asked "Why shouldn't they have equal right to this and to use the facilities as a broadcasting undertaking?" They also have said that we should let the public watch whatever they can get on CATV. But it seems to me that in Parliament we must be concerned, particularly if we are going to spend public money on such services in this country, that Canadians should have access to Canadian television and, more than that, they have wherever possible locally originated services both to serve their own community and to contribute through the networks to the national broadcasting service. After all it isn't sufficient just to have the C.B.C. emanating out of Montreal and Toronto. There should also be local services whether provided by the local affiliates of the national system in some cases or by the CATV system. In many cases to allow a CATV system to become established in a limited market would rule out the establishment of any local Canadian service. And I do not think, and I am sure many honourable senators will agree with me, that this would be in the best interests of a Canadian broadcasting service.

There is no intent to cut out American services or anything of this kind, but there is an intent that, where possible, Canadian original services should be fostered and that where



they exist they should be available to the local individual who is receiving programs.

I understand that some special representations have been made from CATV operators to senators in regard to clause 28 of the bill as it applies what will now become a 24-hour ban on political broadcasting prior to an election. The argument that CATV operators put forward is that since they are only passing along programs and not originating them, and they have no control over them, it is very unfair for this legislation to require them to be responsible for possible violations of this provision within the programming they are carrying.

**Senator McCutcheon:** Are they not prohibited under regulations from altering any program they receive?

**Hon. Miss LaMarsh:** Yes.

**Senator McCutcheon:** So, on one side you are saying, "You must not do this"; and, on the other side, you are saying, "You must do this."

**Hon. Miss LaMarsh:** They are prohibited from interfering with the integrity of the programs; and the reason is, of course, that if this were not done CATV operators could, and no doubt would, drop national advertising and sponsors who are creating and paying for the shows, and would insert local advertisers and this would not be permitted. This is not a very big problem. They talk about it as though it is, but, in fact, it is not very important.

When you talk about programming coming in from the United States to Canada, that cannot happen any more because it is against the Canada Elections Act.

**Senator McCutcheon:** The Canada Elections Act, surely, does not apply to stations in Buffalo, for instance?

**Hon. Miss LaMarsh:** Yes, it does. It says that no person or agent on behalf of that person may broadcast, and the individual who is running suffers the penalties if it is done.

**Senator McCutcheon:** That is true, but that still does not make it a matter for WBEN to accept?

**Hon. Miss LaMarsh:** No, but it makes it an offence for the member or individual running to have it happen. To suggest any one would go and buy the very expensive time when the

effect it would have would be to deprive the individual of his seat, seems to me to be stretching the point.

**Senator McCutcheon:** If it is that simple, why do we not make it clear by an amending section of the bill?

**Hon. Miss LaMarsh:** It is not that clear, because we are talking not just about an American station. With respect to Canadian stations it is not difficult. Operators in manned stations may shut off a channel at any time. It should be realized these things do not extend over a very long distance. It seems to me a very simple thing for a person operating a CATV system to simply indicate to the resident operator of the stations that are going to have a program that is banned, in effect, and this may be applicable to other places and you notify them of this, that it is going to happen. Television stations know quite well in advance when they are going to have political broadcasts and it is an easy thing to push a button and to turn off a channel. This is not really a very difficult kind of thing to do. There can be the type of station which is not operated by a man, which is automatic; but this is an agency which is in business for itself to make a profit, and if you drop the CATV out of this, then you have opened a hole big enough to drive a truck through, and there is no point at all in that, because anyone can then use CATV to circumvent the regulations with respect to prohibitions before elections.

**Senator McCutcheon:** You have already told me you are going to throw the candidate out if that happened. Your sanctions are still there against the individual.

**Hon. Miss LaMarsh:** Yes, who is using American stations.

**Senator McCutcheon:** Your sanctions are still there against such an individual.

**Hon. Miss LaMarsh:** I do not think anybody any more uses American stations, because it is very expensive and they know they cannot. But it does not mean, with an election in Kingston, for instance, CATV could not carry it to Ottawa unless it were shut off; but it cannot be permitted.

**Senator McCutcheon:** You are suggesting they must monitor all programs?

**Hon. Miss LaMarsh:** No, I am suggesting they must monitor political broadcasts which

would offend against this particular section; and, in point of time this is very little.

**Senator McCutcheon:** We have a lot of elections these days!

**Hon. Miss LaMarsh:** I think probably one less than you are anticipating, senator!

**Senator McCutcheon:** Sorry, Mr. Chairman.

**Hon. Miss LaMarsh:** Then I would like to make one other point—and, certainly, I am sure honourable senators will ask the technical people and representatives from the agency about this matter.

I would like to have it made very clear, because when it was raised at a very late date in the House of Commons, considering the source by which it was raised, it seemed to me it would take more time than it would be worth, and that before reasonable people I would have an opportunity to have this discussion here.

One other point I would like to make. In clause 2(c) there is a statement that:

all persons licensed to carry on broadcasting undertakings have a responsibility for the public effects of the programs they broadcast. . .

That will include CATV operators. They have to accept the responsibility for the programs carried by their system. This is not talking about liability for libel or slander actions, the Broadcasting Act does not deal with this, and the general law makes them liable for anything they carry over their system. If something is subsequently found to be libel, they cannot escape the responsibility by saying they are merely a conduit pipe. They have published over the media, and the law says they are responsible. So, the Broadcasting Act puts some degree of responsibility upon them. They are not a public corporation or anything in the nature of a utility; they are, in fact providing entertainment for gain. While we have to realize that the CATV system is different and they are not originating whatever program is broadcast, I do not believe it should be suggested there is no responsibility whatever for what goes out of their system. You pretty well have to have all or nothing when you are talking of including them in the system, and I think to exempt CATV from clause 28 would be to do precisely that, to relieve them of the responsibility for what is passing through the air and into the home, and I think it would

have serious implications for the broadcasting system as a whole.

Now, the Canadian Radio-Television Commission, which will supersede the B.B.C. and which has passed through a number of suggested name changes, is to be composed of five full-time and ten part-time members. The five full-time members, who will constitute the executive committee, are to exercise the commission's power in regard to licensing, although the bill provides they have to consult with the part-time members before making any decision, and this obviously is to make sure the part-time members who reflect the opinions of the country, while the five full-time members who reflect specific skills relating to the effect of regulation—that with consultation they will have the advice of local opinion throughout the country. The part-time members, as well as this consultative role in licensing matters, will have a full vote in decisions involving recommendations of the executive committee which deal with general regulations and, most importantly, the revocation of licenses. So, we are not creating five broadcasting czars who will be able to run the system on their own.

We have worked for a long time trying to create a system of checks and balances, and putting the power and responsibility in the proper place. We think that this division of powers and responsibilities is a sensible one.

As to the make-up of the commission, as I say, I hope that the full-time members, when they are appointed, will have some expert knowledge of broadcasting, or of one or more phases of it. One might suggest that because they are full-time they are something like judges, and they will be less susceptible to political and other pressures. Of course, that will not necessarily follow, but one hopes it will. The crucial powers in terms of issuing, amending or suspending licences will be left to them as public servants. The part-time members, or the ones who are less expert and more representative of the public at large, will be able to bring that interest to bear on matters of general regulation in a consultative way in the matter of licensing.

There were some questions in the house in regard to public hearings by the Commission, as set out in clause 19, and there was a long discussion on clause 19(2) which contains the stipulation that a hearing will be held in respect of an amendment of a broadcasting licence if in the view of the executive committee such a hearing seems to be in the

public interest. There were many arguments raised, especially in view of the public controversy that arose over the proposed movement of Channel 3 at Barrie to Toronto, that this procedure will enable the executive committee to deal with such a matter as that free from public scrutiny, and free from any public representation.

I have to draw your attention to the fact that this bill was drawn after that controversy, and it is an attempt to get around any such possibility. Clause 20 requires that the commission shall give public notice of any licence application before it. This would apply to such a thing as the Channel 3 situation.

This means that the commission will not be able to deal with any licensing matter, whether it is a new licence, an amendment to an existing licence, or the renewal of a licence, without the public knowing about it, because there has to be this public notice. It does not seem to me that the commission would under such a situation fail to call a public hearing if the public interest demanded it. I might note further that even if that was the case there is additional protection in clause 23 which gives the Governor General in Council authority in respect of a licensing matter.

I would have preferred, as was originally contemplated in the White Paper, that the Governor in Council did not have that authority, and that the matter be left to the regulatory body, but the Government of the day, as honourable senators realize, is ultimately held accountable by the public whether or not it is accountable, and whether or not it has the right to make these decisions. Accordingly, since it is going to be held accountable anyway, it was thought that in order to reverse decisions should there ever be any decisions coming from the C.R.T.C. that needed reversing, then that should be within the power of the cabinet. Therefore, that authority which exists to some extent already has been placed in the new act.

Under the new act the Governor in Council can either refer the matter back to the commission for further consideration, or set the commission's decision aside. There does not seem to be any real way by which the commission could deal with any licensing matter in an underhanded fashion, even if it wanted to. I really believe that the people you place in such public corporations on a permanent basis do not go in there with a view of trying to play hanky-panky. They have as high a

view of public service as I know the members of both chambers have.

Part III of the bill deals with the Canadian Broadcasting Corporation, and there is relatively little change from the current act. The major change which was originally contemplated was deleted from the bill. I am referring to two clauses which dealt with long-term financing for the corporation. Those were withdrawn from the bill in the House of Commons. They were permissive clauses only, and would not of their own have afforded long-term financing to the C.B.C.

It was and is the Government's intention to introduce legislation to provide a form of statutory financing for the corporation over a period of years. That has been recommended by the last several groups which have studied the corporation and broadcasting in general, and it has been recommended by, I think, every group that has been interested in public broadcasting and, indeed, I think at the time of the recommendation there was no dissenting editorial opinion.

It is a matter of some difficulty for the public corporation to have to finance on a fiscal year basis without being able to project into the future. It is competing with giant American corporations that are able, as are most businesses, to project over a much longer period than one year. There is now considerable public discussion as to whether or not the C.B.C. should be, to use the term of some, unfettered to a degree, and that long-term financing for three or five years should be provided for. But, even if, as, and when the bill is presented and discussed, and perhaps passed by both houses, this does not mean that the public corporation would then have three years, or five years, or ten years, or whatever the period of financing might be, of complete independence from Parliament.

The operating grants, we hope, will be fixed on a per capita or a per household formula. There is much really to commend itself in this. The C.B.C. currently prepares budgets, and while they have to fit generally within the framework of the Government's financing resources, there is no attempt to say: "This is the portion that we can afford to spend on a public corporation." It is hoped that if some formula can be arrived at, and whether it is a per capita formula or a per television-house formula, or something of this kind, or even something reflecting the amount of money which comes in from commercial supporters of various programs, it will be

fixed, and the corporation will be in a position to know over a period of time what money it will have to work with, and it will be able to cut its cloth accordingly. But, the grants themselves would be paid annually to the corporation, and they will appear in the annual estimates.

In that way, through the vehicle of the annual reports of both the C.B.C. and the regulatory authority, we think Parliament will be assured of an annual accounting of C.B.C. operations, and also the regular opportunity for scrutiny of them.

As I say, the financing bill would cover only operating grants. It would require the C.B.C. to produce a five-year capital program, but the capital funds themselves would continue to be voted on an annual basis.

The last few sections of the bill deal with consequential and related amendments and transitional measures. They are either highly technical or self-explanatory. I do not suggest that I am a technician in any degree with respect to these sections in particular. However, I would like to draw attention to clause 49(1)(b)(ii), which is a provision which permits the Governor in Council to make regulations to the effect that all future TV sets be capable of receiving UHF as well as VHF channels. This is of very special interest in Canada, because while there are lots of VHF channels available in some places they are almost completely taken up in other places where the population exists, or where the larger markets are. If we are going to have enough channels for educational television, and for all the many other uses of television—one of which might be the broadcasting or telecasting of the proceedings of both houses of Parliament—we are obviously going to have for the first time in this country to resort to the ultra high frequency channels. As you know, most sets now made in this country, or imported into this country, are not all-channel receivers. I am told that many of them that began in the States as all-channel receivers even have these facilities before they come into Canada. If the Governor in Council makes such a regulation it is contemplated that it will be some years before natural obsolescence will put everyone in the position of having an all-channel receiver. However, a start has to be made somewhere, and anyone who wishes to receive all programs which come on VHF, whether of the public service type or strictly commercial programs, could with the addition of some kind of converter box, which I am told will

cost \$25 to \$50, convert their own sets to receive VHF.

Those are the main points of the bill, the ones of contention. It is a very long piece of legislation and one that has to be read with care because the words have been weighed and used for a reason. It is the end of a long, long trail. I just hope that the end is not cut off in the next few days, in order that it does not have to be done all over again.

In my seven years in the other house no other piece of legislation with which I have been associated has had so many people involved in discussion back and forth. Dr. Stewart and his board and formerly Mr. Oumet and his board met many times and went over the White Paper helping to create it; they discussed it with us in private and subsequently before the House committee in public; they saw the bill and made their representations. We heard the Broadcasting League. The Canadian Association of Broadcasters worked very closely on it. We drew on the best brains in broadcasting in the country. As you know, the House committee also had a very valuable opportunity to speak to representatives of British television, both I.T.A. and the B.B.C.

I hope you will find that the bill is a sound framework. I do not think it will mean everybody will like every program they see on private and public television. No bill could achieve that. We have tried to do as much as we can in section 2. Television is the most exciting means of communications today and can be one of the strongest forces for unity in the country. When Mr. Bennett first introduced the provisions for public radio broadcasting in the country he indicated that that was one of the reasons why he wished to do so, to provide a strengthening and new-found force within the country. It seems to me that all our legislation ought to be aimed at that and I hope this bill will be found by the committee to hit the target.

**The Chairman:** Thank you very much Madam Minister. I am sure the minister will be glad to answer questions that may be in the minds of honourable senators. If there is more than one who wishes to ask questions I would ask for cooperation in having regard to the interests of other senators.

**Senator Paterson:** Is the minister of the opinion that it is a wise thing for Canada to own its own broadcasting?

**Hon. Miss LaMarsh:** I certainly think so. I am a strong supporter of public broadcasting. It would be very easy to have just American stations feeding into Canada, or private Canadian stations. There is an expert in the United States by the name of Fred Friendly, a great name throughout the world in television, who left a very lucrative position at which he earned about three times as much as Mr. Davidson for a much less onerous job, because he felt that American television, as he said, was paid so much to do its worst that it never bothered to do the good kind of television that it could do. By and large, unregulated television is what you get pouring over the American stations.

