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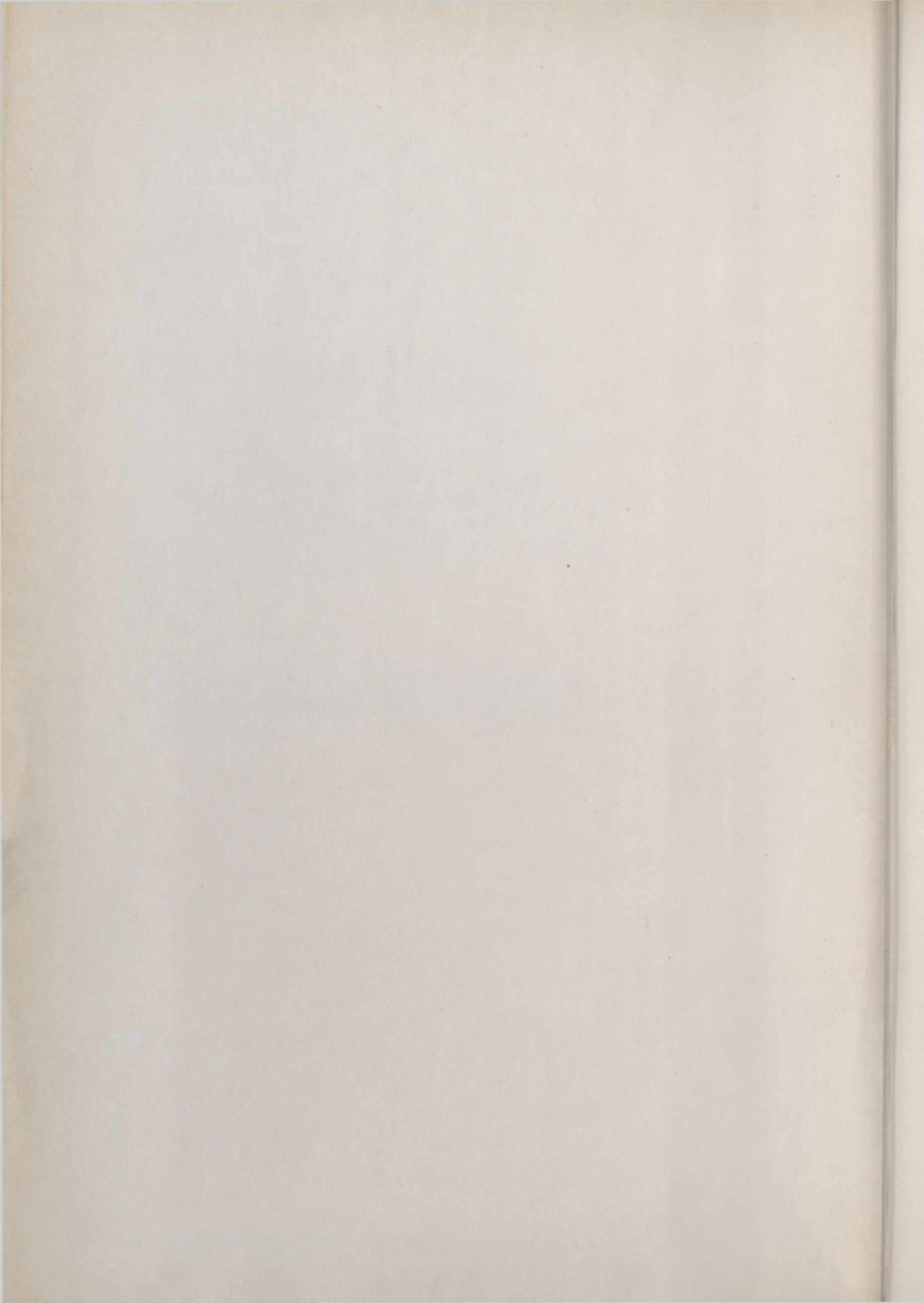
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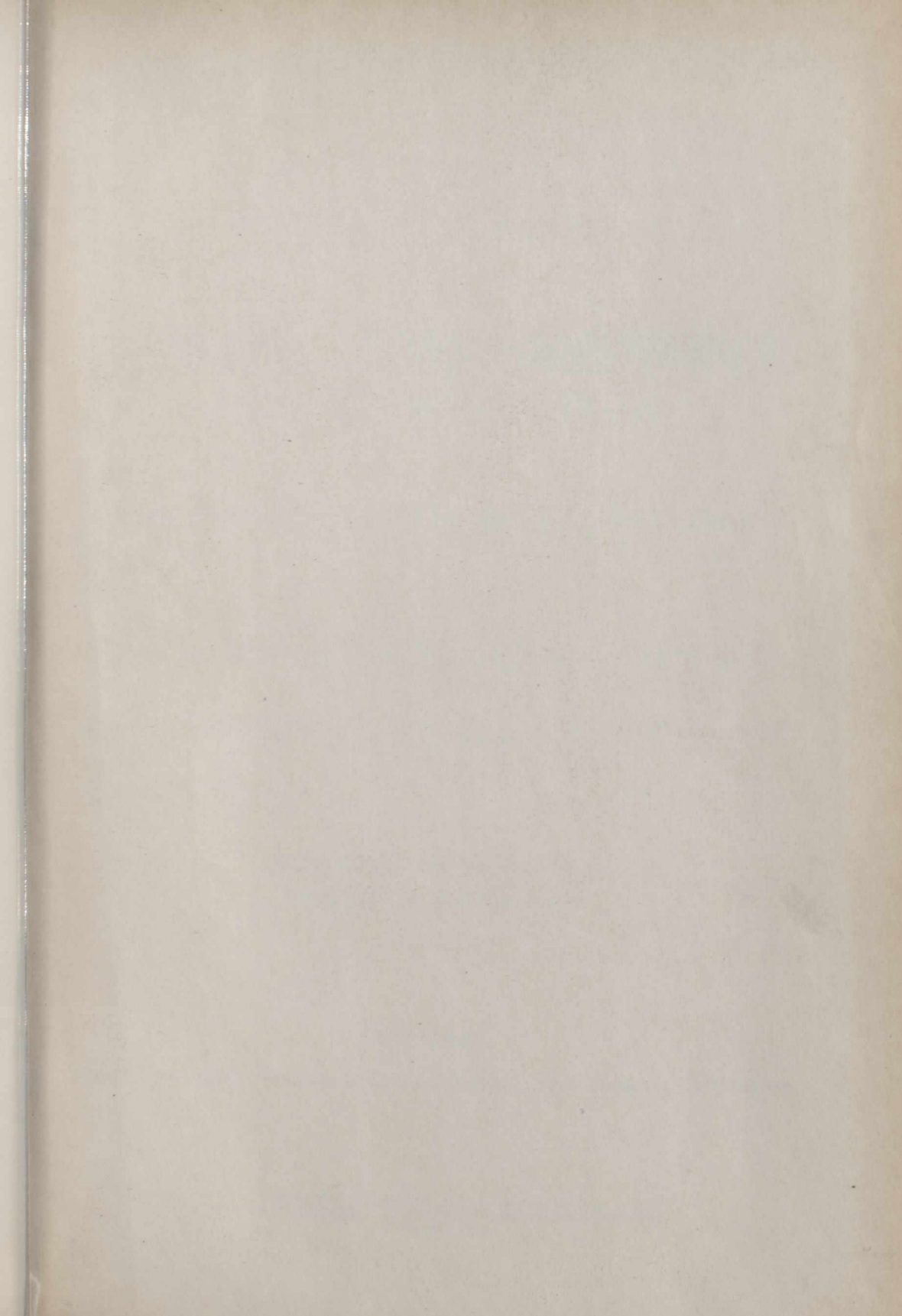
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HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
OF THE  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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TUESDAY, APRIL 1, 1952

TUESDAY, MAY 6, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.  
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY  
OTTAWA, 1952

STANDING COMMITTEE ON BANKING AND COMMERCE

Chairman: HUGHES CLEAVER, Esq.,

Vice-Chairman: C. A. D. CANNON, Esq.

and Messrs.

Adamson	Fulton	Picard
Argue	Gingras	Quelch
Arsenault	Gour ( <i>Russell</i> )	Richard ( <i>Ottawa East</i> )
Ashbourne	Harkness	Riley
Balcom	Harris ( <i>Danforth</i> )	Sinclair
Beaudry	Hees	Smith ( <i>York North</i> )
Bennett	Hellyer	Smith ( <i>Moose</i>
Blackmore	Helme	<i>Mountain</i> )
Bradette	Hunter	Stewart ( <i>Winnipeg</i>
Brooks	Laing	<i>North</i> )
Carroll	Leduc	Thatcher
Crestohl	Low	Viau
Dumas	Macdonnell ( <i>Greenwood</i> )	Ward
Fleming	Macnaughton	Welbourn
Fournier ( <i>Maisonneuve-</i>	Maltais	White ( <i>Hastings-</i>
<i>Rosemont</i> )	McCusker	<i>Peterborough</i> )—50.
Fraser	McMillan	
Fulford	Nickle	

R. J. GRATRIX,  
Clerk.



## ORDERS OF REFERENCE

TUESDAY, March 18, 1952.

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

Messrs.

Adamson	Fulford	Nickle
Argue	Fulton	Picard
Arsenault	Gingras	Quelch
Ashbourne	Gour ( <i>Russell</i> )	Richard
Balcom	Harkness	( <i>Ottawa East</i> )
Beaudry	Harris ( <i>Danforth</i> )	Riley
Bennett	Hees	Sinclair
Blackmore	Hellyer	Smith ( <i>York North</i> )
Bradette	Helme	Smith ( <i>Moose</i>
Brooks	Hunter	( <i>Mountain</i> )
Cannon	Laing	Stewart ( <i>Winnipeg</i>
Carroll	Leduc	( <i>North</i> )
Cleaver	Low	Thatcher
Crestohl	Macdonnell	Viau
Dumas	( <i>Greenwood</i> )	Ward
Fleming	Macnaughton	Welbourn
Fournier ( <i>Maison-</i>	Maltais	White ( <i>Hastings-</i>
<i>neuve-Rosemont</i> )	McCusker	<i>Peterborough</i> )—50
Fraser	McMillan	

(Quorum 15)

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

MONDAY, March 24, 1952.

*Ordered*,—That the Annual Report of the Central Mortgage and Housing Corporation for the year ended December 31, 1951, be referred to the said Committee.

*Ordered*,—That the Financial Statements of the Central Mortgage and Housing Corporation for the year ended December 31, 1951, be referred to the said Committee.

TUESDAY, April 1, 1952.

*Ordered*,—That the Quorum of the said Committee be reduced from 15 to 10, and that Standing Order 63 (1) (d) be suspended in relation thereto.

*Ordered*,—That the said Committee be granted leave to sit while the House is sitting.

*Ordered*,—That the said Committee be empowered to print from day to day such papers and evidence as may be ordered by the Committee, and that Standing Order 64 be suspended in relation thereto.

*Attest.*

LEON J. RAYMOND,  
Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, April 1, 1952.

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

FIRST REPORT

Your Committee recommends:

1. That the quorum be reduced from 15 members to 10, and that Standing Order 63 (1) (d) be suspended in relation thereto.
2. That permission be granted to sit while the House is sitting.
3. That it be empowered to print from day to day such papers and evidence as may be ordered by the Committee, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

## MINUTES OF PROCEEDINGS

TUESDAY, April 1, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Ashbourne, Carroll, Crestohl, Fleming, Fraser, Fulford, Gingras, Harkness, Hellyer, Helme, Hunter, Laing, Leduc, Macdonnell (*Greenwood*), Macnaughton, Maltais, McCusker, McMillan, Quelch, Richard (*Ottawa East*), Smith (*York North*), Thatcher, Viau, Ward, Welbourn.

On motion of Mr. Ashbourne:

*Resolved,*—That a Steering Committee of six members be appointed by the Chairman.

On motion of Mr. Ward:

*Resolved,*—That Mr. C. A. D. Cannon be Deputy Chairman of the Committee.

On motion of Mr. Hunter:

*Resolved,*—That the committee recommend to the House that its quorum be reduced from 15 members to 10, and that Standing Order 63 (1) (d) be suspended in relation thereto.

On motion of Mr. Laing:

*Resolved,*—That the Committee recommend to the House that it be empowered to print from day to day such papers and evidence as may be ordered by the Committee, and that Standing Order 64 be suspended in relation thereto.

On motion of Mr. Helme:

*Resolved,*—That the Committee recommend to the House that it be authorized to sit while the House is sitting.

The Orders of Reference of Tuesday, March 18 and Monday March 24, 1952 were read by the Chairman.

At 11.15 o'clock a.m. the Committee adjourned to meet again at the call of the Chair.

R. J. GRATRIX,  
*Clerk of the Committee.*

TUESDAY, May 6, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Bennett, Blackmore, Carroll, Crestohl, Fleming, Fraser, Fulford, Hellyer, Helme, Hunter, Laing, Macnaughton, Maltais, Picard, Richard (*Ottawa East*), Riley, Sinclair, Smith (*Moose Mountain*), Ward, Welbourn.

*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

Mr. Mansur was called and read a detailed statement upon the functions and activities of Central Mortgage and Housing Corporation.

During the course of his remarks the Witness tabled for distribution the following documents:

1. Approved and Actual Expenditures on Housing Research and Community Planning Grants to other Organizations and Government Departments under Part V of the N.H.A. 1944, 1946-1951;

2. Summary of Federal Provincial Projects;
3. Organization Chart of Central Mortgage and Housing Corporation;
4. Selected Data on Residential Construction, Construction Costs, Building Material Production, Construction Labour Force and Employment, Investments of Selected Life Insurance Companies, Mortgage Loans Approved, and Municipal Finance, Canada, 1946-1951.

The said documents were ordered to be printed as part of this day's evidence.

On the completion of Mr. Mansur's statement the Committee considered the procedure to be followed at subsequent meetings.

The Clerk read the Report of the Steering Committee, as follows:

Your Steering Committee met on Thursday, April 3 and on Tuesday,

April 22 and recommends:

1. That Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, be called first to give a general overall statement on administration, after which the Honourable Mr. Winters, Minister of Resources and Development, be called to give a statement on policy.
2. That, to facilitate orderly discussion, the study of the Annual Report and Financial Statements of the Central Mortgage and Housing Corporation be divided into three parts, namely:
  - (a) Availability of Loans—Mortgage Money;
  - (b) Relationship of Lending Value to Actual Cost;
  - (c) Question of Land Servicing.
3. That the Committee meet each Tuesday, Thursday and Friday at 11.00 o'clock a.m., the first meeting to be held on Tuesday, May 6, unless conflict with other committees necessitates a change.

The advisability of calling witnesses from organizations outside the Government Service was discussed and the question arose as to how far the Committee could go under the terms of its Order of Reference. It was decided to hold the final decision on this matter in abeyance and place the question on the agenda for further discussion at the next meeting of your Steering Committee.

After discussion on procedure, it was decided that at the next meeting Mr. Mansur's statement would be examined section by section and discussion and questions restricted to the principles involved therein; and that at a subsequent meeting an opportunity would be afforded for the questioning of witnesses on matters of particular interest to Members of the Committee.

It was agreed that, to avoid conflict with other Committee meetings, the Committee would determine at each meeting the hour and day for the next meeting of the Committee.

At 12.30 o'clock p.m. the Committee adjourned to meet again at 9.30 o'clock a.m., Wednesday, May 7, 1952.

R. J. GRATRIX,  
Clerk of the Committee.

NOTE: At a meeting of the Committee held on April 22, 1952, to consider Private Bills and at which evidence was not recorded the following Resolution was passed:

On Motion of Mr. Macnaughton:

*Resolved*,—That the Committee print from day to day such copies of its minutes of proceedings and evidence, in French and English, as may, in the opinion of the Chairman, be required.

## EVIDENCE

May 6, 1952  
11.00 a.m.

The CHAIRMAN: Gentlemen, it is 11 o'clock and we have a quorum. We have with us this morning Mr. D. B. Mansur, president of the Central Mortgage and Housing Corporation and Mr. J. D. Ritchie. Shall we call Mr. Mansur?

**Mr. D. B. Mansur, president of Central Mortgage and Housing Corporation, called:**

The WITNESS: Your chairman has asked that I make a statement upon the functions and activities of Central Mortgage and Housing Corporation. In doing so I will outline the source and nature of our responsibilities, the manner in which they are being discharged and I will conclude with some remarks upon the general conditions in which we are now operating in the housing field. As far as possible, I will supplement rather than repeat information contained in our 1951 annual report.

It will be recalled that Central Mortgage and Housing Corporation was incorporated by an Act of parliament proclaimed on January 1, 1946. At that time we assumed from the national housing administration of the Department of Finance three functions:

1. The administration of joint loans made under the Dominion Housing Act of 1935 and the National Housing Acts of 1938 and 1944, as well as the new loan business and other activities arising from the latter Act as from January 1, 1946.
2. The administration of the home conversion plan. Honourable members will recall that by order in council under the War Measures Act authority was given to enter into contracts with owners of large houses to effect the conversion of such houses into apartment units. Under this arrangement the Crown took a leasehold interest in the property, paid for the conversion, received the rents during the period of its leasehold interest and at the end of that period returned the houses in their converted form to their owners. Generally the term of the lease was five years, with an option by the Crown to renew their leasehold interest for another three years.
3. The collection responsibilities on home improvement loans on which guarantees had been paid to the banks or instalment credit agencies for losses incurred in this plan.
4. And from the Wartime Prices and Trade Board we assumed responsibility for administration of the emergency shelter regulations, and the administration of housing registries operated under those regulations.

This was the position as at January 1, 1946, but since then other duties have been assumed by the corporation:

5. It will be recalled that Wartime Housing Limited was the government-owned company which during the years 1941 to 1944 constructed some 19,000 housing units for war workers. Immediately after the end of the war, Wartime Housing Limited undertook, in co-operation with the municipalities, the construction of rental units for veterans. By 1947 the operations of Central Mortgage

required and there had been established a decentralized national organization. In the interests of economy and efficiency an arrangement was made whereby Central Mortgage managed the affairs of Wartime Housing Limited on an agency basis. By amendments to the National Housing Act in 1948 the assets and liabilities of Wartime Housing Limited were assumed by Central Mortgage and the two organizations were merged. Central Mortgage continued the construction of rental units for veterans until this activity was terminated in 1949.

6. In the fall of 1945, prior to the formation of the corporation, and as a result of amendments to the National Housing Act in 1945, an arrangement was entered into with all life insurance companies operating in Canada under which they undertook construction in most of our cities to provide rental units for veterans. The financial arrangement was that a loan of 90 per cent was made to Housing Enterprises Limited, the holding company for this mutual effort by the life insurance companies, and in addition the government guaranteed an annual return of 2½ per cent to the life insurance companies upon their 10 per cent equity. At the request of the life insurance companies the government arranged that the corporation would accept the properties constructed and under construction in complete satisfaction of the indebtedness. Central Mortgage took over the operation from Housing Enterprises Limited and our construction division completed the rental units. Our real estate division took over the management of these units and for all practical purposes they became part of the stock of rental housing units available to veterans.
7. Up to 1948 the Department of National Defence was engaged upon the construction of both temporary and permanent married quarters for armed service personnel. In 1949 an arrangement was made by which Central Mortgage undertook residential construction for the Department of National Defence.
8. In 1948 land and buildings at Ajax, Ontario, which had been operated as a munition plant during the war, were transferred from War Assets Corporation to Central Mortgage. Ajax had become a community and as such could not be disposed of as other surplus assets.
9. In 1949 an arrangement was made under which the services of Central Mortgage were made available to the National Research Council for construction at Deep River townsite.
10. In October, 1950, it became apparent that the volume of defence construction at naval establishments, army camps and air stations required supervision and inspection on a national basis. The Minister of Defence Production established Defence Construction Limited to take over from Canadian Commercial Corporation the new military construction for the Department of National Defence. Because Central Mortgage already had a construction division engaged upon supervision and inspection on a national basis, it was felt that the enlargement of the already existing organization was both more practical and more economical than for Defence Construction Limited to establish a field force to duplicate such services. As a result an arrangement was entered into whereby Central Mortgage manages certain of the affairs of Defence Construction Limited, including the calling of tenders and the super-

vision and inspection of construction from the time the contract is awarded until the completed buildings are turned over to the Department of National Defence.

11. In addition, under the Central Mortgage and Housing Corporation Act provision was made that the Corporation might provide rediscount facilities to the lending institutions—the purchase of mortgages and debentures and loans on pledged mortgages.

It is to discharge our responsibilities under each one of these eleven activities that our administration has been developed. We have not subdivided our organization for each one of these activities but rather into five major divisions to look after the type of function contained in each one of the eleven responsibilities. For instance, our real estate division looks after the management of all real estate which has come from six of the eleven responsibilities which the corporation has assumed.

It is the operations of these five divisions which I would now like to discuss.

## II Operational functions of the corporation—

### 1. Lending operations

#### (a) Joint lending

#### *Procedure*

The principal lending operation under the National Housing Act is carried out jointly with approved lending institutions. Joint loans are shared 75 per cent by the lending institution and 25 per cent by the corporation. Lending institutions are approved as joint lenders by the Governor in Council if the Governor in Council is satisfied that the company is in a sound financial position and has the necessary facilities and staff to carry out the process and inspections required by the National Housing Act and the regulations under the Act. The corporation is the junior partner in National Housing Act joint loans not only in the extent of financial participation but also in the selection of risks and administration of loans. The agreements with the lending institution provide that applications for joint loans will be received by the lending institution. If after examining the proposal the lending institution is prepared to join in a loan, it forwards the application, plans and specifications, to a corporation branch office stating the lending value which it has placed on the project and the amount of loan in which it is prepared to join. The proposal is then appraised by the corporation and a lending value determined independently of the lending institution. If the corporation is satisfied to make the loan, the corporation advises the lending institution that it is willing to join in the loan based on the lower of the two lending values. From that time on the lending institution is responsible for the administration of the loan. It is their responsibility to advise the borrower that the loan has been approved and make the necessary arrangements for the preparation and registration of the mortgage, to carry out progress inspections, make advances on the loan, set the interest adjustment date and collect payments on the loan as they become due.

The lending institution gives an accounting on a bulk basis to the corporation for joint loans under its administration. Advances and repayments are netted down by the lending institution which remits or draws on the corporation as required. Quarterly, each lending institution reports loans which are three months or more in arrears, and takes foreclosure action when necessary.

In determining lending values, there are three general approaches to appraising real property. One is by capitalizing the rent earning capacity of the property, another is by comparison with similar properties in the same

area on which market values have been established by recent transactions. The third method and the one used under the Act is to estimate the current reproduction value of the property. Through the years we have developed a schedule of basic rates. For each city we have basic rates for bungalows, story-and-a-half houses, two-storey houses and apartment buildings. These rates, which are in terms of dollars and cents per square foot of liveable floor area, are adjusted for the size of house. At each end of the range of floor area the basic rate is lower than it is for more suitable areas. The rate is lower on small areas so as not to encourage the construction of large numbers of houses of absolute minimum area. The rate is lower for houses of large floor area because the building cost per square foot decreases as the area increases.

#### *Standards and inspections*

The National Housing Act requires that loans may be made to assist in the construction of a house according to sound standards approved by the corporation and under such supervision as the corporation may prescribe. We have established minimum building standards covering such items as room size, lot areas, window and ventilation areas, construction practices and other related matters. Plans and specifications are checked to see that the proposed dwelling complies with these standards and that the materials to be used have been approved for use in construction financed under the Act. During construction the lending institution makes a minimum of four inspections of the project, at about the following stages—pouring of footings, roofing, plastering and finishing. These inspections are primarily for the purpose of determining the extent to which mortgage money may be advanced and to see as far as is practicable, that construction follows the plans, specifications and minimum standards. The corporation inspection staff makes check inspections during the course of construction. These inspections do not constitute architectural supervision. Unfortunately, many purchasers believe that because a house is financed under the N.H.A., and subject to inspections during the course of construction, the corporation guarantees that in all respects the house complies with building standards and with any representations a builder may make. We have found it necessary to incorporate in our standard forms a warning to purchasers of houses built under the N.H.A. that it is the purchaser's responsibility to satisfy himself that the house he purchases measures up to the standards he expects. The sale transaction is between the builder and the home owner, and the home owner should make certain he has the assurances and safeguards he requires from the builder.

#### *Loans to home owners*

Home owner loans are made directly to a person who has made arrangements to have a house constructed to a design selected by him on land he owns. The maximum loan is 80 per cent of the lending value but in no case greater than \$10,000 for a single family dwelling or \$13,200 for a duplex. Under present policy if the cost of the house to the home owner is not in excess of the lending value established by the corporation, the maximum 80 per cent loan will be approved. However, if the cost exceeds the corporation lending value the loan will be limited to 66- $\frac{2}{3}$  per cent.

It is Canadian mortgage practice that the owner's equity must be invested in the property before any mortgage funds are advanced. This frequently causes difficulty for home owner applicants, particularly those who are doing some of the work on their house themselves. The lending institution at all times retains sufficient money in the mortgage account to complete the house. A home owner without resources beyond the equity required has difficulty in meeting his accounts, particularly around the time the first mortgage advance



is due. This is even more the case if indeed owner labour is to form part of the equity requirement, because much of the work undertaken by the owner is in the finishing stages. For this reason and because of the prospect that the construction period will be lengthy, lending institutions have been reluctant to join in loans where a substantial part of the equity is to be owner labour.

#### *Loans to co-operatives*

Joint loans to co-operatives may be made under the Act. Housing co-operatives are of two general types, one, a co-operative which will build, own and manage a group of properties and, two, a co-operative building society where the co-operative aspects are limited to the building operation and the finished houses are owned outright by the individual members of the co-operative. In the case of the latter type, as each property is completed and conveyed to the individual, that property is released from the blanket mortgage and made subject to an individual joint loan. Frequently, co-operatives contemplate providing much of the required equity or down payment in the form of labour contributions by its members. This technique presents the same difficulties in group housing as it does in the case of loans to home owners.

#### *Loans to builders*

Joint loans are made to builders building houses for sale on very much the same basis as loans to home owners. The difference is that in the first instance the loan is made to the builder and subsequently, the mortgage debt is assumed by a purchaser. Another is that part of the proceeds of the loan are withheld by the lending institution until the builder completes a sale to a purchaser approved by the lending institution and the corporation.

#### *Loans for rental housing*

Under section 8 of the National Housing Act, joint loans may be made to builders of rental housing projects. The maximum loan is 80 per cent of the lending value of the project. Regulations for these loans prescribe certain limits of loan per unit based on the average size of the units, the type of construction and the extent to which services are provided.

#### *Loans for defence workers*

In the case of loans made to defence workers and builders building for sale to defence workers, the maximum loan is 90 per cent of the lending value. A builder must not sell a house before completion and may sell only to a defence worker during the two months following completion. The defence industry employing the home owner is required to make payroll deductions in respect of the mortgage payments. To date all loans to defence workers have been made directly by the corporation rather than jointly with lending institutions.

#### *Pool guarantees*

All joint loans are subject to a guarantee to the lending institution. Under the agreement with the lending institutions, the corporation, at the time a loan approval is issued, credits a pool guarantee fund with an amount fixed by the agreement. These credits are now a percentage of the lending institution's share of the loan and vary from 4.3 per cent to 15 per cent depending on the degree of risk.

Losses on joint loans are shared by the corporation and the lending institution in the same proportion as the shares of the corporation and the lending

institution in the loan. The lending institution's loss on its share of the loan is payable out of the pool guarantee fund. After the fund is exhausted losses are borne by the lending institution.

(b) *Rental insurance*

Under section 8B of the National Housing Act lending institutions are authorized to lend up to 85 per cent of the estimated cost established by the corporation on rental housing projects the rentals of which are guaranteed by the corporation under section 8A. The guarantee, known as rental insurance, is a contract between the builder and the corporation under which the corporation, in consideration of a premium paid by the builder, guarantees for a term of 10, 20 or 30 years that the rental income of the project will be sufficient to meet the principal and interest charges under the mortgage and the estimated operating expenses and a 2 per cent annual return on the equity of the owner. On such projects a maximum rental for the first three years is fixed by the corporation. The builder assigns the benefits of the insurance contract to the lending institution which has the effect of guaranteeing the loan.

(c) *Corporation loans*

The National Housing Act authorizes the corporation to make certain loans without lending institution participation. These are in two main classes: one, loans to specifically-named groups on terms not likely to be attractive to corporate lenders, and two, loans on the same terms and conditions as joint loans in the event that joint loans are not being made available by the lending institutions.

*Loans to limited-dividend companies*

Under section 9 of the National Housing Act, the corporation may make loans to limited-dividend companies for terms up to 50 years at an interest rate of  $3\frac{1}{2}$  per cent up to 90 per cent of the lending value which is generally the agreed cost of the project. Most of the limited-dividend companies which have borrowed under this section are sponsored by service clubs or municipalities for the purpose of providing low-rental housing for particular groups. Other loans have been made to companies providing low-rental housing to their own employees.

*Loans to primary producers*

Section 9A authorizes Central Mortgage to make loans to companies engaged in mining, lumbering, logging or fishing for the construction of low or moderate cost housing for employees. Loans may be for a term of not more than 15 years at  $4\frac{1}{2}$  per cent.

*Loans under section 31A*

Corporation loans may be made by the corporation under section 31A when joint loans are not available from lending institutions. Lending institutions normally make loans in the larger centres of 5,000 population and over and sometimes in the smaller centres; in order to leave as broad a field as possible for the lending institutions and at the same time make loans available in the smaller centres it is the present policy of the government that loans under this section are available only to home owners in communities of less than 5,000 population. Within this policy exceptions are made for loans on houses which are technically rental housing but have elements of home ownership, such as a manse or residence for a doctor in a small town. There have been two instances where it was considered in the public interest to make a corporation loan in respect to standard rental housing projects.

*Rental insurance loans*

The corporation may make direct loans under section 31A on rental insurance projects if financing is not available through a lending institution. Because of the material situation the corporation discontinued making loans on rental insurance projects in February, 1951; such loans are now being made and it is the present policy to make direct loans up to 3,750 units in rental insurance projects in 1952. Under the defence workers housing regulations, the corporation may make 85 per cent loans on rental insurance projects if the builder agrees to give a priority to defence workers in selecting tenants. In other cases corporation loans on rental insurance projects are limited to 80 per cent of the estimated cost.

Now I would like to go over to construction:

*2. Construction**(a) Corporation account*

Construction on corporation's own account is now limited to the completion of projects which were initiated in earlier years.

*Veterans' rental housing*

The veterans' rental housing program, which was started in 1944 under Wartime Housing Limited, ended with projects for which agreements had been negotiated by June, 1949. By the end of 1951 construction had been completed on all but two projects, Montreal north and Fraserview in Vancouver. The Montreal north project was completed a few weeks ago. At Fraserview, of the proposed 1,100 units, 606 have been completed, contracts have been awarded recently or tenders called for 328 and tenders are about to be called for the balance of the project.

*Permanent improvements*

After renegotiation of agreements with municipalities, 12,349 war workers' houses have been offered for sale to individual home owners. Under the agreement to permit sale of munition workers' houses, the corporation undertakes to put the houses in good repair. This includes installing permanent foundations and permanent chimneys where necessary. Contracts have been awarded to date for 9,995 units, of which 9,038 have been completed. It is planned to award contracts for a further 1,195 during 1952. The cost of permanent improvements is about \$800 per unit.