In this country we have no national newspapers, we have no national means of communication, we have nothing to tell us what the people in Vancouver, Nova Scotia or the Northwest Territories are thinking at the same time. Except for one relatively financially feeble national magazine we have no way of depicting to one another what our country is, and it seems to me that more and more public broadcasting, especially in the television field, is absolutely essential, it is one of the sinews we must have to hold the country together.

**Senator Flynn:** What are the substantial differences this bill introduces as far as the Canadian Radio and Television Commission is concerned in comparison with the present Board of Broadcast Governors and the Canadian Broadcasting Corporation?

**Hon. Miss LaMarsh:** The essential differences are these. So far as the C.B.C. is concerned, in section 2 we set out for the first time what Parliament expects of the C.B.C.

**Senator Flynn:** The policy?

**Hon. Miss LaMarsh:** Yes. Before this the C.B.C. was set up and, as it were, created its own mandate. This bill for the first time tells the C.B.C. what Parliament expects it to do, in general terms of course. Section 15 charges the regulatory authority with seeing that the C.B.C. lives up to that mandate. The regulatory authority is, of course, charged with other responsibilities so far as the system as a whole is concerned. Then again, it places CATV as a broadcasting undertaking under that regulatory authority. I think that is substantially it. It seems a lot of sounds and theory for not much, but that "not much" is the whole kernel.

**Senator McCutcheon:** May we take it, Madam Minister, that Dr. Davidson, with his experience in implementing various facets of the recommendations of the Glassco Commission, will now start to apply those recommendations in the C.B.C., thereby releasing a large building in Ottawa for use by the Government for other purposes?

**Hon. Miss LaMarsh:** I did not catch the first couple of words. Did you say "Do I think"?

**Senator McCutcheon:** I am not certain whether I said that. Does Dr. Davidson have a mandate?

**Miss LaMarsh:** Dr. Davidson is appointed to manage the corporation. I have not given him a mandate. Perhaps when he is before the Senate you might ask him yourself, senator.

**Senator McCutcheon:** Thank you very much.

**Miss LaMarsh:** He could perhaps say more than I could.

**Senator Grosart:** Madam Minister, I wish to refer specifically if I may to section 2 (h). You discussed the authority given to the commission where there might be a conflict between the interests of the private stations and the objectives of the C.B.C. I believe you said that the word "objectives" refers back to paragraph (d), and in effect to the whole policy statement set out in section 2.

**Hon. Miss LaMarsh:** That is correct.

**Senator Grosart:** I wonder if you would have any objection to inserting the word "statutory" before the word "objectives". I suggest that because I can see a situation where there will be quite an argument as to whether what the C.B.C. wants to do at a particular time is an "objective" of the C.B.C. I would suggest that the word "statutory" would carry out your own interpretation of that section.

**Hon. Miss LaMarsh:** My under secretary tells me that the Department of Justice have told us that this is a declaratory section and you can only read the objectives in the context. I do not think there would be any objection to putting in the word "statutory" there, because that is what it means.

**Mr. Steele:** The legal opinion is that it would be unnecessary to add this word,

because this is the only way that word "objectives" can be read in the context of that section.

**Senator Grosart:** I do not want to dispute the opinion of the legal advisors, but it has not been the inevitable experience in the case of statutes that when the Department of Justice says it can only be read this way, that that has been the history of the wording. If the Minister is prepared to accept the word "statutory," I think it would make an improvement and make it clear and so avoid some disputes in the future.

**Hon. Miss LaMarsh:** The senator realizes that, especially civil servants, but also members of the Government get very sensitive about the pristine quality of reprinted bills. They do not like to see words added if they do not have to be. But I certainly do not think it would disturb the sense of the phrasing.

**Senator Grosart:** Would you accept an amendment to that effect?

**Hon. Miss LaMarsh:** It is not a matter of my accepting an amendment, it is a matter of what the Senate does.

**Senator Grosart:** I leave the matter in your hands. The minister has said she would have no objection.

**Hon. Miss LaMarsh:** The only thing I would like to say is that I do not know what would happen, if it has to go back to another chamber. There may not be a great deal of time, and I would like to see the five-year cycle finish.

**Senator McCutcheon:** You may not have another eleven days.

**Senator Grosart:** May I suggest to the minister that it is not the best argument in the world to say that the Senate should not make a change in this. That principle could apply to any legislation.

**Hon. Miss LaMarsh:** No, that is not it. This does not add anything or detract anything. I am suggesting that it is up to the Senate to decide.

**Senator Flynn:** May I ask a question about paragraph (i) of clause 2? It seems to me that the French version has not exactly the same meaning as the English version. The French version suggests that the commission should be "equipped" for educational broadcasting

only, whereas in English the suggestion is there that it is the responsibility of the system to deal with educational broadcasting. This is only as a preface. I want to ask the minister whether she thought it was essential to add those words, as far as this equipment is concerned.

However we would deal with this subparagraph, does she think that the corporation could not buy, could not acquire equipment, that could be used for educational broadcasting?

**Hon. Miss LaMarsh:** The word in English is "system" and you see that in French it is "la radiodiffusion canadienne". This is broadcasting, this is not the C.B.C., this is the whole system.

**Senator Flynn:** I know, but does the minister think that without this paragraph the system or the corporation could not acquire equipment for educational broadcasting?

**Hon. Miss LaMarsh:** It is not equipment in the sense of cameras and things of that nature: it is facilities, in the English sense.

**Senator Flynn:** But these are physical assets, are they not?

**Hon. Miss LaMarsh:** Simply remember, senator, that this bill deals with broadcasting in all its aspects. This is the only reference to a facility for ETV in the whole thing. There would be, I suggest, no right, there would be no place within the system then, for educational television as such.

**Senator Flynn:** If we do not have those words, you suggest you could not buy facilities or equipment for that purpose?

**Hon. Miss LaMarsh:** I suggest that it would not fall within the broadcasting system of the country, it would not fall under the regulatory agency, it would not be a part of it.

**Senator Flynn:** Could not the C.B.C., the Canadian Broadcasting System, or the private system buy all sorts of facilities or equipment?

**Hon. Miss LaMarsh:** I am not suggesting that. I think that, without that wording there, the C.B.C. could buy a camera to use in ETV. I think a new agency could set up a transmitter, an educational transmitter. I do not think dropping it out would stop that. But what would happen is that educational television, in whatever form it comes, would not be part

of the broadcasting system of Canada, it would be the only kind of broadcasting that would be excluded.

**Senator Flynn:** You do not suggest that because you put the words in there it would give the system or the corporation any power not a subject power which is without the competence of Parliament?

**Hon. Miss LaMarsh:** No. I do not, for a moment.

**Senator Desruijsseaux:** I would like to ask the minister about the few minor points and then I would like to express a concern. In clause 2(b) in this bill, it says:

(b) the Canadian broadcasting system should be effectively owned and controlled by Canadians...

Would this word "effectively" inserted at this place mean that it could be partly owned by others?

**Hon. Miss LaMarsh:** Yes, sir.

**Senator Desruijsseaux:** Thank you. The next question I have is in relation to clause 2(c), which says:

(c) all persons licensed to carry on broadcasting undertakings have a responsibility for the programs they broadcast but the right to freedom of expression and the right of persons to receive programs.....is unquestioned;

In regard to the word "but", would that not be considered as a kind of restriction? Could not the word "and" replace it quite well, if there are other things to be mentioned? Would that be a restriction?

**Hon. Miss LaMarsh:** It seems to me that it would be less clear with the word "and". The sense that it is to carry—and this clause has been much amended—is that while there is a responsibility for everything that is put out by the originator or those who send it along further, still Parliament wishes to reaffirm the right of freedom of expression and, further, the freedom to receive, with certain limitations, any programs that are put out. This means, of course, that one is not entitled to jam programs from the United States, or do things of that kind. One is entitled to receive them. It seems to me that the meaning is more clear by having it disjunctive rather than conjunctive.

**Senator Desruijsseaux:** I would like to say something about the CATV in Canada. As we see it presently, it is a spreading situation and to be welcomed because it is a normal development of the science of communications. As we look into the future, it is also to be expected that CATV will be able to pick up more and more distant stations and bring them in.

There is a question I would like to put, because I feel a bit worried for our Canadian advertisers. I also feel a bit worried for the station operators who have to rely on advertising for the maintenance of their services. In advertising, we have this situation where American stations are already calling on Canadian industries to advertise. Of course, we have our ways of regulating advertising here. We have also our restrictions as to the amount of advertising that we can carry. This double situation that we have means that we bring in the American stations to the CATV to compete with our own. It may bring, let us say, more and more deficiencies, or more and more trouble in obtaining Canadian advertising from here. For that reason all international companies advertising over the U.S.A. now of course spread into Canada directly or through CATV or through the medium of CTV if they are picked up by our Canadians. Because of that some of the budgets are being, we are told, cut in advertising.

On the other hand the American stations have been advertising in Canada, and I have here the Buffalo situation where they offer representatives of Canadian agencies to gather advertising for the American stations. There is also a situation out west which has been called to my attention depicting the same thing in Vancouver and other places. There is one station there that has been established near the border. I forget the name of it, although I could find it if I looked through these notes I have. They have put the American station close to the border for the sole purpose of reaching Canadians with their advertising.

My concern about this is that we are regulating more and more our advertising policy over the networks that we have, both private and Government owned systems, but this does not give Canadians a fair chance of competing with the American situation to obtain advertising. They obtain more than they can advertise over the U.S.A. differently than we do and more often than we do and of course we are a bit concerned about future regulations on this.

**Hon. Miss LaMarsh:** Well, senator, I know that the private operators are very apprehensive about CATV inroads. We have done what we can to bring them all under the regulatory authority, but there is no attempt to sort of favour one over the other as private enterprise establishments, except in so far as the fact that originating stations are employing Canadian people and carrying Canadian programs and are part of the whole system which we hope will be a factor for unity. I think, therefore, if they are entitled by Parliament of Canada to be favoured over the system that just carries programs, then that is all.

Furthermore, much is happening in broadcasting which is not particularly reflected in this bill. Some of the latter sections deal with technical improvements, but it may be that broadcasting as it is currently known will be practically non-existent within ten years. The technological change is so very rapid that all we can do is take care of immediately anticipated needs. There will not be very much that the C.R.T.C. can do with regulations with respect to international dealings, but I have no doubt that we will have to figure out some way of doing some regulating if for no other reason than to keep the C.R.T.C. busy.

**Senator Desruisseaux:** I just wanted to express the concern so it could be registered. I know it is not provided for in this bill. There is no regulation whatsoever that shows that we can make our stations compete properly with the American stations in our own country in as much as advertising is concerned.

The only hope that I can express is that in dealing with this matter of advertising they will take into consideration the fact that the American stations are coming in with a lot more advertisement under their regulations than are Canadian advertisers.

**Hon. Miss LaMarsh:** We do not have any extra legal authority in this regard so that we can not do very much in that way. Certainly, it is within the authority of the Parliament of Canada, I think, if they wished to do so, to jam everything coming in from the United States. I do not think any government would do that, or that it would last very long if it did, because the public wishes to have the richness of all of the services it can. Certainly, through perhaps financial provision or otherwise, certain penalties could be placed on advertising on that sort of American

media, but it would not fall under the Broadcasting Act.

**Senator Flynn:** As has been done with magazines.

**Hon. Miss LaMarsh:** Yes, I am aware of that.

**Senator Desruisseaux:** I do not suggest that, Madam Minister, but my point is only that the Canadians should not be handicapped. For instance, let us take a concrete case: the advertising of beer. In the United States the breweries have a tendency to advertise over the American network into Canada.

**Hon. Miss LaMarsh:** They can show a glass. So I guess their advertising is more attractive. They can show a glass instead of just everybody being happy.

**The Chairman:** Are there any other questions? Does anyone wish to ask a question with respect to the memorandum submitted by the Association of Broadcasters? If not, I think perhaps the chairman should call it to the attention of the minister in the absence of any other senator raising the question.

**Senator McElman:** Briefly, Mr. Chairman, there is a situation in New Brunswick that I raised during the consideration of this matter in the house. If I could go to the 1966 White Paper for a moment, there is a statement of policy there that within Canada ownership or control of one medium of communication by another is equally a matter of concern, if it tends to develop into a monopoly.

The White Paper says that there is a growing number of cases where either ownership or control extends to both the local newspapers and the local radio or television facilities; that the B.B.G. will be required to investigate and report on public complaints or representations about situations of this kind. It goes on to say that the Parliament will be asked to authorize the Government to give guidance to the B.B.G. aimed at preventing foreign control of broadcasting facilities, domination of the local situation through multiple ownership, or the extension of ownership geographically in a manner that is not in the public interest.

The situation that I referred to in New Brunswick is that we have two English language television stations with their satellites covering the whole of the province. One of these is owned, reportedly, totally, certainly



with effective financial control, by a corporate structure which at the same time also effectively controls about one-third or perhaps more of the economy of New Brunswick industrially, businesswise and commercially. This same corporate structure is in the newspaper field. Of the five English language dailies in the province, it reportedly has effective financial control of four. In our major industrial city of Saint John, our largest, we have three radio stations. One is a C.B.C. outlet. Of the two private stations, this same corporate structure owns one. Again I use the word "reportedly". This same corporate entity has endeavoured to purchase the only other English language television station. Referring back to the White Paper and what was explained therein and to the further report of the committee of the Commons that reported on the White Paper March 21 last year, their comments were along the same lines as the White Paper. Therefore is it felt that the act as presently drafted provides the teeth whereby this statement of policy can be effectively carried out?

**Hon. Miss LaMarsh:** I feel so. I am aware of the particular instance to which you refer. I know what you are talking about, but I don't know whether it needs to be interpreted because it was demonstrated a few months ago how completely ineffectual it was.

**Senator McElman:** I suggest there are shades of opinion on that. It was quite well developed, I assure you, but not entirely successful. It is a matter of real concern and I would ask further whether there would have to be a public outcry for action to be taken upon this or if the directives policy-wise are sufficient that the regulatory body would itself act without public outcry.

**Hon. Miss LaMarsh:** At the top of page 12, clause 22, (1) (a) (iii), provides that orders in council may be made with respect to the classes of applicants to whom licences may not be issued. At the moment we are drafting orders in council with respect to this kind of thing. They are not going to be secret or anything like that and like others they will have to be published and then as a matter of instruction handed to the C.R.T.C.

**Senator McElman:** I also wanted to make a further comment with regard to the CAB. Perhaps it would be useful for my purposes here to explain that there have been instances in political broadcasting where the C.B.C. allots these periods after consultation with

privately-owned stations so that they may be melded into a block with public stations to disseminate political talks. After they have had their talks there have been occasions when the time allotted for political free time broadcasting was almost useless because the audience rating was right down to nil.

As an example, for several years over the protests of all political parties in New Brunswick they continued to allot a Friday evening period. Friday evening is shopping night in urban New Brunswick, and as I say the audience is just about nil at that time. I have often wondered if the C.B.C. could not induce private-owned stations to come into a block to give a decent time for these political broadcasts. I suggest that the requirement of the act is quite contrary to the submission of the CAB and the current requirement of the act is quite necessary in such instances.

**The Chairman:** Any more questions of the minister?

**Senator Croll:** I have a question on administration. Aside from the corporate structure, do you in fact know who owns the stations or who is interested in the stations?

**Hon. Miss LaMarsh:** I don't, but the B.B.G. does, I think. The chairman and members of the B.B.G. could tell you. They have returns which have to be made, and as far as I know these returns indicate who are the actual owners. It has very often been suggested that returns are not correct, and apparently there are many situations where there are hidden agreements, but I don't know about this. Perhaps members of the B.B.G. who have more experience of this than I have could answer you.

**The Chairman:** Any other questions to the minister?

**Senator Quart:** If I may have a word. I usually come here with complaints but Madam Minister is so much on the ball this morning I don't have any. I should say that I have had so many letters from so many women's groups and I would like if Madam Minister could come along some time and see the 9,000 signatures that I have to one of them. Perhaps she will come when she has lots of time—say, after the election. I would also say to Dr. Davidson that for a long time we have been watching and waiting and we have been relentless in our watchfulness. However, in looking forward to some little bit of decency in some aspects of this we are

going to continue to watch and wait. Therefore I say to Dr. Davidson that we will be right in there watching his administration.

**The Chairman:** Any other questions of the minister? Madam Minister, on behalf of the senators I wish to thank you for coming here this morning and for giving us such a lucid and clear statement.

**Hon. Miss LaMarsh:** It is always a pleasure to come to the Senate. It is so much more tranquil here than in other places in the building.

**The Chairman:** Now we have some members of the B.B.G. with us. If it is your wish we will have Dr. Stewart first. Dr. Stewart tells me he does not have a prepared statement and he is ready to answer questions. He has with him Mr. Juneau and Mr. Sim.

Perhaps, Senator Croll, you might wish to open by directing your previous question to Dr. Stewart.

**Senator Croll:** Well, all the time I have been answering questions for David Sim and now it will be a pleasure to have him answering a question for me. How thoroughly do you investigate the ownership of the stations?

**Mr. D. Sim, Member, Board of Broadcast Governors:** The complete information is to be found in the Department of Transport at the moment. At the time of application full information has to be given with regard to the ownership of the company concerned and I would think in due course when this legislation becomes effective this will become the direct responsibility of the new commission. I think it is most important to know who does in fact control enterprises of this kind.

**Senator Croll:** You say that information is available. But if a holding company goes into this field, can you find out who are the owners of the holding company?

**Mr. Sim:** Yes. Of course the senator with his long association with the law is aware of some of the difficulties with regard to holding companies and subsidiary companies and where the ultimate ownership lies, but in the main the information is there for anybody who wishes to know about it and who wishes to find out who owns these licences.

**Senator Croll:** Dr. Stewart, would you like to add anything to it?

**Dr. Andrew Stewart, Chairman of The Board of Broadcast Governors:** I think that is complete.

**Senator Haig:** Do not you have to have the full consent of the board on the transfer of shares?

**Dr. Stewart:** Yes, at the present time the Department of Transport receives applications for transfers of shares. These must be passed to the B.B.G., and a recommendation made by the B.B.G. to the Minister of Transport on all share transfers.

**Senator McCutcheon:** Through a holding company ownership can be transferred without coming to the board or the Department of Transport. I am thinking of a company like Standard Radio whose shares are listed on the Toronto Stock Exchange.

**Dr. Stewart:** Yes, a public company.

**Senator Croll:** Have you heard these rumours that I have heard for years that there are agreements existing with these various broadcasting groups which do not come to your attention at all, and you have no way of reaching them?

**Dr. Stewart:** We hear of these rumours occasionally. Some of them can be investigated. I could not guarantee that nothing has happened which should not have happened. The law is perfectly clear that with regard to the ownership of shares information on this must be provided to the Department of Transport. If transactions occur without reporting, this is illegal. It could happen though.

**Mr. Sim:** Perhaps you could add that whenever control of the company is involved, there must be a public hearing.

**Senator Croll:** Well, control is a different thing. It may be illegal, but nothing happens.

**The Chairman:** You mean, what are the penalties for the illegality?

**Senator Croll:** Exactly what I say, nothing happens—or has it happened?

**Dr. Stewart:** I am thinking of one case which the senator from New Brunswick would have some knowledge of. The information that we had on this has led us to say if this is so it is an illegal transaction, it has not had approval.

**Senator Croll:** But then we get back to this question. What the senator brought up is not

new, it has been known in that province for many, many years, and it must have come to your attention long before this. Have you never taken steps to find out for yourself whether it is or it is not true?

**Dr. Stewart:** We have not. As a matter of fact, at the present time this is the responsibility of the Department of Transport; it is not our responsibility. I think this is one of the improvements in this bill, that responsibility will be squarely on the regulatory authority now for these matters, and it will then be possible and proper for us to pursue them.

**Senator McElman:** Now that it has been drawn to attention, could one assume it will be investigated?

**Dr. Stewart:** When the new agency is established, I have no doubt that they will accept their responsibilities in this matter.

**Senator McElman:** Would you consider, if I sent you a copy of my remarks in the debate under cover of an appropriate letter, that this would constitute a complaint that would require investigation?

**Dr. Stewart:** We would pass it to the Department of Transport at the moment.

**The Chairman:** Are there any other questions to Dr. Stewart?

**Senator Rattenbury:** Licences under this are automatically renewed are they not, the existing licences?

**Dr. Stewart:** No, they are not automatically renewed. Again, the licensee has to apply for renewal to the Department of Transport. The Department of Transport must refer it to the board.

**Senator Rattenbury:** I mean, under this new act, if, as and when it becomes law.

**Senator Flynn:** I think the question is whether the coming into force of this act will require the issuance of new licences or whether the present licences will be continued.

**Dr. Stewart:** They are automatically continued, yes.

**Senator McDonald:** How often do licences have to be renewed?

**Dr. Stewart:** At the moment the initial period is five years. The renewal period is at the discretion of the minister, and the board

has frequently recommended shorter periods than five years but the initial period is five years. This is the current situation.

**Senator McDonald:** And that will be continued under this act?

**Dr. Stewart:** Well, I would think that could be a matter for reconsideration by the new commission, yes.

**Senator Davey:** I want to ask two questions, Dr. Stewart. First, what is the approximate extent of multi-station ownership in Canada presently, in both private radio and private television? And, second, what has been the board's attitude to this multiple ownership?

**Dr. Stewart:** It is very difficult to give a simple answer to that.

**Senator Davey:** I appreciate that.

**Dr. Stewart:** Perhaps I should say that the Minister of Transport—and I am sure this is correct—prepared for public release a statement covering all share ownership in all stations in the country. This is a public document which can be acquired by anyone on request to the department on, I think, the payment of a small amount for it, but it is available to the public. One can easily then see what the extent is. I do not know quite how to describe it in terms of magnitude, so perhaps I could go on to the second part of your question, as to what the B.B.G.'s position has been on this.

I think there is a dilemma in this matter. Everybody is conscious of the dangers of concentration of expression of opinion. This is what we want to avoid. We want plurality of expression, and multiple ownership can go against this. On the other hand, there are considerable advantages to groupings of stations, economies that can be effected by larger scale of operation and through multiple ownership. It is certainly our view that in some of the cases of multiple ownership an improved level of service does in fact follow as a result of the economies. In this country we have a limited market. We have limited capacities in comparison, say, with the United States and, therefore, there is a case for us taking advantage of the economies which can help to maintain and improve the service. So, one is faced with this dilemma: there are gains, and there are dangers in the process. But we have certainly not felt that the situa-

tion has moved in any case to the extent that we should have stopped it.

I do agree that in certain instances, in cases where we know multiple ownership is involved and there is an application for an additional outlet, that the board looks at this very carefully. We are conscious of the problems of multiple ownership, but we have never rejected an application on the basis that it has gone too far. We keep saying it can go too far and it should then be stopped, but we have not tried to devise a formula for this purpose.

**Senator Davey:** You judge each case on its merits?

**Dr. Stewart:** Yes, we judge each case on its merits.

**Senator Croll:** May I ask just one question for the purpose of clarification. Would you describe that document that is issued by the Department of Transport so that we can have a look at it and see when it was prepared, and so on?

**Dr. Stewart:** Mr. Chairman, I notice that Mr. Caton of the department is here, and I am sure that he can give you an accurate reference.

**Mr. W. A. Caton, Controller, Radio Regulations Division, Department of Transport:** Mr. Chairman, we issue a document which contains a list of all broadcasting licencees, together with the stock held by the various stockholders in these companies, and, where the stock is held by other companies, a description of those other companies. This is available from the Department at a price of \$25 annually per copy. I am sure we would be glad to deposit a copy with the committee.

**Senator Croll:** I think it is important that a copy be filed.

**The Chairman:** Is it agreed that we have a copy deposited with the committee?

**Senator Flynn:** Do we have to pay the \$25?

**Mr. Caton:** We have also a similar document on CATV licencees.

**Senator Croll:** Yes, we would like both.

**Senator Davey:** It is not my intention to embarrass you, Dr. Stewart, but in your statement you mention improved service through multiple ownership. Can you give us an example of such improved service. This is,

perhaps, an unfair question, but you did say "improved service through multiple ownership", and I am wondering what would be an example of that?

**Dr. Stewart:** I think I said that where there is multiple ownership the service is good. All I can say is that—well, let me give an illustration here. Selkirk Holdings is a company which has participation in quite a number of stations, and we think that they operate very good stations.

**Senator Davey:** Where are they? In Manitoba?

**Dr. Stewart:** Most of them are in the west.

**Senator Davey:** And are they radio or television stations?

**Dr. Stewart:** Both.

**Senator Davey:** I just want to ask a question—and this is a related question—about newspaper control of radio stations. Has the B.B.G. an attitude about press control of radio and television?

**Dr. Stewart:** Yes, we have. I am sure the senator is aware of one notable case in which the B.B.G. was responsible for the association of a newspaper and a television station. I refer to another situation in a smaller market where the problem is even more acute, because you may have complete control of all the media. We were successful in having the corporate structure amended so that the newspaper was separated from the radio station, to the great advantage of the radio service, I might say.

**Senator Davey:** But presumably the same argument that you advanced about multiple ownership—that of economy and efficiency—could conceivably apply in the case of newspapers?

**Dr. Stewart:** To a more limited degree, but to some extent, yes—news services.

**Senator Flynn:** May I ask Dr. Stewart if the licence which will be issued to a CATV operator will limit the number of stations, or will indicate the names of the stations, from which programs may be received?

**Dr. Stewart:** I would think so, senator, but I would like to preface any comment on the regulations or conditions affecting the wire systems by the general statement that I would think the commission will have to go into this matter very carefully; will have to

study the whole problem; will have to set up what might be said to be proper regulations; and will have to hold public meetings so that there may be public representation. I think the process of working out the conditions and regulations when the wire systems are brought under the whole system will take some consideration, and I do not feel competent at the moment to say what regulations should be in effect.

**Senator Flynn:** But the authority is there?

**Dr. Stewart:** Yes, the authority is there.

**Senator McDonald:** I should like to point out, Dr. Stewart, that there are areas where television reception is unbelievably bad. Who do the people in those areas complain to? Do they complain to your board?

**Dr. Stewart:** Sometimes they complain to us. If I get a letter complaining of bad reception in an area I send it first of all to our technical adviser so that he can look at the situation. It may be that it is a C.B.C. station that is involved, or it may be a private station that is involved. If it were a C.B.C. station our tendency would be to refer it to the C.B.C., if there seemed to be some real basis for the complaint.

In other cases we have written to private stations about complaints about service, and on occasion we have been successful in getting them to take remedial action.

**Senator McDonald:** And if they do not take action, what can you do?

**Dr. Stewart:** Not very much, really.

**Senator Croll:** You can turn on another station; that is all.

**Senator McDonald:** I am talking about areas of Canada where you have these repeater stations, and where some of the television reception is unbelievably bad. There are areas in Canada where the television is off more than it is on. It is not that it is blinking off and on; it just goes off and stays off for hours. It seems that these people have been complaining to your board, and this situation has gone on, to my knowledge, for the last two or three years and has not been improved. Just what do you do, or how can the people in these areas get results in the way of having the television service improved, or put into the hands of somebody who will improve it. This is a situation that I have had the opportunity of watching myself

and, as I say, in some cases it has been unbelievably bad.

**Dr. Stewart:** Senator McDonald, are you from British Columbia?

**Senator McDonald:** No, I am from Saskatchewan.

**Dr. Stewart:** We hear more of those complaints, I think, from British Columbia than from any other province. In British Columbia, admittedly, the conditions of operation in the mountains are very difficult, and there is a large number of repeater stations. We have had complaints from southern Saskatchewan and southwestern Saskatchewan about poor reception, but I think some action has been taken in that area to improve the service.

**Senator McDonald:** I am thinking more of northeastern Saskatchewan. I am told that one of the problems there results from the minerals in the area. Of course, I do not know whether that is true, but it is really a bad situation.

**Dr. Stewart:** It should not put them off the air. We have at our disposal the field service of the Department of Transport, and not infrequently their inspectors go out to look at the situations. We then have something concrete to take to the operator when we seek improvement.

**Senator McDonald:** These inspectors from the Department of Transport are at your disposal?

**Dr. Stewart:** They are Department of Transport field service inspectors, and they will inspect at the request of the Board. They will look into the case.