*(b) Agency account*

The greater part of the corporation's construction activity is for government departments, mainly the Department of National Defence.

*Married quarters and schools*

Commencing with the 1949 program, the corporation has been arranging and supervising the construction of married quarters and schools for the Department of National Defence. From time to time other government departments require a few houses for employees and these are handled by the corporation in the same manner as construction for services. House plans and subdivision plans are prepared by the corporation and approved by the department. Tenders are called by the corporation, and within cost estimates already approved by the department and the Treasury Board, contracts are awarded by the corporation with the approval of the Governor in Council. On com-

pletion, houses are turned over to the department. Contractors' progress claims are processed by the corporation and paid by the Department of National Defence.

#### *Military construction*

Under an agreement with Defence Construction Limited, Central Mortgage acts for them in calling tenders and supervising and administering contracts for military construction. The procedure is parallel to that followed in the married quarters program, except that the plans and specifications are supplied by the Department of National Defence and contracts are written in the name of Defence Construction Limited. Payments of contractors' accounts are made by the treasury officer after the claim has been processed by the corporation.

#### *Townsite development*

From time to time the corporation assists government departments or agencies in planning new townsites. Work of this kind has been carried out at Gander, Pine Point, Beaver Lodge and Uranium City. The corporation's position in these projects is that of a consultant. The corporation has staff experienced in town planning and makes their services available on request.

#### *Defence housing—capital assistance*

As well as the assistance offered through the National Housing Act, housing for defence workers is being provided in certain cases directly by government. The Department of Defence Production has made capital assistance grants to construct housing for defence workers where the need for housing was particularly urgent and it was unlikely that an adequate housing stock would be created through the facilities of the National Housing Act. Such projects have been approved at Sorel, Quebec, 65 units, Haley Station, Ont., 15 units, and Renfrew, Ont., 50 units. The corporation acts as the agent of the Department of Defence Production in connection with these projects. Plans and specifications are prepared by the corporation which also calls tenders, awards contracts and supervises construction.

#### *(c) Federal-provincial housing projects*

Construction under section 35 is undertaken by the corporation on behalf of the federal-provincial partnership. After plans and specifications are prepared, tenders are called by the corporation and are opened by a committee which includes representatives of the provincial government. If the contract price is acceptable to both governments the contract is awarded in the name of the corporation. Construction is supervised and contractors' progress claims are paid by the corporation subject to reimbursement by the provincial government for its 25 per cent share. On land assembly projects, arrangements are usually made with the municipality to install services on behalf of the partnership.

### 3. Real estate

#### *(a) Residential*

The corporation's rental real estate can be grouped in seven classes. One allocation procedure applies for all houses; rent collection and maintenance policies are the same for all types of projects.

#### *War workers' houses*

On the 14,486 war workers' houses acquired from Wartime Housing Limited under section 33 of the National Housing Act, 3,733 now remain in our rental account. Agreements with municipalities for war workers' houses provided that

the houses would be removed within six months after the proclamation of the cessation of hostilities. Agreements have been renegotiated to permit the sale of the houses to private owners except in respect to the following projects:

Municipal project	No. of units
Peterborough .....	126
Windsor .....	591
North Vancouver .....	284
Hamilton .....	559

The houses in these projects will be vacated and removed by dates agreed on with the municipalities.

#### *Veterans' rental housing*

The corporation also took over from Wartime Housing Limited 7,942 completed veterans' houses and 11,992 houses under construction. In subsequent programs the corporation undertook to build 7,433 houses. Except for Fraserview all these veterans' rental housing projects have been completed. The agreements for veterans' rental housing projects differ from the agreements for munition workers' houses in that the corporation has, by agreement, the right to sell the houses at any time. In the pre-1948 agreements there was a provision that on the sale of the houses a lot fee would be payable to the municipality. The agreement provided that the lot fee would be \$400 if the house was sold in the first five years of the agreement, and \$200 if sold in the second five years. In some cases the sale of houses has been deferred until the lower lot fee becomes effective under the agreement. In other cases the municipalities agreed to accelerate the date for the lower lot fee in order to have the houses sold at an earlier date. The 1948 and 1949 agreements provide for the payment to the municipalities in the event of sale being worked out on a formula stated in the agreement. The 1948 and 1949 agreements also provide for payments in lieu of taxes which at the time the plan was announced approximated regular taxes on similar properties in most municipalities. These annual payments range from \$70 to \$80 per unit, with a lower range applying to basementless houses. Pre-1948 agreements, which provided for payments in lieu of taxes of \$24-\$30 per year, have been amended to provide for a higher scale of grants when the municipality has agreed that the rents specified in the original agreement could be increased to the same extent. Altogether 86 municipalities have renegotiated agreements for higher payments in lieu of taxes. Under the 1948-49 agreements, rents were not established in advance and set forth in the agreement as they were for earlier projects, but rather have been established under a cost-rent formula contained in the agreement.

#### *Housing enterprises*

Housing Enterprises Limited undertook the construction in 28 municipalities of 1,101 units in multiple housing projects, 238 in row house projects and 1,976 in single or semi-detached houses. As mentioned earlier, the corporation acquired the properties. The capital cost of acquiring and completing the H.E.C.L. units was \$25,900,000. Only 169 single or semi-detached houses are now in our rental account, the remaining 1,807 having been sold at a loss of \$2,050,000. None of the multiple projects or row housing projects have been offered for sale. The rentals of the multiple housing projects have been set at levels which will meet all maintenance and operating costs and provide for the amortization of the capital cost to the corporation over a period of 40 to 50 years. All but one or two of these projects are earning a return in excess of this minimum capital recovery.

*Home conversion plan*

A total of 260 projects containing 2,096 units converted under the home conversion plan were taken over subject to leases arranged by the Department of Finance expiring in the years 1951 to 1954. By the end of 1951, 234 leases had expired or had been surrendered. Pre-maturity lease surrenders are negotiated on the basis that the owner reimburses the corporation for the net income to the corporation over the unexpired term of the lease.

*Integrated housing*

Under the buy-back provisions of the integrated housing agreements, the corporation has been required to purchase 342 units in 24 projects. These properties have been taken into our real estate account and offered for sale; 331 of the 342 units have now been sold.

*Agency housing*

From time to time the corporation has managed properties under agreement for government departments and agencies. At the present time the only properties in this category are the defence workers' projects built by the corporation on behalf of the Department of Defence Production.

*Non-family housing*

The corporation also manages some non-family housing projects: Arbour Lodge at Ajax, a staff house in Hamilton and Laurentian Terrace in Ottawa.

*(b) Non-residential*

The corporation holds other real estate under the provisions of section 34, of which the largest operation is Ajax.

*Ajax, Ontario*

In 1948 the government turned over to Central Mortgage and Housing Corporation the former shell filling plant at Ajax. This property comprised some 3,000 acres and many buildings, including an hotel, hospital, steam generating plant, filtration plant and sewage disposal plant. The premises at that time were under lease to the University of Toronto. As the university vacated, the corporation took steps to encourage industries and businesses to locate at Ajax. This program has been directed towards creating in Ajax a balanced self-sustaining community.

*Vacant land*

From time to time the corporation has acquired land for residential development and now holds vacant land suitable for residential development as follows:

Halifax .....	41 acres	Toronto .....	130 acres
Quebec .....	15 acres	Niagara Falls .....	41 acres
Ottawa .....	260 acres	New Westminster .....	15 acres
Kingston .....	48 acres	Victoria .....	51 acres

Mr. FLEMING: That is in Toronto?

The WITNESS: Yes, at Bathurst and Lawrence.

These properties will be developed or sold to builders who will be required to pass the benefits of a lower price on to purchasers of houses.

## (c) Rental procedure

The principles of administering the corporation's rental housing account comply with the government policy that the houses be made available to veterans of World War II and veterans of service with the Korean special force.

*Allocations*

Allocations are made to veterans in accordance with a well defined priority system. Individual priorities are determined by a grid rating of each application on which points are awarded for such items as war service both in Canada and overseas, war service disabilities, size of family, need for more adequate housing, and family income. All allocations are made in accordance with this grid rating. The length of time an application has been on file does not enter into the consideration of allocations except that a new application will not be scored until it has been on file with the corporation for six months.

*Rent collections*

Tenants occupy corporation houses on a month to month basis, with the rental being payable in advance. A system of bank collections has been established for the convenience of tenants. Each tenant is given a booklet which identifies his house and which he may present at any branch of any chartered bank in Canada and make payment of his rent. The bank passes the payment along to the appropriate corporation office. A tenant is expected to pay his rent promptly. If through some misfortune a tenant is unable to pay his rent the corporation co-operates with him in any reasonable attempt to make up his arrears, or with any social aid organization which is endeavouring to assist him in making good his arrears. Any tenant who is in arrears and who cannot make satisfactory arrangements to bring his rental account up to date in a reasonable time is served with a notice that his lease is terminated. If the tenant does not vacate voluntarily, eviction proceedings are taken against him. In 1951, 348 eviction proceedings were initiated. Of these, 107 got to the stage of court hearing and 92 orders for possession were issued by the courts, but in only 16 cases was it necessary to call upon the sheriff to execute the writ of possession; 153 paid their arrears before court hearing and were reinstated.

## (d) Sales program

*Units offered for sale*

At the time the corporation assumed administration of the affairs of War-time Housing Limited the government had decided that, where possible, war workers' houses should be offered for sale. Wartime Housing Limited had sold 410 houses by December 31, 1946, which was the effective date of the take-over. The corporation has carried on with this sales program for war workers' houses, pre-1948 veterans' rental houses and for the single and semi-detached houses taken over from Housing Enterprises Limited. Other properties acquired through default or under guarantee agreements have also been offered for sale. Altogether 31,554 houses have been put up for sale to veterans. The number of units offered for sale, the number sold and the selling price is:

	<i>Offered for sale</i>	<i>Sold</i>	<i>Selling price</i>
War workers' .....	11,872	11,002	} \$109,557,000
Veterans' .....	17,364	12,533	
H.E.C.L. ....	1,976	1,841	
Intégrated houses.....	342	331	
	<hr/> 31,554	<hr/> 25,707	

There are still 332 war workers' houses and 1,937 pre-1948 veterans' rental houses to be offered for sale.

It is the policy under our sales procedure that the first opportunity to purchase is given to the present tenant. If a tenant is unwilling or unable to buy his house, he is not required to vacate in order that the property may be sold to another veteran except that a tenant who is unprepared to purchase his house may, if a suitable offer is received for that house from another veteran, be asked to move to another rental house owned by the corporation in the same locality. This so called "forced move" technique has been used sparingly. A survey of 14,339 sales over a period of 17 months in 1950-1951 disclosed that the corporation requested 350 tenants to move—in nine of these cases we issued formal notice to vacate. In the same period 841 tenants moved at their own request.

That was to secure more suitable accommodation which appeared to be available in the project area.

#### 4. Other functions

##### (a) Guarantees

The National Housing Act authorizes guarantees other than those to joint lenders and on rental insurance projects.

##### *Integrated housing plan*

Under section 4B of the National Housing Act, the corporation was authorized to enter into contracts with builders under which, if houses were built for sale with a priority on sale to veterans at a price established by the corporation, the corporation undertook to purchase each house so built at a predetermined price if the builder was unable to sell the house within one year from the date of completion. This plan, known as the integrated housing plan, was very successful. Altogether a total of 16,984 housing units were constructed under integrated agreements. These houses were put on the market at a price some 10 per cent to 15 per cent lower than ordinary builders' sales on National Housing Act loans. A guarantee similar to the integrated housing plan is included in the defence workers' housing loan regulations. Builders building for sale to defence workers at a fixed price, may, for a premium of one-third of 1 per cent of the buy-back price, obtain from the corporation an undertaking to purchase any house unsold five months after completion. The buy-back price is 95 per cent of the lending value or established selling price.

##### *Land assembly*

Section 11 of the National Housing Act authorizes a lending institution to invest money in the purchase and improvement of land to be used for residential housing developments. The section also authorizes the corporation to guarantee to the company, the return of its investment together with interest thereon at a rate not in excess of 2 per cent per annum.

##### *Guarantees to manufacturers*

Section 15 of the National Housing Act authorizes the corporation, with the approval of the Governor in Council, to enter into a contract with a manufacturer of equipment or other component parts of houses for the experimental production of equipment or parts for rural houses which, in the opinion of the corporation, may be manufactured at a low cost. If the corporation enters into such a contract it may underwrite or guarantee the sale at an agreed price, of equipment or parts covered by the contract. No contracts have been entered into under this section.



*Home improvements and home extension loans*

Part IV of the Act deals with home improvement loans and home extension loans. With respect to home improvement loans, this part has been proclaimed for Kamsack, Yellowknife and flood damage in the Fraser Valley. These are loans made by the chartered banks or approved instalment credit agencies to home owners for financing the extension or improvement of existing dwellings. The corporation, within the limits of a 5 per cent pool guarantee fund, may pay the bank or instalment credit agency the amount of loss sustained by the lender as a result of a home improvement loan or a home extension loan made in accordance with the provisions of section 17.

Losses paid under the corresponding 1938 Act amount to \$472,218, being 0.94 per cent of the amount loaned. At the time the corporation assumed the administration of the National Housing Act from the Department of Finance outstanding accounts on which claims had been paid to the banks amounted to \$419,500. Since then the corporation has recovered \$123,345, of which \$84,682 is principal.

(b) Slum clearance grants.

As a result of taking over the bank's right against the borrower where the bank thought that it would not be able to make further collections from the borrower.

Section 12 of the National Housing Act provides for grants to a municipality from the federal government to assist in meeting the cost of acquiring and clearing an area of land suitable as a location for a low-cost or moderate-cost housing project. These grants are made by the minister—the corporation's activity in connection with section 12 is limited to making investigations as requested by the minister.

(c) Emergency shelter.

Operations of the emergency shelter administration, which at the peak provided shelter for about 11,000 families, are now limited to administrative work in closing out projects operating in properties owned or leased by the government. There are 25 projects containing 2,903 units still operating in which the government has an interest. Of these, six projects of 313 units are operated by universities to provide accommodation for married veteran students.

(d) Housing Research—community planning.

Under part V of the National Housing Act, the corporation is charged with responsibility to cause investigations of housing conditions and housing accommodation in Canada, and distribute information about construction of adequate housing and understanding and adoption of community plans in Canada. In meeting these responsibilities, we have avoided creating technical or statistical organizations which would duplicate facilities already provided by other government agencies. By agreement with the National Research Council, all physical research on building materials and methods is carried out by the Council's division of building research. Under arrangements with the Dominion Bureau of Statistics, housing surveys connected with census data and the survey of starts and completions are carried out by the bureau on our behalf. Expenses of these organizations on work carried out for the corporation are a charge against part V.

*Corporation*

Research work carried out by the corporation itself is limited to the economic and social aspects of housing. The corporation's economic research department makes a continuing study of housing in Canada from an economic point of view, the results of which are published quarterly in our booklet, "Housing in Canada." We also publish quarterly, "Housing progress abroad", a report on housing developments and legislation in other countries. "Mortgage lending in Canada", which is published each year, is prepared by our economic research department in accordance with the directions given to the corporation under section 27 of the Central Mortgage and Housing Corporation Act. From time to time the corporation has participated in other studies of a social and economic nature. We have been developing a new index of building costs. We have made surveys of the number of vacancies created in existing dwellings by the introduction of new rental houses. We have carried out studies in urban mapping. We have also made some preliminary investigations into the housing needs of old people. The corporation has published a series of sketch design booklets which are distributed to persons interested in building houses. Working drawings for house designs included in booklets are sold by the Corporation for \$10 a set.

*Universities*

Under part V of the National Housing Act the corporation has made grants to universities. These grants have fallen into two broad classes:

1. Grants to assist in provision of technical education facilities, and
2. Grants to assist in research at universities.

The grants in aid of technical education have been directed towards aiding universities to provide teaching facilities for community planning, and towards providing fellowships for students engaged in the study of community planning. Research projects undertaken by universities with part V assistance have been in urban housing problem, and legislation and practice of community planning and in the siting and architectural design of housing.

*Other*

The responsibilities of the corporation to develop a program of public information and promotion of community planning have been carried out by making a series of grants to the Community Planning Association of Canada, totalling \$251,334. Grants were made to rural housing committees in the maritimes, prairies and B.C. These organizations, which were financed by grants from part V and the provincial governments, carried out studies of problems in farm housing. (Mr. Chairman, I have with me a statement of all grants made to date under part V of the National Housing Act. If the committee so desires, this might be printed in the record).

The CHAIRMAN: Gentlemen, shall we have that in the record?

Agreed.

Mr. FLEMING: That statement will be printed in the record at this point, Mr. Chairman?

The CHAIRMAN: Yes.

The WITNESS:

APPROVED AND ACTUAL EXPENDITURES ON HOUSING RESEARCH AND  
COMMUNITY PLANNING GRANTS TO OTHER ORGANIZATIONS AND  
GOVERNMENT DEPARTMENTS UNDER PART V OF THE N.H.A.

1944, 1946-1951

Type of Expenditures	Approved Expenditures	Actual Expenditures
	\$	\$
<i>Economic and Related Research—</i>		
D.B.S.—Starts and Completions (1945-46-47).....	41,840 57	31,842 62
D.B.S.—Starts and Completions (1948-49-50-51).....	64,800 00	49,213 60
—Multiple Occupancy (1946-47).....	23,368 25	17,634 20
—Incompleted Dwellings (1947).....	6,721 27	6,721 27
—McLeans' Building Reports.....	770 00	770 00
Dalhousie University, Institute of Public Affairs (1948).....	6,500 00	.....
University of Toronto, School of Social Work.....	9,000 00	9,000 00
Vancouver Housing Authority.....	5,000 00	5,000 00
Laval University.....	2,000 00	2,000 00
"Residential Real Estate in Canada" (1950).....	4,000 00	4,977 28
Sub-Total.....	164,000 09	127,158 97
<i>Architectural Investigations—</i>		
Multi-Unit Designs.....	6,168 00	5,800 00
University of Toronto (1950).....	368 31	.....
University of Manitoba (1951).....	17,500 00	7,500 00
Sub-Total.....	24,036 31	13,300 00
<i>Community Planning—</i>		
McGill University Conference.....	600 00	528 07
" " Scholarships (1947).....	2,500 00	2,500 00
" " Legislation (1948).....	7,225 29	7,225 29
" " Scholarships (1948).....	2,500 00	2,500 00
" " Land Assembly (1948).....	750 00	300 00
" " Scholarships (1950).....	2,500 00	2,500 00
" " Maps (1950).....	500 00	500 00
" " Community Planning (1949).....	2,500 00	2,500 00
Survey of Courses on Community Planning (1949).....	1,000 00	.....
University of B.C. Teaching and Research (1950).....	3,000 00	3,000 00
University of Toronto (1950).....	7,200 00	7,200 00
University of Toronto (1951).....	3,000 00	3,000 00
McGill University (1951).....	3,000 00	3,000 00
University of Manitoba—Study of Community Planning (1951).....	9,000 00	9,000 00
University of B.C. (1951).....	3,000 00	3,000 00
Queen's University (1951).....	11,000 00	.....
Architectural Group of Ottawa (1946).....	700 00	700 00
Community Planning Conference—Ottawa (1946).....	363 78	363 78
D.B.S. Prairie Census.....	250,000 00	175,085 02
Community Planning Association (1947-48-49-50-51).....	188,396 80	189,046 80
Summer Seminar (1950).....	1,000 00	936 55
Fellowship Grants (1951).....	10,800 00	10,800 00
Co-ordinating Community Planning Studies.....	1,000 00	.....
Sub-Total.....	511,535 87	423,685 51
<i>Other Housing Investigation—</i>		
B.C. Rural Housing Committee (1948-49-50).....	15,023 65	12,772 98
Prairie Rural Housing Committee (1948).....	85,866 00	78,334 77
Maritime Rural Housing Committee.....	2,915 00	971 66
Farm House Contest (1948).....	3,600 00	3,610 00
"New Neighbourhoods Needed" (1950).....	1,500 00	1,500 00
University of Toronto Survey.....	9,000 00	9,000 00
W. S. Goulding (1951).....	4,500 00	.....
Housing—Architect Fees (1951).....	20,000 00	.....
Sub-Total.....	142,404 65	106,189 41
Total.....	841,976 92	670,333 89

#### 5. Public housing.

Section 35 of the National Housing Act provides for a partnership of the federal and a provincial government for the acquisition and development of land for housing purposes and the construction of houses for sale or for rent. The application of section 35 is dependent upon the provincial governments enacting complementary legislation. Newfoundland was the first to enact such legislation in the fall of 1949. New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan and British Columbia enacted complementary legislation in 1950, and Nova Scotia in 1951. Alberta enacted complementary legislation this year.

#### *Planning*

The initiation of a project under section 35 is a matter for the provincial government to undertake. A province, in consultation with municipalities, develops proposals which are then referred to the corporation for consideration. Before a project will be approved in principle, the corporation requires that the municipality furnish the province with a report which confirms the need for housing in the municipality and the type of housing and rental levels the project can sustain. The decision as to whether rentals will be subsidized by the participating governments is largely for the provincial government to take, because it is the present policy of the federal government to join with a provincial government in any reasonable project the province wishes to undertake. Since this section is a public housing section and since the demand for public housing normally arises only in the larger municipalities, the present policy is that section 35 rental projects will be considered in any municipality of more than 5,000 population, when there is an effective demand for housing accommodation at a rental which is acceptable to the partners.

#### *Types of projects*

The projects undertaken under section 35 fall into four classifications: land assembly projects, economic rental housing projects, subsidized rental housing projects and combined land assembly and rental housing projects. In the land assembly projects, raw land suitable for housing development is acquired by the partnership. Streets, sewers, water and electricity are provided and the land is then subdivided into building lots. These lots are then offered for sale by the partnership to home owners or builders who will undertake to construct houses on the lots within a reasonable period. In the case of lots that are sold to speculative builders, care is exercised to make sure that the low lot price resulting from land assembly by the partnership is passed on to the ultimate home owner. In rental housing, subsidized or economic, the project is built under contract arranged by Central Mortgage on behalf of the partnership.

#### *Management*

Public rental housing projects will be managed by local housing authorities named by the Lieutenant-Governor in Council. These authorities operate within terms of reference prescribed by the partnership, governing such matters as level of rents, selection of tenants and annual budget. (Mr. Chairman, I have with me a schedule of projects which, if the committee so desires, might be printed in the record.)

The CHAIRMAN: That should go into the record and copies will be passed around to members of the committee.

The WITNESS:

## SUMMARY OF FEDERAL PROVINCIAL PROJECTS

MARCH 31, 1951

Province	Land Assembly	Rental Housing Subsidized	Rental Housing Economic	Combined Land Assembly and Rental Housing	
		No. of Lots	No. of Units	No. of Units	No. of Lots
<i>Newfoundland—</i>					
St. John's	F.P. 2/50	607			
	F.P. 1/50		140		
	F.P. 3/51		152		
<i>New Brunswick—</i>					
Saint John	F.P. 1/50		188		
<i>Ontario—</i>					
Atikokan	F.P. 1/50	200			
Windsor	F.P. 1/50	325			
St. Thomas	F.P. 1/50	255			
London	F.P. 1/50	374			
Ottawa	F.P. 1/50	600			
Windsor	F.P. 2/51		325		
St. Thomas	F.P. 2/51		40		
Fort William	F.P. 1/51		70		
Hamilton	F.P. 1/51		500		
Brockville	F.P. 1/51			425	40
Guelph	F.P. 1/51			435	70
Kitchener	F.P. 1/51			1000	90
Trenton				220	25
<i>Saskatchewan—</i>					
Moose Jaw			75		
<i>British Columbia—</i>					
Trail	F.P. 1/50	277			
Prince Rupert	F.P. 1/51		50		
Totals		2638	455	985	225

## III. Administration of Central Mortgage and Housing Corporation.

Under the Central Mortgage and Housing Corporation Act, the corporation consists of the minister and a board of ten persons. It is for all purposes an agent of Her Majesty in right of Canada and its head office is in the city of Ottawa. The board of directors is charged with the responsibility of managing the affairs of the corporation and, to assist in the discharge of that responsibility, there is an executive committee of the board consisting of the president and vice-president of the corporation and two other directors selected by the board.

## (a) Accounts

*Capital and reserve*

The corporation was established with a capital of \$25 million. The profits of the corporation are transferred to a reserve fund and any profits which result in the reserve fund exceeding \$5 million are paid to the receiver-general. The limit of \$5 million was achieved in 1948. Since then all profits earned by the corporation have been paid to the receiver-general, an amount of \$28,928,708.65.

*Financial statements*

The financial statements included in the annual report are the balance sheet as certified by the corporation's auditors, the statement of income and expenditure, the statement of the reserve fund, and supporting schedules of

loans, agreements for sale, and real estate. Generally, I think the financial statements, when read with the explanatory remarks in the body of the report are clear, but I would like to comment on four items.

#### *Real estate*

The item in the balance sheet showing real estate of \$123,107,566.79 is supported by the schedule of real estate on pages 42 and 43 of the report. It will be noticed that the book value of war workers' houses at slightly over \$1,500,000 is an average of approximately \$400 a unit. The houses have a real value higher than this. These houses were included in the accounts of the corporation at book values conforming to municipal agreements. These agreements provided for removal or demolition of the houses within six months from the date of the official declaration of the cessation of hostilities, and a valuation was therefore established at six months net rental or \$100 per house. To this valuation has been added the expenditure in capital improvements on those houses which are still in rental account. It will also be noticed that the service men's houses included in the 1947 and earlier program have a book value before depreciation of \$3,000 per unit. These houses were subject to agreements which gave each municipality an option to purchase the houses en bloc at \$1,000 each at the expiration of a certain period of years. That period runs from about 17 to 22 years. The present value of net rentals for that period, and the option purchase price, was established at \$3,000 per unit and the houses were taken into the accounts of the corporation at that figure.

As these houses and other real estate, such as Ajax, were acquired by the corporation without actual cost, valuations for accounting purposes required an off-setting liability item in equal amount shown as "unrealized capital surplus."

#### *Sundry real estate*

I would also like to mention that the 819 units shown on the real estate schedule under "sundry other real estate" and brought forward from December 31, 1950, included 659 units at Deep River village acquired from National Research Council and during 1951 returned to the council.

#### *Additions to unrealized capital surplus*

When the houses which have been in rental account are sold on deferred payments, the asset in the real estate account is replaced by an asset in the corporation's mortgage and sale agreement account. Because of the low book value of the rental houses, particularly the war workers' houses, the new asset in the agreement for sale account is much larger than the old asset in the real estate account. However, this increase in value is not immediately reflected in a cash recovery. The cash recovery is limited to the down payment and the monthly payments on the outstanding balance of purchase price is collected. The increment in the asset is therefore transferred to the unrealized capital surplus account. As the corporation collects payments against the sale agreements and so realizes on this increased asset, credits are made through the unrealized capital surplus account to the corporation's reserve fund account. In this way, the Reserve fund reflects actual recoveries of the corporation's capital investment in real estate rather than paper recoveries at the time of sale.

#### *Borrowings*

You will notice that listed among the liabilities of the corporation are borrowings from the government of Canada under three separate headings.

These borrowings are made under section 23 of the Central Mortgage and Housing Corporation Act and under sections 34 and 35 of the National Housing Act.

Borrowings under section 23 of the Corporation Act are for the purpose of lending under the National Housing Act. From January 1st, 1946, to September 30th, 1948, the corporation borrowed at a rate of  $2\frac{3}{4}$  per cent per annum. From October 1st, 1948, to June 30th, 1951, borrowings were made at the rate of 3 per cent per annum. Since July 1st, 1951, borrowings have been at an interest rate of  $3\frac{1}{2}$  per cent per annum except in respect of borrowings to meet loan commitments made prior to that date. Since October 1st, 1948, the corporation's borrowing rate and its return on joint loans have been the same.

Borrowings under section 34 of the National Housing Act for investment in veterans' rental housing, have been at 2 per cent per annum. The 2 per cent rate is being continued for the completion of the last such project, namely the Fraserview project in Vancouver, B.C. Borrowings under section 35 have been in the range of 3 per cent to  $3\frac{1}{2}$  per cent per annum.

All borrowings under the above sections are evidenced by corporation debentures given to the Minister of Resources and Development on terms and conditions approved by the Minister of Finance.

#### *Overhead recovery*

The corporation is supervising construction work under five agency agreements. In order that additional records involving cost accounting be avoided, recovery of general administrative expenses has been arranged on a fee basis.

The corporation has an agency agreement with Defence Construction Limited for the supervision of military construction and with the Minister of Resources and Development, on behalf of the Department of National Defence, for supervision of the construction of married quarters and schools. In both of these agreements it is provided that the basis of fee shall be recovery of salaries incurred in respect of such work plus an amount equal to 50 per cent of those salaries which was considered a reasonable allowance to cover other overhead expenses.

The corporation has an agreement with the National Research Council in respect of certain construction work at Deep River and another agreement with the Department of Defence Production in connection with housing for defence workers financed by capital assistance through that department. In these cases the corporation is paid a fee of 2 per cent of the construction cost to cover both salaries and overhead expenses.

Pursuant to each federal-provincial agreement made under section 35 of the National Housing Act, the corporation is supervising construction on behalf of the partnerships, and any corporation on-site salaries are a capital charge against the projects. Interest on monies advanced during the period of construction is capitalized into the project costs and the corporation is permitted by the agreements to load its borrowing rate by one-quarter of 1 per cent to meet its overhead.

#### (b) Organization and staff.

Ever since the formation of the corporation we have followed a policy of decentralization. Real estate in which we are interested involves business dealings which are essentially local and personal. Because this real estate is located in all parts of the country and not concentrated in Ottawa, we have felt that our organization should follow the same pattern.

For our purposes the country has been divided into five regions, as follows:

- (i) The maritime region. This covers the maritime provinces and Newfoundland.
- (ii) The Quebec region. This covers the province of Quebec, excluding the Ottawa valley.
- (iii) The Ontario region. This covers the province of Ontario, including the Quebec side of the Ottawa valley and excluding the Lakehead area of Ontario.
- (iv) The prairie region. This covers the prairie provinces, the Lakehead area of the province of Ontario, and the north-eastern part of the province of British Columbia along the Alaskan highway.
- (v) The British Columbia region, which covers the province of British Columbia, excluding the north-eastern portion.

Each region is under the direction of a regional supervisor and the five regional offices are located in Halifax, Montreal, Toronto, Winnipeg and Vancouver. The regional office supervises all the corporation's business in its area. Each regional area is sub-divided into smaller districts, administered by branch offices, except in a few instances where a full branch office is not required and a district rental office has been established. In addition, at the major projects there is a rental sub-office which attends to the administration and maintenance of properties.

As I mentioned in the early part of this statement, our activities are grouped into functional divisions. These divisions are the construction division, loans division and mortgage and real estate division. Latterly, we have developed a new division—the public housing division—to supervise corporation activities under section 35 of the National Housing Act. Each of our regional and branch offices is organized on a similar basis although necessarily on a smaller scale and, in some instances, with consolidations and adaptations. In addition, we have at our head office other divisions and departments dealing with accounting, legal matters, personnel, information, research and statistics.

Mr. Chairman, I have with me a copy of our organization chart which, if the committee so desires, might be printed in the record.