**Senator McDonald:** Perhaps that is an answer to the problem. Thank you very much.

**Senator Grosart:** Dr. Stewart, I would like to ask you a question in connection with section 19, on hearings and procedure, which is to be found at page 10 of the bill. My question is: Do you know of any good reason why the commission should be allowed to hold hearings in secret in the three specific instances mentioned in paragraphs (a), (b), and (c). The first is the amendment of a broadcasting licence, the second is the issue of a licence to carry on a temporary network operation, and the third is complaint. I point out that in general the commission is required

to hold its meetings in public. This is an exception to that general rule. I will not go into the details because I know you are well aware of them. We follow it through in clauses 16 and 17, which I think support the contention that this gives the commission power to amend in any way whatsoever the licence granted to a station. The minister in discussing this pointed out that there was a requirement for publication in the *Canada Gazette* and in the locality, but the hearing itself can be in secret. My question is: do you know any good reason why there should be this exception in this case, which points up the matter raised by Senator McElman on a complaint such as he suggested might be put forward, when this could be heard in secret? Why is this exception made? Do you know of any good reason why all hearings of this very important authority, as it is called in the act, at any time or for any reason could be in secret?

**Dr. Stewart:** With regard to the amendment to the broadcasting licence, I do not believe there is any overriding reason why a change should not be announced for the purposes of a public hearing. The first step the minister referred to is that there should be notice that the board has received an application.

**Senator Grosart:** I am speaking only of the hearing. I know of the qualification. I am asking why the hearing itself should not be in public.

**Dr. Stewart:** The only conceivable situations are those in which an amendment is so minor and yet the need for action is sufficiently urgent that one would want to take action quickly on it. I think the new legislation will help in this regard in that we may not be as long between hearings as we have had to be under the present legislation. There have been circumstances when an amendment was minor but the original equipment which the applicant indicated he intended to acquire has not been available and he has had to change and get some other piece of equipment. The contours are not exactly as they were previously. The situation is in fact that this is an amendment and yet it is minor, but he is sitting there waiting to get ahead with the job. We have in fact approved amendments of this kind with the approval of the D.O.T. There are practical considerations of that kind.

What we want to try to avoid is bringing people from British Columbia down to Ottawa

to go through the performance of a public hearing on something nobody is lodging any complaint on and about which nobody is at all concerned. If that is what you mean by a public hearing, I think there are many cases in which we should avoid that. This is not the same thing as saying that we should put on a notice for a public hearing that we have had an application and those who want to lodge a complaint can do so. If there is no complaint and the matter is minor, if it is obvious that you are going to proceed with approval of the application, it does not make sense to me to bring the operator of a small station from the Maritimes, Newfoundland or British Columbia to a hearing in Ottawa for the purpose of going through the motions. These are some of the practical considerations.

**Senator Grosart:** Would it not be possible to give permission, to tell them to go ahead and then hold the public hearing just so that the public commission would not have this power?

**Dr. Stewart:** Senator Grosart, this is just not practical. You tell somebody to spend \$35,000 on a piece of equipment and then hold a public hearing. Are you then going to tell him to take it out?

**Senator Grosart:** There is an outstanding example of that. At the moment we are all paying some taxes that Parliament has just said we do not have to pay, so this is not an unusual situation.

**Senator Croll:** Oh, you will pay it sooner or later.

**Senator Grosart:** It is a clear case of the same thing. These things are done by grace at the present time. We are paying taxes by grace, but Parliament now says we do not have to pay them, and a very good thing. However, that is neither here nor there.

**Dr. Stewart:** I am sorry, but I think it would be very bad practice to tell people to go ahead and do things and then hold a public hearing to decide whether they are to get authority to do them. It would be very bad.

**Senator Grosart:** Perhaps we should tell the Minister of Finance, because that is precisely what he did. Are you saying, Dr. Stewart, that this would happen only in the case of a minor amendment, that that is the only time the commission in your view would be likely to avail themselves of this?

**Dr. Stewart:** I would think so, and if I were responsible for it that is the only sort of situation in which this could possibly occur.

**Senator Grosart:** But would you agree that if in the case of a major amendment the commission thought it was not in the public interest for some reason to hold a hearing they could use this authority to make any amendment they wished?

**Dr. Stewart:** That is right. Mr. Chairman, now that this matter has been raised may I be allowed to make an observation on it?

**The Chairman:** Yes.

**Dr. Stewart:** I have the report of the debate in the Senate for Thursday, February 15, and at page 861 there is a reference to a particular case in the speech by Senator Grosart. Now, honourable senators, I want to say that there is a canard here that I want to lay to rest. People are saying that in a particular case, the case of Channel 3, to which the minister referred, the B.B.G. tried to prevent this going to public hearing. This is not true. I defy and challenge anybody who is saying that to provide the proof. It is not so.

**Senator Grosart:** Dr. Stewart, you are referring to a speech I made.

**Dr. Stewart:** That is right.

**Senator Grosart:** I would like to make it very clear that what you call the canard was not in my statement in any shape or form. Perhaps you would read it. I made no such statement, nor did I imply anything such as you have been suggesting. I should like you to read it and I suggest that you withdraw that remark if the word "canard" was applied to my remarks.

**Dr. Stewart:** May I read the paragraph?

**The Chairman:** Yes.

**Dr. Stewart:** The paragraph reads:

I do not want to refer to any particular case because it is past history, but some honourable senators will know the background of my remarks. Surely this means that in private, without a hearing, and in consultation with only some of the part-time members, this executive committee can allow a station to extend its coverage far beyond that allowed in the original licence.

Mr. Chairman, I submit that with the conjunction of these two sentences in the same

paragraph the meaning of it is perfectly obvious.

**Senator Croll:** Oh no, Mr. Chairman.

**Senator Grosart:** I must speak to this, because it clearly refers to this act if you read it. I say, "Surely this" and I am referring to the provisions of the act. What I am saying there is that, as I think you have just agreed, an amendment could be made, any kind of amendment, to a licence under this act. If you wish to say it is parallel to a certain case, that is all right. I did not name a case and I merely said—and I would ask you to deny if it is so—that under the wording here any amendment can be made to any licence without debate, without a hearing.

**Dr. Stewart:** That is correct.

**Senator Grosart:** That is correct. Now, is that a canard, to say that?

**Dr. Stewart:** No sir.

**Senator Grosart:** That is what I say, and I would like you to consider, Dr. Stewart, whether you should not withdraw that remark, if you refer to my speech, because I made no such statement such as that. If you are referring to "canard" uttered by some other people, that is your privilege, but I ask you to reconsider the statement you made, because I say to you that it is not a true statement, not a proper interpretation of my remarks, and that the remark you made should not have been made in this committee about a speech made by a senator.

**Dr. Stewart:** If the senator says that my interpretation is incorrect, I withdraw.

**The Chairman:** I think that ends the matter.

**Senator Davey:** I would like to ask you about another matter, Dr. Stewart. Does the Board subscribe presently to any rating television and radio service, and, if so, which one? Also, is the Board involved in any process of considering the ratings made in this way and the tremendous influence that such ratings have on both programs and advertising?

**Dr. Stewart:** The Board is a subscriber to the rating service of the Bureau of Broadcast Networks; and we would continue, I think, to receive that and may in fact extend the use of the service. We certainly make use of the survey information that is available to us.

**Senator Davey:** As you know, there are several competing rating services which from time to time have some rather remarkable discrepancies in the size of the audience critique and in regard to various stations. Do you not think that perhaps, if not supervision, at least some investigation of the rating services might be well within the interest of broadcasting in Canada and of your Board?

**Dr. Stewart:** It may be that certain circumstances would develop which would suggest some inquiry by the Board. We have not felt any need of that. I know that in the United States at one time there was a pretty thorough investigation. We are aware that the Bureau of Broadcast Measurement, which is a tripartite organization involving broadcasting, agencies and advertisers, have employed people like Professor Dale of Carleton, to review their processes. We believe that, within the limitations of the funds available to them and the techniques that they can follow, they are satisfactory, in our view. The danger is the misinterpretation of information that is brought from the source.

**Senator Davey:** Mr. Chairman, may I make one observation on that? I feel that the advertising industry and the television industry are becoming slaves to ratings. Rating surveys are something that it would be appropriate to consider very seriously indeed.

**Senator McElman:** In the event that the Board should decide that the current licence, because of ownership, should not be renewed, would there be a decent or reasonable period of time permitted for the current owners to divest themselves of effective control, financial control? What are the mechanics, what is the procedure? Are there cases in point? Are there precedents?

**Dr. Stewart:** The only precedent I can think of is that of a radio station in Vancouver. In that case, adequate time was provided for the disposal of the assets.

**Senator Croll:** Did she get rid of it?

**Dr. Stewart:** Yes.

**Senator Croll:** A forced sale?

**Dr. Stewart:** I would not say so.

**Senator Croll:** Did she get value?

**Dr. Stewart:** There were competitive offers for it.

**Senator McElman:** There is another question I would like to ask. Is there a precedent for the C.B.C. buying privately owned facilities to become a C.B.C. outlet? I would like to continue on that. Presently, as you know, there is no C.B.C. television English language outlet in New Brunswick. There are two only, both privately owned. One is presently applying for CTV affiliation. Presently they are both C.B.C. affiliation. Is there a precedent for the C.B.C. in similar circumstances purchasing a privately owned outlet rather than opening additional facilities itself?

**Dr. Stewart:** I am myself not aware of any precedent. There may be.

**Senator McElman:** I believe Dr. Davidson is.

**The Chairman:** Perhaps we can ask Dr. Davidson when he comes before us.

**Dr. Stewart:** Mr. Gilmore has reminded me that in Winnipeg there was a radio station which was purchased by the C.B.C.

**Senator McElman:** Radio?

**Dr. Stewart:** Yes. There is, however, nothing to prevent the C.B.C. doing so.

**The Chairman:** Are there any other questions to Dr. Stewart?

**Senator Davey:** This is my final question. Does the 55 per cent Canadian content rule still have validity? Is it still a regulation? The second part of that question is, could you give us some idea as to how the private television stations across Canada are meeting that requirement? Are they all meeting it presently?

**Dr. Stewart:** The regulation applies over a period of three months and our log examining section keeps a continuous check. At the end of a three-month period we get a report on the computed percentages, by our log examining section. We have never had to take action against a station for failure to meet this. I would not say that there have not been occasions when one was a decimal point or two below the 55 per cent but the evidence is that the stations are making a serious attempt to meet this regulation.

**Senator Davey:** Thank you.

**The Chairman:** Are there any other questions of Dr. Stewart? Thank you, Dr. Stewart. Mr. Sim and Mr. Juneau.



We now have Dr. George F. Davidson, President of the Canadian Broadcasting Corporation, before us Dr. Davidson, we are very glad to welcome you here in your new capacity. You are an old friend but always welcome in any capacity. With Dr. Davidson is Mr. James Gilmore and Mr. Ronald Fraser, Vice-Presidents. I would ask you if you have any original statement to make?

**Senator Croll:** And we mean "original".

**The Chairman:** I mean, a statement to make originally.

**Dr. George F. Davidson, President, Canadian Broadcasting Corporation:** Mr. Chairman and honourable senators, I thank you for your welcome. I have a feeling that history is repeating itself, not only last night but this morning, because on the occasion of my taking the position of Secretary of the Treasury Board and, knowing nothing about what the job entailed, I found myself appearing before a Senate Finance Committee within two weeks of my appointment. And here I am again. I have no formal statement to make, Mr. Chairman.

There is one point relating to the bill before the committee, on which I would like to reflect the concern of the corporation. This refers to the same subject matter which was referred to in the first part of the brief of the Canadian Association of Broadcasters. It was referred to by Senator McElman this morning; and I am sorry to have to put forward on behalf of the Corporation a point of view that differs from the point he made in the course of his remarks.

I draw your attention to clause 16(1)(b)(i) which provides now that the commission, on the recommendation of the executive committee, may make regulations respecting standards of programs. There is no problem there, but the rest of the words, "and the allocation of broadcasting time for the purpose of giving effect to paragraph (d) of section", are of concern to the corporation as they are evidently of concern to the Canadian Association of Broadcasters as well.

There is a history to this wording. The wording as it originally appeared referred to scheduling policy in relation to any category or categories of programs. This was objected to both by ourselves and by the representatives of private networks. The reasons which were advanced against the inclusion of these words were accepted by the select committee

and, when the bill was reported to the house, the words that I have just read were omitted.

In the house the words, "and the allocation of broadcasting time for the purpose of giving effect to paragraph (d) of section 2", were restored, and in my judgment at least these words go even further in the direction that we are concerned about than the words that were originally in the first draft.

May I explain the nature of our concern? We recognize that it would be a valid position for the commission to take that it should make some general regulation having to do, for example, with the allocation of time to ensure adequate review of Canadian content in broadcasting. We recognize also that it would be a valid position for the commission to take that it should prescribe a certain proportion of broadcast time to be allocated to different program subject matter such as news, entertainment, music or drama. We would go further and say that it is understandable and proper that the commission should prescribe that within what is known as prime time a certain percentage should be allocated to news or to some other subject matter. But what we are concerned about is that it is possible, in the interpretation of the words now, to go beyond this, to get into the details of allocating time for specific programs, to specific times, which can conceivably affect the ability of the corporation or of any broadcasting enterprise to schedule its own programs in a way that is going to make it possible for it to maintain a viable financial operation.

The effect of the corporation being deprived to any significant extent of its right to schedule its own programs, having in mind the problems that arise on the revenue and income side if program schedules are not adhered to, is a matter that is of concern to us.

I know it will be said, and I accept the suggestion, that after all this is not the intent of the wording. But the concern that we have is that the wording as it now stands makes these interpretations possible. I know that it will be said that the commission will undoubtedly consist of reasonable men and women, and that they could be relied upon not to promulgate any regulation which through involvement in detailed schedulings of program time would usurp the functions of the management of the corporation or the management of the broadcasting enterprise in the private sector. But the fact still remains

that the wording as it now stands leaves open the possibility of interpretations which we believe would be against the best interests of adequate control by the management of the corporation in its programming activities.

I felt, honourable senators, that I had to place the concerns of the corporation on the record because of the need from our point of view to maintain a degree of flexibility and management initiative and control over our own programming obligations and requirements.

**The Chairman:** Dr. Davidson, this clause to which you refer is tied in with paragraph (d) of section 2. You do not feel that that gives you enough protection with respect to the allocation of time, having in mind that section 2(d) is part of the objective of the broadcasting policy of Canada?

**Dr. Davidson:** Section 2(d), Senator Leonard, is of course referred to here, and the purpose of this authority is limited to the allocation of broadcasting time for the purpose of giving effect to paragraph (d) of section 2. I would point out, however, that this is a declaratory paragraph. It is subject to interpretation as to what it means. It seems to me that there could be a wide variety of interpretations as to what section 2(d) means, and it will be the view of the commission which will prevail as to whether the regulation that it is promulgating for the purpose of allocating time is for the purpose of giving effect to what it interprets to be the meaning and purpose of subsection (d) of section 2.

**Senator Flynn:** Do you suggest an amendment?

**Dr. Davidson:** I am aware of the position that the minister referred to. Obviously, in the time frame in which Parliament is now working, I suppose it would be extremely difficult to contemplate an amendment. I have to say, however, that the corporation would prefer not to have these words in here and that, secondly, if words are to be in here, the corporation for its part would prefer to have the words that were originally in rather than the words now in here. I have not read the debates in the house where very brief reference was made to this clause. I have not been able to comprehend clearly what it is that has prompted the reinsertion of this provision in the bill before the committee.

**Senator Flynn:** You would suggest that the words be deleted as is suggested in the

memorandum of the Canadian Association of Broadcasters?

**Dr. Davidson:** That would be our preferred position. I have to say that.

**Senator Flynn:** If there is no technical difficulty with regard to the operation of Parliament, you suggest that the Senate or this committee would do well to amend the bill.

**Dr. Davidson:** That is the position, sir, that I have to take.

**The Chairman:** Dr. Davidson, have you anything further to say in a preliminary statement?

**Dr. Davidson:** No, sir.

**The Chairman:** Dr. Davidson is now ready to answer any questions with respect to the bill as a whole.

**Senator Flynn:** Would you say, Dr. Davidson, that you will be in better position with this act than under the present legislation to discharge your responsibilities as President of the C.B.C.?

**Dr. Davidson:** I would have to say yes to that question, Senator Flynn, for two reasons. I believe that the responsibilities of the corporation are more clearly set out here in this legislation than they have been hitherto, and I am referring to the responsibilities inherent in providing a national broadcasting service, which is given more body and substance as to what Parliament intends it to be in this bill than it has in any previous legislation. I think also, secondly, that the legislation is helpful in that it sets out more clearly than ever before the responsibility of the corporation to the proposed new Canadian Radio-Television Commission. I think that is all to the good, because it clarifies the responsibilities of the corporation and it clarifies the position of the commission vis-à-vis the corporation. I think that is all to the good.

**Senator Flynn:** I suggest there is nothing in this legislation that would give you a stronger hand to control or prevent the building up of small empires within the corporation.

**Dr. Davidson:** I would have to say there that the problem you refer to is one of effective control by the management of the affairs of the corporation. I do not think the legislation passed by Parliament is going to affect the ability of competent management to manage the affairs of the corporation.

**Senator Flynn:** I am speaking specially of the field of programming.

**Dr. Davidson:** There are here statutory injunctions laid upon the national broadcasting service by Parliament which are providing an effective means by which management can ensure that programming is carried out in conformity with standards which Parliament has prescribed. That would be the responsibility of the management of the corporation.

**The Chairman:** Senator Grosart.

**Senator Grosart:** May I refer back to 16, which is a matter which you were discussing earlier and in which you find yourself in agreement with the CAB association? I wonder if this submission doesn't go a little too far when it says "thus the commission could tell a station to carry at six o'clock every Saturday night some program on matters of public concern." I am suggesting you both may be too alarmed about the interpretation of 16(b)(1). I say that for this reason. It depends on how you define "allocation". If I may explain, in the discussions before the C.B.C. as to the allocation of political time between the parties, as far as I can recall allocation meant only the allocation of blocks and not the specific timing of the program. I suggest to you that "allocation" does not necessarily mean or have to mean what the CAB presentation says. They may be unduly alarmed about this.

**Dr. Davidson:** You may be completely right, and I think I have already said this. However, I think we have to assume that the commission will be made up of reasonable people. We have to assume that the interpretation that will be made will be a reasonable one. I think the interpretations placed on the words are reasonable, logical, probable interpretations but I remain concerned that the wording is sufficiently broad in general, in fact vague, that other interpretations are possible. Are you suggesting for example that the words "allocation of time" will cover specific allocations of specific periods of time?

**Senator Grosart:** I am suggesting that that has not been the interpretation placed on the word "allocation". To my knowledge, and this is very limited, in this particular area in which I have had some experience, "allocation" was certainly always taken not to mean the setting of specific times but rather to say "This party shall have so much time, and the other party shall have so much time," and so

on. This is exactly the position that you take as being within the probable competence of the commission.

**Dr. Davidson:** I hope very much that your interpretation of these words becomes firmly and consistently the interpretation of any body set up to interpret the words.

**Senator Grosart:** I thought I would put them on record in case this might be helpful.

**The Chairman:** I would like to inform honourable senators that there has been laid on the table the Department of Transport ownership lists of private commercial broadcasting stations as arranged for earlier.

**Senator Flynn:** We should express our thanks to the department.

**The Chairman:** They are here for perusal if any member of the committee would like to examine them.

**Senator McElman:** Dr. Davidson has stated that we are in a hypothetical danger, but of course the instance I was referring to was not hypothetical at all. We were informed that the C.B.C. was unable to do anything about it. I understand that at that stage what they could do was to negotiate with the affiliates and privately owned stations for a straight-away time which in effect would cover the whole province, but they were not able to negotiate a time that was of any value. Now this situation—and I was involved in it myself—prevailed over a period of several years and it led many people to think that, since it involved both the Nation's Business in matters referring to federal political broadcasting and to provincial affairs in matters affecting the provincial field of politics, they could not negotiate to any prime time over a period of several years. My only suggestion was that perhaps there is a need for teeth that would back up the negotiations. That is to say there should be negotiations first, but if negotiations cannot be successful in getting the Nation's Business before the nation then there should be teeth there to move the negotiations along.

**Dr. Davidson:** To complete the record you may know that we have been successful in negotiating with the affiliated stations with regard to the Nations Business which now does appear at a somewhat more acceptable time.

**Senator McElman:** Yes, but nevertheless over a period of years we have had no effective broadcasting in this field.

**The Chairman:** Senator Davey.

**Senator Davey:** I would like to ask Dr. Davidson if he has yet had an opportunity to form an attitude in relation to the advertising sales development of C.B.C. radio and television, not as to its efficiency, because I think it is efficient, but as to its very existence. From time to time I have been alarmed by the attitude of some C.B.C. people that they should not be involved in the business of obtaining revenue through advertising. Personally I think they should. I wonder, Dr. Davidson, if you have had the opportunity to form any views on this.

**Dr. Davidson:** I have not been there long enough to form a view on this. I am aware of the views expressed by the Fowler Committee, and I am also aware of the different attitudes in different sectors of the corporation itself. I think I need a little more time to formulate a valid opinion on this.

**The Chairman:** Senator McCutcheon.

**Senator McCutcheon:** I would like to ask if Dr. Davidson has had time to come to a conclusion as to whether the implementation of the recommendations of the Glassco Commission regarding C.B.C. is practical or desirable.

**Dr. Davidson:** Senator, I could reply to you in technical terms and say that I have read the report of the Glassco Commission and I do not recognize in that a single recommendation of any kind. It is the one report, strangely enough, in all the reports of the Glassco Commission where no formal recommendations have been made. I would like you to examine carefully the text of the report to confirm that statement. However, having said that, one cannot read the report of the Glassco Commission without seeing suggestions and findings of various kinds scattered throughout the text. There are also opinions of various kinds. It constitutes one of the rather numerous reports of a wide variety of management consultants that I have on my desk for study at the present time. There is the finding of the Glassco Commission, the findings of the Presidents Study Group which is the most recent one, the report by P. S. Ross, and the findings of the Fowler Committee.

I am not lacking in advice as to the kinds of things that should be done, not only to

improve the C.B.C. but also the kinds of things that should be done to the C.B.C. I am trying to sort out this wealthy treasure house of advice and to select those recommendations for improvement of the effective performance of the corporation which commend themselves to my judgment. And it is my judgment, the judgment of my executive vice-president-to-be, of the board members-to-be and of the corporation-to-be that will have to take the responsibility for determining which of these numerous recommendations are to be implemented. I still need a little time, but I do not ask for too much time.

**Senator Grosart:** If you run out of them, I am sure you will always be welcome back to the Senate committee, Dr. Davidson.

**Senator Croll:** Let us get on and report the bill.

**Senator McElman:** Does the C.B.C. propose either to acquire or establish a television outlet in New Brunswick?

**Dr. Davidson:** We have that very definitely in our plans. We have our problems in terms of financial resources to make it possible, but we have definitely in our plans acquisition, in one way or another, or the establishment of a C.B.C. television outlet in New Brunswick.

**Senator McDonald:** Does that statement also apply to Saskatchewan?

**Dr. Davidson:** Yes.

**Senator McDonald:** Has a decision finally been made whether that facility would be—

**Dr. Davidson:** No, sir.

**Senator McDonald:** —in Regina or Saskatoon?

**Dr. Davidson:** No, sir.

**The Chairman:** He beat you to it!

Before we deal with the bill itself, I know you would like me to thank Dr. Davidson and to wish him well in his new and heavy responsibilities.

**Hon. Senators:** Hear, hear.

**Dr. Davidson:** Thank you, honourable senators.

**The Chairman:** How do you wish to deal with the bill, clause by clause—

**Senator Croll:** I will move its adoption.

**Senator Flynn:** I suggest Senator Croll is worried. I think we are going to be here for a few days yet.

**The Chairman:** Shall the short title stand?

**Hon. Senators:** Stand.

**The Chairman:** Shall clause 2 carry?

**Senator Flynn:** I would move an amendment, to delete clause 2(i). I do not think it adds anything, and it creates some misinterpretation. I suggest the corporation wants to deal with education without the concurrence of the provinces, and I would therefore move that clause 2(i) be deleted and that clause 2(j) be relettered as (i).

**The Chairman:** Is there any discussion on the motion by Senator Flynn for deletion of clause 2(i) and the relettering of clause 2(j)? Are you ready for the question?

**Senator Flynn:** I do not think it is useful at all.

**The Chairman:** Are you ready for the question? Those in favour of Senator Flynn's motion, please hold up your right hand? Opposed, if any? I declare the motion lost.

Shall clause 2 carry?

**Senator Flynn:** I will move a second amendment, that after the words "educational broadcasting we add the words "with the concurrence of the provinces" at the end of clause 2(i).

**The Chairman:** It would then read:

(i) facilities should be provided within the Canadian broadcasting system for educational broadcasting

**Senator Flynn:** And "with the concurrence of the provinces".

**Senator Grosart:** With the "consent".

**Senator Flynn:** No, "concurrence". It would have to be with the concurrence of the provinces.

**Senator Connolly (Ottawa West):** I may suggest that this is contemplated and is going to happen in any event.

**Senator Flynn:** That is all right, but it should be made clear.

**The Chairman:** Is there any further discussion on the motion? Are you ready for the question? All those in favour of Senator

Flynn's amendment to clause (2i)? Contrary? I declare the motion lost.

Shall clause 2 carry?

**Hon. Senators:** Carried.

**Senator Flynn:** On division.

**Senator McCutcheon:** On division.

**The Chairman:** Is there anything further on clause 2? Carried on division.

Clause 3, the interpretation section. Definitions—

**Hon. Senators:** Carried.

**The Chairman:** Clause 4. Shall clause 4 carry?

**Hon. Senators:** Carried.

**The Chairman:** Clause 5, commission established?

**Hon. Senators:** Carried.

**The Chairman:** Clause 6?

**Hon. Senators:** Carried.

**The Chairman:** Clause 7; shall clause 7 carry?

**Hon. Senators:** Carried.

**The Chairman:** Clause 8?

**Hon. Senators:** Carried.

**The Chairman:** Clause 9?

**Hon. Senators:** Carried.

**The Chairman:** Clause 10, staff?

**Hon. Senators:** Carried.

**The Chairman:** Clause 11?

**Hon. Senators:** Carried.

**The Chairman:** Clause 12?

**Hon. Senators:** Carried.

**The Chairman:** Clause 13, by-laws?

**Hon. Senators:** Carried.

**The Chairman:** Clause 14, executive committee?

**Hon. Senators:** Carried.

**The Chairman:** Clause 15, objects of the commission?

**Hon. Senators:** Carried.

**The Chairman:** Clause 16?

**Senator Flynn:** I would move the amendment suggested by Dr. Davidson: in paragraph (1) (b) (i), delete the words:

... and the allocation of broadcasting time...

**The Chairman:** Any discussion on the motion?

**Senator Connolly (Ottawa West):** I have discussed this with the minister, and she is not in accordance with the view Dr. Davidson has expressed. She would prefer the clause to be left as it is.

**Senator McElman:** I agree, and the instance I have referred to, I think, is ample proof that these teeth are required. I think it has been shown clearly.

**Senator Croll:** Question!

**The Chairman:** Is there any further discussion on the amendment?

It is moved by Senator Flynn that the words:

... and the allocation of broadcasting time... be struck out of clause 16(1)(b)(i).

Are you ready for the question? All those in favour? Contrary? I declare the motion lost.

Shall clause 16 carry?

**Hon. Senators:** Carried.

**Senator McCutcheon:** On division.

**The Chairman:** Clause 16 is carried, on division.

Clause 17?

**Hon. Senators:** Carried.

**The Chairman:** Clause 18?

**Hon. Senators:** Carried.

**The Chairman:** Clause 19, hearings?

**Hon. Senators:** Carried.

**The Chairman:** Clause 20, public notice?

**Hon. Senators:** Carried.

**The Chairman:** Clause 21, procedure?

**Hon. Senators:** Carried.

**The Chairman:** Clause 22, directions of the Governor in Council?

**Hon. Senators:** Carried.

**The Chairman:** Clause 23?

**Hon. Senators:** Carried.

**The Chairman:** Clause 24, shall clause 24 carry?

**Hon. Senators:** Carried.

**The Chairman:** Clause 25, decisions and orders final?

**Hon. Senators:** Carried.

**The Chairman:** Clause 26, appeals?

**Hon. Senators:** Carried.

**The Chairman:** Clause 27, directions by the Governor in Council?

**Hon. Senators:** Carried.

**The Chairman:** Clause 28, political programs and referendums. Shall clause 28 carry?

**Senator McCutcheon:** No, I would move an amendment, Mr. Chairman, that the words in clause 28(1) should read as follows:

no broadcaster shall broadcast a program, advertisement or announcement of a partisan character...

... and so on.