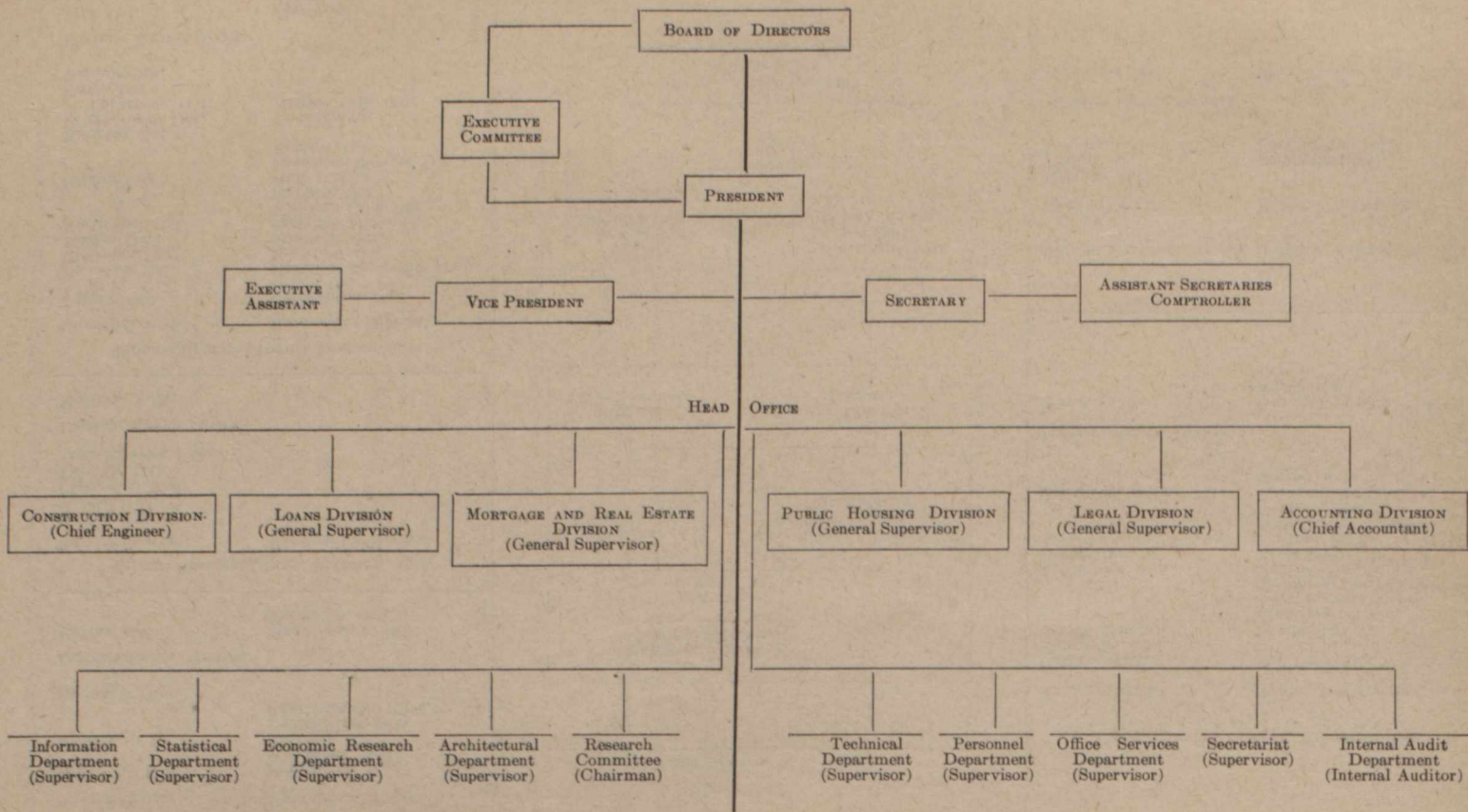
The CHAIRMAN: Does the committee also agree that this should go into the record?

Agreed.

Mr. FLEMING: At this point.

The WITNESS:





## MARITIME REGIONAL OFFICE, HALIFAX, N.S.

## BRANCH OFFICES

Saint John, N.B.

Moncton, N.B.

St. John's, Nfld.

## RENTAL SUB OFFICES

Fredericton, N.B.  
 Woodstock, N.B.\*  
 Amherst, N.S.\*  
 Campbellton, N.B.  
 Charlottetown, P.E.I.\*

## DISTRICT RENTAL OFFICES

Halifax, N.S.

New Glasgow, N.S.  
 Yarmouth, N.S.\*

## QUEBEC REGIONAL OFFICE, MONTREAL, P.Q.

## BRANCH OFFICES

Quebec, P.Q.  
 Sherbrooke, P.Q.  
 Chicoutimi, P.Q.  
 Val d'Or, P.Q.  
 Trois Rivières, P.Q.

## RENTAL SUB OFFICES

## DISTRICT RENTAL OFFICE

Montreal, P.Q.

## ONTARIO REGIONAL OFFICE, TORONTO, ONT.

## BRANCH OFFICES

Toronto, Ont.  
 Hamilton, Ont.  
 Kitchener, Ont.  
 London, Ont.  
 North Bay, Ont.

## RENTAL SUB OFFICES

Collingwood, Ont.  
 Orillia, Ont.  
 Hamilton Men's Staff House  
 Brantford, Ont.  
 Stratford, Ont.  
 Sault Ste. Marie, Ont.  
 Kirkland Lake, Ont.  
 Sudbury, Ont.\*  
 Hull, P.Q.  
 Laurentian Terrace, Ont.  
 Renfrew, Ont.

Ottawa, Ont.

Kingston, Ont.  
 Peterborough, Ont.  
 St. Catharines, Ont.  
 Sarnia, Ont.  
 Windsor, Ont.

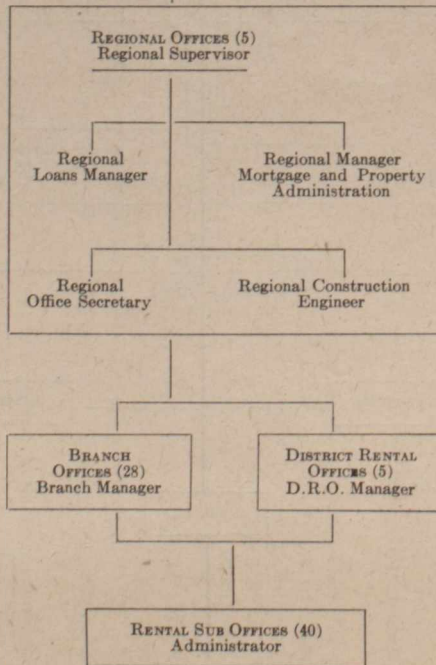
Trenton, Ont.  
 Niagara Falls, Ont.

## DISTRICT RENTAL OFFICES

Ajax, Ont.

Ajax Plant  
 Ajax Houses

## FIELD OFFICES



## PRAIRIE REGIONAL OFFICE, WINNIPEG, MAN.

## BRANCH OFFICES

Calgary, Alta.  
 Edmonton, Alta.  
 Fort William, Ont.

## RENTAL SUB OFFICES

Red Deer, Alta.\*  
 Dryden, Ont.\*  
 Sioux Lookout, Ont.\*  
 Fort Frances, Ont.\*  
 Geraldton, Ont.\*  
 Medicine Hat, Alta.\*  
 Moose Jaw, Sask.  
 Yorkton, Sask.  
 Swift Current, Sask.\*  
 Weyburn, Sask.\*  
 Prince Albert, Sask.  
 North Battleford, Sask.\*

Lethbridge, Alta.  
 Regina, Sask.

Saskatoon, Sask.

## DISTRICT RENTAL OFFICES

Winnipeg, Man.

Portage La Prairie, Man.\*  
 Brandon, Man.\*  
 Kenora, Ont.\*

## BRITISH COLUMBIA REGIONAL OFFICE, VANCOUVER, B.C.

## BRANCH OFFICES

Kelowna, B.C.  
 Trail, B.C.  
 Victoria, B.C.

## RENTAL SUB OFFICES

Kimberley, B.C.\*  
 Port Alberni, B.C.\*

## DISTRICT RENTAL OFFICES

Vancouver, B.C.

Prince George, B.C.\*

The staff of the corporation numbered 2,266 as at December 31, 1951, including 303 part-time and casual employees. In five instances, when the corporation has assumed additional responsibilities, there have been transferred to it employees already engaged in the administration of those responsibilities. These transfers occurred:

In 1946 from National Housing Administration and Emergency Shelter administration.....	246
In 1947 from Wartime Housing Limited.....	1,371
In 1947 from Housing Enterprises Limited.....	206
In 1949 from Ajax Development Project.....	55
In 1949 from Laurentian Terrace.....	36
Total .....	1,914

The corporation had in its employ as at December 31, 1951, 352 employees more than were transferred to it during the past six years. That increase in staff has been held to this figure notwithstanding a very substantial increase in the volume of loan business since 1945 and notwithstanding the assumption of new duties of the corporation, such as the supervision of military construction, and activities under section 35 of the National Housing Act.

Excluding casuals, the total staff of 1,963 employees is comprised of 1,347 males and 616 females. Of the male employees, 767, or 56.9 per cent are veterans, while 33 or 5.4 per cent of the female employees are veterans. 386, or 19.7 per cent of the employees are bilingual. Of the 249 employees in the Quebec region, 225, or 90.4 per cent are bilingual.

I may say that our permanent staff, exclusive of those who have been employed on a contract basis especially in connection with our construction activities, 94 per cent are bilingual.

The corporation has established a pension fund and staff retirement fund for its employees. The contributions and benefits payable under these funds are substantially the same as those payable under the civil service plans.

In addition, the corporation has a group insurance plan providing life insurance and hospitalization benefits.

#### IV. *The Present Situation*

The most important change in the housing field during the last year has been a sharp decline in the number of new residential starts, as against the previous years. It will be recalled that in the years 1948 to 1950 new residential starts were constant at about 94,000 per annum. In 1951 there were some 72,000 residential starts. This condition has carried into 1952, and from estimates based upon the first quarter of 1952 it would appear that residential starts are at the rate of 55,000 to 60,000 units per annum, or the same rate as in the last half of 1951.

This decline in the absolute number of new residential starts is in contrast to the continued economic and industrial development of the country. But I would like to point out that as a percentage of all new construction, residential starts have been declining since 1945. In the year 1946 residential construction represented about 40 per cent of all new construction. Since then, year by year, this percentage has been declining until 1951, when the percentage was about 31 per cent. Present prospects are that residential construction in 1952 will be somewhat under 30 per cent of the whole.

Therefore, I thought it might be well for me to review with you some of the factors which we think have occasioned this change.

Early in 1951 there were some limitations upon new residential starts because of shortages of certain types of building materials. This difficulty no

longer exists, and I do not believe that, except in very isolated instances, will the lack of building materials play any part in limiting the amount of new residential construction in 1952.

One of the most important current developments is a changed attitude of prospective purchasers and renters for new residential accommodation. We believe that the sharp increase in the cost which has taken place over the last eighteen months with the effect of converting a minimum \$7,000 house into one which now costs \$9,000, has not yet been accepted by people in the market for houses. By this I mean that a family who had taken the decision to build or buy a new house is thinking in terms of something rather more for the \$9,000 than they are presently able to secure. It may be that as the months, and perhaps years, go by, people will become adjusted to the new level of cost of houses, but for the moment, it is an important limitation upon the activities of some builders who have doubts as to whether there is an unlimited market for new houses at present prices.

In the same manner, but in lesser degree, this consumer attitude towards current building costs, applies in the rental field. Fully serviced, rental accommodation of four rooms cannot be produced for much less than \$85 a month under present conditions, and many families who would like new accommodation find that such rental level is beyond their means.

Although an accurate measure of effective demand is difficult to obtain, I believe that new housing at the rate of 94,000 units a year would not be absorbed by new owners and renters under present circumstances. Whether we like it or not, the reduction in effective demand is now a limiting factor upon private building.

Part of the whole problem of effective demand is what might be described the "cost-income" relationship. The prospective home owner must have two resources to purchase a house. In the first case, he must have a down payment of the order of 20 per cent of the cost of the house. Equally important, the prospective home owner must have an income sufficient to meet principal repayments, interest, taxes and other current charges upon his home. From time to time, one hears the suggestion that the way to produce more residential units is to increase mortgage financing so that the amount of equity is greatly reduced and families with relatively modest savings will be in a position to become home owners. The difficulty with this approach is that the higher the mortgage, the higher the monthly payments. A number of builders have told us that their interest is not directed so much to a higher level of mortgage but rather to any steps which can be taken to reduce the amount of monthly carrying charge. The point which I wish to make is that any move to widen the band of purchasers by reducing the amount of down payment will only be effective to the extent that the individuals with smaller savings have sufficient income to carry the higher monthly payments.

The credit circumstances of the last twelve months have had a marked effect upon the availability of mortgage credit, not only for home owners, but also for speculative builders and landlords. Up to the end of 1950, the mortgage market was a borrowers' market, the reverse is now the case.

From time to time, one hears the suggestion that reduced corporate mortgage lending has been the most important reason for fewer starts. I would agree to some extent with this suggestion, but it is well to remember that the lending institutions are not the greatest source of funds for new residential construction. Our publication, "Mortgage Lending in Canada", carries a distribution of the source of funds spent on new residential construction. The honourable members will notice that, in the year 1950—and the figures for 1951 are not far different—total lending by government was about 13 per cent and by corporate lenders about 26 per cent of the total funds required. Although the operations of lending institutions are an important factor, the changed

circumstances of the moment also apply to the major source of money—that is the money being made available by the home owner himself. Referring again to "Mortgage Lending in Canada", you will notice that home owners provided 28 per cent to supplement financing of various kinds. In addition another 23 per cent of the total expenditure for residential construction was provided by owners who made full payment for their houses, without mortgage financing.

Nevertheless, a shortage of mortgage credit does have an effect upon the number of new starts. Mortgage companies, with rather less money to invest than applications offering, quite naturally are inclined to limit their activities to the larger centres in which they consider risks to be better and where it is cheaper for them to do business. As a result, builders and prospective home owners in the smaller communities feel the tightness of mortgage credit rather more than their counterparts in the larger communities.

In the annual report we mentioned that some of the large builders were unable to secure forward commitments to look after their full 1952 program. A large builder, whose organization is geared to three or four hundred units a year must, in order to plan his year's activity, know where he stands in respect to mortgages on his whole project. At present, lending institutions are generally unwilling to give forward commitments for large projects. This condition, together with problems of serviced land, has had a marked effect upon new housing in metropolitan areas.

While housing would be increased by a freer flow of mortgage credit, I do not think that the increment would be as large as many people believe. My opinion, and again my opinion only, is that if mortgage credit were flowing as freely as it was in 1950, the number of starts would not be increased by more than 10,000. In my opinion, the other reasons for the decline in new residential starts are more important than the present mortgage situation.

Now I would like to move on to perhaps the most important reason for the change in the level of new residential starts. I refer to the difficulties being experienced by builders and home owners in securing serviced land upon which to build houses. It will be recalled that since 1945 about 500,000 new houses have been built in Canada. This is at a rate unparalleled in earlier history of the country and represents a major accomplishment towards meeting the needs of the Canadian people for new housing. But the development of such a large number of new houses has, in itself, absorbed the stock of already serviced land. During the years up to 1951, the municipalities had kept pace with the heavy residential construction not only from this stock, but also by developing new services such as streets, roads, sewers, water and perhaps most important of all, schools. As we came into 1951, municipalities were continuing to make these services available to meet new residential expansion in their fringe areas. I would like to remind the honourable members, that to provide services for a lot upon which a small house is to be built, the municipality—or someone else—is faced with a capital expenditure of about \$2,000 to make all the services, including schools, available. With less favourable money markets the municipalities were forced to review their willingness and ability to finance such services. I think it is fair to say that a number of municipalities are not too anxious to see continuing rapid residential expansion take place in their fringe areas. Therefore builders are having increasing difficulty in coming to arrangements with municipalities so that sub-division development may take place. Various devices are being used, one of which is the municipality asking the builder to finance all services. In certain areas, it has reached a point where builders are being asked to make a contribution towards the capital cost of schools. The builder of course has to pass these charges along for his purchaser to meet by a capital payment rather than by annual taxes as in the past. It is a difficult situation but one which must be solved because it is an important deterrent in the promotion of new residential development.

I have with me a summary of some of the pertinent statistics on housing for the years 1946 to 1951. This summary deals with residential construction, the index of construction costs, building material production, construction labour force and employment, the income and investment of selected Canadian life insurance companies, the gross institutional mortgage loan approvals, and certain items of municipal finance. These statistics show many of the developments in the house building industry in Canada during the past six years and some of the circumstances in which these developments occurred. Mr. Chairman, if the committee so desires, this statement could be printed in the record.

The CHAIRMAN: The summary will go on the record at this point.

SELECTED DATA ON RESIDENTIAL CONSTRUCTION, CONSTRUCTION COSTS, BUILDING MATERIAL PRODUCTION, CONSTRUCTION LABOUR FORCE AND EMPLOYMENT, INVESTMENTS OF SELECTED LIFE INSURANCE COMPANIES, MORTGAGE LOANS APPROVED, AND MUNICIPAL FINANCE, CANADA, 1946-1951.

No.	Item	1946	1947	1948	1949	1950	1951
<i>Residential Construction</i>							
New dwellings started (units)							
1	Centres of 5,000 population and over.....	N.A.	51,121	61,565	60,911	70,638	49,979
2	Total.....	N.A.	81,276	95,340	93,931	95,270	72,079
New dwellings completed (units)							
3	Centres of 5,000 population and over.....	N.A.	49,749	51,900	62,803	64,886	63,772
4	Total.....	67,194	79,231	81,243	91,655	91,754	84,810
Value of new construction put in place							
5	Residential (\$ mill.).....	412.0	539.7	667.7	775.0	843.3	836.0
6	Total (\$ mill.).....	1,073.7	1,423.7	1,876.1	2,123.7	2,363.7	2,684.2
7	Residential as proportion of total (%).....	38.4	37.9	35.6	36.5	35.7	31.1
<i>Indexes of Construction Costs (1939=100)</i>							
8	Residential building materials...	151.0	176.4	212.6	222.9	237.1	279.7
9	Hourly wage rates of construction workers.....	145.1	158.6	180.4	188.4	195.0	212.5
10	Combined index.....	148.0	168.3	195.2	207.3	219.5	251.7
<i>Building Material Production</i>							
11	Lumber (millions of board feet)...	5,083.3	5,877.9	5,908.8	5,915.0	6,495.0	6,535.3
12	Cement (millions of 350 lb. bbls.)...	10.7	12.2	14.0	16.1	16.7	17.1
13	Bricks (millions).....	274.1	295.4	316.7	338.0	365.7	386.1
14	Cast iron soil pipe (thousands of tons).....	25.1	32.5	45.7	47.6	53.3	53.4
15	Warm air furnaces (thousands)...	46.6	54.3	64.3	80.7	87.3	80.3
<i>Labour Force and Employment (June)</i>							
16	Total labour force ('000).....	4,828	4,912	5,030	5,121	5,266	5,332
17	Construction labour force ('000)...	249	262	302	366	376	371
18	Construction as proportion of total (%).....	5.2	5.3	6.0	7.1	7.1	7.0
19	Total employment ('000).....	4,702	4,821	4,948	5,018	5,120	5,247
20	Construction employment ('000)...	241	254	295	350	343	357
21	Construction as proportion of total (%).....	5.1	5.3	6.0	7.0	6.7	6.8

SELECTED DATA ON RESIDENTIAL CONSTRUCTION, CONSTRUCTION COSTS, BUILDING MATERIAL PRODUCTION, CONSTRUCTION LABOUR FORCE AND EMPLOYMENT, INVESTMENT OF SELECTED LIFE INSURANCE COMPANIES, MORTGAGE LOANS APPROVED, AND MUNICIPAL FINANCE, CANADA, 1946-1951 (Continued)

No.	Item	1946	1947	1948	1949	1950	1951
<i>Income and Investment, Selected Life Companies (\$ mill.)</i> (Canadian incorporated life insurance, excluding Sun Life)							
Sources of funds							
22	Premiums.....	281.5	296.1	311.1	335.9	347.9	392.2
23	Liquidation and maturity of bonds.....	413.1	368.6	436.2	518.2	516.3	536.2
24	Other.....	222.9	231.1	261.5	268.3	299.5	345.1
25	Total.....	917.5	895.8	1,008.8	1,122.4	1,163.7	1,273.5
Uses of funds							
26	Expenses and claims.....	230.1	253.1	269.4	289.2	308.7	337.8
27	Investment in mortgages.....	69.5	108.5	166.3	171.3	189.1	220.8
28	Investment in bonds.....	504.5	443.8	494.6	561.0	543.5	559.0
29	Other.....	70.7	88.6	76.4	99.6	133.9	143.7
30	Total.....	874.8	894.0	1,006.8	1,121.1	1,175.1	1,261.3
31	Net current income.....	173.0	174.7	178.1	193.1	194.8	221.0
<i>Gross Mortgage Loan Approvals (\$ mill.)</i>							
Institutional (all lending institutions)							
32	Total.....	N.A.	270.8	360.1	393.8	523.3	431.3
33	New construction non-farm.....	N.A.	137.7	208.9	249.3	357.8	271.7
34	Residential non-farm.....	N.A.	197.3	272.5	309.5	426.3	348.9
35	New non-farm residential construction.....	N.A.	109.2	173.6	212.3	310.2	236.9
	N.H.A. joint loans.....	43.3	60.6	106.7	119.3	246.4	138.7
<i>Municipal Finance (3 mill.)</i>							
Real property tax collection							
36	Metropolitan.....	103.2	111.7	119.4	129.9	142.9	164.7
37	Other urban.....	99.3	107.7	121.0	135.5	150.1	165.4
Gross debt outstanding							
38	Metropolitan.....	541.6	545.6	502.8	507.1	532.1	577.0
39	Other urban.....	276.1	303.6	359.4	443.3	536.0	639.8
School expenditure							
40	Metropolitan.....	33.2	38.3	42.9	50.3	56.5	67.7
41	Other urban.....	37.3	41.9	49.2	53.8	60.6	66.5

## SOURCES AND EXPLANATORY NOTES:

Items 1-7: Data on dwellings started and completed include conversions. Centres in group with 5,000 population or more are based on 1941 population data. Value of new construction put in place includes outlay on major improvements and alterations to existing dwellings. Data on total dwellings started and completed are from *Housing in Canada*, First Quarter, 1952, Table 7. Data on dwellings in new structures started and completed in centres of 5,000 population and over are from, *op. cit.*, Tables 8 and 9, and to these have been added estimated conversions as obtained from field offices of the Corporation. Data on value of new construction are from *op. cit.*, Table 13.

Items 8-10: Data are from *op. cit.*, Tables 69-71. For combined index materials are weighted 58.3 and wages 41.7.

Items 11-15: Data are from *op. cit.*, Table 45.

Items 16-21: Data are from *op. cit.*, Table 58, and issue for July, 1948, Table 30.

- Items 22-31: These estimates are based on information obtained by courtesy of the Department of Insurance for 1950 and 1951 and published in the Annual Report of the Superintendent of Insurance for the period up to 1949. The data cover Canadian and foreign operations of federally incorporated life insurance companies excluding the Sun Life Assurance Company. For the companies covered about 20 per cent of the insurance in force is non-Canadian. The data on sources and uses of funds are gross. As the data on which they are based are not in complete detail, there is a small error in each year reflected in a difference between gross sources and gross uses of funds. The item "net current income" is calculated as the sum of premium income, investment income, amounts left with company, and miscellaneous income less the sum of claims, administrative expenses, withdrawals of amounts left with company and miscellaneous disbursements.
- Items 32-35: Data on institutional lending are from *op. cit.*, Table 40. Data on joint loans are from the records of the Corporation.
- Items 38-41: Data to 1947 are from *Bank of Canada Statistical Summary, 1950 Supplement*, pp. 33-35, and data for 1948 to 1951 are from *Statistical Summary, Bank of Canada*, December, 1951, pp. 217 and 218.

The WITNESS: This has been a long statement because the terms of the Act are designed to provide stimulation and assistance over a wide range of housing operations. But I hope that what I have said today has given the background as well as an explanation of our operations which will assist the committee in the consideration of our annual report.

The CHAIRMAN: Thank you very much, Mr. Mansur.

Now, the committee should perhaps adjourn at 12.30 and I think we should take the remaining ten minutes to discuss procedure in regard to this inquiry. The inquiry is, of course, an extremely important one involving a corporation with assets of over \$440 million and I do think that we, as a committee, should do everything possible to achieve an orderly record that will be of assistance not only to members of the committee but to the public generally.

At this point I will ask our committee secretary to read the report of your steering committee. The steering committee discussed this problem and have a report to make.

(See *Minutes of Proceedings*.)

The CHAIRMAN: Is there any discussion on the committee's report?

Mr. FLEMING: Mr. Chairman, I think in the light of what has happened this morning it might be well to reconsider one or two aspects of the report of the steering committee. The view you expressed and which I think was widely shared was that we should try, as far as possible, to concentrate these meetings particularly with a view to encroaching as little as need be on the time of the officials of the corporation; and patterning our meetings somewhat after those of the committee reviewing the report of the C.N.R. each year.

I am wondering now, especially with the multiplicity of other committees that are meeting, if those times of meetings that were suggested are going to achieve our purpose. We have got the Agriculture Committee, the Defence Expenditure Committee, and then of course the committee on the National Film Board is about to start. Also, the Committee on Public Accounts met this morning and because there are so many other committees meeting right now they decided they would not meet again for another fortnight.

I was wondering if, instead of spreading meetings over so many days a week which is going to bring us in collision on Thursdays and Fridays with other committees, if it might not be better to try and have a meeting this afternoon, for instance—now that Mr. Mansur is here—and try to double up in that way.

I have just one other suggestion to make in connection with the method by which we proceed. When the steering committee met it had these three broad aspects of the study before it, and suggested our procedure should be patterned roughly to follow those three aspects: First, the availability of land; second, the relationship of land value to actual cost; and third, the question of land servicing.



Mr. Mansur has favoured the committee this morning with a very comprehensive statement. He has touched on all these questions and I am wondering now if we would not achieve the most orderly method of procedure if, instead of following the suggestion of the steering committee, we took Mr. Mansur's statement, perhaps have some general questions, and then take it page by page; have the chairman call the sections one after another and page by page?

Mr. SINCLAIR: I would support Mr. Fleming in everything except one observation—that is that we meet this afternoon. I would like to read this material tonight. Listening to it being read by Mr. Mansur has given a general impression but I think all of us would like to read this thing over in our own rooms tonight rather than to have another meeting this afternoon.

I think we could cut down the meetings to perhaps no more than two a week.

The CHAIRMAN: I think most of us have formed a revised opinion of how we should proceed and I will frankly tell the committee what is in my mind. I was wondering whether a middle of the road course might not perhaps make a better record. By that, I would suggest we go through Mr. Mansur's presentation this morning page by page, and that committee members would simply ask questions to clarify that presentation—that is to fill in the gaps.

When you come to rental insurance, for instance, if any member of the committee wants more information on that subject as to the manner in which the corporation works and as to the percentages and interest rates and all that sort of thing, he may ask about it. We would first go through the report, and augment it by questions. When we have completed that general study of the report, we would have a real intensive study on the three main points suggested by the agenda committee. Then we would follow on. Many members of the committee I know have individual problems that have cropped up in their ridings on which they want to ask Mr. Mansur questions, but they will be here, there, and all over the place. I would suggest that they be left until the last.

Now, as to sitting this afternoon, I agree that this is a very comprehensive report and we will all want to study it. I would think if we would not meet this afternoon we should plan to meet tomorrow afternoon. We cannot meet Wednesday morning on account of caucus, but we could meet tomorrow afternoon for the general questions to augment or clarify the report.

Mr. MALTAIS: Referring to individual problems in our own ridings, I presume it would be well to clarify those if they have relation to the statement made this morning.

The CHAIRMAN: I am afraid it would throw the gate wide open for individual problems and that we will not be doing the important part of our duty—I really think they should come last.

Mr. PICARD: How would you proceed with that, if I may ask? You will just go item by item on the questions of principle and then you will ask us at another meeting whether we have some items to deal with personally for our own constituencies?

The CHAIRMAN: What I had in mind is that we would first have general questions wide open to the committee to clarify our own minds regarding the report.

Mr. PICARD: Questions of principle.

The CHAIRMAN: Yes, and not dealing with problems in the riding. Then, when we come to the three main headings that the industry is suffering from outlined by the steering committee, there again I would hope that we would

have pretty orderly discussion. I would give the floor first to an opposition member and then to a government member. And I think that when a mmeber starts in for instance on the servicing of loans that he should have the opportunity to exhaust that subject as far as he is concerned and we will not interrupt him. There will be a lot of questions, and if our inquiry can be kept in anything like an orderly fashion it would be much preferable.

Just before we adjourn, gentlemen, I have asked Mr. Mansur to make available to the committee some of the more important types of booklets and literature which they have so they can be distributed. Are they available?

The WITNESS: If they are wanted, Mr. Chairman, I would be glad to have them for the next meeting.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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ANNUAL REPORT AND FINANCIAL STATEMENTS

of the

CENTRAL MORTGAGE AND HOUSING CORPORATION

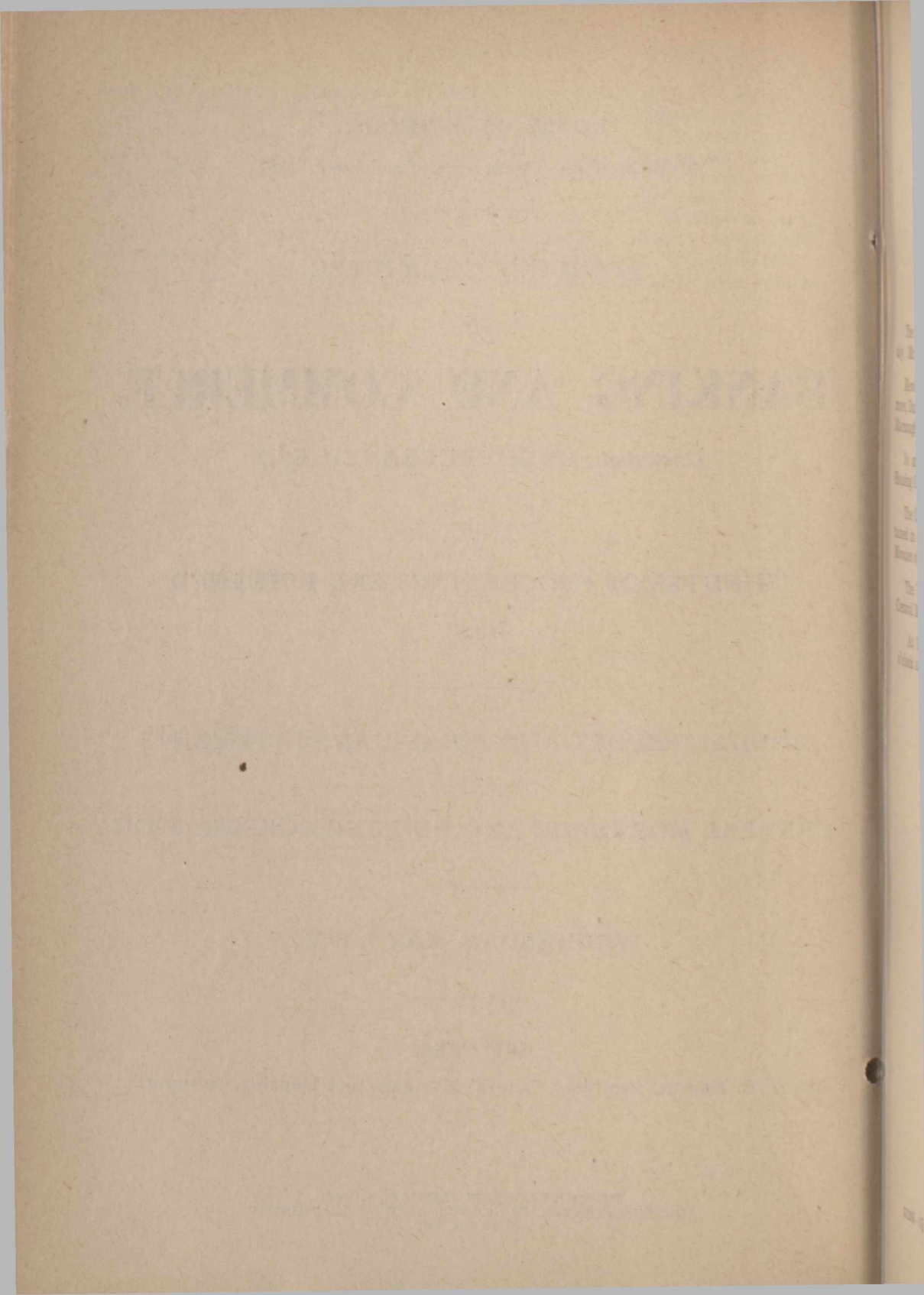
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WEDNESDAY, MAY 7, 1952

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WITNESS:

Mr. D. B. Mansur, President, Central Mortgage and Housing Corporation.



## MINUTES OF PROCEEDINGS

WEDNESDAY, May 7, 1952.

The Standing Committee on Banking and Commerce met at 9.30 a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Balcom, Bennett, Blackmore, Dumas, Fleming, Fraser, Gour (*Russell*), Hellyer, Hunter, Laing, Leduc, Macnaughton, Picard, Richard (*Ottawa East*), Sinclair, Ward, Welbourn.

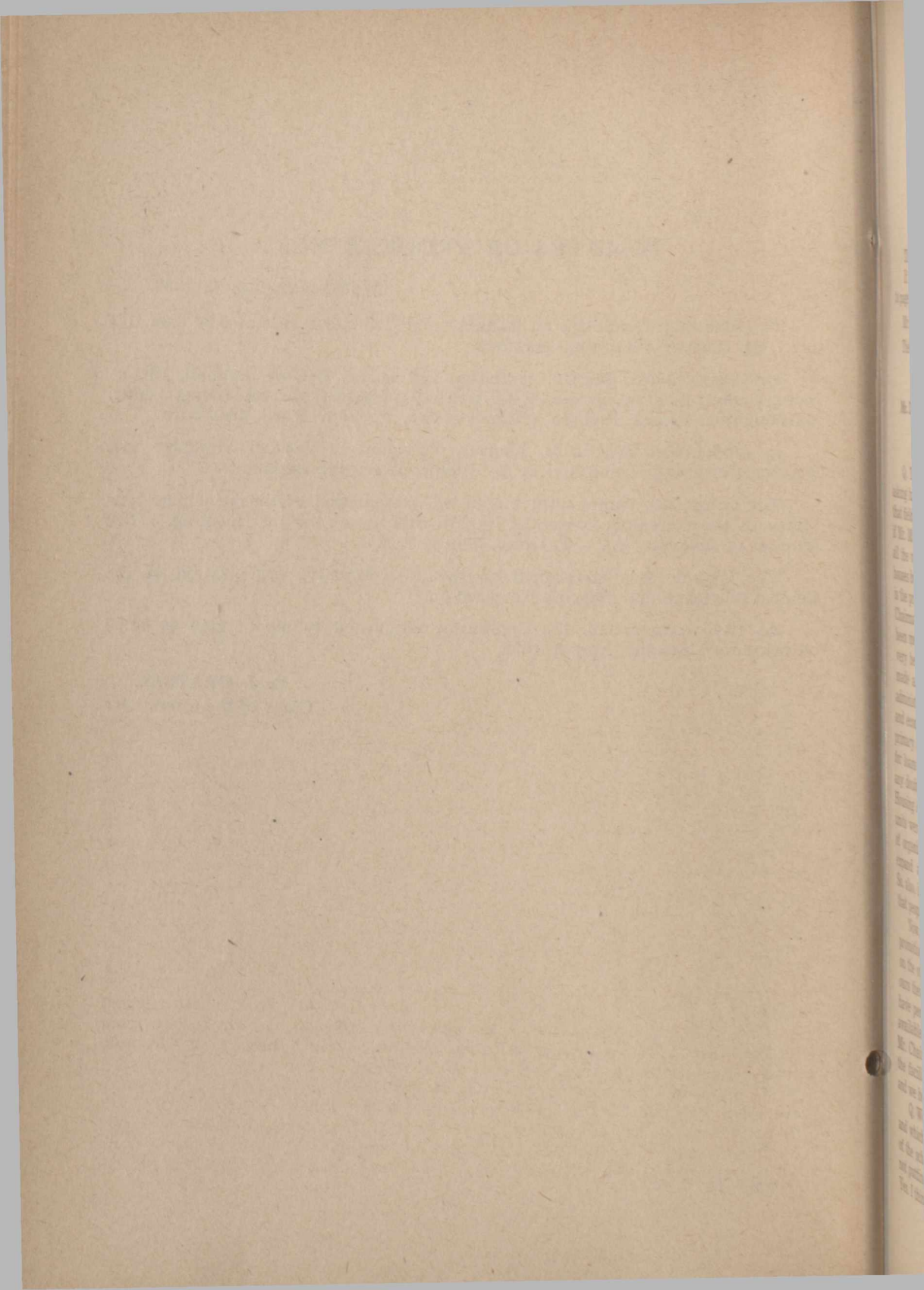
*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation; and Mr. D. B. Ritchie, Executive Assistant.

The Committee commenced a detailed examination of the principles contained in the statement presented by Mr. Mansur at the last meeting. (*See Minutes of Evidence No. 1, Tuesday, May 6, 1952*)

The Witness was questioned on the administrative organization of the Central Mortgage and Housing Corporation.

At 10.45 o'clock a.m. the Committee adjourned to meet again at 11.00 o'clock a.m. Thursday, May 8, 1952.

R. J. GRATRIX,  
*Clerk of the Committee*



## EVIDENCE

MAY 7, 1952.  
9.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

If you will refer to Mr. Mansur's presentation of yesterday we will turn to page 4. I assume there will be no questions on the first 3 pages.

Mr. FLEMING: May I ask a few general questions, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:

*By Mr. Fleming:*

Q. These questions are very general, Mr. Chairman. Naturally I am not asking him about policy so much as administration, I do not propose to go into that field. That probably would be a question for the minister. But I wonder if Mr. Mansur would tell us what, in the administration of the Housing Act and all the various schemes provided for under it, is the guiding principle—to get houses built? Is it to administer the finances of the corporation carefully? What is the principal guiding aim of the corporation in administration?—A. Well, Mr. Chairman, I think the guiding aim is perhaps twofold, both of which have been mentioned by the honourable member: that is in administration to do the very best we can to see that the principles of the National Housing Act are made as largely applicable as possible and in so doing make sure that the administration will bear scrutiny in regard to its having been done properly and economically. Now, it may be that the question is directed towards the primary activity. Members will recall that up to 1939, I think the record year for loans under the National Housing Act was some 5,000 units. I think that any doubt which might exist about our desire to increase activities under the Housing Act will be removed when I tell you that, during the year 1950, 42,000 units were approved under the National Housing Act. That represented a lot of organizational, promotional, educational and all other work necessary to expand activities under the Act, as was done between 1946 and 1950. So, also, in consequence of the Act we have done everything we could to insure that people using the facilities of the Act can get houses with reasonable ease.

Now, in so doing there always must be the closest relationship between the promotional work on the one side and what might be considered good business on the other. That is always plaguing us because in an organization such as ours there are people whose sole idea is how quickly can we expand, and you have people who say: yes, we should expand, we should make these facilities available to all, but we should do it at a prudent fashion. So, I would suggest, Mr. Chairman, that the answer to the question is that we do our best to make the facilities available always with an eye on as much housing as possible, and we hope the manner in which we do it is prudent.

Q. Well, in other words, respecting the two things of which I have spoken and which are both in the question and the answer, are they within the scope of the scheme of the corporation under its administration? I take it you are not putting one above another, you speak about holding them in balance?—A. Yes. I think there is a certain balance, but I do think that the circumstances at

the moment probably tend to change the weighting of that balance. Our operations like the operations of every other agency must be guided first of all by government policy and direction in respect to that which we get from our minister, and it seems to me that there are times that make it desirable for more pressure to be applied by us and times when it is not so desirable. If I might digress just a moment. Take a municipality. After all, all our activities are in a municipality of some kind. And assuming that municipality is having trouble in providing services, and there is not the land upon which to build, there is not too much reason for our getting in there and turning around—you find when you get in there that there are certain basic limitations that just can't be removed. I can give you no better example at the moment than the top of the Hamilton mountain. There is a trunk sewer going in now, but until the trunk sewer goes in there is just no good in trying to build housing on the top of the Hamilton mountain. There is no other place in which to build. I would like to see a lot of housing going in on top of the Hamilton mountain, but that condition may stop our activities in respect in that locality for the next twelve months. That is quite probable.

Q. Well then, there has been some change in recent months as between pressure for building housing on the one hand and prudent financing on the other; would you say that?

The CHAIRMAN: I did not understand he answered in that way, Mr. Fleming.

Mr. FLEMING: Perhaps he will just elaborate on that point. I may have misunderstood, but I think Mr. Mansur said that they were—as between the two aims which you previously mentioned—that they were held in balance but recently there had been a shift.

*By Mr. Fleming:*

Q. Let me put it this way, Mr. Mansur: has there been any shift in emphasis as between these two guiding aims about which you have spoken?—A. No. I think Mr. Chairman—if I might elaborate on that—at no time will you ever find the guiding principle in our organization other than trying to get as many houses as we can in the light of present circumstances. The circumstances of the moment don't lend themselves to the volume of two or three years ago; but I don't think there is any lessening in desire to get the maximum houses within the possibilities of the moment. I take it that is the point that you are at.

Q. Can I put it this way? Has the balance between the two shifted to any degree?—A. I may have expressed myself badly. I think that the prudence of operation and the desire of the corporation to see as many houses as possible within current circumstances are independent one of the other.

Mr. MACNAUGHTON: It might be the early morning hour but I have difficulty in following Mr. Fleming's questioning. I wonder if he could not crystallize his points a little further. It seems to me he has asked what is the aim of Central Mortgage and Housing Corporation. Surely the aim is to build houses quickly, efficiently, and satisfactorily.

The CHAIRMAN: And at the same time to be realistic.

Mr. MACNAUGHTON: Yes, prudently.

Mr. FLEMING: I do not know whether Mr. Mansur had completed his last answer.

The WITNESS: I think I had sir.

Mr. HUNTER: The aim obviously shifts with the circumstances. Last year when they stated there was to be a shortage of building material they curtailed loans. They removed the one-sixth—which curtailed loans. That was done at that time due to the alleged shortage of building materials. That has changed now and there are lots of building materials—and loans are available.



*By Mr. Fraser:*

Q. Lots of building materials, Mr. Chairman, but at extremely high prices. I just wonder if Mr. Mansur could not say if he did not think the high cost of building materials—perhaps not in this year but in past years—had not been caused to some extent by the buying by Central Mortgage and Housing Corporation—making it so that the stockpile for the individual home builder was pretty small?—A. Mr. Chairman, I do not think that is the case for two reasons. Firstly, the amount that was purchased by Central Mortgage and Housing to complete veterans' houses was extremely small in relation to the whole. Secondly, I do not believe that there were any stockpiles—certainly that is so from the time that Central Mortgage took over the operation of the construction from Wartime Housing Limited, and it is only from that time I can speak. There were no stockpiles in the generally accepted sense of the word.

The only exception to that might be nails where you will remember that when even we were finding materials for veterans' houses difficult we made nails available to other people who needed nails to build a small house. We did that in co-operation with the nail manufacturers and the nail distributors. To that extent I think there was a bit of a stockpile but that stockpile was available not only for the completion of veterans' houses but also to private builders who made requests to us for nails.

Q. Who made direct requests?—A. Yes, we sent a bulletin, Mr. Chairman, to the builders on our list—4,000 of them—saying that if any builder could show he needed nails to complete a house he could buy nails from us at the standard price. We marketed nails from one end of the country to the other in co-operation with the nail manufacturers and the nail distributors.

Q. Even at that they were extremely hard to get? What I mean is it was difficult at that for the small builder to get nails—the individual builder?—A. Mr. Chairman, our experience in that respect was that it had been represented to us that nails were impossible to get.

Q. I was one perhaps in the House of Commons who squawked a great deal about that because we had a shortage. I asked about it in the House of Commons and Mr. Howe said that the pipe line for nails was not running into Peterborough.—A. At the time the nail difficulty occurred the government accepted our suggestion that we should short circuit the shortage by the so-called stockpile held by Central Mortgage. If my recollection is correct we made arrangements with the manufacturers for 30,000 kegs of nails feeling that might help the situation. We secured those nails and put them in regional depots. I can check this but my present recollection is this being done at the very worst of the nail situation resulted in C.M.H.C. distributing around less than 800 kegs of nails. In other words, the nails came out of garages and basements when it became obvious to builders that if they were really up against it nails were forthcoming.

*By Mr. Fleming:*

Q. What proportion of the total output were you taking at that time? Can you give us an approximate figure, Mr. Mansur?—A. I would guess about 1 per cent.

Q. Of the total output at that particular time?—A. At that particular time when we took those 30,000 kegs—but I can check that figure.

The CHAIRMAN: Was any request by any builder turned down?

The WITNESS: No. When I say no, we had some requests that were not completely bona fide that we smoked out, but any bona fide request was of course accepted.

*By Mr. Fraser:*

Q. I understand that it was only the veteran building his own home who was allowed those nails?—A. Mr. Chairman, in the original instance—or let me put it the other way—at that time there was a paper priority which purported to be only in favour of veterans but at the time the honourable member mentions when the nail situation reached its height, the veterans priority was removed as something that was impractical and nails were made available out of this stock by Central Mortgage and Housing to anybody building a small house.

Q. I suppose then, Mr. Chairman, that the small builder in some cases did not know of it.

The CHAIRMAN: That is the trouble.

Mr. FRASER: There was not enough publicity given to it.

The CHAIRMAN: Yes.

Mr. SINCLAIR: But this publicity you always say costs money.

Mr. FRASER: No, because the newspapers would pick it up and spread it across the country.

Mr. SINCLAIR: They don't like to spread anything free.

Mr. FRASER: Oh yes they do if it is news.

The WITNESS: In that connection, I mentioned earlier that we sent a bulletin to the builders on our mailing list in the number of some 4,000.

The CHAIRMAN: Are there any further questions of a general nature?

Mr. LAING: Is it not a fact that many of the functions of Central Mortgage and Housing, into which they have developed, arose out of a feeling at that time that private investment and private activity in building could not bring men, money and materials together to produce at either economic rental basis or economic selling basis? We had to go into this, had to set up Central Mortgage and Housing, and extend into those activities to provide houses vitally necessary in various branches—either for veterans or defence workers and so on. Private investment could not be expected to do that or was not performing it at that time. Is not that the whole historical background of the corporation?

The WITNESS: Well, Mr. Chairman, in a sense yes. In another sense, you recall the principles of the Housing Act were decided upon by the government in 1935. The home conversion plan, a minor item, was decided upon I think in 1942. The Home Improvement Act in 1938. That, together with other things such as Wartime Housing Limited, is probably substantially the situation, as the hon. member just said. I think it might be more correct, however, to say that Central Mortgage was formed in order to consolidate into one place all the operations of the government in this particular field.

*By Mr. Laing:*

Q. Yes. But all these other things were assistances that were available to those who wanted them, but when you formed the corporation you did go into business, you did advertise, you did expand to a greater extent than these others taken collectively. When you became a corporation you went out to get some building done which private investment could not see its way clear to do. Isn't that correct? —A. I think that the principle of the Housing Act which was adopted in 1935 was an attempt by the government to blend the activities of private enterprise with a stimulation from the government through the form of the National Housing Act. Certainly under the National Housing Act which was introduced in 1938,—apart from section 31-A and certain other direct lending powers—the whole principle is a co-operative effort between private enterprise on the one hand and government stimulation on the other.

As to the hon. member's later remark, I think he is correct in saying that the government had in mind that an organization established on a long term basis, with instructions to put together an administration which suited the needs and requirements of a country such as ours, has had the effect of making the activities even under the same legislation rather more forthright than was the case prior to our formation.

Q. I think Mr. Mansur is being too cautious. I am of the opinion we would not have had the housing we have without Central Mortgage. I do not think private enterprise would have able to do it at all, and I do not think it would have been justified in building—I am talking country-wide now. I was hoping that that continues to be the policy of the corporation, if private investment is not forthcoming that Central Mortgage and Housing Corporation will do its best to see that it is done.

Mr. HUNTER: I would suggest, Mr. Chairman, that Mr. Laing is confusing the National Housing Act with the functions of the Central Mortgage and Housing Corporation. Central Mortgage may have canalized the thing, helping the thing on, but surely the big operation under Central Mortgage is for the purpose of building houses under the National Housing Act, formerly the old Dominion Housing Act, which would have been built under such Act even if Central Mortgage and Housing Corporation had not been formed.

Mr. LAING: I am talking about the many thousands of small homes that have been built by veterans and for defence workers, and many other small homes, that would not have been built if Central Mortgage had not been formed.

Mr. FLEMING: Doesn't that come back to Wartime Housing that Central Mortgage took over, but at a much later period. The type of building I think Mr. Laing is referring to was largely done by Wartime Housing Limited, which did not operate under the National Housing Act.

Mr. LAING: I am merely saying that another corporation came in.

*By Mr. Fleming:*

Q. One other question of a general nature before we go into the pages of Mr. Mansur's memorandum. I was wondering about the executive functions of the corporation, to what extent does the board of directors participate in the executive direction of the corporation, and to what extent does the executive committee, and to what extent is the executive direction of the corporation largely left in the hands of the president as the chief executive officer.—  
A. Mr. Chairman, under the terms of the Act there is a requirement that there be four directors' meetings a year and that there be an executive committee meeting not less than once a month. The practice is that there are five directors' meetings a year and there is an executive committee meeting twice a month. The operations of the corporation, I think I can truthfully say, are very much under the control of the board of directors. We use the executive committee in our day to day operations as the control point in decisions which must be taken. I would like to believe, and I think it is true, that the minutes of our executive committee are the Bible, so to speak, for our internal auditors and for the secretary and for anybody else who is looking for confirmation of decisions taken by the corporation. It will be recalled the board of directors is made up of five of what we describe loosely as outside directors, those appointed by the government who are not in the public service. One of these directors comes from each region of Canada. Our original directorate was made up of a contractor from British Columbia, a social worker from the Prairies, a lawyer from Ontario, an architect from Quebec, and a labour leader from the Maritimes. The executive committee is made up of the president and the vice-president and two directors selected by the board. I may say that in addition to the five outside directors, there

are five inside directors made up of three public servants named by the government, and the president and vice-president of the corporation. The statute provides that when the board or the executive committee is not sitting the president has the powers of the board or the executive committee. Whether that should be exercised or not, I do not know, but in point of practice it is rarely exercised. In matters of administrative policy on a decision that normally goes before the executive committee, we always make a practice of calling a meeting or clearing with our executive directors before we take an administrative action on a matter which should normally come to the meeting, which takes place twice a month, of the executive committee. Two minutes of the executive committee are reviewed and approved by the board at each one of their five meetings during the course of the year. Mr. Chairman, I have described it technically. I think the hon. member is really asking for more than that, what is the feeling of the thing. Are the board and the executive committee in control, or am I in control?

Q. Yes; we know what the statute provides for. How is it actually working out in practice? Where is the essential executive direction coming from?—

A. I think that one of the most fortunate things the corporation has is a board of directors who insist upon controlling the operations of the corporation—I think I can answer the hon. member's question by saying, Mr. Chairman, that there are ten members of the board of directors and in the matter of influence on decisions mine is about 10 per cent of the whole. Now, this may be an over-statement, I can give you one recent example—at the last board of directors' meeting one of the subjects up for discussion was the annual budget of the corporation. We budget very carefully, not only for the corporation as a whole but for each region and branch office. It comes before the board of directors, is looked at in relation to last year's experience and why we suggest certain figures are appropriate. I may tell you it took me about one and three-quarter hours to get clearance from my board of directors for that budget. I mention this as an example and it is so in other matters. I think that one of the very strengths of the corporation is that in a field so wide as this, with so many various angles to it, that we have five experienced outside directors who take a very active interest in what goes on and want to be kept informed between board meetings as to what goes on.

In answer to your question I think that the board of directors correctly fulfils in the truest sense the functions which are given to it under the statute.

*By Mr. Fraser:*

Q. May I ask one question? You said the ten members on the board. On your board in your booklet there are only nine. The tenth would be the minister himself, would it?—A. There are ten. The reason that it only shows nine is that Dr. W. A. Mackintosh resigned from the board in September, I think it was, and the government has not appointed a successor. There is one vacancy.

Q. Following that up, does the minister ever sit in on your board meetings?—A. Officially, no; but I would think about every second board meeting he is invited over because the board would like to have a chat with him about this, that or the other thing.

Mr. MACNAUGHTON: I would think, Mr. Chairman, that the president would have some difficulty pushing Mr. J. E. Coyne of the Bank of Canada and Mr. K. W. Taylor, Assistant Deputy Minister of Finance around.

*By the Chairman:*

Q. But at the present time who are the members of the executive committee?—A. The members are the president, vice-president, Mr. Taylor from the Department of Finance, and Mr. J. J. Perrault from Montreal.

*By Mr. Fleming:*

Q. Mr. Perrault is one of the five directors outside of the public service?—

A. Yes.

Q. You indicated it is the practice of the board of directors to review and approve the minutes of the executive committee. Have you had any cases where the board—I mean fairly recent cases in the last one and one-half years, say, where the board has not approved the action taken by the executive committee?—A. No, I do not think we have. I would like to make this observation—that the executive committee is very careful to hold for a board meeting things on which the executive committee feel the board will have views.

Q. I suppose that is the tendency established if the board meeting were being held soon after. The closer you are to a board meeting I suppose the greater the disposition to hold over things that may be controversial?—

A. Mr. Chairman, there is one other factor relating to that question and that is on occasion when the executive committee has a matter before it we follow the practice of writing a letter to the board saying:

We are not going to call a special meeting on this but the executive committee would appreciate your views before having to take a decision next Tuesday on this matter.

I would think that happens four or five times a year.

Mr. FRASER: Well, that is general practice in business anyway.

Mr. ADAMSON: Mr. Chairman, I do not want to break into another subject but I would ask whether you are prepared at some time to make a statement or to have a question period on the remarks you make on page 32 with regard to the servicing of lots. You mention a lot cost of \$2,000 to service.

The CHAIRMAN: We decided, Mr. Adamson, in committee yesterday that that was one of three main subjects we would spend time on but we would do it in an orderly fashion. I will make a note of that and I will see that you get personal word when that subject is coming up before the committee.

Mr. ADAMSON: Thank you very much. One of the two municipalities which I have the honour to represent and the one in which I live has prohibited any further subdivision because the municipality cannot afford any residences being built.

The CHAIRMAN: Our agenda committee realized that that was one very important subject and we have earmarked it. Any other general questions?

*By Mr. Fraser:*

Q. Just on that factor, you mention the fact that up on top of the mountain they cannot go ahead until they get a trunk sewer. Is that also owing to the fact that limestone is only a few inches underground?—A. Yes. The city of Hamilton have been working on that and the physical difficulties are very great. I think every effort has been put forward by Hamilton and, as the hon. member suggests, it is a pretty tough place to put in trunk sewers.

Q. I helped to survey that area years and years ago and I know something about it.

The CHAIRMAN: Any other general questions?

Mr. PICARD: I would like to know at what time it would be appropriate to ask questions concerning loans in communities of less than 5,000?

The CHAIRMAN: We intend to take that up at one time, and I will make a note and I will see that you get word about that.

Mr. PICARD: But does it come under the chairman's remarks?

The CHAIRMAN: There are three main subjects, Mr. Picard, that your agenda committee thought were sufficiently important that we should deal with them individually. One was the question of land service, two, the question of availability of money, and the third one was the relationship of lending value to actual cost.

Mr. PICARD: You see, I am just giving notice to the chairman that I would like to have that sometime, a statement as to the manner in which these loans are made and how the values of the property are assessed and so on, so that we will know what is being done in so far as communities of less than 5,000 are concerned.

The CHAIRMAN: Are there any more general questions?

*By Mr. Hellyer:*

Q. There are three specific questions regarding the nails. How was the balance of the nails finally disposed of, when and at what place?—A. Mr. Chairman, as I mentioned earlier, the nail distribution by Central Mortgage was done in co-operation with the hardware dealers and the nail manufacturers. Before the nail distribution was completed we had come to an arrangement that Central Mortgage Corporation would not use its own warehouses for the distribution. The hardware association in five regions had taken over the job of the physical distribution from us but leaving it on certificate by us. When the nail trouble cleaned up, the hardware group who were doing this co-operatively, merely absorbed the balance of the stockpile into their own stocks.

Q. The reason I asked that question, Mr. Chairman, was that there was a rumour circulating in the city of Toronto that a relatively tremendous quantity of nails had been disposed of by the corporation to one or two individual outlets and these people purchased them for \$8, \$9 or \$10 a keg, and they were selling them retail in the city at that time for about \$15 a keg.—A. Mr. Chairman, I would like to check this a little more carefully before answering the question definitely, but I re-emphasize that before the nail business was over there was complete co-operation between ourselves and the industry so that in the final stages of it all we did was give a certificate that John Jones was entitled to five kegs of nails for one house.

Now, if I may go back one step, the price at which Central Mortgage obtained these nails from the manufacturer was actually the price that would be paid by the distributor for the nails. The price was the same when we were actually doing the distribution ourselves; here was a 50 per cent overhead or handling charge on the nails. It may be that when the nails returned to the various distributors and hardware stores they did put a mark-up on them. I just do not know; but I do not think that by the time our stock-pile returned into the general stock-pile of the ordinary distributors and retailers there was occasion for a very large mark-up other than the normal retail mark-up on nails. But I will be glad to look into that.

The CHAIRMAN: So far as Central Mortgage and Housing was concerned, do I understand that there was no profit and no loss earned on account of the stockpiling of nails?

The WITNESS: Yes, I think that is correct, providing you are willing to accept our 50 cent over-head per keg as reasonably representing our cost of handling.

Mr. FRASER: Can the witness give us the names of their distributors in the 5 different districts?

The CHAIRMAN: Yes, I think he can.

*By Mr. Fleming:*

Q. Did the corporation interest itself in the price of re-sale charged by those to whom it was selling?—A. No, we did not interest ourselves in the

resale. I presume the hon. member means that if we sold, let us say, 10 kegs of nails to, let us say, John Smith, a builder, did we see that John Smith, the builder, did not re-sell those nails at a profit?

Q. Yes. I am just coming back to the point which was referred to by Mr. Hellyer, who spoke about the rumours which were flying around concerning profits being made.

Mr. HELLYER: At the time possibly of final disposal, 10,000 kegs were available somewhere, and instead of being distributed through the various channels, they probably may have all been sold to one distributor who, rather than sending them out through the regular channels, put them on the grey market, so to speak, and at a time when the rumour was circulating concerning the price and the availability of nails, they were still a little difficult; and consequently they commanded about \$15 on the market. That was the basis of the question. It would not have been a case of re-sale to an individual builder, but a case of the distributors.

*By Mr. Fleming:*

Q. We are interested here in the committee in knowing this; there may not be any profound significance to it from the point of view of the corporation, but we would like to know to what extent the re-sale which was carried out may have lent itself to either faulty distribution or to perhaps large profits on the part of those to whom the corporation sold these nails?—A. Mr. Chairman, I do not want to labour this, but I do not think that in the latter stages of this arrangement, when we had the co-operation of the distributors and the outlets in the nail business, that it is possible to keep the 30,000 kegs we started with separate and distinct from the new supplies which were coming in from the manufacturers. I think I know the point raised by the hon. members, and I shall make a statement on it later. But I would rather doubt that what the hon. members fear has taken place because I think it must be remembered that nail distribution in these latter stages was not a matter for one or two companies, but rather a matter for the hardware industry as a whole. Therefore I do not think that the people in the hardware industry as a whole would have been particularly happy with one individual getting all the so-called remnants of Central Mortgage nails and making an exorbitant profit.

Q. But you will have something to say later on about this?—A. Yes.

*By Mr. Laing:*

Q. On a general chain of comment again, I would like to refer to page 1 of the annual report where it says:

Early in the year it appeared unlikely that material and labour supplies for the next 12 months would be sufficient to maintain the 1950 rate of house building...

That decision has been changed since this was written, I take it; and I think that Mr. Mansur would agree that supplies are in more plentiful availability, and that the labour position is somewhat improved, if not in cost, at least in amount. Where does the change in policy occur? Does it come out of the directorate, or is it from the ministry? I refer to the activities directly under the operation of the corporation such as Veterans Rental Housing and so on, which were suspended and then started again. If you have a definite policy to build a certain number of houses and you suspend them on this account, where does the resumption take place? Is this constantly before the directors when they meet, I mean the position with respect to supplies, labour, and so on?—A. Yes. That situation, ever since Central Mortgage was formed and until the last 4 months has been

under constant review. I think you might say that in the last 6 months and virtually for the first time since January 1, 1946—building materials as have been in free supply. That is, with one or two minor exceptions in certain localities, such as cement in some localities, and steel, particularly when a small house is in an area where re-enforcing steel is required; but generally it is pretty free. The other question asked was where did this policy originate? Of course it originates from the minister.

Mr. FLEMING: Are you satisfied in general, Mr. Mansur, with the way the corporation is meeting the task which has been assigned to it? If not, where are the places where you think that improvement can be made?

Mr. MACNAUGHTON: Answer "yes" or "no".

The WITNESS: I hope I never reach the point where I am satisfied; but without being sententious about this—

Mr. HELLYER: That is diplomacy!

The WITNESS: I think that by any reasonable standards the corporation has done a good job since 1946.

Mr. SINCLAIR: Hear, Hear!

The WITNESS: But I think that in any operation some of its phases are less favourable than others. As my prepared statement indicated, we have 5 regions with some 30 branch offices. We have some regions which are better than other regions, and some branch offices which are better than other branch offices. But through it all I think we have a fair record of accomplishment, and in answering the hon. member's question I can say that while I am reasonably happy, I still have an eye towards improvement.