**Senator Flynn:** In other words, you would delete the words: "and no licensee of a broadcasting receiving undertaking shall receive a broadcast of"? These are the words you would delete?

**Senator McCutcheon:** Yes.

**The Chairman:** This applies to CATV, a cable system?

**Senator Croll:** Yes.

**The Chairman:** Is there any discussion on Senator McCutcheon's motion?

**Senator McCutcheon:** There will be some consequential amendments.

**Senator Smith (Queens-Shelburne):** I wonder if you would read the amended clause? I did not quite get it.

**Senator Croll:** As I have it, it will read:

(1) No broadcaster shall broadcast a program, advertisement or announcement of a partisan character in relation to...

and so on.

**Senator McCutcheon:** Yes.

**The Chairman:** The effect of it will be that a licensee of a broadcasting receiving undertaking has the right to receive a political program within the prescribed limits. Is that right?

**Senator Flynn:** Yes, it is only the licensee that would commit the offence, and not the receiving undertaking.

**Senator McCutcheon:** There would be an offence committed, but there would be no penalty imposed.

**The Chairman:** It would not be under this act.

**Senator McCutcheon:** Yes.

**The Chairman:** Is there any further discussion on Senator McCutcheon's motion? Are you ready for the question? All those in favour of Senator McCutcheon's amendment will raise their right hand.

**The Clerk of the Committee:** Three.

**The Chairman:** Will those to the contrary raise their right hands?

**The Clerk of the Committee:** Ten.

**The Chairman:** I declare the amendment lost.

Shall clause 28 carry?

**Hon. Senators:** Carried.

**Senator McCutcheon:** On division.

**The Chairman:** Clause 28 is carried on division.

Shall clause 29 carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 30 carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 31, report to Parliament, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 32, expenditures, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 33 carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 34, which establishes the Canadian Broadcasting Corporation, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 35, outside interests, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 36, President, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 37, remuneration, carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall clause 38, staff, carry?

**Hon. Senators:** Carried.

**Senator McCutcheon:** I think you can assume that the balance of the bill will carry, Mr. Chairman.

**The Chairman:** Shall the balance of the bill carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall the title carry?

**Hon. Senators:** Carried.

**The Chairman:** Shall I report the bill without amendment?

**Hon. Senators:** Agreed.

**Senator McCutcheon:** On division.

**The Chairman:** There being no further business before the committee, the committee is adjourned.

The committee adjourned.











Second Session—Twenty-seventh Parliament

1967-68

**THE SENATE OF CANADA**  
**PROCEEDINGS**  
**OF THE**  
**STANDING COMMITTEE ON**  
**TRANSPORT AND COMMUNICATIONS**

The Honourable T. D'ARCY LEONARD, *Chairman*

No. 7

*Complete Proceedings on Bill C-104,*

intituled:

"An Act respecting The Bell Telephone Company of Canada".

WEDNESDAY, MARCH 6th, 1968

WITNESSES:

*The Bell Telephone Company of Canada:* Marcel Vincent, President.  
A. J. de Grandpré, Vice-President. Robert C. Scrivener, Executive  
Vice-President. R. C. McLaughlin, Parliamentary Agent.

APPENDIX "A":

Explanatory Notes supplied by The Bell Telephone Company of Canada.

REPORTS OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1968



Second Session—Twenty-seventh Parliament

1937-38

THE SENATE OF CANADA  
PROCEEDINGS

THE STANDING COMMITTEE  
ON  
TRANSPORT AND COMMUNICATIONS

The Honourable T. D'Arcy Leonard, *Chairman*

The Honourable Senators

Aird,	Lang,
Aseltine,	Lefrançois,
Beaubien ( <i>Provencher</i> ),	Leonard,
Bourget,	McCutcheon,
Burchill,	McDonald,
Connolly ( <i>Halifax North</i> ),	McElman,
Croll,	McGrand,
Davey,	Méthot,
Desruisseaux,	Molson,
Dessureault,	Paterson,
Farris,	Pearson,
Fournier ( <i>Madawaska-Restigouche</i> ),	Phillips,
Gélinas,	Power,
Gershaw,	Quart,
Gouin,	Rattenbury,
Haig,	Roebuck,
Hayden,	Smith ( <i>Queens-Shelburne</i> ),
Hays,	Thompson,
Hollett,	Thorvaldson,
Isnor,	Vien,
Kickham,	Welch,
Kinley,	Willis—(45).
Kinnear,	

*Ex officio members:* Connolly (*Ottawa West*) and Flynn.

(Quorum 9)

REPORTS OF THE COMMITTEE

## ORDER OF REFERENCE

Extract from the Minutes of Proceedings of the Senate, Tuesday, March 5th, 1968:

"A Message was brought from the House of Commons by their Clerk with a Bill C-104, intituled: "An Act respecting The Bell Telephone Company of Canada", to which they desire the concurrence of the Senate.

The Bill was read for the first time.

With leave of the Senate,

The Honourable Senator Langlois moved, seconded by the Honourable Senator Cameron, that the Bill be read the second time now.

After debate, and—

The question being put on the motion, it was—  
Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Langlois moved, seconded by the Honourable Senator Lefrançois, that the Bill be referred to the Standing Committee on Transport and Communications.

The question being put on the motion, it was—  
Resolved in the affirmative."

ROBERT FORTIER,  
*Clerk of the Senate.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, March 6th, 1968.

(7)

Pursuant to adjournment and notice the Standing Committee on Transport and Communications met this day at 9.30 a.m.

*Present:* The Honourable Senators Leonard (*Chairman*), Croll, Flynn, Fournier (*Madawaska-Restigouche*), Gouin, Haig, Hays, Hollett, Lefrançois, McDonald, Méthot and Rattenbury—(12).

*Present, but not of the Committee:* The Honourable Senator Langlois.

*In attendance:*

R. J. Batt, Assistant Law Clerk and Parliamentary Counsel and, Chief Clerk of Committees.

Upon motion, *Resolved* to recommend that 800 English and 300 French copies of these proceedings be printed.

Bill C-104, "An Act respecting The Bell Telephone Company of Canada", was considered.

The Honourable Senator Croll moved, and it was so *Resolved* that the explanatory notes supplied by The Bell Telephone Company of Canada be printed as Appendix "A" to these proceedings.

*WITNESSES:*

*The Bell Telephone Company of Canada:*

Marcel Vincent, President.

A. J. de Grandpré, Vice-President.

Robert C. Scrivener, Executive Vice-President.

R. C. McLaughlin, Parliamentary Agent.

Upon motion, it was *Resolved* to report the Bill without amendment.

At 10.20 a.m. the Committee adjourned to the call of the Chairman.

Attest:

Frank A. Jackson,  
*Clerk of the Committee.*

REPORTS OF THE COMMITTEE

WEDNESDAY, March 6th, 1968.

The Standing Committee on Transport and Communications to which was referred the Bill C-104, intituled: "An Act respecting The Bell Telephone Company of Canada", has in obedience to the order of reference of March 5th, 1968, examined the said Bill and now reports the same without amendment.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
*Chairman.*

WEDNESDAY, March 6th, 1968.

The Standing Committee on Transport and Communications to which was referred the Bill C-104, intituled: "An Act respecting The Bell Telephone Company of Canada", reports as follows:

Your Committee recommends that authority be granted for the printing of 800 copies in English and 300 copies in French of its proceedings on the said Bill.

All which is respectfully submitted.

T. D'ARCY LEONARD,  
*Chairman.*



## THE SENATE

### STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

#### EVIDENCE

Ottawa, Wednesday, March 6, 1968

The Standing Committee on Transport and Communications, to which was referred Bill C-104, respecting The Bell Telephone Company of Canada, met this day at 9.30 a.m. to give consideration to the bill.

**Senator T. D'Arcy Leonard (Chairman)** in the Chair.

**The Chairman:** Honourable senators, the Senate has referred to us Bill C-104 respecting The Bell Telephone Company of Canada. This is an important company and an important bill. May I have the usual motion with respect to the reporting and printing of the proceedings of the committee in French and English?

The committee agreed that a verbatim report be made of the committee's proceedings on the bill.

The committee agreed to report recommending authority be granted for the printing of 800 copies in English and 300 copies in French of the committee's proceedings on the bill.

Senator Langlois explained this bill on second reading in the Senate last evening. We have with us this morning on behalf of the company Mr. R. C. McLaughlin, Parliamentary Agent for the company, Mr. Marcel Vincent, President, Mr. A. J. de Grandpré, Vice-President (Law), and Mr. R. C. Scrivener Executive Vice-President.

Senator Langlois, would you like to say anything in addition to what you said last night?

**Senator Langlois:** Thank you, Mr. Chairman. Honourable senators I do not want to take the time of the committee to give any explanation as to the general purposes of this bill. I have nothing to add to what I said last night when I endeavoured to cover the clauses of the bill in a general way. As the

Chairman has indicated we have here with us this morning officers of the company and I would now respectfully suggest that the Parliamentary Agent of the company be asked to introduce them. I have no doubt they will be pleased to answer any questions or to give any information that the committee might wish to obtain from them.

**Mr. R. C. McLaughlin, Parliamentary Agent, The Bell Telephone Company of Canada:** Honourable senators, may I introduce Mr. Marcel Vincent, President, Mr. A. J. de Grandpré Vice-President (Law) and Mr. Robert C. Scrivener, Executive Vice-President. Mr. de Grandpré will outline the bill for you in a general way.

**The Chairman:** Honourable senators, shall we then proceed in a general way with a statement on behalf of the company?

**Senator Croll:** Mr. Chairman, there has been handed out to us explanatory notes prepared by counsel for the company and they are more elaborate than the explanatory notes in the bill itself. I would move that they be incorporated as an appendix in our record.

**The Chairman:** Is that agreeable?

**Hon. Senators:** Agreed.

*(For text of explanatory notes, see Appendix "A")*

**The Chairman:** Mr. de Grandpré, would you like to make a general statement covering this bill?

**Senator Croll:** In doing so, Mr. de Grandpré, where an amendment has been made before the other house would you indicate it to us and give us the background so that we will have as much information as possible about what went on there.

**Mr. A. J. de Grandpré, Vice-President (Law), The Bell Telephone Company of Canada:** Mr. Chairman and honourable senators,

the bill, as you know, was introduced in October 1966 and has received extensive hearings before the Transport and Communications Committee of the House of Commons. We were before them for a period of several months, and, as indicated by Senator Croll a few moments ago, different amendments were introduced. I will try to summarize briefly the highlights of the bill and to indicate at the same time where amendments were introduced by the committee.

Clause 1 of the bill is simply a clause which would permit the company to use the trade name that was granted to it in February 1966, namely, "Bell Canada" to be added to the original names The Bell Telephone Company of Canada and La Compagnie de Téléphone Bell du Canada.

There is the usual provision under this clause protecting the public against actions taken against the company under the old name, and the company will be bound by the agreements entered into by the company under its original corporate name.

The second clause deals with the capital stock of the company. As you know the capital stock has been increased from time to time and now stands at \$1 billion. An amendment is now sought in this bill to allow an increase by \$750 million which, in relative terms, is the smallest increase ever asked by the company. If one looks at the various amendments introduced from time to time, one sees that increases of 100, 150 and 200 per cent were granted from time to time by Parliament. This one represents 75 per cent of the now authorized capital.

Now, why do we need \$750 million? We need \$750 million to meet the growth of the construction program undertaken by the company, the construction program, the average of which is now in the neighbourhood of \$320 million a year. This construction program, over the next ten years, would probably force the company to incur expenditures of about \$4,350 million.

There are other requirements, of course—requirements to maintain our equity ownership in the subsidiaries of the company, and other requirements—the total of which we estimate to be about \$400 million. So that the total requirements of the company for the ten years to come approximate \$4,750 million.

What are the resources to meet this construction program and these other commit-

ments? We will have depreciation reserves approximating \$2,150 million, and other resources, such as premium on stock issues and retained earnings, will total approximately \$2,450 million; so that we are left with a net requirement of approximately \$2,300 million. That is the difference between the total requirements of \$4,750 million and the internal resources of \$2,450 million.

As you are probably aware, the company has tried to maintain over the years a debt ratio of approximately 40 per cent. At present due to equity market conditions, the ratio is slightly higher than the 40 per cent which was approved on repeated occasions by the Board of Transport Commissioners, predecessor to the Canadian Transport Commission, and assuming a debt ratio of approximately 40 per cent, the financing by way of bonds will require approximately \$1 billion, leaving an equity requirement of \$1,300 million. This requirement, of course, is at the market or issue price of the stock, while the additional requirement under the proposed clause is on a par basis.

When we introduced the bill we thought the \$750 million was sufficient to carry us over a period of approximately 10 years. We had assumed an issue price for our stock of \$43. The market behaves in such a way today that I think we were over optimistic or conservative in our approach, and whether it will last the 10 years will depend, of course, on the behaviour of the market. A ten-year period is the approximate period at which Parliament has reviewed our capital requirements. We had an increase in our capital authorization in June, 1948—I am talking about the post-war period, of course—of \$350 million, and this lasted until December, 1957. In 1957 we received another authorization to increase our capital, and this is just about to be exhausted, so that the decades appear to be the historical periods of our capital increases.

The third provision deals with preferred shares. As you know, the capital structure of the company is the simplest structure that one could expect to meet in a company of this size. We have common shares and bonds; we have no preferred shares and no other types of security. It is a very simple structure. During certain periods, when market conditions are depressed, it is made more advantageous to have access to other types of markets. I am not suggesting that if we get this additional power to issue preferred shares the preferred shares will be issued tomorrow, but this is

the kind of flexibility we would like to have in view of current market conditions.

**Senator Croll:** No amendment was made in clause 2?

**Mr. de Grandpré:** No, sir.

**Senator Flynn:** In view of the fact the bill was explained last night by Senator Langlois, and we have very extensive explanatory notes in the bill and in this memorandum, the witness could very well deal only with the amendments brought forward in the other place, and we could afterwards put some questions, if need be.

**The Chairman:** Is that the way the committee feels? I think if it is satisfactory to Mr. de Grandpré, all well and good, and we might follow that suggestion.

Apparently, the committee would like to know what the House of Commons did with the bill as you introduced it, in the way of amending it, Mr. de Grandpré.