*By Mr. Fleming:*

Q. There are quite specific spots in which you feel that things are not working as well as they could, towards the goals contemplated by the statute?—

A. Yes, I think there are some in which I would like to see greater improvement.

Q. Would you mind indicating what those are?—A. Well, I think that in common with every other country that is interested in the housing field, we are having equal troubles in making progress on the technique of putting better houses together for less money. That is not peculiar to ourselves. It is equally true in the United States and it is equally true in the United Kingdom. Even, in Sweden, which is probably one of the most advanced countries in the world for housing, if you look at the actual physical changes which have been made towards better technology in building houses, the amount of progress even in Sweden is not very great. I am very unhappy about the situation. I think that of all the industries in the production line that we have—as was said in the House of Commons just the other day—it is probably the case that housing has moved less from the pyramids perhaps, than other assembly practices. I would think, Mr. Chairman, that was one of the things that was not as favourable as some of our other activities.

*By Mr. Fraser:*

Q. Has Central Mortgage studied the Levitt outfit in the United States, where they have produced houses over there by the thousands at \$2,000 less than other builders can produce them, and of a better quality?—A. Mr. Chairman, I spent 2 days in Levittown, unchaperoned by the Levitts. I was tremendously interested in the operation there. There was one thing which interested me particularly, and it was the method of constructing those houses. Mr. Levitt had tried various ways or methods of production, but he finally reverted to the traditional method of on site construction.



Q. You mean they were not pre-fabricated, but they were built right on the site?—A. Yes. The technique was this: of course, he had a production line in respect to slabs. There were no foundations under them, just slabs for the foundations; the material for these houses came on the site pre-cut. And apart from that pre-cutting, those houses were put together in the truest traditional fashion, save for one thing, and that is with respect to the gang on each house or on each group of houses. They worked in groups, and they had a certain quota which was set at the beginning of the day, and they were paid for their quota. And if they were finished, let us say, at 3:00 o'clock in the afternoon, that was just fine with Mr. Levitt. They could all get in their cars and go their way. But if they wanted to do so, they could remain and frame another couple of houses, and their remuneration was adjusted accordingly.

The CHAIRMAN: I take it that they were on piece work?

The WITNESS: No, they were not on piece work. It was a most complicated arrangement, but it seemed to be acceptable to the unions. It seemed to have all the qualities of piece work, yet it was not classified as piece work. It was an amazing business. But I think those houses are under-priced to the ordinary market on Long Island. I think they were under-priced by about \$800 to \$900, or about 10 per cent, based very largely, I think, upon three things: the very efficient organization of Mr. Levitt, which would only be possible in an annual production of some 6,000 to 8,000 houses; very skillful purchasing by Mr. Levitt who, as a single operator had become quite an important factor in the eyes of the suppliers of building materials; and thirdly, the labour device which I am afraid I cannot explain to you, because I do not quite understand it myself, except that I could say that it worked. It was the most amazing thing to watch, Mr. Chairman; as the banded packages, with steel bands came on the site, they were opened. The whole group seemed to know just what to do. I recall that there was one piece missing and it was over in the corner of the lot. I never saw a man run for anything any harder than that man ran over to the corner. When he came back with it he tossed it to a man at the foot of the ladder and the man at the foot of the ladder tossed it to the man at the top and the man at the top had his hammer raised in his hand ready to bang home the nail. One thing that interested me there was that every man knew his job; and there was no smoking on the job, they just did not have time to smoke because one gang would be anxious to be finished by 3 o'clock and another gang might want to frame a couple of extra houses that day—I saw nobody smoking.

*By Mr. Adamson:*

Q. Would you say that the restrictions on building materials would be the cause of the restriction in developing new methods, or would that be more the result of archaic building methods. Have you anything to say about that?—A. Well, Mr. Chairman, I do not know that I am prepared to admit failure. I would say that everybody would get along better if the national building code were adopted by all the municipalities forthwith; and that if the attitude of some trades towards more modern and more economic methods were somewhat easier, I think we would all get on better. But I do not think that in housing it is possible to ascribe our difficulties to any one particular spot. I think there may be improvements on all sides—building manufacturers could I think make some improvements.

Q. But you said that there had been less improvements since the pyramids in house construction than in any other industry?—A. I think that is correct but I think that people, not only in this country but in other countries, are pretty traditional in respect to their houses. If I were going to build a house for myself; I want it in brick in the Georgian fashion, or in stone in the regency fashion—that is not the mass production type—I would want it built

on site. And I am sure that I am not very different to many others building new houses they want to live in; and I do not think you can mass produce houses and have them done properly in the Georgian manner or in the regency manner.

Mr. HUNTER: I think, Mr. Chairman, it may be pointed out to the members that the pyramids are pretty well built.

Mr. SINCLAIR: Yes, there was no jerry-building there.

*By Mr. Fleming:*

Q. May I go back to the question I asked Mr. Mansur, to give one illustration; that we are all not sure of this building technique and are trying to reduce cost which is such an important question. I was going to ask later on if there were possible improvements in the way in which the corporation may uphold the responsibilities put upon it by the statutes. Now, are there any additions Mr. Mansur would like to make to his previous answer on that point? I would not ask such a question of him except for the fact that Mr. Mansur has been a very frank witness here this morning.—A. Mr. Chairman, I gather the question is directed particularly to our organizational and administrative functions.

Q. You are not to be held responsible for the framing of policy, as you indicated earlier. That is not my point. I am thinking now of the responsibility that is cast upon you by your instructions from the government and in the light of the provisions of the statutes. You have indicated that in general you are well satisfied with the job that the corporation is doing in the light of those responsibilities and policies and, properly, that you did not think that you were entirely satisfied. I am asking you now if there is anything you can say to us more particularly as to where you think improvements can be made?—A. In policy?

Q. No, I am not talking about policy, that would be a matter for the minister; but whether you think improvements can be made within the constitutional framework or scope of the corporation.

The CHAIRMAN: Mr. Fleming, would you please clarify your question to the witness? Do you mean improvements in policy or improvements in administration?

Mr. FLEMING: I made it quite clear, I think, twice in the question that I eliminated policy. I do not think it would be fair to ask this witness as to policy.

The CHAIRMAN: You get down then to the remaining part of the question, improvements in the administration of policy?

Mr. FLEMING: Yes. I am asking if the things that the corporation is charged with responsibility for in the statutes and within the scope of government policy as laid down by the government could be improved.

The WITNESS: Well, Mr. Chairman, as to the structure of the organization, I think I must say that I am satisfied. There would be no reason for me to say otherwise because the board of directors who have complete authority in organization and administration has seen fit to accept such suggestions as I have made, and the basic organizational structure is in accordance with my recommendations. Now, it is probable that it could be improved, maybe I should improve it; all I can say that it is the way I would like to see it.

The CHAIRMAN: You have done your best.

The WITNESS: And according to my judgment it is the best that could be put together to look after the problems of the moment. So, structurally, I have no complaint and I am prepared to defend the manner in which it has

been put together. Now, within that organizational structure, like any other organization, we have some troubles, and the troubles are all over. Within the organization all branch managers are not as good as our top branch manager, just as each regional supervisor is not as good as our top regional supervisor; and to that extent there is always room for improvement, looking at that particular aspect of our operations. I would think that one of our greatest needs at the moment and one of our greatest deficiencies, one that the committee might criticize me the most for, is the fact that we need 30 to 40 qualified engineers for our construction division—and we need them quickly, but they are extremely difficult to get.

I also think in our development with the provinces under section 35 that one might criticize our organization for not having trained and had ready for the use of the provinces people with experience in the public housing field.

A very fair criticism of my operation—and I use that term because I am the one who is responsible—is that two years ago we might have sent ten people to the United States so that by now they could come back as trained housing people. I am not sure it is a mistake but it is the type of thing that might be criticized. I think it is to be remembered that our organization is fairly new. From January 1st, 1946, it has been growing very rapidly with ever-changing duties. The organization is fluid, continuously fluid, and I think we have all the growing pains of an organization that started with myself and a stenographer on January 1st, 1946 and is now 2,200 strong.

Another criticism you might have of the administration within this organization with which I say I am satisfied might arise from the fact, as I mentioned in my statement, that we have absorbed 1,916 people.

Now, the rights of those people from Wartime Housing, from the National Housing Administration, from Ajax, and Laurentian Terrace were most important to preserve. After all, those people had given loyal service to another branch of the Crown and it was up to us to fit them into our organization somewhere. Sometimes they fitted very well; sometimes they fitted fairly well; and some times they did not fit too well.

Now, you might say, if we were really forthright about this, that every case of non-fit should be heaved out immediately. I do not think any organization quite runs that way. But, in answer to the honourable member's question, that he asked me—whether I am satisfied with the administration within the organization—the answer is no.

*By Mr. Fraser:*

Q. I will say this, Mr. Chairman, that Mr. Mansur is very quick to pick up constructive suggestions. I suggested in the House of Commons that the offices should be left open on Saturday morning for the convenience of people who were dealing with Central Mortgage, because that was the only time they could get in to see them. The offices are now open and I just wonder what arrangements are made for the office staff to give them the half day some place else?—  
A. Is that in respect to Peterborough?

Q. Yes, Peterborough and the other places. They were closed on Saturday before and now they are open and they do a lot of business on Saturday.—  
A. One of the advantages of being a Crown company is that you have a little more flexibility with regard to administration than you have in the rather larger public service. We have felt that the five-day week gears our organization much closer to the operations of those with whom we do business than does the continuation of the five and a half day week.

Incidentally, it has one other advantage which I think I can prove conclusively—that 39 hours spent in five days is a more efficient operation than 39 hours spent in five and a half days.

Within the five day policy we give a very high degree of local autonomy. Our manager at Peterborough is in a much better position than we are to say whether it is wise to keep that office open on Saturday. Our terms of reference or our ground rules to our manager are: you have the advantage of the five day week if local conditions seem to justify it but employees must put it in 39 hours a week. We leave a very high degree of local option as to how it is done.

In another city such as Brantford, Wednesday afternoon is very different in Brantford than it is in Ottawa. I think it would be highly inadvisable to attempt to apply rigid rules in each one of those places where you have a branch manager or local administrator—because he is an intelligent man.

Q. I am very pleased that they are open on Saturday mornings. I think it has helped tremendously.

*By Mr. Sinclair:*

Q. I wonder if I could refer to Levitt again. How does he meet up with the cost of servicing lands—which is one of the points raised?—A. Well, Mr. Chairman, Mr. Levitt is a large enough operator that in developing Levittown, which was nothing more nor less than a 2,000 acre potato patch—quite some potato patch—he just took over this raw land. There was no municipality at all. He started right off to develop a municipality. Being on Long Island, he had water difficulties but he did find water. His whole operation is based on a series of septic tanks. There are no sewers as we understand it. One of the most amazing things in that development is to see the open pits where the effluent from the septic tanks flows, all fenced off, a practice of which we would take a pretty dim view. He put in his own service. He did it at a time when it cost considerably less. But he arranged with the state of New York, as I understand it, for virtually a municipality which he himself created, and in due course is going to turn over to a democratic form of government. We face exactly the same thing at Ajax, where there is a crown oasis which we are busily engaged in trying to turn into a municipality in the Ontario municipal pattern.

*By Mr. Laing:*

Q. Are the houses sold or rented?—A. All sold in Levittown.

Q. How much does he get as a down payment?—A. Under the V.A. loan which accompanies an F.H.A. loan, at the time I was there, the down payment from a veterans was nothing, and the down payment from a civilian was about \$500.

Q. Including the lot?—A. The man got his house, lot and everything. His price at the time I was there, which has since moved, was \$7,990. The houses are 800 feet of bungalow without a basement, something I think Canadians should be careful about building in a country such as ours. But in Long Island the situation is somewhat different. It is a two-bedroom job with no basement, lots of gadget, dressed up on the outside with a breezeway so that you look at it and think it is quite a house, and when you get in it is 800 feet; no basement. That was being sold at \$7,990 when I was there. In Canada at the same time, with a basement our corresponding price was of the order of \$6,800 to \$7,000, so that in our terms Levittown was no bargain, but it was a very fine and a very attractive development.

Mr. MACNAUGHTON: Their money is worth more.

*By Mr. Sinclair:*

Q. Was the cost of services embodied in the cost of the house, or will all that be charged up when he transfers the project to a municipality, assessed by them and spread out over a number of years as taxes?—A. I think the answer to that question is both.

Q. A part of each?—A. I think that he said "I will look after the septic tanks at the street level and down to the effluent tank. Water will be in the water rates that you charge your owners."

Q. What about the roads?—A. I think Levitt put them in himself. In that respect he is very different to most of the Canadian builders. When Mr. Levitt opens up a new development, the first thing he does is put concrete roads right into the fields. He puts a circular road in which forms part of his permanent roadwork system, so that he gets circular traffic on first class roads through the fields in which he is operating. You do not often see that done in Canada and you can see in the operation just why he had done it and how wise he was to have put those roads in.

*By Mr. Laing:*

Q. What about schools?—A. There was substantial help from the state of New York in that respect. I think they have a system not unlike Ontario in their system of educational assistance to municipalities. I cannot answer that question about schools. I do not know.

Q. Would they contribute 50 per cent to him before the municipality was formed? Would they assist him in building schools to that extent?—A. I could find the answer to the question, but I do not know it now.

Mr. BALCOM: Would there be a shopping centre in a locality like that?

The WITNESS: Mr. Chairman, there is a regular shopping centre in the modern sense of the word, with parking places, and, adjacent to the main shopping centre, a community centre made up of the community building, the bowling alleys, the bowling lawns, tennis courts, wading pools, swimming pools, and generally all recreation facilities.

Mr. BALCOM: Different to our Canadian facilities.

Mr. FRASER: No motion pictures, though?

The WITNESS: No.

*By Mr. Hellyer:*

Q. I understand his first 4,000 houses were rental houses and it was after that that he started selling them. I wonder if Mr. Mansur would agree it would be impossible to duplicate Mr. Levitt's projects here with the mortgage financing available in this country?—A. Mr. Chairman, I presume the mortgage financing circumstances at the moment—

Q. Or anything up to 1952?—A. If you divide the Levitt development by the size of the population, which is probably a fair division for any one development, I think that the Miller development in Champlain village in Montreal, financed, as I remember it, by the Prudential, is proportionately a larger development for Montreal than Levitt's was for the New York area.

Q. In what year was that?—A. In 1949-50.

Q. And it would not be possible in 1952 to do that at the present time under present circumstances?—A. I think there would be more difficulty in doing it because of the changed circumstances.

The CHAIRMAN: It is now a quarter to eleven. Shall we adjourn till Thursday at 11?

Agreed.

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HOUSE OF COMMONS  
Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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THURSDAY, MAY 8, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

ORDER OF REFERENCE

WEDNESDAY, May 7, 1952.

*Ordered*,—That the name of Mr. Noseworthy be substituted for that of Mr. Stewart (Winnipeg North) on the said Committee.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*



## MINUTES OF PROCEEDINGS

THURSDAY, May 8, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

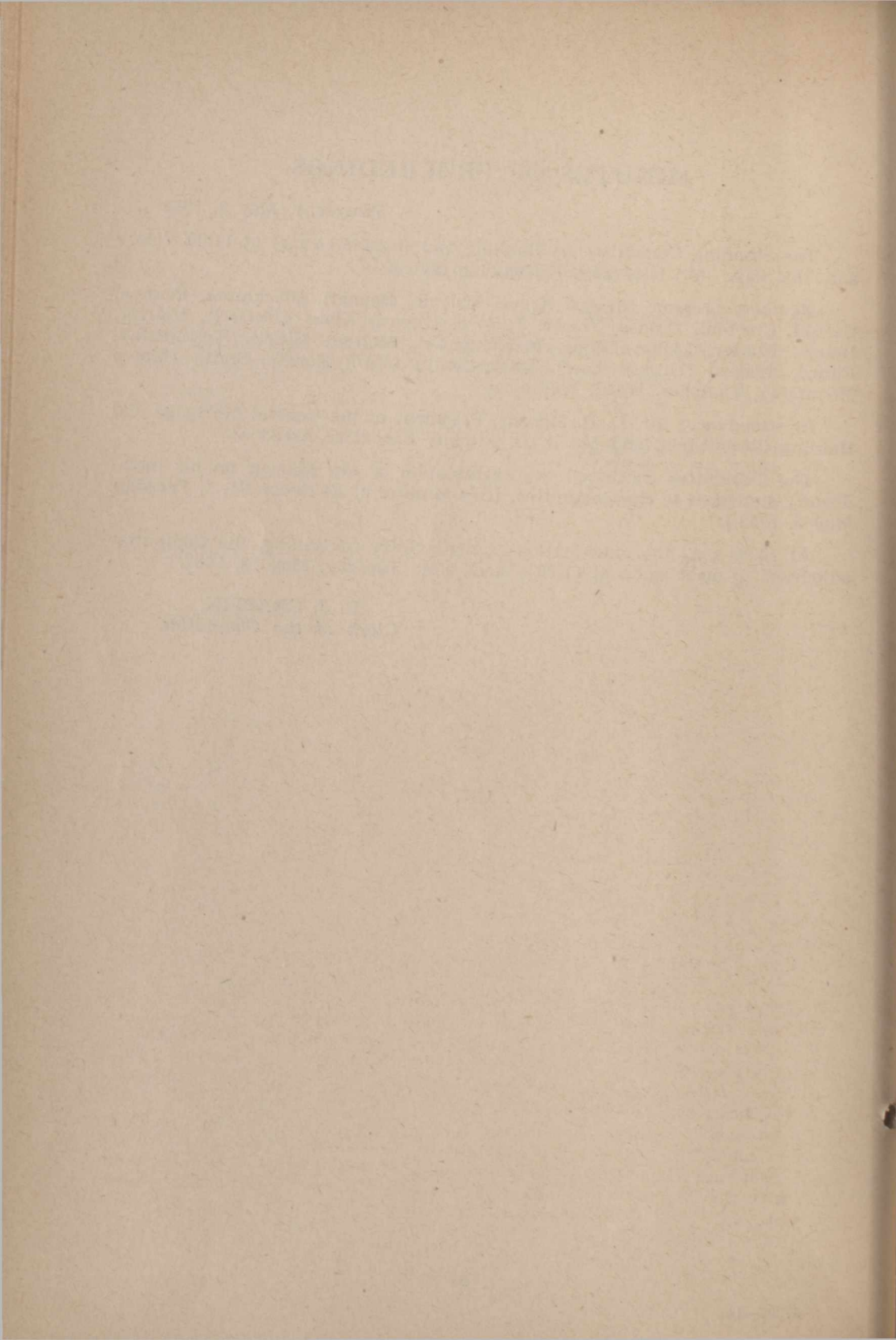
*Members present:* Messrs. Argue, Balcom, Bennett, Blackmore, Cannon, Carroll, Crestohl, Dumas, Fraser, Fulford, Gingras, Gour (*Russell*), Hellyer, Helme, Hunter, Laing, Leduc, Macnaughton, Maltais, Nickle, Noseworthy, Picard, Richard (*Ottawa East*), Riley, Smith (*York North*), Smith (*Moose Mountain*), Thatcher, Ward, Welbourn.

*In attendance:* Mr. D. B. Mansur, President of the Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

The Committee continued the examination of Mr. Mansur on his introductory statement to the Committee. (*See Minutes of Evidence No. 1, Tuesday, May 6, 1952.*)

At 12.30 a.m., the examination of the witness continuing, the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, May 13, 1952.

R. J. GRATRIX,  
*Clerk of the Committee*



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## EVIDENCE

May 8, 1952.  
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum; we will carry on. Mr. Mansur, you have a statement to give to the committee in regard to nails?

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:

The CHAIRMAN: Have you that statement ready now?

The WITNESS: Yes sir. It reads as follows:

### *"Emergency Nail Supply*

In 1947, an arrangement was made with the Steel Controller of the Department of Munitions and Supply whereby extra production of nails arranged by the Steel Controller would be distributed by the Corporation to builders building homes for veterans either under the veterans' rental housing plan or privately.

The Director of the Veterans' Land Act transferred to the Corporation surplus nail stocks held by the V.L.A. after the completion of their construction program.

From time to time nails were purchased from the producers to maintain the stocks in the Corporation warehouses. These were located in Montreal, Toronto, Winnipeg, Saskatoon, Calgary and Edmonton. From these stocks nails were sold to builders building homes for veterans. Distribution from the emergency nail supply in British Columbia was handled by an official of the Department of Munitions and Supply.

In 1948, the agreement with the Steel Controller was continued and broadened to permit the Corporation to supply nails to any builder of small houses, whether for veterans or non-veterans, provided that builder was unable to secure nails from his regular supplier.

In December, 1948, an arrangement was reached between the Steel Controller and the Canadian nail producers that the Corporation would discontinue handling the emergency nail supply except for requirements of builders building under contract with the Corporation or under integrated agreements. The Wholesale Hardware Association undertook to maintain emergency stocks at:

Western Area—J. H. Ashdown Hardware, Winnipeg; Walter Woods, Winnipeg and Edmonton; Marshall Wells, Winnipeg, Saskatoon and Calgary.

Ontario Area—Wood Alexander & James, Hamilton; Hobbs Hardware, London; Aikenhead Ltd., Toronto.

Quebec Area—Caverhill, Learmont, Ltd., Montreal; Lewis Bros., Montreal; J. S. Mitchell, Ltd., Sherbrooke.

From these stocks the Association undertook to supply nails to any house builder unable to obtain his requirements from regular channels. After April, 1949, the Corporation carried nails only for builders building under contract with the Corporation. Our stock of nails in excess of our requirements was not sold by the Corporation as surplus material but was returned to the

manufacturer or distributor who originally supplied them. The quantity so returned amounted to 1,000 kegs in Ontario and less than 1,000 in the Prairies. The Corporation got right out of the nail business with the completion of the 1949 construction contracts.

At the end of 1948, when the Hardware Association took over the distribution, our stock of nails was roughly 5,000 kegs. During 1948 we sold a total of 27,927 kegs valued at \$218,201.09. This included supplies to our direct construction program. As I mentioned yesterday, sales for non-veteran housing amounted to some 800 kegs.

Incidentally, the 1948 nail production was about 1,600,000 kegs. Our nail supply was between 1 and 2 per cent of the total production."

The CHAIRMAN: Thank you, Mr. Mansur. Are there any other general questions before we start going over Mr. Mansur's statement a page at a time? If not, we will turn to page 4. Are there any questions on procedure, reserving the question of lending volume until we take it up as a separate subject. If there are no questions on procedure; standards and inspections, page 5:

Mr. NOSEWORTHY: Mr. Chairman, there have been a great many complaints in my riding by purchasers of houses built under these plans to the effect that once having bought the houses they found that they were not built according to specifications.

The CHAIRMAN: Mr. Noseworthy, you are new on the committee. The committee decided in order that we might have an orderly presentation and a record which would be of the most possible use to the general public when it is complete, that we would simply ask questions to amplify Mr. Mansur's statement, going over the statement; then we would have a full scale debate on lending volume financing and availability of mortgage money, after which we would just go on with the problems that all of us have run across in our ridings of this kind and that; so, will you just reserve the question for the time being.

Mr. CRESTOHL: Mr. Chairman, I am troubled about another matter. Yesterday I found in my mail box some 32 pieces of literature in connection with housing which would require wading through in order to know something about this matter and to be able intelligently to appreciate Mr. Mansur's report and the facts it contains. I certainly have not had time to go through all that vast volume of literature yet sufficiently to be able to do justice to the problems that will arise before us. It is impossible even if we go over this report page by page, to deal with it adequately.

The CHAIRMAN: We asked the members while this presentation was being made by Mr. Mansur not to interrupt him but rather to make notes of any part of his presentation which they did not understand and in going over it now it is not with the intention that we are clearing it, it is just so that members may now have an opportunity of asking questions which they would like to have asked while he was making his presentation.

Mr. CRESTOHL: The reason I made that observation was to suggest that if that literature had been in our hands, and if Mr. Mansur's statement had been in our hands say a week before he made it here, we might have been able to digest it a little better and therefore able to deal with it more comprehensively.

The CHAIRMAN: I want to assure you at once Mr. Crestohl that this inquiry will not be hurried. You will have plenty of time.

Mr. CRESTOHL: Then, Mr. Chairman, I would ask that that be held over; and, also, at a later stage I would like to ask some questions about the availability of the mortgage money.

The CHAIRMAN: As to availability of mortgage money, that is a matter which has been before your agenda committee. As your agenda committee sees it there are three main problems that apply to housing to-day; standards and specifications and availability. Under loans to owners you are getting the present percentages which are now available.

Mr. THATCHER: That again brings up this very interesting part of the picture; is this present situation the result of the fact that the insurance companies are not willing to make more money available?

The CHAIRMAN: No. Availability of loan money; we are coming to that and we will have a full scale discussion on that later, but here again I would ask you to wait until we have disposed of the matter now before us.

Mr. HUNTER: There is one point I would like to bring up here and that is the question as to the size of the loan. I recognize that the purpose of the Act is not to build elaborate homes for wealthy people. They should use their own money for that purpose. But I wonder about the maximum size of a loan. It seems to me that you are handicapping people with large families because the type of house that you can build under the maximum loan here as a rule has not more than about 3 bedrooms and where you have families with a large number of children is there any provision for such a man to build a home increasing the size of it for a larger number of bedrooms to house a larger family?

The CHAIRMAN: Well, as I read the resenation and the Act, Mr. Hunter, so long as the owner is able to get his house contracted for under what the corporation indicates is the proper price, or so long as he has bought it from a builder, or so long as he is buying a home of that price, he can get up to that 80 per cent loan.

Mr. HUNTER: But the maximum loan is set forth on page 6, \$10,000 for single family dwellings, and that obviously limits the size of the house he can buy. In other words, why do we fix an arbitrary sum of \$10,000? I recognize it has to be fixed somewhere, but why do we fix it there rather than \$12,000, or something which would perhaps permit more bedrooms?

The WITNESS: Mr. Chairman, in the early days of the corporation the maximum loan on a single house was \$7,000. Between 1940 and 1948 costs had risen, and the Governor in Council brought down some new regulations under which the maximum loan was set at \$8,500. The last time the government looked at this matter they moved it up to \$10,000. At the time the arrangement for maximum agreed building price was introduced there was some misunderstanding that we would not make a loan upon a house if the price to which we agreed should be more than \$12,500. That is not the case. The present situation is that if a man builds a house with say 5 bedrooms and we agree that the maximum sale price is a good one at \$15,000, the \$10,000 loan is available to him. Now, Mr. Chairman, in answer to the direct question as to whether \$10,000 is a proper figure, all I can say is that that is the figure which was determined under the regulations by the government.

The CHAIRMAN: And any increase in that amount would be a matter of regulation?

The WITNESS: Any change in the maximum loan is a matter to be handled under the regulations; and, of course, is determined by the government and not by us.

The CHAIRMAN: Loans to co-operatives, on page 7.

Mr. MACNAUGHTON: I wonder if at this point if Mr. Mansur could tell us something about interest charges to co-operatives?

The WITNESS: The interest rate is the same to co-operatives as to home owners; namely, 5 per cent.

Mr. MACNAUGHTON: Eventually, Mr. Chairman, I would like to deal with loans to limited dividend companies a matter which is referred to on page 9. Perhaps I should wait until a later stage when we have our general discussion.

The CHAIRMAN: Very well. Loans to builders.

Mr. CRESTOHL: Mr. Chairman, I do not know whether this is the place to raise this question of loans to builders. Perhaps I can explain my question best by giving an illustration of what has been bothering us around Montreal. A builder proceeds to construct, let us say 100 homes in a single unit, and the 100 homes are advertised for sale in the newspapers and the advertisement suggests that the down payment would be \$1,990 and \$43 a month thereafter which would take care of all the purchaser's obligations. The builder then obtains his loan from the mortgage company or the insurance company with the assistance of the government money; and the builder then sells the unit, the individual home, to the purchaser; formal deed is passed according to the laws of the province of Quebec before a notary to which there is attached a very bulky mortgage deed being the arrangement between the builder and the insurance company. In the deed of acquisition by the purchaser there is a simple clause that the purchaser has taken communication of the mortgage deed and shall be bound by its obligations. Somewhere down the line the purchaser is under the impression that according to the ad—these are simple people, ordinary citizens buying these homes—his obligation is to pay \$1,990, or \$3,000, as the case might be and so much a month; in this case around \$43, then he is shocked at the request from the insurance company that instead of \$43 a month he finds he has to put up \$83 to \$93 or even \$103 a month in some cases. I have seen a great many of these figures, actually, and have sent them to the minister. The additional payments flow from the fact that the purchaser without his being aware of it also undertook to pay over a period of three years for the improvements—sewers, roads and other services of the locality where this building project is going on; and if some unfortunate purchaser finds that he is unable to pay \$93 a month he is in jeopardy of losing his home. Delegation after delegation have come to see the various members around Montreal about this. Now, this problem to them is a genuine problem; and I appreciate that the government is in the clear on this matter; and that while the local purchaser is bound by the agreement, he should have taken the precaution to read it, but did not. My suggestion would be that in future before a loan is made to a builder in this connection that he must undertake in his advertising for sale of these units to state specifically the full and complete obligations of the buyer; let the builder make the research as to the cost of the sewers and roads and things of that kind which are a charge by the municipality, and let him include that in the price and calculate the monthly payment so the average person, John Citizen, may not be under any misapprehension as to his total obligation being limited to \$43 a month after he makes his initial payment so that he will not be put in jeopardy of losing his home. I think that is a precaution which the government should take to see that before they make a loan to a builder that he undertook to make that research himself to determine the costs, and clearly specify in his advertisements what the complete obligations of the purchaser will be.

The CHAIRMAN: Mr. Mansur will make a reply to that question, Mr. Cresthol, when we come to the question of the problems experienced by individual members. I thought when you opened your remarks that you were going to speak on loans rather than local experiences, but I did not care

to interrupt you when you got on to housing. Would you mind leaving that problem for the present? Your remarks are carefully noted, and I know that Mr. Mansur will answer at the proper time.

Mr. CRESTOHL: Mr. Chairman, my remarks all relate to loans to builders.

The CHAIRMAN: They do, but there is the difficulty. I am just trying to keep our questioning orderly.

Loans for rental housing—have you anything to amplify that?

Loans for defence workers:

Mr. BLACKMORE: I wonder if the witness could give us some information as to how a defence area is constituted, and where those areas are?

The WITNESS: Mr. Chairman, I have not with me a list of defence areas but I would be glad to supply it to the committee.

*By Mr. Macnaughton:*

Q. Have you any idea as to what the rental of defence workers apartments may be?—A. Yes, Mr. Chairman. I think I have that information with me. Generally, the rentals for defence workers multiple units would be pretty much the same as ordinary civilian rentals; the payments of the mortgage loan, expenses of operating the property, and so on, are almost identical; and the allowance contained in the original rent provides the builder with exactly the same rate of return as though he had been building on the civilian side. Mr. Chairman, I have a typical case before me, in Montreal, which I think might answer the question. These are cold water flats, are unheated, but include janitor service. In this particular case apartments of four rooms of 876 feet—the monthly rental is \$57.50. There are apartments of 657 feet, of three rooms and the rental is \$47.50. Those are cold flats. Now, if that was a fully-serviced flat the differential would be of the order of \$20 for heat and hot water—those are the main items of difference, together with stoves and refrigerators being supplied.

Q. That is about \$85 or \$90?—A. Fully serviced. Mr. Chairman, under the regulations the maximum allowed in a flat of four rooms of 800 feet fully serviced, janitor, heating and at the same time supplied with hot water, stoves and refrigerators; the maximum allowable rent is \$87 for that type of unit. I might say, Mr. Chairman, that that is the maximum. It is probable that the rent on the average would be maybe \$3 below such a maximum.

Mr. CRESTOHL: Mr. Chairman, this presentation by Mr. Mansur has been excellent and very comprehensive—I must commend him on it very warmly.

The CHAIRMAN: Yes, indeed.

*By Mr. Crestohl:*

Q. I wonder if he could tell us at this point by whom and how is a defence area determined?—A. Mr. Chairman, a defence area is determined by the Minister of Defence Production; but I would like to amplify that by saying that in doing so the Minister of Defence Production does not declare an area to be a defence area, he declares that the employees of a defence manufacturer are eligible for financing under the defence workers' plan. And now, as a matter of administration, we have thought that the certified workers of a defence plant should procure their housing within reasonable access to the defence plant; therefore, although the Minister of Defence Production does not actually declare an area—say for the A. V. Roe plant—a defence area; we tell the builders that if we are going to finance houses under the defence workers' plan we think that these houses should be within 15 minutes distance of that plant. Mr. Chairman, I do not want to give the impression that there are no defence areas, the minister declares the plant to be one suitable for the

application of a builder to supply accommodation for defence workers; and then we, in turn, insist that the houses be within a reasonable distance; in other words, Mr. Chairman, we would be quite unwilling in the case of the A. V. Roe plant to approve defence workers financing for housing that might be located in Highland Creek in the extreme east end of the city of Toronto.

The CHAIRMAN: Would that be 15 minutes at 30 miles an hour or 50 miles an hour?

Mr. CRESTOHL: I would imagine it would be walking distance rather than motor speed.

The WITNESS: Mr. Chairman, we have been very specific about this, it is 15 minutes by motor car within provincial traffic regulations at times at which the workers both go to their places of work and return therefrom.

The CHAIRMAN: Whichever is the longest.

*By Mr. Hellyer:*

Q. I wonder if Mr. Mansur could give us the difference between the 20 year and the 25 year amortization contracts under these pool guarantees?—A. Mr. Chairman, that arises out of the agreement which the lending institution has with Central Mortgage and Housing, which agreement before it is signed must be approved by the Governor in Council. In the agreement is a clause which deals with the pool guarantee in various categories. Perhaps, Mr. Chairman, if you wish, I would read the clause. First I might explain that under the agreement the country is divided into two parts, category 1 and category 2. Category 1 generally takes in the Metropolitan areas, these larger cities, and indeed places which mortgage companies think are the most select as to risks. Now, with respect to loans in category 1, the pool guarantee is 8.6 per cent of the company's share of the loan where the period of the amortization is 20 years or less. It is 9.6 per cent of the company's share of the loan where the period of amortization is in excess of 20 years but does not exceed 25 years; and it is 10.6 per cent of the company's share of the loan, where the period of amortization is in excess of 25 years, but does not exceed 30 years.

The CHAIRMAN: Does that answer your question, Mr. Hellyer?

Mr. HELLYER: Yes. Has there been any request on the part of the companies to have the differential increased on longer amortization periods?

The WITNESS: The last discussion which took place with the companies was late in 1951 at the time this agreement was being arranged. At that time the companies felt that the differential which I have just mentioned was a fair differential on account of the amortization. But in saying so I do not want to create a wrong impression, that the differential stated in the agreement has indeed been an inducement to the companies to lengthen their amortization. That has not been the case; and although we are prepared to join in loans for 25 and 30 years, during recent months there just have not been any applications from the companies in which they indicated they are willing to go for more than 20 years.

If that question is in connection with defence workers, I would like to remind the hon. member that the lending institutions have not as yet taken defence workers' loans, and our defence workers are all on a 25 year amortization.

*By Mr. Hellyer:*

Q. My question was not connected with defence workers. Would you say there is any indication that the differential as it now exists is a deterrent to the companies from granting their requests for a 25 year amortization?—A. Mr. Chairman, I believe that the companies at the moment are fairly firm in their



own minds that the amortization period should be kept at 20 years, so that in the early years the amortization will be sufficient to make some inroads into what they believe to be presently a very high level of loans.

This is just my own opinion, but I think that the companies are rather more concerned about the number of defaults that they may have in the ultimate loss on the loans themselves. In other words, I think the companies feel that if amortization is lengthened to 25 or 30 years, the percentage of mortgage loans which will get into trouble will be greater than if the amortization is kept to 20 years. I do not believe that the companies feel that the guarantee on the 25 year basis, and the 30 year basis is inadequate. But I feel that what they do believe is that a majority of their loans in these longer amortization periods will create a greater number of defaults, which are both expensive and troublesome to the companies to handle.

The CHAIRMAN: Is that largely because of the fact that a purchaser can be approved where the amortization is longer than 20 years, I mean the purchaser who has a lower income?

The WITNESS: Mr. Chairman, and again this is just opinion, I do not think that the companies are too disturbed about the level of income of their purchasers, providing that their income is sufficient, and providing that not more than 23 per cent of it is used for the monthly carrying charge. I think that the reluctance of the companies for an amortization beyond 20 years is that they feel that a house suffers depreciation, let us say, during the first 5 years of occupancy by any home owner. And they feel that under a 20 year amortization plan there will have been 15 per cent of the original mortgage loan paid off at the end of 5 years. Now, under a 30 year amortization scheme, I think about 8 per cent is paid off at the end of 5 years. I believe that the companies feel it is sound that in the first 5 years of occupation of a house, 15 per cent should be paid off the mortgage, if the mortgage security is to remain in the same relative position as it was at the time they made the loan.

*By Mr. Hunter:*

Q. With respect to the percentage carried, is the purpose of that to place the mortgage lending institution in approximately the same position they would be in if making a private loan? Is that how the percentage is calculated? As I understand it, their percentage is 75 per cent, and they would be limited by the statutes to 60 per cent.—A. That is correct.

Q. Therefore this percentage of carrying would be an endeavour to place them in the same relative position they were in formerly. Is that the principle behind it?—A. That was the original principle of the pool guarantees when they were established in 1938 and I think that principle has continued ever since that time. The hon. member is quite correct in saying that on a conventional basis lending institutions are limited to a 60 per cent loan. I do not believe that the pool guarantee can be entirely limited to that portion of the loan which exceeds the 60 per cent the lending institutions might have made as conventional loans. In the incidence of default, because of the larger loan, is also applicable to the first 60 per cent of the loan. So I believe that the pool guarantee has application not only to the excess of loan over 60 per cent, but also to the rather more risky position which the basic conventional loan is in, by reason of the extra loan. I am sorry if this appears to be a complex answer.

The CHAIRMAN: What losses have you had up to date?

The WITNESS: Generally, Mr. Chairman, the losses have been relatively small, and there have been very few foreclosures. I would like, if I may, to place before the committee a statement on this subject. I think that such a statement rather than be given in the aggregate should be broken down because

I think the committee has in mind loans to home owners, and to builders; and that it should not be all inclusive with losses that have been suffered on account of things like integrated housing, re-possession, and, Housing Enterprises of Canada. So, if I may, I would like to prepare such a statement.

The CHAIRMAN: That would be fine.

Mr. WARD: Who is eligible to apply for a loan under the Central Mortgage and Housing Corporation Act? Is any class included?

The CHAIRMAN: An age limit?

The WITNESS: Generally, I think that all Canadians are eligible who either want a National Housing Act loan on their house, or on a rental property built by them. I think there is the exclusion of younger people who have no contractual right; and then there is the virtual exclusion of elderly people who, because of their age, are unacceptable to the lending institutions as borrowers. But apart from that, I do not think there is any limitation.

The CHAIRMAN: They must have earnings or sufficient annual income to make the payments, Mr. Ward.

Mr. WARD: There are no vocations. Vocation is not a requisite.

Mr. RICHARD: What are the financial requirements?

The CHAIRMAN: The question has been asked: "What are the financial requirements or limitations." It was asked by Mr. Richard: "What are the financial requirements as to annual income?"

The WITNESS: The financial limitations upon the borrower, on a house which he is building on his own account, and likewise the purchaser of a house built by a builder, are that his income shall be sufficient so that the monthly carrying charges made up of principle, interest, and one twelfth of the annual taxes shall not exceed 23 per cent of his income.

*By Mr. Richard:*

Q. His net income? Supposing he has debts?—A. I mean his gross income. There are exceptions made in certain instances with which the lending institutions seem willing to go along. In outlying areas where the lending institutions do not do much business, and where most of it is done under section 31-A, we are inclined to increase that percentage from 23 per cent to 25 or 27 per cent because the home owner, living in a small town of, let us say, 3,000 people, is not faced with transportation expenses as is his counterpart living in a metropolitan area. Therefore we feel that in the smaller towns, a screen of 25 to 27 per cent is probably equivalent to about 23 per cent in a city like Toronto. Mr. Chairman, I might also say that in our annual report it will be noticed that the average ratio of debt service to income in 1951 was 17.7 per cent of the income of the borrower.

*By Mr. Hellyer:*

Q. Are family allowances included in the gross income?—A. Yes.

Q. When Mr. Mansur gives us that information regarding losses, could we have it by regions?—A. Yes, I think we can do that.

*By Mr. Smith (Moose Mountain):*

Q. Mr. Ward asked who was eligible; but at the same time there is the question of location. Does the location come into the picture? You mentioned smaller towns of 3,000. You said that only Canadians can apply for these loans, as I understand it; but how does the Canadian compete, shall we say, when he is living in a smaller town in the prairies? How does he compete as far as the insurance companies are concerned and the lending institutions,

when he is living in a smaller town, as compared to when he is living in a city such as Winnipeg, Toronto, or Montreal?—A. I mentioned in my statement that the present policy of the government is that under section 31-A, a direct loan may be made by Central Mortgage without the benefit of a lending institution, to an individual living in a community of under 5,000, to whom the facilities of the National Housing Act are not being made available by a lending institution.

Mr. WELBOURN: Would that apply to a farmer?

The WITNESS: Yes sir.

*By Mr. Maltais:*

Q. Do you still require that this prospective home owner in a rural community first apply to a lending institution and be refused three times before Central Mortgage will act directly?—A. Mr. Chairman, up to about three months ago, in order to insure that section 31-A was being followed, we did require that before we would proceed under a direct loan, we had to have evidence by way of letters from two lending institutions that they were unwilling to make a loan in that community. But about two months ago that requirement was dropped and at the present time we do not require those two letters. We know where the lending institutions will not make loans, and we are prepared to be guided accordingly.

Q. Referring again to the prospective home owner, and the fact that you mentioned 23 per cent, with respect to the carrying charge on the house, are there any statistics concerning the people who have borrowed from the lending institutions, indicating in which bracket they are with respect to income? Is it only when you make \$4,000 a year? Is it almost impossible to borrow from Central Mortgage? Take my own case, for example. If the carrying charges are \$85 a month, that would represent 23 per cent of my income, which is roughly \$4,000. Would that be correct?—A. Generally—and this is generally—varying as between communities—under the present level of construction costs for a small house it would appear that the national average of income of families necessary to buy such a small house was about \$3,300. That has increased from about \$2,700 two years ago, and for two reasons: firstly, the mortgage loan, because of the increase in the cost of construction is higher. Secondly, and more important, the tax rates in all of these municipalities have increased very sharply. And in answer to your question, I think you can say that for a small house, families with an income of under \$3,300 have some difficulty in making the screening of 23 per cent.

Q. When you speak of \$3,300, which kind of family are you talking about? A man and wife, or with one child?—A. I am talking about a family whose position is such that they can get into a five room house.

Q. A five room house. What is your opinion, two children?

Mr. CRESTOHL: Oh well, that depends!

*By Mr. Maltais:*

Q. I think it is probably important to do that because from this legislation, as far as my experience is concerned, it would appear to me that with the medium sized family it is almost impossible to get a loan from those institutions; families with four children have to make at least \$2,500 before they can get a loan.

The CHAIRMAN: The taxes must be very high where you live. What are your taxes?

Mr. MALTAIS: They are \$40 on the thousand.

The CHAIRMAN: Now, Mr. Smith.

*By Mr. Smith (North York):*

Q. There was a question I think concerning loans under Central Mortgage. Someone asked if a farmer could get a loan under this plan and I think the witness said: "yes." I ask Mr. Mansur if he thinks that that can be done under this same Act.—A. I think it is covered in full under section 14. There was an amendment made to section 14 in 1948. Section 14, prior to that time contemplated farm loans under the same terms and conditions as city loans. In other words, in farm loans, a release of a lot from the existing mortgage on the farm was contemplated, let us say, of 100 ft. by 100 ft., in the northwest corner of that farm. But the legislation was changed considerably in 1948 and there is now provision that the existing encumbrance that is on the farm itself can be absorbed into the new financial arrangements made for the construction of the house.

Mr. RILEY: It is a percentage arrangement?

The CHAIRMAN: Are you through, Mr. Smith? Now, Mr. Crestohl.

*By Mr. Crestohl:*

Q. In answer to Mr. Ward's question as to eligibility for borrowing, Mr. Mansur indicated that people at or beyond a certain age would not be eligible; and later on he stated that the qualification would depend upon income. Could there not be a clash between age and income, because it is quite possible that a person beyond the age which you have in mind, might have an income which would be adequate?—A. Mr. Chairman, there often is a clash. Probably one of the most difficult forms of housing loan application we have to deal with is that which comes from a man who has just retired and who wants to build a house, let us say, in Victoria. The lending institution is not very keen to go into a long term arrangement for home ownership with a man who has attained, let us say, the age of 65. But in some cases lending institutions find a way out by the ownership of the house being placed in the name of a son or daughter, or in the name of someone of more tender years than the applicant. These cases do cause trouble, but I do not think there have been a great many cases where a man of, let us say, the age of 65 who really wanted a house for himself and his wife to live in has not been able to find some way with the lending institutions to get over this very difficulty to which the hon. member has referred.

The CHAIRMAN: Is the income of the wife included in the husband's income, if she is a joint mortgagor?

The WITNESS: Mr. Chairman, I think the answer to your question may be "yes", and "no". If a newly married wife has a job and earns, let us say \$200 a month, I do not think the lending institution would place too much faith in the continuity of that income of \$200 a month. But if, however, it was a married couple, and the man was in receipt of a disability pension, and the wife had an income of her own, of \$100 a month, then there would be no question; the incomes would be combined to make up the requirement under the 23 per cent limitation.

The CHAIRMAN: So that they do distinguish between income and wages. Is that the distinction?

The WITNESS: Well, Mr. Chairman, the distinction I make is that it is becoming the custom for girls to work, following their marriage, until such time and they have their first baby.

The CHAIRMAN: But if the wife has an income from investments, would that be included?

The WITNESS: Yes, a permanent income is part of the family income.

The CHAIRMAN: As opposed to income from wages which are earned?

The WITNESS: Yes.

*By Mr. Riley:*

Q. I would like to ask the witness if his department ever contemplated any direct assistance to prospective home owners in those areas where the lending institutions made a limit, or where there may be evidence that the lending institutions limit their capital investments to a certain amount?—

A. Well, Mr. Chairman, perhaps I should mention that we operate under a policy which is laid down by the government. At the present time we are not in a position, because of that policy, to make direct loans in municipalities with more than 5,000 population. In the past, and indeed today, when we find in a city such as Edmonton, three or four prospective home owners, perhaps on the fringe areas of the city, who intend to put some owner labour into the houses which they are building, and we find that the lending institutions do not like the loans, then our local manager will call together the eleven managers of the lending institutions in Edmonton and he will say to them: "Now, here are three applications; surely we can do something about them". And in most cases the lending institutions will divide them among themselves and say, "Well, I guess we will take this one, if that company will take the other one". Our managers have had fairly good success in looking after that type of difficulty. But in saying so, I do not mean that there is no difficulty, because on that score there is very real difficulty.

Q. Does the witness agree with me that in general areas in the country, or in particular sections of the country where lending institutions have a limit on their capital investments, the prospective home owner is hopelessly handicapped?—A. I think there are communities where the withdrawal by the lending institutions has placed great obstacles in the way of Canadians who wish to build themselves houses. I would like to say, however, that even in metropolitan areas where this difficulty exists lending institutions have told a prospective borrower: "We have no more money". We find that in many cases the cause of the trouble is not a lack of money at all. In other words, the borrower may have a very poor credit record; or alternatively he may want to build a house right on top of a railroad track, and the mortgage risk is just not a very good mortgage risk. I think we have seen quite a few of those cases wherein it was alleged that the lending institutions are unreasonable; when they were mortgage applications which—even if Central Mortgage had the power to make the loan in the community in question—I do not think we should take them.

Q. I wonder if the witness would care to say a word about the attitude of the lending institutions which may arise from the general economy of the area rather than from the individual risk?—A. Mr. Chairman, there are one or two areas in this country which are considered to be less favourable by the lending institutions than other areas. I think you might put into that category Oshawa and Windsor. Those are two communities in which it has always been difficult to develop a free flow of funds under the National Housing Act. Those are communities which, up to a few years ago, were known as single industry communities, and which have not been very attractive to lending institutions. I think there are other cases where this is also the case.

The CHAIRMAN: Now, Mr. Picard.

*By Mr. Picard:*

Q. Would it be in order for Mr. Mansur to speak about loans, under page 9, loans available in communities of less than 5,000 population, loans under section 31-A? In my district there has been considerable difficulty in arranging loans with insurance companies. I went to the head offices of two companies and they told me that the main objection was that my district was too far away from their main offices and they had no inspectors there, and it would cost

too much to inspect the building while it was being built. I understand that later on the government went into that question, but I must admit that we have great difficulty in my district, at any rate, in getting a loan of that kind. I wonder if the witness would elaborate on that subject and give us an idea of how it could be done, and how this difficulty might be surmounted?

The CHAIRMAN: Mr. Mansur has already answered that question, Mr. Picard, but he will answer it again briefly.

*By Mr. Picard:*

Q. I am sorry, Mr. Chairman, that I was not able to be here at 11.00. I was in the office of the Postmaster General settling problems for the same constituents who are interested in this problem.—A. Mr. Chairman, under the present policy of the government, we make loans available to applicants in communities of less than 5,000. If in a community of that kind an individual wants to make a National Housing Act loan, the thing for him to do is to get in touch with our nearest office.

Q. That is what we do. We send these people down to Quebec. First of all, they have to go down to Quebec and to do so they have to travel 60 or 100 miles and it takes a little time before these people can get information, and so on. I must say that in my district my experience has not been satisfactory with respect to loans to small communities and I have heard the same thing expressed among the Quebec members. I wonder how many such loans have been made in the district of Quebec in communities of under 5,000? Have you the total amount?—A. Subject to correction, Mr. Chairman, about 400 in the province of Quebec in communities of less than 5,000.

Q. I know that in Montreal it was easier. The Sun Life told me that if it were within their area of inspection, it would be easy; but in the district of Quebec, let us say, from Three Rivers down to the gulf, it is not at all easy?—A. My figures refer not to the larger cities, but to the outlying communities, and my recollection is that we have made about 400.

Q. You mean, under the Quebec office?—A. In the province of Quebec.

Q. But I would like to know about our district, which would be treated a little differently. You do not have it by offices; you mean by districts; you have only the regional figures under the Quebec districts?—A. I can supply a statement of direct loans made in these smaller communities, broken down by the name of the community in which they were made, with a further subdivision as to our branch office under which it was made.

The CHAIRMAN: That will be fine. Now, Mr. Thatcher.

*By Mr. Thatcher:*

Q. Mr. Mansur made a statement a moment ago which worried me. I suppose, like Windsor and Oshawa, my area in Saskatchewan is one of those lending areas into which the lending institutions are not going to go.

The CHAIRMAN: Tell them the name of your area, Mr. Thatcher.

Mr. THATCHER: Moose Jaw, Mr. Chairman.

*By Mr. Thatcher:*

Q. The witness stated that the reason might be that they were not good risks, and even if it were the policy to lend in cities of over 5,000, it might not be the sensible thing for Central Mortgage to do. Did I understand him correctly?—A. I do not believe I said that, Mr. Chairman.

Q. You said it might not be a good risk in those areas.

Mr. HUNTER: No; in individual loans.

The WITNESS: I think at that time I was referring to the nature of the trouble, which also occurs in metropolitan areas, and I suggested that in many cases the real trouble was not so much the lack of mortgage funds, but that of individual risks. On account of the credit acceptability of the applicant or the lack of such, they are unacceptable as mortgage risks both to the lending institutions and to Central Mortgage.

Mr. CRESTOHL: Now, we understand why Mr. Thatcher is worried.

*By Mr. Thatcher:*

Q. We cannot get a loan in that area. Is there nothing that Central Mortgage can do under the existing legislation to make funds available in a city of over 5,000?—A. I think all I can say on this subject is contained in the last paragraph on page 9 of the prepared statement which I made the day before yesterday.

Q. Maybe you would not mind paraphrasing it. What do you mean by that? I was not here yesterday, for which I am sorry.

The CHAIRMAN: Have you not got a copy of his statement?

Mr. THATCHER: Yes.

The CHAIRMAN: Well, read it, please.

Mr. CRESTOHL: Read the last paragraph on page 9.

*By Mr. Thatcher:*

Q. I am still not just clear and I wish Mr. Mansur would tell me if there is not something which can be done under the existing legislation in an area of that kind where the lending institutions will not come in? We are not getting houses built and I would like to know if there is something under that legislation we can do about it?—A. The builder or the home owner applicant has two sources of funds; first of all there are joint loans which must be made by the lending institutions; secondly, under certain terms and conditions, these communities can obtain loans which are made available under section 31-A directly from Central Mortgage.

Q. But only in cities under 5,000.—A. Under the present policy of the government Central Mortgage is not lending in communities of over 5,000 people.

Mr. DUMAS: What about places with a population of 5,500 or 6,000? What about special cases? Would applications from such communities be considered, or is the figure definitely 5,000?

The WITNESS: Mr. Chairman, the margin of demarcation under the present policy is the difference between 4,999 and 5,000, by the 1951 census.

Mr. CRESTOHL: Without any latitude at all, as the member asked?

The WITNESS: We have no latitude. The instructions from the government to us, and the expression of their policy are very clear.

Mr. LAING: If you open their latitude, where would it end?

The CHAIRMAN: You will have to ask this question of the minister. He will be with us later on in the inquiry.

*By Mr. Noseworthy:*

Q. I think the witness gave the impression that the lending companies made money available except where the individual loan was a poor risk; or where communities such as Windsor and Oshawa were poor risks. Is that the impression he tried to give? Am I right in saying that apart from those two categories, there were loans available from the lending companies to meet

the needs?—A. I did not try to give that impression, Mr. Chairman. And a little later on in the hearings I will be glad to be called upon to make a statement on the whole subject of the availability of mortgage loans.

The CHAIRMAN: We are in the fringe area now in our discussion, Mr. Noseworthy.

Mr. NOSEWORTHY: It seemed to me to be that way, from the special cases which the witness set out. That was the impression we were given.

The CHAIRMAN: Page 9, Loans to Limited Dividend Companies. Are there any questions?

*By Mr. Macnaughton:*

Q. I have a question; I believe according to Mr. Mansur's statement—although I cannot put my finger on it—that the present rental for a serviced five room apartment will run in excess of \$90 a month. I feel, and I think that my friends here also feel, that this rent of \$90 or more per month is away beyond the average for the bulk of the population to pay, and I feel that it is our duty to try to find new ways to get low cost houses. On page 7, under "Loans to co-operatives", I think you said a short time ago that the rate was 5 per cent, just the same as to the home owner.—A. That is right.

Q. And on page 9, under "Loans to limited-dividend companies", the rate is 3½ per cent up to 90 per cent of the lending value.—A. That is right.

Q. Is there any reason why the 3½ per cent rate could not be extended to cooperative organizations which want to build, own and manage their own properties on a co-operative basis?—A. I do not want to appear non-co-operative, but I think that is a question which would be much better answered by the minister than by myself.

Q. And I do not want to be unsympathetic. I merely wanted you to give us the theory or reason behind it.

The CHAIRMAN: I think that Mr. Mansur is correct in answering as he did. Central Mortgage and Housing Corporation is simply managing, simply administering the act which you and other members of parliament have passed.

Mr. FRASER: There is another angle to it as well. Would not the lending companies have to pay income tax, or a corporation tax to the government, whereas the cooperatives would not?

The CHAIRMAN: I think it would be well to leave that question for the minister.

*By Mr. Ward:*

Q. What constitutes a co-operative under this Act?—A. A co-operative is a group of individuals who wish to proceed on a co-operative basis, who have articles of incorporation which indicate that their purposes are bona fide, and can operate in a manner which we think is appropriate to enter into a housing project. There are a lot of things in this country called co-operatives which are not co-operatives at all.

Mr. HUNTER: It is defined in sub-section (5-A) of section 2 of the National Housing Act.

The WITNESS: In the United States as well as in some parts of Canada you will see advertisements of co-operative apartment houses for sale. It is perfectly true that some of the principles of a co-operative are introduced as a result of the sale, but in essence it is not much more than a convenient way for a builder of an apartment house to sell that apartment house. Under such circumstances I do not think we have the interest in that type of activity which we have in a group of true co-operators who are trying to do something collectively, such as 29 veterans out near Hogs Back have done in the last year and a half.



*By Mr. Ward:*

Q. If it referred only to co-operatives, such as this, that would be why there are not more commercial co-operatives in the picture?—A. No, it would be a group of people formed together by articles of incorporation or association who seemed to be a genuine co-operative for this purpose.

The CHAIRMAN: I believe we have fully covered loans under section 31-A. Now, "Rental Insurance Loans" on page 10. Are there any questions?

*By Mr. Noseworthy:*

Q. I have been trying to put a question with respect to the second paragraph on page 8 under "Pool Guarantees". Losses on joint loans are shared by the corporation and the lending institution. I take it that means on a basis of 80 per cent to 20 per cent?—A. Yes.

Q. The lending institution's loss on its share of the loan is payable out of the pool guarantee fund. Is that correct?—A. Yes.

Q. I notice that when the fund is exhausted, losses are borne by the lending institution. Have you any figures as to the amount of losses which have been borne by the lending institutions under such circumstances where the pool was exhausted?—A. Mr. Chairman, I concurred in one statement which I do not think is quite correct. The division of share between the corporation and the lending institution is in the ratio of  $\frac{3}{4}$  to  $\frac{1}{4}$ , not 80 per cent to 20 per cent. Because of the buoyant economic situation, the losses have been small and there have been very few foreclosures. There is no company which has had losses by way of foreclosure which have not been met out of the pool guarantee, or even approaching the amount of the pool guarantee fund. In fact, Mr. Chairman, foreclosures to date have generally taken place in a sharply rising real estate market, so that the losses involved have been offset to some extent by profits, and generally there has been increment in value between the initial default and the time that the lending institution took over. And incidentally, the experience of the last three or four years in respect to loan foreclosures, and the other related matters might be misleading as an index for the future.

Mr. CRESTOHL: What is a limited dividend company?

Mr. HUNTER: Look at subsection 24 of section 2.

The WITNESS: On page 5 of the Office Consolidation, 1951, of the National Housing Act, 1944, with amendments, a limited dividend housing company means:

a company incorporated to construct, hold and manage a low-rental housing project and the dividends payable by which are limited by the terms of its charter or instrument of incorporation to five per centum per annum or less, . . . . .

*By Mr. Macnaughton:*

Q. On the same point, and under the same section, that is, section 9, subsection 1 of the Act, it says:

(1) The Corporation may, . . . make a loan to a limited dividend housing company . . . . .

And I take it that means all limited dividend companies, such as service clubs and all the rest of it. Could you explain that? Is it possible for a private company to incorporate itself as a limited dividend company and secure a loan under this provision, or am I mistaken?—A. It is possible, as was done at Marathon, Ontario, by the Marathon Paper Company, to create a subsidiary which is incorporated as a limited dividend company, and to operate under the terms of section 9. The members of the committee will notice that the

operation under section 9 has some limitations which are not always acceptable to people interested in providing rental housing. I think that any company which is interested in its employees, or rather in the housing of its employees, can set up a subsidiary and thus get into a form under which it can take advantage of section 9.

Mr. HELLYER: How many loans were made under that section last year?

*By Mr. Noseworthy:*

Q. It would be better if we could have a breakdown similar to some of the others.—A. In 1951 there were six loans, totalling \$953,000 which were approved in respect of 174 units. In 1950 there were four loans in the amount of \$379,125 for 94 units which were approved.

*By Mr. Hellyer:*

Q. Has the corporation any objection to single housing units in a project under this section, or do you prefer multiples?—A. We have no objection at all to single housing units. One would like to see single units. We have one located between Hamilton and Toronto, one in Sudbury, and another in Hamilton. And all of them we think are very fine projects. Far from not liking single units, we would like to see more single units under section 9.

Mr. NOSEWORTHY: A breakdown under section 9 is given in the report, is it not?

The WITNESS: It seems to me it might be a good idea if I supply the information in accordance with the way in which the question has been asked.

Mr. PICARD: On the matter of losses under section 31-A, could the witness supply us with a report, along with the other report that he is going to supply on this, as to how many applicants have been refused loans, and a short reason why these applications for loans were refused, either because they did not get there within the time limit or any other reasons that your people would know about. I am not asking that information be given today, but it can be given later. I want a short memo as to why a high proportion—I may be wrong but I am told there is a rather high proportion—has been refused. Could we have a short memo as to how this was and why they could not comply with the rules. Also, how the figures for the smaller communities in Quebec compare with smaller and similar communities in other provinces.

The CHAIRMAN: If you had the total for Canada and the breakdown for Quebec, would that not give it to you?

Mr. PICARD: I would like to have an answer to exactly what I have asked. The witness will be able to see my request in the transcript.

The WITNESS: I am, of course, at the pleasure of this committee but I think that the committee might consider the advisability of asking the corporation to give them lists of names of people who have been refused.

Mr. PICARD: I do not want lists of people, no, no, no. I would like to have an idea as to how many applications were made—you told us that 400 were granted. How many applications were made? Having that information we will be able to see how many were refused, along with a short memorandum as to the general reason why the ones that were refused were refused. I do not want any names.

The WITNESS: That can be done.

*By Mr. Maltais:*

Q. Along the lines of Mr. Picard's request, this table No. 5 on page 55 of the report, at the bottom of the page where it is marked "other localities". Could I assume from that that the lending companies are not doing any

business in those localities? Let us take Amos, for instance. Two loans were made in Amos. Was it that Central Mortgage made the loans because there were no lending institutions ready to take the risk?—A. That is correct, yes.

Q. Again following along Mr. Picard's request, I think we have all the figures we need here but what is the meaning of this minus sign. For instance, the number of loans made at Asbestos, Quebec, shows a minus one.—A. In order that our annual statement might disclose our operations as fully as possible in carrying these tables forward from year to year, we thought that people interested in our affairs should be able to see what went on. There is a "minus-one" in Asbestos. What happened was that during 1950 we reported that one loan had been approved in Asbestos. In 1951 we received advice from the owner that he did not wish to proceed with that loan. We thought that that information in our annual report was misleading and corrected it in this way. You will notice that the heading on table 5 is "Net Direct Loans".

Q. Yes, I can see that, but in my riding, La Malbaie has a minus one, and in the case of a person by the name of Dufour the loan was made, the house was built and still it shows minus one. Is there some explanation?—A. Yes.

Q. It could be that this statement will not show how many loans were applied for in that particular district, although I know there one loan was effectively made but there might have been two turned down and refused later on. That information is not shown, is it?—A. When I was asked a few minutes ago if I would supply a list I had that point in mind. The list that will be supplied will be a list netted down for loans actually made not only for 1951 but during the operation of the corporation.