**Mr. de Grandpré:** In the original bill—and I am coming to clause 4—there was a clause 4 which does not appear in the bill as it was passed; it was deleted. This was the clause dealing with the jurisdiction of the Canadian Transport Commission over the issue of our capital stock. We had felt at the time that the basis of regulation having been changed, by the latest decision of the Board of Transport Commissioners changing the basis of regulation from a dollar per share basis to a percentage on total invested capital, that the pressures were certainly against lowering the issuing price. Therefore, we felt the jurisdiction of the C.T.C. over the issuing of our capital stock was a redundant type of regulation; but the committee felt otherwise and this clause was deleted. Thus it is no longer in the printed bill you have before you.

**The Chairman:** That makes it clear now. You still must go before the C.T.C. for any increase in stock?

**Mr. de Grandpré:** Yes, that is correct, for both our common and preferred stock issues.

If you will permit me, I will refer again to the numbering that you have before you. I think it will be easier, having indicated clause 4 was deleted.

The next clause, clause 4, did not receive any amendments.

**The Chairman:** That is our clause 4?

**Mr. de Grandpré:** That is your clause 4. Clause 4 was not amended. Clause 5 was not amended. Clause 6 was one that received very extensive consideration both by the standing committee, and by the committee of the whole, and it was amended to reassure everyone that our repeated statements, back in 1948 and again in 1967, were not merely statements of intention, of pure intention, but that we intended to live to the letter of our statements.

We had indicated that we did not want to be broadcasters, that we did not want to be community antenna operators, that we did not want to be publishers, and that we did not want to control in any way the contents of the message or the impact of the message. We wanted to be common carriers, purely and simply, and these amendments were introduced in the committee and are reflected in subclauses (2), (3), and (4) of clause 6. That is why you have such expressions as the company will act solely as a carrier, the company will not be a C.A.T.V. operator, and the company will not be entitled to apply for and be the holder of a broadcasting licence as defined in the Broadcasting Act.

**Senator Flynn:** These are negative provisions?

**Mr. de Grandpré:** That is correct. We are limiting our powers considerably.

**The Chairman:** And the amendments were made so that your own intentions might be carried out?

**Mr. de Grandpré:** That is right. The original amendment was more or less reflected in the first subclause of clause 6. There were some very minor amendments made to satisfy the Secretary of State and the Department of Justice so that all the regulations affecting broadcasting were clearly covered by the wording. They thought that our wording did not exactly meet this objective, and they suggested additions, but these are minor additions which do not go to the substance of the clause.

Under this clause we have the power to be a telecommunications company. This is the essence of clause 6(1), but the two additional subclauses are limitations of this power to be in the telecommunications field. They are the limitations that I have just outlined.

The three additional subclauses that were added to clause 6, namely, subclauses (4), (5) and (6), were also introduced by the committee.

The company feels very strongly that it should have complete control over the system, firstly, in order to protect the equipment and to make sure that all equipment is compatible, and, secondly, in order to make sure that the fringe operations, which sometimes can become the most lucrative operations, are not taken away from it to the detriment of the basic subscriber—the fellow who cannot afford to have these sophisticated types of equipment.

**Senator Croll:** What is a fringe operation?

**Mr. de Grandpré:** I am thinking of the antique sets, the Ericafone, and things like that. The committee recognized the importance of protecting the system for the benefit of the general public. As stated in subclause 4, the company will decide what requirements are reasonable, and these requirements will be prescribed by the company. Perhaps I might read this clause. It is as follows:

For the protection of the subscribers of the Company and of the public, any equipment, apparatus, line, circuit or device not provided by the company shall only be attached to, connected or interconnected with, or used in connection with the facilities of the Company in conformity with such reasonable requirements as may be prescribed by the Company.

This is the basic principle.

Now, of course, when you give a company very wide powers as to the kinds of requirements that it is entitled to define, it can lead to abuses. In order to protect the general public against possible abuses by the company the following subclauses were introduced to create a procedure under which the Canadian Transport Commission is given the necessary jurisdiction to decide either *proprio motu* or on application whether the requirements are reasonable requirements. It also has the power to order the company to substitute its own requirements, or order the company to make additions or modifications in the requirements submitted for approval, so that the public is thoroughly protected.

There is a special right given to an aggrieved person to apply to the commission for a determination of the reasonableness of a

requirement, whether that requirement is one originally decided by the company, or a requirement introduced by the company, or one amended by the C.T.C.

**Senator Croll:** And "person" is defined as...

**Mr. de Grandpré:** "Person" is defined as any person who is affected by any requirement of the company.

**Senator Croll:** A corporation?

**Mr. de Grandpré:** Yes. A "person" is any person who is affected by any requirement prescribed by the company, and such person may apply to the Canadian Transport Commission for a determination of the reasonableness of such requirement.

Finally, there is, under the Railway Act, a right of review and a right of appeal to the Cabinet in respect of questions of law and fact, and on questions of law only, to the Supreme Court of Canada.

So, as can be seen, the powers were extensively modified by the committee.

Clause 7 deals with the power to invest in other companies, and it also has been very substantially modified. The original demand was that the company should have the power to invest in two additional types of corporations, namely, a company the powers of which are in whole or in part similar to the objects of Bell Canada, and, secondly, in companies involved in research and development work in areas dealing with telecommunications.

The first portion of the clause—the broad power to invest, which is similar to the power given under the Canada Corporations Act, in companies having objects in whole or in part similar to the objects of the company—was deleted from the original bill, and we are left now with the power to invest in R. and D. companies, but only in R. and D. companies interested in telecommunications problems.

A proviso was added in order to protect the investment in Northern Electric—to protect the status quo of the investment in Northern Electric. The committee did not want this power to invest in R. and D. companies to be used extensively as a way of circumventing the things it had prevented us doing by deleting the first portion of the clause, and in effect it said: "Provided that this R. and D. company in which you are authorized to invest will not sell manufactured products

either to you or to others," but it also said: "This restriction will not apply to subsidiaries of the Company at the time this bill becomes law." So, the new wording, if I am permitted to read it, is as follows:

For the purpose of carrying out its corporate powers the Company is empowered to purchase or otherwise acquire, and to hold shares, bonds, debentures or other securities in any other company engaged in research and development work in areas of inquiry that relate to the objects of this Company and to sell or otherwise deal with the same, provided that such other company, not being a subsidiary of the Company on the date on which this Act comes into force, does not manufacture products for sale to the Company or to other customers.

There again it was a very substantial reduction in the powers we were seeking.

**The Chairman:** Does this mean you cannot buy the shares of another telephone company?

**Mr. de Grandpré:** No, this is already covered by our original act of incorporation.

Sections 8 and 9 were not amended.

Section 10 was amended by adding at the end the last three lines appearing on page 8 of the bill before you, starting at line 30 with the words:

and section 378 of the Railway Act shall apply to the company in so far as line or lines of telecommunication are concerned.

I will tell you why this was introduced. In our original act of incorporation the words used were "telephone or telegraph lines". In the Railway Act the words used are "telephone or telegraph lines". In order to adapt the wording of section 10 we had to change the word "telephone" to "telecommunication" because of the amendment introduced and approved by the committee in section 6 dealing with the telecommunication powers. It became obvious that if we had telecommunication powers the lines we were running were telecommunication lines and no longer telephone lines. We therefore had to make these technical changes.

Having amended our act so that it now reads "telecommunication lines" it was realized that we needed to make sure that the provisions of the Railway Act applicable to telephone lines were equally applicable to

telecommunication lines in our act. That is the purpose of the last three lines, reading:

and section 378 (except subsection (1)) of the Railway Act shall apply to the company insofar as line or lines of telecommunication are concerned.

This amendment was introduced by, if I may use the word, consent when the Canadian Federation of Mayors and Reeves, and the Ontario Association of Mayors and Reeves appeared before the Committee on the same day.

Section 11 was amended at our request. This section deals with loans to employees who are shareholders. When we introduced the bill we referred only to employees, but it was realized that retired employees could be faced with the same difficulty, and in times of inflation may be the problems of the retired employees could become more acute than those of the active employees. We introduced "retired employees" wherever necessary, namely on lines 36 and 38; after the word "employee" we add the words "or retired employee".

Section 12 dealing with the housing plans was not amended.

Section 13 was not amended. Originally there was another section 13 which was dropped. It was dropped because of the enactment of the Ontario Securities Commission regulations. This amendment had to do with certain technical problems involved in the preparation of our prospectus for issue purposes. When the new regulations came into force it was realized that the proposed amendment was no longer necessary, or would no longer be applicable.

The present section 13, dealing with the record date for meeting, has not been changed.

Section 14 has not been changed.

**The Chairman:** Are there any questions of Mr. de Grandpré or any of the other witnesses?

**Senator Croll:** Mr. de Grandpré, what is your practice in making loans to employees or retired employees?

**Mr. de Grandpré:** We have under the jurisdiction of the board of directors a fund set up annually under the Canada Corporations Act. This fund is fixed at \$10,000 a year. The fund

has not, to my knowledge, been exhausted from year to year and it is also replenished from year to year. Approximately \$6,000 or \$7,000 a year is used out of the fund. As far as repayments are concerned our experience has been excellent.

**Mr. Marcel Vincent, President, the Bell Telephone Company of Canada:** Only ten employees are involved. It is a very small operation.

**Senator Croll:** What are your practices under section 12?

**Mr. de Grandpré:** That is the housing plan. It became apparent to us that it was a necessary amendment when we had to deal with a special situation on transferring a lot of our employees to what is sometimes called a boom town, when you have a new development due to mining operations or other purposes. These employees are moved to the area and for the first weeks or months they live in common housing accommodation. Eventually they move their families in and buy houses. Sometimes these boom towns just collapse and they become, not ghost towns, but almost ghost towns, and sometimes the employees have a serious problem on their hands.

In one such situation which developed we had to appoint independent arbitrators to fix the value of the houses and then charge the employees a certain amount of rent for the period of occupancy of the house during the term of employment in the area. There was no market for these houses and the employees were in a very serious predicament. It was decided that we would buy back the houses so that we would give them the equity they had put into the house. We are carrying them right now and it appears that this area is coming to life again and we will be able to sell the houses either back to our own employees or to others. We are carrying these houses so that the employees will not be forced to carry them for very long periods.

**Senator Croll:** Does it involve a great deal?

**Mr. de Grandpré:** I do not know how many it is.

**Mr. Vincent:** There are only six or eight involved. It is a very small number of houses. We have run into that difficulty once in about 10 or 15 years.

**The Chairman:** Any other questions?

**Senator Hollett:** You say:

Persons becoming shareholders in the period between the cutoff date and the meeting will not have the right to attend and vote.

Why not?

**Mr. de Grandpré:** Because there must be a cutoff date when you have 259,000 shareholders. They buy their shares but to transfer them on the books of the company could take some time. This is the only way to control the meeting. As a matter of fact, when this clause was discussed with the Department of the Registrar General at the time, he asked me whether I thought that fifteen days was enough. He had the opposite reaction. I told him at the time that this was certainly on the low side. It was a very minimal period, but on the other hand with present day computer operations we think we can very well meet this target and do it without any difficulty.

**Senator Hollett:** In other words, if I become a shareholder twenty days before the meeting is called, I have the right to vote?

**Mr. de Grandpré:** Yes, of course.

**Senator Hollett:** I understand. I did not like the words concerning the right to vote, but I understand now that I would have the right to vote.

**Senator Flynn:** I move that we report the bill.

**The Chairman:** One moment, please. I have some correspondence, some letters addressed to the House of Commons Committee, which did not reach that committee in time. Therefore, they have been referred to us.

There are three letters. Two of them are favourable to the company in its application and perhaps I do not need to deal with them, though I might mention who wrote them. One is from the Reverend G. B. Armstrong, Box 403, Bracebridge, Ontario. Another is from Mr. Roy E. Belier, of Toronto.

The third is from Mrs. Vivian M. Garner, Midhurst Village, Ontario. Without reading her letter or putting it on the record, I might read a sentence or two, and ask the officials, who have seen this letter, to say what they wish in connection with it. The letter reads, in part:

We live in a small residential community just outside the city of Barrie. The only service available is a grossly overcrowd-



## APPENDIX "A"

## THE SENATE OF CANADA

## BILL C-104

## AN ACT RESPECTING THE BELL TELEPHONE COMPANY OF CANADA

*Explanatory notes*

The Bell Telephone Company of Canada was incorporated in 1880 under a Special Act of the Parliament of Canada, which set forth the Company's powers and limitations, its rights and responsibilities. It has been amended from time to time to bring it into line with current requirements—most recently in March 1965 when the number of directors was increased.

## CLAUSE 1

Authorizing the Company to use the abbreviated form of its corporate name, Bell Canada, to designate the Company.

For many years the Company has been identified officially and legally only by its name in full in either English or French. For convenience and variety a number of abbreviated forms have been used (the Bell, Bell Telephone, the Bell Company, Bell Canada), but none was legally sanctioned and only "Bell Canada" could be used in either French or English context. This clause would give legal status to the term "Bell Canada", authorizing its use in official documents as equivalent to the full names: The Bell Telephone Company of Canada, or La Compagnie de Téléphone Bell du Canada.

## CLAUSE 2

Authorizing the increase of the capital stock of the Company from One Thousand Million Dollars (\$1,000,000,000) to One Thousand Seven Hundred and Fifty Million Dollars (\$1,750,000,000).

This would increase from \$1,000,000,000 to \$1,750,000,000 the total value at par of capital stock authorized by Parliament, to be issued by the Company from time to time. In terms of our present \$25 par value common stock, this would increase the Company's authorized share capitalization to 70 million shares from the present level of 40 million.

Similar increases in authorized capital have been granted by Parliament as the need developed over the years. Most recent occasion was in 1957 when capitalization was increased from 20 million shares to the present level of 40 million shares.

To date the Company has issued or committed about 35,000,000 shares of stock having a total par value of over \$875,000,000. Shares already authorized by Parliament and still available for issuance therefore total almost 5,000,000 with a par value of nearly \$125,000,000.

Financing for 1967 and 1968 will involve both bonds and stock and will further deplete the capital reserves (unissued or treasury shares). Indications are that the total capital now authorized will be exhausted by mid-1968 so that it will be impossible for the Company to raise the necessary money for future construction through issues of capital stock.

To continue to fulfill its service obligations, the Company's equipment and facilities must keep pace with the changing patterns and character of customer need and with radical advances in communications technology. This implies continuous forward planning to ensure availability of the financial resources required to support the related programs of construction and modernization.

In 1957, when our capitalization was last adjusted by Parliament, the Company forecast construction expenditures of some \$962,000,000 for the five year period, 1958 through 1962, to meet the growing communications needs of customers. Actual expenditures during that period were \$999,000,000, financed partly through internal sources and partly through the issuance of additional debt (bond) and equity (share) capital.