*By Mr. Thatcher:*

Q. Mr. Chairman, last week in the Financial Post there was a rather significant article which I thought might be inquired into here under this particular section. The Canadian Builders Association apparently got together and formed what is called the Interprovincial Building Company and said if they could get \$400 million through a bond issue they could build thousands of homes along the lines of the way they do in Britain with their building societies.

The CHAIRMAN: I think, Mr. Thatcher, that question should come under the section dealing with availability of loans.

*By Mr. Thatcher:*

Q. They are a limited dividend company and I am just wondering—they say they can build thousands of houses. Could Mr. Mansur tell us what there is in this application?—A. There has been correspondence between the originators of that idea and the minister. I do not think that I am in a position to comment on that correspondence.

Q. They did not apply under this section?—A. They may be a limited liability company.

Q. A limited dividend company is what the Financial Post said, I believe.—A. I think even in the Financial Post sometimes you will meet with inaccuracies, and if that company is a limited dividend company then all I can say is that it is not a limited dividend company within the meaning of the definition in the National Housing Act.

Q. Well, then, are you not even considering their application?—A. Mr. Chairman, there is no application from that company before us.

Q. Is the Financial Post article wrong, then? The whole thing is on the front page, all about this application.

Mr. MACNAUGHTON: Limited liability sounds more familiar.

The CHAIRMAN: Mr. Mansur has said there is no application before the Central Mortgage and Housing Corporation.

Mr. THATCHER: I find that strange, but I will pursue it further. I will read the article again.

The CHAIRMAN: Any further questions on rental insurance?

Mr. MALTAIS: I presume there must be some rules and regulations which apply when Central Mortgage are asked for a loan, regulations as to the conditions under which the loan will be made. You must have some rules and regulations to go by to determine whether you will make the loan. Could we have a resume of those rules which you apply when the institution lends directly to the borrower. There are only six lines to the law, so some rules must have been developed over the years to guide you in determining whether the applicant meets your requirements. Could we have these rules and requirements.

The WITNESS: Because these many communities are rather different in character, we have done our best to keep away from any rigid set of rules and requirements, because we find that a high degree of adaptability is necessary if we are going to make any progress. However, when presenting the material to the committee I could attach a summary of the general procedures which are adopted by us in the selection of loans in these outlying communities.

Mr. PICARD: That will be very good. That will help us.

The CHAIRMAN: Are members prepared to wait now until Mr. Mansur does make his answer and then to ask questions with respect to the answer? I really think it would be more satisfactory to you if you would do that.

Mr. MALTAIS: My request is in connection with section 31-A.

The CHAIRMAN: Mr. Mansur has indicated that he is going to make a reply to all the questions that have been asked and is going to table a list of the loans which have been granted in the different communities, and he has also been asked by Mr. Picard to indicate, at the same time, the number of refusals and the reasons why loans were refused. Now, it does seem to me when the committee has that concrete information before it it will be much more satisfactory if we will then ask our further questions under section 31-A.

Mr. NOSEWORTHY: A matter of clarification on rental insurance, Mr. Chairman. You say here that the corporation discontinued loans in February, 1951, and then go on to say that we are making loans in 1952.

The CHAIRMAN: He says in his his statement "such loans are now being made and it is the present policy to make direct loans up to 3,750 units in 1952."

Mr. NOSEWORTHY: The corporation discontinued making rental insurance loans in February, 1951 but such loans are now being made in 1952. That seems to be contradictory.

The WITNESS: In order to keep this opening statement I made down to a reasonable length—it was somewhat condensed—I think the hon. member is quite right in saying that that is not as clear as it should be. The situation was that in February, 1951, under government policy at that time we discontinued making direct loans on rental insurance projects. In the latter part of 1951, in accordance with government policy, our direct lending to rental insurance projects was resumed. I think, Mr. Chairman, that this may clarify a rather badly worded paragraph.

Mr. MACNAUGHTON: Do I understand that rental insurance is something like the following, that it means the owner will be guaranteed a minimum return of 2 per cent for 20 years or that the government guarantees 85 per cent

of the rent for 20 years, and is there a provision of double depreciation under this heading which makes it very attractive for builders on large projects?

The WITNESS: Mr. Chairman, the statute provides that we may guarantee rents but that such guarantee may not exceed 85 per cent of the allowable rents. In attempting to arrive at the amount of rent which we will guarantee we take all the costs to the owner, we take his mortgage principal, his mortgage interest, our estimate of taxes, our estimate of operating expenses, and to that we add a 2 per cent return on his 15 per cent equity investment, or 20 per cent, as the case may be. In other words, we get a net guarantee figure which is sufficient to keep that project out of trouble and provide the owner with a 2 per cent return. Having determined the amount of rentals which we will guarantee, we then move to the determination of the allowable rentals by dividing the guaranteed rentals by .85. Oversimplified, if our guaranteed rentals work out to \$85 a month, including the 2 per cent return on the owner's equity, then the allowed rentals for this first three-year period, in the case of civilian houses, and five years in the case of defence workers' houses, would be \$100. I would like to say one further thing in order that there will not be a misunderstanding, that the 2 per cent allowed in the guaranteed rentals is not the rate that might be anticipated by the owner if everything goes well, because in addition to that 2 per cent calculated in the guaranteed rentals is the margin between the guaranteed rentals and the allowable rentals which, of course, is a return on his equity. Now, Mr. Chairman, dealing with the second question, the double depreciation feature connected with the rental projects is pretty theoretical at the moment due to the recent changes in the depreciation allowances by the income tax department. You will remember that on a recovery basis and on a declining basis the income tax people now allow about twice the previous rate of depreciation and, generally speaking, within the terms of the Income Tax Act itself all the advantages that were given by way of double depreciation now exist. As a result, Mr. Chairman, the double depreciation privilege for projects of this kind have virtually become inoperative.

*By the Chairman:*

Q. In actually determining the amount which you believe will keep the owner of the project out of difficulty, is it not a fact that you simply include 2½ per cent for depreciation, namely, the annual principal payment?—A. Yes.

Q. One other question, if I may, to clarify. After all of these calculations have been made, is it not true that a firm contract is entered into which is not subject to fluctuation other than as to tax payments?—A. A firm contract in respect to the rentals?

Q. Right.—A. The answer to that, Mr. Chairman, is yes. Subject to the fact that the agreement itself provides that as the interest requirement reduces year by year by virtue of the amortization having been paid the guaranteed rentals are correspondingly decreased subject to an escalator clause in respect of taxes to the extent that room is created for such an escalator by reason of the lesser interest requirements as a result of the amortization payment. I am afraid that is rather complicated, but it is correct.

Mr. MACNAUGHTON: The government fixes the rental for the first three years and after that it is up to the owner—he can increase or decrease?

The WITNESS: After the first three years the owner is on his own in respect to rentals. I would point out, Mr. Chairman, that as a mortgage security an increase in the rentals above our allowable rentals not only improves our mortgage, but makes the guarantee for which he pays a premium much less likely to be paid.

*By Mr. Crestohl:*

Q. Was there not some suspension of this rental insurance operation in the last few years since it was first inaugurated in 1948?—A. Yes, sir, from February, 1951, until about October, 1951.

Q. What was the reason for that, Mr. Mansur?—A. Mr. Chairman, I do not know that I can say other than refer the committee to the statement made by the Minister of Resources and Development at that time. I could get a copy of that.

The CHAIRMAN: Any further questions on rental insurance?

Mr. NOSEWORTHY: Could the witness give us that simple formula again as to how you arrive at the allowable rent after the guarantee. I just did not quite catch it.

The WITNESS: If we had arrived at a guaranteed rent of \$85, then the allowed rent would be \$100, because under the statute our guaranteed rent cannot be more than 85 per cent of the allowed rent.

The CHAIRMAN: It is now past 12.30. Shall we adjourn till eleven on Tuesday morning?

Agreed.

18  
HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
OF THE  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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TUESDAY, MAY 13, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

ORDERS OF REFERENCE

FRIDAY, May 9, 1952.

*Ordered*,—That the name of Mr. Henry be substituted for that of Mr. Beaudry on the said Committee.

WEDNESDAY, May 14, 1952.

*Ordered*,—That the name of Mr. Winters be substituted for that of Mr. Carroll on the said Committee.

*Ordered*,—That the name of Mr. Jeffery be substituted for that of Mr. McMillan on the said Committee.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*



## MINUTES OF PROCEEDINGS

TUESDAY, May 13, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Bennett, Blackmore, Carroll, Crestohl, Fleming, Fraser, Fulford, Gingras, Hellyer, Helme, Hunter, Laing, Leduc, Low, Macnaughton, McCusker, Nickle, Noseworthy, Picard, Richard (*Ottawa East*), Smith (*Moose Mountain*), Thatcher, Ward, Welbourn.

*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

Mr. Mansur tabled the following documents:

1. Plants Certified by the Minister of Defence Production to Qualify Under the Defence Workers' Housing Loans Regulations; (*Appendix "A"*)
2. Summary of Losses on Joint Loans Under the National Housing Acts (1938 and 1944) to April 30, 1952; (*Appendix "B"*)

Copies of the said documents were distributed to members of the Committee and were ordered to be printed as appendices to this day's Minutes of Evidence.

The Committee continued the examination of Mr. Mansur on the principles contained in his general statement upon the functions and activities of Central Mortgage and Housing Corporation. (*See Minutes of Evidence, No. 1, Tuesday, May 6, 1952*)

At 1.00 o'clock p.m., the examination of the witness continuing, the Committee adjourned to meet again at 4.00 o'clock p.m., Wednesday, May 14, 1952.

R. J. GRATRICK,  
*Clerk of the Committee.*

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## EVIDENCE

MAY 13, 1952.

11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. Mr. Mansur has made available to members of the committee a short index in the nature of a digest which I believe will be useful to the members of the committee who wish to study the subject and quickly to turn up any information. I do not think that it should go on the record but I will have it passed around to members of the committee.

Then, also, Mr. Mansur has answered a question asked by a committee member for a list of plants certified by the Minister of Defence Production to qualify under the defence workers housing loans regulations. Shall this go on the record?

Agreed.

(See appendix A)

Copies are now being passed around and this might be a convenient time for members to ask questions they would like to ask in regard to housing for defence workers.

**Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:**

*By Mr. Blackmore:*

Q. I wonder if Mr. Mansur could tell the committee to what extent defence workers housing is adequate, or to what extent it is lagging behind.—A. Mr. Chairman, I think there is a tightness in housing in practically all the places mentioned on this report and that is one of the reasons why they are included in the list. I think that in the case of plants that are gathering a labour force the conditions are not adequate to look after the people who newly come to that defence area. In fact, Mr. Chairman, we see instances of where the worker comes to the plant leaving his family in the area he came from, which, I think, is an indication in itself that there is inadequate housing around many defence plants in the country.

Q. Is there at the present time a shortage of necessary material with which to build such houses, or is the difficulty due to some other causes?—A. Mr. Chairman, I do not think there is difficulty with materials. I think that the other causes are more important; the availability of serviced land and the cost of the house itself I think are the two most important difficulties.

Q. And those may be extremely difficult to overcome. What method has your organization in mind for overcoming these inadequacies?—A. The measures in mind to overcome the difficulties are those expressed in the defence workers housing regulations which were brought down by the government whereby easier financing terms were made available for qualified defence workers.

Q. Is there anything definite being done at the present time with respect to that? Either looking into the future to prepare beforehand, or are we waiting to build until the problem is right on us before taking measures to offset these difficulties?—A. No, Mr. Chairman. Those firms who have applied for certification and received it have talked to us about ways and means of putting

housing in the area. In practically every case the problem of serviced land and particularly the problem of schools arises; and in every case with which I have had to deal it becomes a matter of discussion with the municipality to see what can be worked out. I might say, Mr. Chairman, that the municipalities feel that very substantial financial assistance should be made to them, because they feel that the taxpayers within the area are being asked to assume an unfair burden in providing schools and services for an influx of defence workers.

Q. And does your organization look with sympathy upon such an attitude on their part, and are you prepared to do anything to help them in that respect?—A. There is no authority for our organization to make a grant to a municipality to look after the problems which I have just mentioned.

Q. Has any assistance been considered by the government whereby this problem can be met?—A. Not to my knowledge, sir.

*By Mr. Crestohl:*

Q. If a municipality wanted to get a loan from you in the same way as loans are being made for the construction of houses would you have the authority to make such financing available, such a loan available, to a municipality to enable them to provide these services?—A. In that case if the question means a direct loan to the municipality the answer is no. I would like to clarify that by saying that under section 35 whereby the federal and provincial governments go into partnership, it is possible for land to be assembled and made available for residential construction, and by that method you have the equivalent of financial assistance to the municipality. But, Mr. Chairman, I would like to qualify that by saying that section 35 provides the financing to service roads, water, sidewalks and sewers; but does not provide educational facilities.

*By Mr. Fulford:*

Q. I wonder if Mr. Mansur has any figures on building construction costs; what percentage is in the material and what percentage is in the labour factor?—A. Mr. Chairman, about 45 per cent is materials and about 55 per cent is labour. Now, I would like to qualify that by saying that in referring to cost I presume the honourable member refers to on-site labour?

Q. Yes.—A. Now, if in the construction of a house a lot of prefabrication in the way of kitchen cabinets, mill work—doors built into the door frames—comes on site then that tends to change your material proportion of cost which goes up a corresponding degree. But, roughly, sir, 45 per cent is materials and 55 per cent labour.

Q. And, Mr. Chairman, has the percentage of labour costs had the tendency in recent years to increase?—A. The increase in construction cost is made up of two components; one, is the increase in labour; and, two, the increase in materials. I have the component parts here. Generally they have gone up about the same in relation to the 1939 base of 100. The composite increase, using 1939 as 100, as at the 1st of January 1952, is sitting at 259·2. The increase in building materials is, from 100 in 1939 to 285 as at the 1st of January 1952; so it will be noticed that the materials have increased somewhat more than labour, but in the same general order of magnitude.

*By Mr. Macnaughton:*

Q. Do you have the labour figure?—A. Yes, 223·1, which together with the 285 makes the first figure I mentioned, namely, 259·2.

*By Mr. Fulford:*

Q. In other words, material costs have gone up more than labour costs?—A. Yes, they have.

*By Mr. Fleming:*

Q. And Mr. Mansur indicated that section 35—I do not know as to whether or not it was the intention of the committee to go into that subject in detail, Mr. Chairman, but I would just like to ask Mr. Mansur if he would qualify his comment as to the application of section 35. He indicated that under that section, contribution can be made to the cost of the construction of sewers and roadways but not for education costs. Where do you find that clear definition there in section 35, Mr. Mansur?—A. Subsection 1 speaks about the supply of money for the acquisition and development of land for housing properties and for the construction of houses. I do not see any express provision there dealing with contribution to the provision of these other services including education. Is that a matter of interpretation or regulation?

The CHAIRMAN: Do you not think that applies to the development of land, Mr. Fleming, in the case of the cost of sewers, roads and the like?

Mr. FLEMING: No, I was coming at it the other way, to find out how the corporation arrives at this line of distinction, Mr. Chairman. The section speaks about working projects and the acquisition and development of land for housing purposes and for the construction of houses for sale or rent. I am wondering if they are interpreting the words, "development of land for housing purposes" as permitting them either actually to make these improvements to the land, such as the construction of roads, sewers and sidewalks and so on—

The WITNESS: Yes, Mr. Chairman.

*By the Chairman:*

Q. That is the interpretation?—A. That is the interpretation. We feel that the acquisition and development of land refers to land within the project area. I feel myself that had parliament meant to include educational facilities in there, I think parliament would have said educational facilities, in my opinion; I believe that the interpretation of the section does limit it to the land upon which these residences are to be built.

*By Mr. Fleming:*

Q. I am wondering if the limitation might not be a little more severe than that, Mr. Mansur, the language is not very broad.—A. No, it isn't.

Mr. HUNTER: It is very clear though, I think.

The CHAIRMAN: Are there any further questions on defence workers projects before we finish that?

Mr. FLEMING: I have one, Mr. Chairman, on the matter of defence projects. As I recall it this was introduced in February 1951?

Mr. HUNTER: Which?

Mr. FLEMING: Just speaking from memory, isn't that about the time this plan was introduced?

The WITNESS: The order in council establishing the regulations for defence workers houses was passed on October 9, 1951.

*By Mr. Fleming:*

Q. On October 9, 1951?—A. P.C.-5142, October 9, 1951.

Q. In your statement on page 8, the last sentence in the paragraph, you say: "to date all loans to defence workers have been made directly by the corporation rather than jointly with the lending institutions". Was there any thought at any time of having to do this with the participation of lending institutions?—A. It was discussed with the lending institutions at one of our

meetings with them and they indicated two things; first, that the applications for national housing acts for persons in the civilian line absorbed all their funds; and, second, they believed that the risk involved in this type of housing was rather greater than in the ordinary civilian areas; and for those two reasons they indicated to us they would not be participating in financing defence workers houses.

Q. Well, I suppose the areas that we built up in this way for a defence program might actually become unnecessary and could quickly become absorbed into the area.

Mr. HUNTER: Some of them.

Mr. FLEMING: Yes, some of them might become absorbed automatically.

The WITNESS: I should think there was a likelihood of that.

*By Mr. Blackmore:*

Q. I wonder if Mr. Mansur's organization has given any thought to the question of educational facilities that should be attempted and which definitely are inadequate. That is a matter which I would think depends on what standard of educational facilities are being used for any new projects. As I see it, some of the educational buildings being introduced these days are simply out of the reach entirely of most municipalities. Now, a municipality faces the problem of building a big school which would serve for only two or three years, and most municipalities certainly would not take kindly to the suggestion that they should provide that type of facility. Has Mr. Mansur's organization given consideration to that aspect of it?

The CHAIRMAN: I am wondering whether he should comment on that.

Mr. BLACKMORE: I did not know whether he should comment on it or not, what I am trying to do is to find out.

The CHAIRMAN: It is not the responsibility of Central Mortgage and Housing Corporation to build educational facilities and I am wondering whether he should be invited to comment on it as he is dealing only with the matter of loans.

Mr. BLACKMORE: I wonder if he could tell me who has that responsibility—if it is not taken care of in the general setup then a real problem has been developed.

The WITNESS: Mr. Chairman, our understanding of the educational responsibilities are that they lie with the school board of the area in which the houses are being built. As far as Central Mortgage and Housing is concerned, I think, Mr. Chairman, I have indicated our policy; namely, that our terms of reference do not include educational facilities in and around a project which is financed under the National Housing Act. I may say, Mr. Chairman, that in the case of the development of married quarters in an army camp, an air station or naval establishment where the housing is in what might be called a federal oasis, the government has been pursuing a policy for a good many years of providing schools within these army camps or air stations. In that connection, Mr. Chairman, we have taken over for the Department of National Defence the liaison with the provincial department of education and the educational facilities within the army camp or air station are made to fit as closely as possible into the provincial pattern of education; and, Mr. Chairman, I am very happy to say that the relationship in that regard has been of the very highest order with the greatest of cooperation with all of the provinces to make the arrangement work.

*By Mr. Crestohl:*

Q. There are some stations on which there is co-operation with the American authorities where they have military personnel, for instance such as at Goose Bay—A. Yes, sir.

Q. And Churchill?—A. And at Churchill, those are the two outstanding examples. It seems to be that the educational requirements of the two armed services are coming much closer together all the time.

*By Mr. Laing:*

Q. The policy there is one of national defence and has nothing to do with Central Mortgage?—A. Policy is entirely a matter for national defence. We are merely the agent of the Department of National Defence at the present time in the building of 31 schools.

*By Mr. Macnaughton:*

Q. Today, surely, there is a certain element of permanence in national defence schools. The same thing does not apply to defence houses, the use of which may last, say, up to 4 or 5 years. Would that be the position?—A. In certain areas, yes; but I would believe that the defence workers housing in the Malton area would prove to be a permanent part of greater Toronto notwithstanding what might happen to defence industries. In the case of Renfrew I think the same will be true; and it seems to me that the risk of a ghost town aspect is pretty well limited to the repetition, if any, of a place say like Nobel, or other outlying communities that are not adjacent to metropolitan areas.

The CHAIRMAN: Are there any further questions?

*By Mr. Laing:*

Q. How many houses have you approved or constructed on this basis?—A. 611 have been constructed under the terms of the National Housing Act, and there have been 130 units constructed that were financed by the Department of Defence Production by way of capital assistance.

Q. They are all single dwellings, are they?—A. They are all single dwellings, sir; but I might also say in the Montreal area we are presently engaged on a program of 750 units of rental insurance which will carry a priority for the workers of Canadair.

*By Mr. Macnaughton:*

Q. Just where are those located?—A. As to location, there is one on Deguire Avenue, in St. Laurent; there is another on Deguire Avenue; and there is another immediately opposite Canadair and adjacent to the Montreal Tramways, on the east side of the right of way of the Montreal Tramways; and there is another in the middle of the town of St. Laurent; generally, the 750 will be in the St. Laurent area, perhaps within a radius of a mile or two miles.

*By Mr. Hellyer:*

Q. All the rental insurance houses are for private individuals?—A. The owners are all private owners.

Q. And financed under your Act?—A. Finance is provided directly by Central Mortgage and Housing Corporation.

Q. In the construction of defence workers housing does the corporation take into consideration a type of building which will not unduly depreciate property in the adjacent areas?—A. Yes, Mr. Chairman; I think the answer to that is yes. The standard of defence workers houses carry the same specifications as individual houses built under the National Housing Act. We will not

allow the land to be over-used. We attempt to have a satisfactory layout of land in a subdivision. The defence workers housing will be of the same quality and no more likely to depreciation than any other housing financed under the National Housing Act.

*By Mr. Fleming:*

Q. What is your attitude towards municipal restrictions, municipal building restrictions? Do you adhere to them? I am not thinking now of simply land restrictions but their building codes.—A. Yes, Mr. Chairman, where a private owner is involved, and that is the case in practically every one we are talking about, he is subject to the standards and specifications required under the National Housing Act and he is also subject to local requirements.

Q. I was thinking rather of projects undertaken and constructed by Central Mortgage and Housing?—A. For properties owned by ourselves constructed on our own account, or constructed within the boundaries of the municipality on account of the Department of National Defence, we, in the original instance, go to the municipality and say that we intend to build in accordance with the standards of the National Housing Act. The municipality might say to us, "well now, that is generally all right, but we would be very happy if you would adhere to our bylaw regarding sewer connections and use cast iron soil pipe rather than transite." We did run into some difficulty in one or two very isolated instances two or three years ago but I do not think there is any conflict at the moment. There has been over the last three years, between the municipalities and ourselves, conformity to municipal by-laws. Mr. Chairman, I might say that that problem is being relieved because the National Research Council with some assistance from ourselves are busily engaged upon various stages of the national building code, and already the national building code has been adopted by 118 municipalities. If the national building code is adopted there just isn't any room for conflict between our requirements and the municipal building code. But, in answer to the honourable member's question, I think that in the last three years there has been no case where direct construction by us on federal account has offended the local municipal by-laws.

Q. Do you take the view that you are not legally bound in such cases by the municipal by-laws?—A. We take the view that we are not bound.

Q. You take the view, then, that in conforming you are doing so voluntarily. Is that the legal view?—A. That is our view, Mr. Fleming; but I might say that our view is also tempered by the fact that our organization must live with these municipalities for the next 20 or 30 years, and the last thing in the world that we want is a first class argument with the local building inspectors about federally owned property. It is the case in every municipality that the local building inspectors and our people are in the same line of business, and they usually have a lot in common. The inspections overlap from the municipalities to ourselves, and in many cases we are part of the municipal family in that respect; and under those circumstances, if there is a conflict, usually it can be worked out reasonably easily.

Mr. MACNAUGHTON: Referring to the 750 units to be built under the heading of defence housing in Montreal, could the witness give us the names of the private builders, and tell us what rate of interest is being charged by the corporation?

The WITNESS: Mr. Chairman, I have some of them with me at the moment, but if the committee so wishes it might be more satisfactory for me to give the committee a list of all the names, the locations, the number of units, the cost per unit, the rental level as well as all other matters.

The CHAIRMAN: Yes, at a future meeting, let us say.



The WITNESS: Yes, at the next meeting.

The CHAIRMAN: Are there any further questions under defence projects?

Mr. FLEMING: Do you look for any great expansion of the use of this particular provision that has been made for loans for defence workers' homes?

The WITNESS: At the present time under negotiation for rental insurance, individual loans and capital assistance there are about 1,500 units. I would guess—and this is only a guess—that if that list is not unduly expanded, you might look for an ultimate total of something in the order of 3,000 to 4,000.

Mr. ASHBOURNE: What about municipal taxes? Do the municipalities collect taxes on these properties?

The WITNESS: Mr. Chairman, in the case of rental insurance of defence workers' individual houses financed under the National Housing Act, the ownership is private and therefore there is the usual relationship between the municipality and the private owner in respect to taxes. In the case of the 130 units which have been built with capital assistance by the Department of Defence Production, there has been a settlement with the municipality for a payment in lieu of taxes which, in the three cases involved, is satisfactory to the municipality.

The CHAIRMAN: Are there any further questions? If not, Mr. Mansur can reply to a question which was asked by a member of the committee, and he is producing a "summary of losses on joint loans under the National Housing Acts (1938 and 1944) to April 30, 1952."

Mr. Gratix, have these answers been distributed yet?

The CLERK: Yes, Mr. Chairman.

The CHAIRMAN: Shall this summary then go into our record?

Mr. FLEMING: I have not got a copy of it yet.

(See Appendix B)

The CHAIRMAN: Under this statement, Mr. Mansur, I notice that the total in your pool guarantee fund is something over \$27 million, and that the withdrawal up to date from the fund as a result of losses is \$58,000 odd.

The WITNESS: That is right, sir.

*By Mr. Crestohl:*

Q. What would be the explanation for the larger amount of losses in places such as Regina and Vancouver as compared with the trivial amount for the whole country?—A. Mr. Chairman, a large volume of loans under the National Housing Act during recent years has been to builders. The Regina losses and the Vancouver losses are on major speculative building projects which have gone sour on our hands. In both cases the houses had been sold to individual owners. The speculative builder had not completed construction, and financial difficulties caught up with the projects. The builder was unable to complete; liens were filed and the project went generally bad. The lending institutions and ourselves then stepped into the projects in an effort to protect the rights of the owners. The owners' rights were real; certainly they all had their equity invested in the projects at that time. During recent years most of the houses were sold long before they were completed and the individuals in these particular cases were in a very difficult position. The actual loss under the housing Act represents the amount required to complete the houses beyond the level of mortgage which the lending institution and ourselves felt was reasonable for these people to assume; in other words, in Regina, assuming that the original mortgage had been arranged at \$7,000, after the project had gone bad, it was found that \$9,000 was necessary to finance

completion of each house. It was felt that the owner could only assume, let us say, an \$8,000 mortgage and that it was to everybody's interest to accept that extra thousand as a loss under the National Housing Act.

*By Mr. Laing:*

Q. Is not the term "gone sour" too strong language in both instances having regard to the results and to the total amount involved in the loans?—A. Yes; it is extremely small.

Q. What percentage would it be? Would it be in the order of 1, or  $\frac{1}{2}$  of 1? —A. Well, we had 47 cases with something over 100,000 loans, so that it is small. You might look at it the other way, and say that it is not large enough.

Q. What words would you use if it ever does go sour?—A. I was referring to these two projects, and I can assure you that these 2 projects, one of them in Regina and the other one in Vancouver, were extremely sour.

Mr. CRESTOHL: I asked a question referring to an explanation of the concentration.

Mr. FULFORD: The percentage of these losses appears to be very favourable with the losses which private lending institutions take, without a Central Mortgage and Housing guarantee.

The WITNESS: Yes.

Mr. CARROLL: In respect to these large projects and the contractors for a large number of houses, you say some of them were not complete in certain areas; I wonder if it would not be possible to pin down a contractor as the Public Works Department do, by making him put up security for the completion of the project? Consider, for example, a contractor who gets a contract for the erection of a public building; he has to put down 10 per cent; he has got to send in 10 per cent of the amount of the contract to the Public Works Department as a guarantee for the satisfactory completion of that building. I suppose in projects such as you were talking about it was speculative, and I do not suppose there would be any requirement of that kind imposed?

Mr. CRESTOHL: You are speaking of a sort of performance bond.

Mr. CARROLL: Yes. That is what the Public Works Department do; and the contractor has to pay them 10 per cent of the amount of the contract as a security for the complete and proper construction of the project.

The WITNESS: Mr. Chairman, the Central Mortgage and Housing Corporation, I think, would be very happy if such an arrangement could be made. It is our opinion, however, that if we imposed that upon the house building industry of the country, we would reduce it to a relatively small proportion of the whole, and that our losses on that account might be rather greater than are our gains on this account. Remembering that we are in trouble with 42 houses in the whole country since 1945, the thought just occurs to me as to whether we might not be criticized for having been too careful rather than too lax. Certainly the Act, with the pool guarantee fund, does, I think, contemplate some losses; and I feel that it is just a question as to whether we should be complimented or censured for the low amount of losses.

*By Mr. Fraser:*

Q. With respect to these losses, do you not hold back so much of the payments?—A. Yes.

Q. Then, before the place is completed, your inspector would have to check; I mean, either yourself or the loan company?—A. Yes.

Q. Before the last payment is made?

The CHAIRMAN: A common problem arises in respect to the purchaser of a home who has paid for his full equity, the difference between the total purchase price of the property and the mortgage loan, and has paid that to the builder in advance. Central Mortgage has no control over that.

Mr. FRASER: Yes, they take that in advance.

The CHAIRMAN: To the builder, not to Central Mortgage and Housing.

Mr. FRASER: Yes, but at the top of that the Central Mortgage loan actually starts in their payment to the builder.

The WITNESS: That is right.

Mr. FRASER: You hold back something to the builder?

The WITNESS: We hold back sufficient to complete the house, together with 15 per cent hold-back. In theory that would see most of them through, and in practice it has seen most of them through.

Mr. CRESTOHL: It has!

The WITNESS: Without going into the details of it, and I am sure that the committee is not interested in both of these projects which went sour, there were extraneous factors in them beyond the usual risks.

*By Mr. Fleming:*

Q. Such as what?—A. In one case, over advances by the lending institutions. The human factor came in as a question of judgment whether the advances should have been as great as they were. As a matter of fact, in that case the lending institution admitted some fault on its part, and before we even urged them, they came to us and said: "We are at fault in this thing; we did not do our job as provided by the agreement with you; and when you come to calculate the losses guaranteed, we feel you should make a deduction, because we have definite evidence of negligence on the part of our employee, and we think it is improper that public funds should be made available when we can identify a certain amount of negligence on our own part."

And they asked us to adjust the loss downwards from the loss that was incurred; and that was the Vancouver case.

*By Mr. Fleming:*

Q. "Our employee" being the building inspector?—A. Yes.

Q. And you say that applied in both cases?—A. No. The case in Regina was a rather different one. He just got up to his ears in unpaid bills. The inspector for the company concerned had received indication that the bills had been paid. Mr. Chairman, when the inspector is on the job there are two things which must be looked after; one, the amount of money required to complete, two, the amount of bills that remain unpaid. Now, in the Lunam case it was caused, I think, more than anything, by the inspector being unable to get correct information about the unpaid accounts. I would not like to go so far as to say there was misrepresentation, but it came very close to it.