Present forecasts indicate that the \$750,000,000 (par value) in additional equity authorization now requested will be sufficient to meet the Company's need for new share capital for a period of between eight and 10 years. It is



noted that the authorization granted in 1957, when exhausted, will have been adequate for approximately 10 years.

#### CLAUSE 3

Authorizing the Company to issue part of its capital stock as preferred shares.

Section 162 of the Canada Corporations Act provides three possible methods of obtaining authorization for financing by preference shares: (1) by unanimous vote at a general meeting of shareholders representing two-thirds of issued capital; (2) by unanimous sanction in writing by *all* shareholders; or (3) if shareholders representing three-quarters of the total shares outstanding give their sanction, then the Governor-in-Council (the Governor General acting on the advice of the Federal Cabinet) may approve it if he sees fit.

For a company of average size at least one of these alternatives is practicable. However, in the case of Bell with more than 259,000 shareholders, it is most unlikely that the Company could ever meet either of the first two alternatives for approval of preference shares. Alternative (3) could be used, but it would involve the cumbersome and time-consuming procedure of an appeal to the Cabinet. The proposed amendment to the Company's Act of Incorporation appears to be the most practical solution.

Many investors (both individuals and institutions) include preferred shares in their investments. While the Company does not have immediate plans for issuing preferred shares, authority from Parliament would open the door to this third method of raising capital should the need arise. The actual terms and conditions surrounding such an issue would not be decided until such time as the Company should decide to offer preference shares.

#### CLAUSE 4

Authorizing the issue of capital stock for cash or by instalments.

This clause is designed to confirm and make clear that the Company has the same rights with respect to the issuance of shares as those normally granted to companies incorporated under Letters Patent. Thus the Company may—but is not necessarily required to—issue its shares subject to call, and may offer them on other terms as well: with the subscription price to be paid on allotment, or in specified instalments, or in full at the time

of subscription. It will also confirm and make clear that existing shareholders are eligible to subscribe for new stock.

#### CLAUSE 5

Confirming that two-thirds ( $\frac{2}{3}$ ) of the votes cast at a meeting of shareholders are sufficient to authorize the directors to issue bonds.

The present wording of the Act is ambiguous and has been interpreted to mean two-thirds of all shares outstanding. The purpose of this clause is to make clear that it is the vote of two-thirds of the *shares represented at the meeting* and not the vote of two-thirds of the *total outstanding stock* that is required to authorize the directors to issue bonds.

#### CLAUSE 6

Altering the Company's powers so as to include transmission, emission and reception of intelligence by any electromagnetic system.

This clause is designed to update the Company's Act of Incorporation in line with modern advances in technology. Many of the services the Company is called upon to provide, and most of the methods and equipments used today, were not even foreseen when the Act was originally written. The proposed wording is in line with modern terminology and with modern trends in communications research and development as well as with the definition of "telecommunications" contained in the Radio Act. This modern definition is required if we are to meet the service demands of our customers and to remain strong and competitive in the telecommunications field.

#### CLAUSE 7

Authorizing the Company to invest in companies engaged in research and development work.

This amendment is designed to enable the Company to invest in organizations carrying on research and development work related to the Company's objects, and would, for example, enable the Company, alone or with others, to create and support a research and development company divorced from sales pressure and other aspects of a commercial operation that are incompatible with sophisticated research.

**CLAUSE 8**  
 Authorizing the Board of Directors of the Company to elect an Executive Committee having a quorum of three members.

Under the Canada Corporations Act most federally incorporated companies have the power to appoint an Executive Committee with authority to act for the Board of Directors in the more efficient discharge of certain duties and functions. Bell Canada does not automatically have this power because specific reference to it was not included in the Company's Special Act of Incorporation. The Company's present Executive Committee does not have executive powers; its actions must subsequently be ratified by the full Board. This clause would confer on this Company powers equivalent to those granted by the Canada Corporations Act and put Bell Canada on the same basis as most other large companies.

**CLAUSE 9**

Authorizing the shareholders to indemnify out of the funds of the Company, and hold harmless the directors of the company, for things done in the execution of the duties of their office.

As in the case of the preceding section, this clause would simply put the directors of this Company on the same footing as those of any company incorporated by Letters Patent under the laws of Canada.

**CLAUSE 10**

Substituting, in Section 3 of Chapter 67 of the Statutes of Canada 1880, the word "telecommunication" for the word "telephone."

In 1880, when the Company's Act of Incorporation was written, the term "telephone" was understood to cover every aspect of the industry and its activity. In recent times the term "telecommunication" has tended to replace "telephone" in legislative terminology.

Providing that the height of telecommunication wires shall be subject to the rules and regulations of The Board of Transport Commissioners for Canada.

Our Act of Incorporation requires that the Company's wires in cities, towns and incorporated villages be not less than 22 feet above street level. Transport Board regulations stipulate that telecommunication wires be placed below power lines at crossings and where both are carried on the same poles.

But the height of power lines in Quebec and Ontario is generally between 16 and 20 feet, in accordance with the code issued by the Canadian Standards Association. This clause seeks to place in the hands of the Board of Transport Commissioners authority for regulating all aspects of this matter.

**CLAUSE 11**

Authorizing the Company to make loans to employees during periods of adversity or illness even though they are shareholders.

The Company provides for its employees a "security package" consisting of a number of different but related elements. Two of these are a non-contributory pension plan and a voluntary stock purchase plan; taken together they are expected to form the basis of each employee's post-retirement income.

It is clear that an employee forced to sell all his holdings of Company stock under stress of a temporary financial setback might be creating serious post-retirement problems.

This clause would permit retention of savings held in the form of Company stock when temporary loans are made to employee-shareholders to tide them over periods of financially debilitating illness or other extreme adversity.

**CLAUSE 12**

Authorizing the Company to provide housing assistance to employees in the course of their employment.

This clause would permit the Company to purchase or otherwise acquire residences of employees whom it has transferred and who have been unable to dispose of their properties without undue loss. In an organization whose business requires a high degree of employee mobility, such an arrangement is necessary for the efficient deployment of personnel within the organization.

**CLAUSE 13**

Fixing the record date for shareholders' meetings at not more than 15 days before any such meeting.

As the law stands at this time all shareholders of the Company—even those who purchased their shares on the day before a shareholders' meeting—are entitled to attend and vote at such meeting.

With more than 259,000 shareholders, it is virtually impossible to advise all newly acquired shareholders of the place and time of the meeting, to obtain their proxies and to determine the number of shares represented at such a meeting.

This clause permits establishment of a cutoff date, up to 15 days before a meeting. Persons becoming shareholders in the period

between the cutoff date and the meeting will not have the right to attend and vote.

CLAUSE 14

Repealing obsolete provisions of the Act of Incorporation and subsequent amendments thereof.

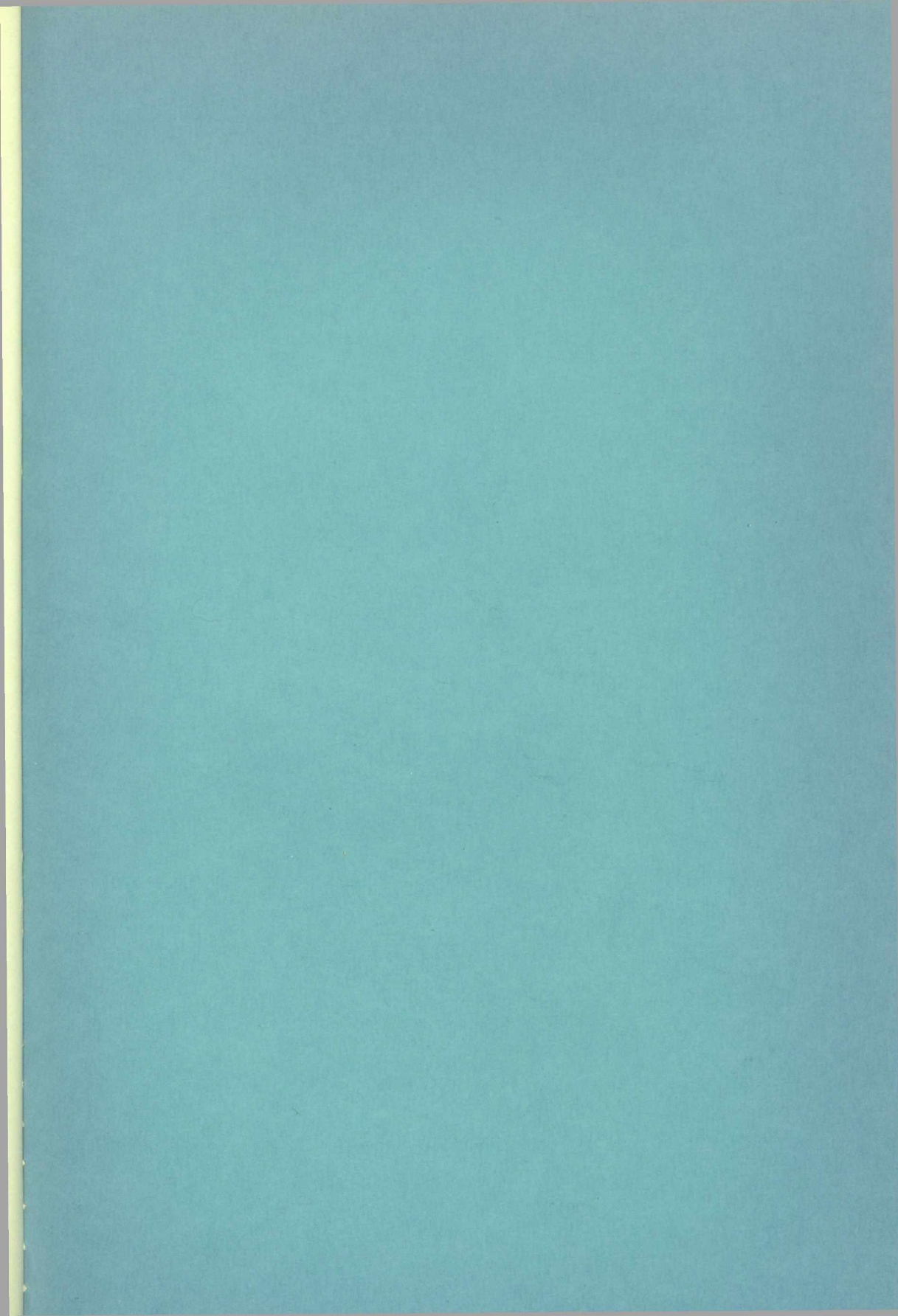
The items dealt with in this clause have all been superseded or made redundant by subsequent legislation and should be removed from the record.

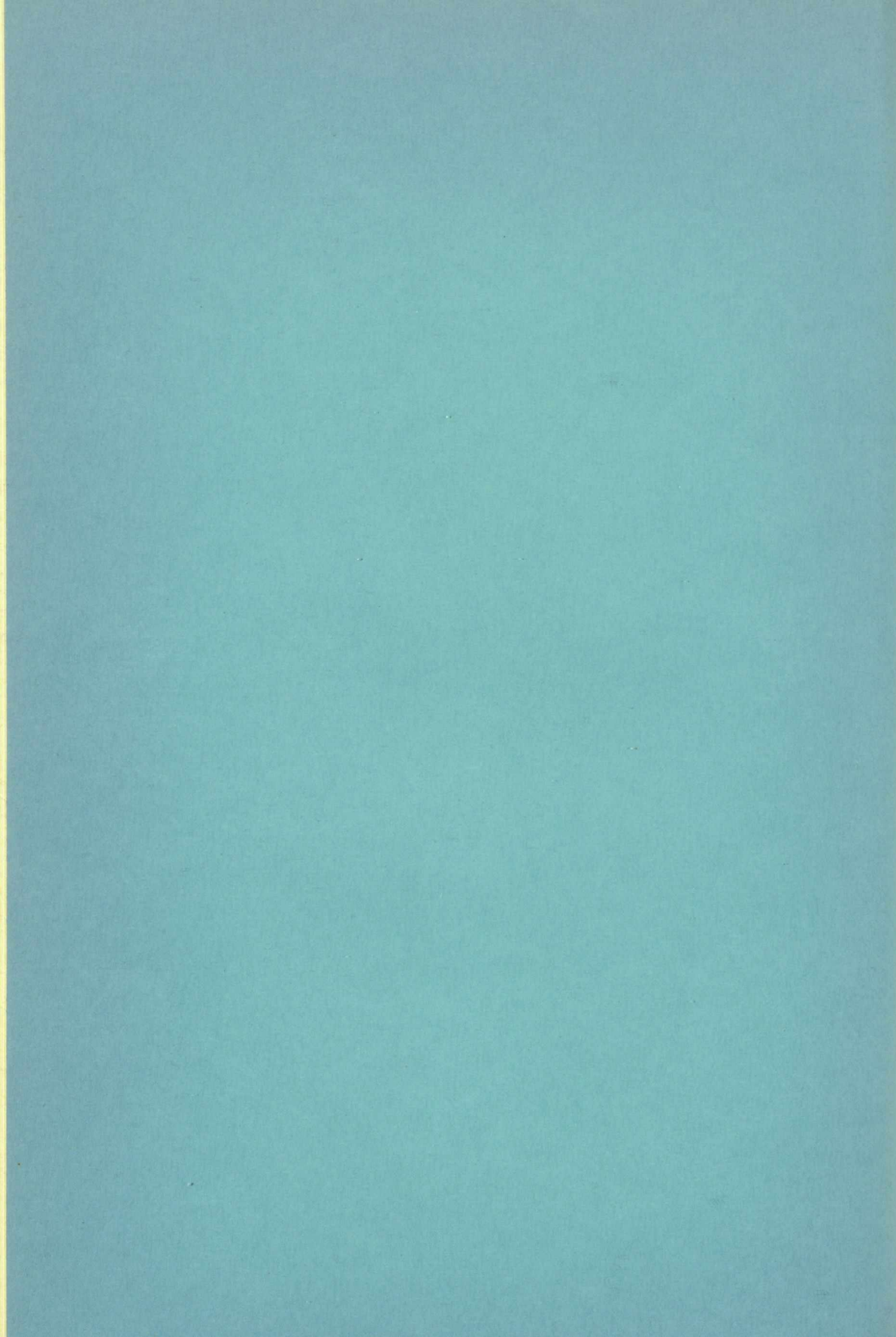
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SENATE OF CANADA

Standing Committee on

Transport and Communication 1967/68

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