Mr. MACNAUGHTON: On a total pool guarantee of \$27 million, your loss for the whole of Canada has only been \$79,000? Is that right?

The WITNESS: The losses payable to the lending institution; the full amount of their  $\frac{1}{4}$  was \$58,000, and our share of the loss would be \$21,000.

*By Mr. Crestohl:*

Q. That deals with the loss so far as Canada is concerned?—A. Yes.

Q. Have you got a record of the number of home owners who lost their homes either through inability to keep up with payments or for other reasons?—

A. Mr. Chairman, the answer to that question I think is fairly accurately given

in the other items contained in this statement, because both in respect to the nine which are shown, at the first of the statement, and the five or six which are shown at the bottom of the statement, foreclosure took place. You will notice that on nine of them, a loss was involved, in the first group, and in the second group, a profit was involved. Generally, however, over the last few years, there has been very little of that condition to which the hon. member refers because there has been a very rapidly increasing real estate market. Generally, by the time the owner gets into trouble, the price of housing has so increased that between his mortgage and the going market price, an equity has been created. I do not think that the fifteen foreclosures mentioned in the report are the total number of people who have lost their houses because of misfortune or loss of jobs or illness, or other reasons. Because there are those which would be sold to new owners; the man would recover his equity probably with an increment, and all that would happen as far as we are concerned would be notification of a transfer of ownership.

Q. At one of the previous sessions I mentioned the Champlain village project which is becoming quite aggravated as the months roll by because of the increased payments which the owners are called upon to make, payments which they did not foresee before they responded to the advertisements in the press; and the tempo of the rumblings among those 600 units, as I think there are, is increasing in intensity and I do not know how soon it will be before we will hear of any relief which may be found. What are the procedures which you set up, with these people not being able to make their increased monthly payments, and who may not be fortunate enough to find purchasers of their homes?

The CHAIRMAN: The problem arises there on account of local improvement taxes.

Mr. CRESTOHL: Yes; the problem was there and the builder had advertised in all the newspapers that these homes could be bought for a certain down payment of so much per month for a period of twenty to twenty-five years.

The CHAIRMAN: Yes, and he simply wants to make a certain payment per month.

Mr. CRESTOHL: Well! Also the taxes. John Citizen who saw that advertisement might calculate his income and feel that he might afford to pay, let us say, \$43 a month, and that would be all. But after a few months he finds that he had not read with sufficient care the bulky mortgage deed attached to his own title deed, and he finds that he has undertaken, not knowing that he has done so, to pay monthly assessments for improvements, and that these amounted to very substantial figures, and increased his \$43 or \$53 a month payment sometimes to \$103 per month; and that is where the howl arises. I have suggested perhaps the inclusion of a clause in our lending contracts to the effect that the builder make an inquiry and an inspection as to what improvements would be required so that when he puts his advertisement in the newspapers, he may also include the full monthly payments which would take care of additional municipal improvements, so that the buyer will know at once what he will have to pay.

The CHAIRMAN: Of course, if the municipality initiates certain local improvements on the initiative plan, the builder has no control over that.

Mr. CRESTOHL: He can make an investigation in advance and find out what they will be, or what they will amount to.

The CHAIRMAN: Are there any further questions?

*By Mr. Fleming:*

Q. There was only one builder involved at Regina and one at Vancouver?—A. That is correct.

Q. What efforts were made after the completion of the houses and the ascertainment of the loss to collect from the builder, in each of the two cases?—A. In both cases an effort was made but without success. There are outstanding judgments against those builders, and to the best of my knowledge, they are not back in business; I think they will have the greatest trouble in getting back into business; but on actual recovery we were not able to get anything.

Q. They have not received any contracts since?—A. No.

Mr. FULFORD: I suppose they are bankrupt!

The CHAIRMAN: Will you turn now to page 10 of Mr. Mansur's statement, to "Rental insurance loans." Are there any questions under that heading?

*By Mr. Ward:*

Q. I shall preface my question with something that was said today; in speaking of the areas in which we make loans, I think you said that in urban communities of 5,000 or less, the Central Mortgage would lend directly?—A. No. They would lend to an owner or on account of a manse or a doctor's house which is the equivalent of home ownership, although the actual ownership might be in the name of a church or a municipality.

Q. I understand you to say that in urban centers of 5,000 or less Central Mortgage and Housing Corporation did not look to private lending institutions to assist. Is that right?—A. Not quite. During recent years lending institutions have been willing to lend in some communities of 5,000 or less, but not in all of them. Therefore, up to recent months, we required 2 refusals from a lending institution before we were willing to proceed with a direct loan. Current circumstances are such, however, that we know that the lending institutions are not making loans in those smaller communities and we now look upon our demand that the applicant secure two refusal letters as being almost vexatious; therefore our policy has been changed so that in communities where we know there are not joint loans available through lending institutions, we will entertain applications on a direct basis.

Q. Coming now to my question: there are towns I know, in the province of Manitoba, with more than 5,000 where lending institutions have refused not because they say: "This is not a good risk", but because of the cost of providing inspectors and the like, and that they get more calls or more satisfactory calls from metropolitan areas?—A. Yes.

Q. What do you do in cases of that kind? Consider the case of a town of 6,000 or 7,000, where the private lending institutions do not make loans. What do you do in cases like that?—A. In order to relieve such situations, we are now having negotiations with the lending institutions to undertake inspections for the lending institutions, in order to encourage the lending institutions to go into these towns to which the hon. member refers; and we say to them: "If you will make a loan, let us say, in Portage La Prairie, we will undertake the required inspections". Their responsibility will then be limited to the employment of a lawyer who is required to make the advances, and we hope that some of the difficulty will be met by that technique. I do not believe that all of it will be met by that technique, however.

The CHAIRMAN: Are there any further questions?

Mr. WARD: It is very important. For example, in my home town, Dauphin, a town of about 6,500, the private lending institutions have withdrawn from making loans. I had a conference with one of the larger loan companies which had been lending in Dauphin, and I asked what the experience was there? And they said, "Excellent; we have not had a loan in difficulty there". Yet, when you go in there to make a loan, it will not be entertained.

Mr. NOSEWORTHY: Mr. Mansur, you may or may not answer this question as you please; but can you give us your own personal opinion as to whether or not it would be in the interests of housing for the government to change the policy of direct lending to include communities of over 5,000?

The WITNESS: Mr. Chairman, I find that a very difficult question to answer. It is one, I think, which might better be answered by the minister than by myself; and if you will agree, I would prefer not to try to answer it because I might have to use a degree of overcare in so doing.

The CHAIRMAN: Mr. Noseworthy, would you please make a note of your question and ask it of the minister when he appears before us.

*By Mr. Fleming:*

Q. What were the two instances you referred to where it was considered in the public interest to make corporation loans having to do with standard housing projects?—A. The first case was in Sudbury; a 50 unit apartment house in Sudbury, which we were very anxious to see go along. Through a mistake in our own organization, or perhaps through inexpert handling at the time, after the builder had got well along, we found that it just did not fit the requirements of rental insurance regulations. It was a pure, honest-to-goodness mistake; and it was felt that we were in a most difficult position if we should leave this man high and dry without mortgage financing at all, and he could not secure it through private sources. So by arrangement with the owner, we said: "Well, what about taking it under section 8, in which it would fit"? And he said: "All right". That was case No. 1.

Q. When was that?—A. That was in 1948 or 1949, but I will have to check that. The second case was a recent one, in 1951. The housing situation is very tight in Prince Rupert. In Prince Rupert there was an administration building which had been erected by the American army. That administration building was a very fine building, and was far more elaborate than an administration building would be in the Canadian army, and consequently very well suited to conversion into multiple units. In fact, the building was so well suited for conversion into multiple units that it fitted all the requirements of the National Housing Act standards. Some conversation had gone between us and the owners of this building and we had agreed with the lending institution that the building was such that the standards could be observed and that it could be financed under section 8.

The owners of the building were a group of public-spirited local citizens who had banded together to buy this building from the Americans. I think it was acquired through Crown assets, and they had banded together to buy it because the town needed housing so badly. Negotiations went along until February or March, 1951 at which time changing credit circumstances altered the investment intentions of the lending institution, and the lending institutions decided that within their investment policy they could not go forward with this loan. The owners did not have written commitments from the lending institution, and the owners had already the job well under way. The community was depending upon the housing units from this source, therefore we felt that, after consultation with the government, and in the light of all the circumstances, that we should make good a National Housing loan commitment, which had been given to them verbally and subsequently withdrawn by the lending institutions. Those were the two cases.

Q. Have the ultimate results been satisfactory?—A. In both cases the ultimate results have been excellent. In fact, in the case of Prince Rupert, there are 54 units. Our loan is \$175,000, which means about \$3,300 per unit for 850 feet of the best looking apartment house space you ever saw in your life. I would say it is a very, very choice mortgage.

Q. I asked a question about loans to limited dividend corporations in municipalities. It is the policy of Central Mortgage to admit low rental housing corporations to be organized by municipalities. It was not so originally. I recall that I had some experience with it as an alderman of the city of Toronto back in 1944; we tried to organize a limited dividend housing corporation, but it was completely rejected because we were told that it was against your policy to permit a municipality to form such a corporation. Are there any strings attached to the recognition you give to the right of a municipality—I mean a municipal government as such—to form a limited dividend housing corporation?—A. Section 9 requires that there be independent and efficient management of limited dividend housing corporations. Under government policy, the word “independent” was one which was an obstacle in the way of direct loans to a municipality. In examining this problem it occurred to us that the obstacle arose by reason of the municipal control of the project. So we suggested to the applicants who were interested on the one hand, and to the government on the other, that the policy of the government would not be offended if we could protect the independent nature of the management; so we worked out a solution which seemed to do that, whereby the municipality may meet the requirements of a limited dividend project. We require that in the articles of incorporation notwithstanding the ownership of perhaps all the shares by the municipality, there be a provision that the majority of the directors will not be aldermen or representatives from the city council, but shall be individual representative people within the community; and in the articles of incorporation the municipality further covenants that they will not vote their shares to give themselves control of the Board of Directors. Under those circumstances we will proceed with what is generally known as loans under section 9 to a municipality.

Q. Have you got a breakdown in regard to those recognized, limited dividend housing corporations, as between those sponsored by a municipal government and those sponsored by other organizations such as service clubs, and boards of trade?—A. The only two that I can remember—and I think I am correct in this—are Burlington, where the equity was made available from a trust fund held by the municipality which was bequeathed to it for this very purpose. There was a \$3,000 equity required, of which \$2,000 had been bequeathed to the municipality for that purpose and the extra \$1,000 came from a service club. Case two is at Owen Sound where the municipality made an application to the Ontario Municipal Board for the right to borrow money for the equity, and it was granted. And case three is a project currently being constructed in York township, for elderly couples; one hundred and twenty-seven units which are proceeding under the same circumstances. I think those are the only three where this municipal content is present.

Mr. HUNTER: Where is the location of that project in York township?

The WITNESS: I have not the exact location, although I have been out to it. But I would be glad to get it for the committee.

Mr. FLEMING: That is not the one where the Jewish home is?

The WITNESS: No.

The CHAIRMAN: I do not want to hurry the committee unduly in regard to the general consideration of the report; but several members of the committee have indicated to me that they would like to reach the place soon which we indicated for discussion. Therefore, I wonder if it is the wish of the committee that I should call the headings of Mr. Mansur's statement, because we have now had three meetings and we are only at page 10. Would you be willing that I now throw the meeting open for any general questions on the report?

Mr. HELLYER: Mr. Chairman, I would prefer that we proceed paragraph by paragraph.

The CHAIRMAN: Very well.

Mr. HELLYER: I think probably that the questions so far have been of a general nature and that is why our progress has been slow.

The CHAIRMAN: "Veterans' Rental Housing."

Mr. LAING: Mr. Chairman, that question is very important with us in Vancouver because I think a larger than ordinary number of veterans took their discharge in Vancouver. There is a project there known as the Fraser-view project. It is a very fine project, and the recent decision of Central Mortgage to complete the full 1100 units has been very well received by our people in Vancouver. It is almost a model project. A great deal of money was spent in changing the original grade system of the streets, the contours, and it is in a marvellous location view-wise; and by and large I think a very very fine job has been done there. I think the corporation is fortunate in having a very select group of tenants too. But I would like to look at it—because it is a very large project involving 1100 homes in the ultimate—from a long range point of view, particularly since a number of the present tenants would like to buy their homes. I would like to ask Mr. Mansur what the policy is in reference to it. I would like to say as well at this point that recent contracts which have been let are somewhat higher than before, and there has been an increase in the rent apportioned across all the properties. I think it is in the nature of \$1.50 a month, which is probably the smallest rental increase ever experienced in the Dominion of Canada, and I would like to say that it is not objected to by any of the tenants whatsoever. But I would like to know what the long range policy is. Over a long period, maintenance of the ground, the installation of gradings and so on will be required of the owners, not of the tenants, and I am wondering what is going to happen, for example, in the case of a fellow who loves to have a garden and who looks after it well, if he is put up against a fellow who does not care to have a garden or who does not look after it well. I have had many discussions with many of them and they are very anxious to find out. I wonder if Mr. Mansur could, for a moment, review the situation so far as the agreement with the city in respect to taxes and so on is concerned, and whether or not he would consider a policy of selling, in the case of a tenant who would like to buy? By and large, it is a very, very satisfactory project, and you are doing a great job, and the tenants are a very high class.

The WITNESS: The present policy of the government is that Central Mortgage sell munition workers houses, and veterans' rental units built up to and including the 1947 program.

Mr. FRASER: That would be under Wartime Housing, would it not?

The WITNESS: We took over the operations of Wartime Housing late in 1946; it is a mixed operation, shall I say. For the houses which are built under the 1948-1949 program the government has indicated to us that they would like these to remain in a rental position. There are some 12,000 units.

The Fraserview project to which reference has been made is one of the 1948-49 group and has not yet been put in a sales position. I think, Mr. Chairman, that long arguments can be made for and against the sale of these individual units depending entirely on whether you are a proponent of home ownership or whether you are one who feels that you need this type of rental housing within the community. I have no opinion to express on it, but that we should carry on to the best of our ability the present wishes of the government which are that the 1948-49 projects shall remain in a rental position. If I may put it this way, my understanding of the reasons for such government policy—perhaps I am getting on thin ice here—is that these



projects are but very recently completed and in fact, in certain cases, the final construction costs are not yet known, because when you are doing a project of the size of Renfrew or Fraserview, it takes a long time. Our experience also is that it is not right to sell one of those projects until the project has reached a certain degree of maturity, and has settled down. Another reason I think the government might have had in mind is that the agreement with the municipality is rather different to that which it was up to 1947; it provides absolute freedom for Central Mortgage to sell or not to sell; and no re-negotiation is necessary under such an agreement. I would say that since the 1948-49 projects do not require municipal re-negotiation, there does not seem to be any reason that they should be tied in with previous projects. Everyone of them required concurrence of the municipality. I think those are many of the reasons for the government position. As far as we are concerned, we just proceed. We sell up to 1947, and the rest of them remain in a rental position.

*By Mr. Laing:*

Q. You think that the chief reason for retaining them in a rental position is that this was a rental project and it is not even completed yet?—A. I think that is broadly true at Fraserview; but we have had 1948-49 projects that are completed.

Q. We have now completed, in our review, the rental projects required for veterans. Do you think there is any liability of there being any change in that policy as a result of Korea?—A. Mr. Chairman, that is a little out of my field. I have no idea what the government's attitude might be in respect to men returning from the Korea area. I just do not know. But I would make one observation and it is that until 1949, that is, until the amendment to the National Housing Act, under which section 35 was introduced, the veterans' rental program was the only manner in which the Federal Government was able to participate in rental housing. After the amendment introducing section 35 was approved by parliament a new instrument was developed and it is now possible for the federal government to participate in rental housing in partnership with the province. And it seems to me that one of the main reasons for the continuation of the veterans' rental housing programs has disappeared now that an alternative course is available under the National Housing Act. I might say, Mr. Chairman, and this is nothing but an observation, that for any long term program of publicly owned rental housing, participation—financial and administrative—of the municipality and the province, in my opinion, is absolutely essential. In our experience we had the greatest of difficulty acting as a kind of lone wolf in this field. We tried as best we could to observe the amenities with all municipalities. We kept the provinces informed of what was going on. I do not think there is too much criticism due our department, but it is very difficult for a federal agency to operate in a field which is within the administrative and jurisdictional control of the province and its emanation, the municipality.

Q. Is it any harder than attempting to get complete co-operation from government on three levels?—A. I may be able to answer that question a little better in a year or two, but I view our present circumstances very favourably in comparison to our experience in the past.

*By Mr. Fleming:*

Q. Mr. Chairman, we will be coming to section 35 in a couple of pages over, but I was wondering if Mr. Mansur would tell us with regard to Fraserview how the prices at which you have contracted for the construction of these remaining houses now compare with the prices you would have paid at the time you curtailed construction a year ago.—A. Mr. Chairman, I think I can

best answer that question by referring to the index figures. That is not, maybe, a complete answer, but for a question that has certain elements of hypothesis in it I think it is about the only way we can do it.

Q. I do not think it will be much help to quote any national figures unless you have the figures for Vancouver.—A. I would guess that the price increase, bearing in mind the Vancouver situation in the year 1951, and that is approximately the period to which you refer, was probably of the order of about 65 cents a square foot, and on a thousand feet, \$650 a unit.

Q. \$650 a unit, and there were about 500 units, in round figures, on which you stopped construction. On your resuming construction now, is it fair to say that it is going to cost approximately \$325,000 more to build these houses now than it would have cost if you had proceeded with that construction a year ago and had not stopped construction when you did?—A. Mr. Chairman, I do not know—there were a lot of factors present in 1951 that led to the government's decision not to proceed.

*By Mr. Laing:*

Q. It is set out in the first page of your annual report.—A. I think it probably is a fact, however, whether the figure is \$325,000 or \$125,000, that the houses would have been completed for a lesser price had the construction been completed by, say, the end of 1951 than when we anticipate, perhaps the end of 1952. Does that answer your question?

Q. It is not quite a complete answer. I was not going into the other factors. That may be a question of government policy and we have been eschewing that subject very scrupulously in this committee up to the moment. What I wanted to get is the best estimate we could arrive at as to what it is costing now more than it would have cost to have proceeded with the construction a year ago instead of stopping it at that time.

The CHAIRMAN: I think it would be only fair to the witness to give him an opportunity to file an answer to that question at a later meeting.

Mr. FLEMING: He has not asked for it, but I would not object to his taking time on it. The figure he gave was \$650 a unit, and the number of units was 494—I said 500—and just working that out it is approximately \$325,000.

Mr. LAING: Mr. Chairman, I am interested in this, too, and I think Mr. Mansur should investigate the possibility that they are being built cheaper today in the light of his statement on page 1, because the construction was set aside on account of the great defence building which brought about a keen shortage of supplies at that very time but which has changed since. At that time there was a very keen shortage of building supplies in the Vancouver area.

Mr. FLEMING: At what time?

Mr. LAING: At the time the building was stopped in Fraserview. There was also a very keen shortage of builders.

Mr. FLEMING: The supply situation changed very rapidly soon after that decision, because, and I think Mr Laing will agree, there was a plentiful supply of building materials there early last fall.

The CHAIRMAN: I think the postponed depreciation item in the budget worked miracles.

Mr. LAING: Your question refers to that particular point at which construction in Fraserview ceased.

Mr. FLEMING: My suggestion is it should have continued. If it had continued at that time the construction costs would be much less than the cost today.

The CHAIRMAN: Would you agree that Mr. Mansur should have more time to answer that, Mr. Fleming?

Mr. FLEMING: If it is Mr. Mansur's opinion that he requires it. After all we want Mr. Mansur's opinion about it, not the opinion of a member of the committee.

Mr. LAING: You gave your opinion. You said it would cost \$350,000 more at today's price.

Mr. FLEMING: That was merely a calculation based on the figure of \$650 per unit given by Mr. Mansur. There was no element of opinion in it at all.

*By Mr. Hellyer:*

Q. If we want information, were not tenders called at the time last year?—  
A. Yes, tenders were called in late 1950 and, if I remember correctly, in very early 1951, and the prices were most unsatisfactory. I had in mind, that perhaps the prices bid immediately prior to our unwillingness to proceed as against prices bid when the work was resumed might be the best answer to the question.

Q. That would be the comparison?—A. I would be able to get those figures, which might be satisfactory as an answer.

Mr. FLEMING: You prefer to have time to study them?

The WITNESS: Yes, I would prefer time to get the actual figures. I think it is pretty absolute and it does not need any study.

Mr. LAING: There are various stories circulating in Vancouver that we have a backlog of some 3,000 or 4,000 veterans still requesting this type of accommodation. I take it that not all of these are in a position to pay the rentals and there is probably a good deal of it represents duplication of applications for housing. Have you any figures?

The WITNESS: I have a report from our regional supervisor in British Columbia received about six months ago. I would like it confirmed as to the present situation, but my understanding is that of the 3,307 applications held by us as at May 5, 1952 by the time you take economic requirements, suitability requirements and various other things, it waters down and my opinion is, and I would like to confirm this—I think we may have some difficulty out of that 3,307 finding tenants for the balance of these 500 units.

*By Mr. Fraser:*

Q. With regard to the Hatton property in Peterborough, where you are removing the houses—they are Wartime Housing—those people who are now in the houses there will have to find homes. Now, will they be given any extra priorities for other rental Central Mortgage units in Peterborough?—  
A. Mr. Chairman, the 125 houses which are now under discussion with the council at Peterborough are the last of our rental units in Peterborough.

Q. You have some in the McKellar property but there are very few? You are gradually selling them?—A. The policy is to sell them. You will recall the agreement as to war workers' houses was that the municipality could demand removal of the houses six months after the declaration of the end of hostilities. It appears that the city of Peterborough is not anxious to retain these houses in the Hatton property very much longer. In fact, they have served us formal notice that we must remove the houses by June 30, 1953. Being under that notice from the municipality and knowing the difficulties of securing vacant possession which we must have before demolition can take place, we have nine or ten empty houses in Peterborough. As yet they are not moved from Peterborough and whether we will move them or sell them for removal from site we have not determined. I may say we have some use for those houses other than in Peterborough.

Q. You called for tenders for removal on April 7, 1952. That was only for five houses. You had others?—A. That is correct, but our bids were so unsatisfactory that we just were not interested. I hesitate to say very much about this because of the fact that there is a bit of a difference of opinion in Peterborough as to what should happen.

Q. There is quite a difference on account of the shortage of rental houses in our city.—A. We are under contract with the city of Peterborough, and the present situation is that we must give vacant possession of the land, which incidentally belongs to us, by June 30, 1953. All we can do is try to make as much money as possible out of those vacant houses, either by sectionalizing them and moving them to places where we can use them, or by selling them for removal from site.

Q. Would it be possible for you to move them and rent them again?—A. Mr. Chairman, I am told in a report from our regional supervisor in Ontario that the city of Peterborough got together with the surrounding municipalities and decided that those houses may not be put within a very substantial radius of the city of Peterborough. That is their privilege, together with that of the adjoining municipalities, and I hold no brief against what they have decided, but I think it is very difficult, Mr. Chairman, for them to have it both ways; either they tell us to get the houses out or they tell us to renovate the houses, or they tell us to rent the houses as is. Any one of the three is quite satisfactory to us, but the present tendency to blame Central Mortgage for the lack of rental housing in Peterborough when it is the municipality itself which is telling us to move the houses out, does not appeal to my sense of reason. I make no suggestion that the hon. member is in favour of such attitude.

Q. I am just thinking of the tenants there.

The CHAIRMAN: Could I suggest that we have no further questions on war houses until we clean up this question of the veterans' rental housing, and under that we are taking up the paragraph on page 10, the paragraphs on pages 12 and 13, and Housing Enterprises, I take it, on page 14. I am just serving notice now so that we will not have to call these headings again. Are there any further questions on veterans' rental housing?

*By Mr. Fulford:*

Q. In the case of veterans who have served in the Canadian armed forces since the cessation of hostilities in the Second World War who live in communities where there are no veterans' rental housing units available, will those veterans be given a preference on new projects which are completed by the Central Mortgage?—A. The only new projects to be completed by Central Mortgage are those which are done in partnership with the provinces. The understanding with the province in connection with those projects does not contemplate a veterans' preference.

Q. I have in my own constituency, in the city of Brockville, a veteran who has come back from Korea. Suppose that he were in need of a house, would he be given any priorities in that big building project that will soon be started there?—A. I cannot speak for the province, and it is the province that controls the local housing authority, but I would think that the local housing authority, whose job in life is to serve local needs, would look pretty sympathetically on such a case and would rate that veteran high in the light of all circumstances.

Q. In other words, it would be the human thing to do.—A. That is my opinion and I would hope that the housing authority will have a high social sense in that respect.

Mr. LAING: Has Mr. Mansur a breakdown of the cost of the improvements in Fraserview? I am speaking now of the rather marvellous road system, sidewalks, etc., in relation to the cost per house.

The WITNESS: Yes; I have not it with me as I did not anticipate that question, but we could give you a cost breakdown of the services in Fraserview.

The CHAIRMAN: At our next meeting.

*By Mr. Laing:*

Q. Were those standards set by the city?—A. Yes, the standards were set by the city, leavened by our experience along the same lines with the city at Renfrew. We had a very enlightening experience with the city at Renfrew, and so when we came to Fraserview it was all down in black and white; it was part and parcel of the deal and we did not have to waste the money at Fraser-view that we were forced to waste at Renfrew.

Q. If I had any criticism, my criticism would be that it is too lovely for the houses.—A. Mr. Chairman, it is according to Vancouver standards.

Q. I see.

Mr. FRASER: Nothing could be too good for Fraserview!

Mr. LAING: You are referring to the name, I presume!

Would you give us that breakdown, Mr. Mansur?

Mr. FLEMING: There will be a number of questions in committee with regard to section 35. It is referred to on page 12 under federal-provincial housing projects (c), and then on page 21 it is mentioned again under public housing. I suppose it would be better if we grouped our questions at the one time, Mr. Chairman, but in which place are we to take them?

The CHAIRMAN: My own suggestion is that with the completion of the item we have now been discussing we should move over to home improvement and home extension loans, a totally different subject, and pick up the one you have mentioned when we come to it on page 19 or 20. I believe the intervening pages have been covered.

Mr. FLEMING: Well, it really comes more on page 21 than on page 19.

The CHAIRMAN: I realize that home improvements and home extension loans are a totally different subject, but I believe we are down to that subject now.

Mr. NOSEWORTHY: May we have a brief resume of the Housing Enterprise project before we pass over that?

The CHAIRMAN: Before we leave defence housing?

Mr. NOSEWORTHY: Yes.

The CHAIRMAN: You will find that on page 14.

The WITNESS: At the end of hostilities in Europe the government went into negotiations with the life insurance companies hoping they would be in a position to take on the production of some of the housing that was obviously necessary to look after heavy repatriation. This arrangement was entered into between the government and the lending institutions in the year 1945. Central Mortgage was formed January 1, 1946 and, therefore, what I say is my general knowledge of what has happened. I would like to make it perfectly clear that I was not a participant in that particular arrangement. We fell heir to it. The companies were rather apprehensive about doing this. They realized that they had never had any experience in the housing field. They had made mortgage loans but had never built a house in their lives. They were rather fearful of the position of life insurance companies as a large landlord and they were also fearful of the risk involved. As a result, the National Housing Act was changed late in 1945 to create a

marriage between section 9, the limited dividend section of the Act, and a new section 11, which refers to Institutional Housing Companies, and the net effect of that marriage was that the government would make, through its agency, at that time the National Housing administration, and subsequently Central Mortgage, a 90 per cent loan under the terms of section 9. The lending institutions would carry on the management, both in construction and subsequently rental, and would invest the remaining 10 per cent. Section 11, which was introduced in 1945, made provision that the life insurance companies would be guaranteed both as to principal and a 2½ per cent return upon the 10 per cent so invested. This arrangement having been made, Housing Enterprises put together quite a substantial organization in Toronto, controlled by a committee of relatively senior life insurance executives, and proceeded to operate as a housing corporation in the construction stages. They attempted to find land in our various cities and proceeded with projects designed to meet the needs in those cities. Now, I think, Mr. Chairman, that is background and I can think of no better way to continue the story, if I may, than to read from page 10 of our report of 1947, in which the directors say:

Early in 1947, it became apparent that Housing Enterprises of Canada Ltd. could not produce a desirable type of housing at the cost levels originally contemplated. It was decided to approve no new projects in 1947 and that the activities of the company would be limited to the completion of projects already under construction. In August, 1947, representatives of the life insurance companies which owned Housing Enterprises of Canada Ltd. and its subsidiary companies approached the government and requested that the corporation take control of the companies. The government considered it advisable to accede to this request and for the corporation to assume control of the companies. On September 4, 1947, all outstanding capital stock was transferred to the corporation for \$750.00. The corporation advanced the sum of \$3,742,781.17 to retire the outstanding debentures of the parent company, which debentures were guaranteed by the corporation. Mortgage construction advances were continued and as at December 31, 1947, totalled \$18,642,160.67. Winding up procedures have been instituted and the charters of the parent company and its subsidiaries will be surrendered. Title to the 32 rental housing projects will be transferred into the name of the corporation and the mortgage advances will be liquidated. Of the 3,313 rental units, 2,847 had been completed and rented by December 31, 1947. It is anticipated all units will be ready for occupancy early in 1948.

Since then, as I mentioned in my statement, the units have been absorbed right into the stock of rental units owned by the corporation and for all purposes have become veterans' rental units subject to the allocation policy and all other policies. The legal wind-up of Housing Enterprises of Canada Ltd., which was probably more difficult to do than it was to put together, was completed about two months ago and Housing Enterprises is no longer in existence. I may say the great difficulty of winding up Housing Enterprises was because Housing Enterprises had entered into 50-year agreements with municipalities and we had to negotiate ourselves out of about 10 of the most uncomfortable situations you ever saw in your life.

*By Mr. Fleming:*

Q. The whole thing was an instructive experiment?—A. Well, Mr. Chairman, I know I got some education from it.

The CHAIRMAN: Any further questions, Mr. Noseworthy?

Mr. NOSEWORTHY: One more question: What is the total cost to Central Mortgage? Could Mr. Mansur tell us what was the total loss to Central Mortgage of this undertaking?

The CHAIRMAN: The total cost?

Mr. FLEMING: No, the total loss he asked for.

The CHAIRMAN: Loss or cost?

Mr. NOSEWORTHY: Loss.

The WITNESS: That cannot be determined as yet because, although we have taken a loss on the properties which we have disposed of, we are still the owner of some substantial rental property and, indeed, the balance of some individual units. The loss to date, I think is mentioned in my report.

The CHAIRMAN: Yes, on page 14, \$2,050,000.

The WITNESS: I do not want to seem to avoid that question, but take Vancouver (A) and (B), New Westminster, Edmonton, the two projects in Montreal, I just do not know what the future holds for them. The loss is around \$2,200,000 in all, but as to these rental projects, I just do not know.

Mr. NOSEWORTHY: You say the corporation put \$3 million into the projects, \$3 million to get control of the debentures?

The WITNESS: Yes, it was \$3 million, made up by purchasing the debentures representing the equity and some underadvances on the mortgage account. In all, Mr. Noseworthy, Housing Enterprises' capital investment, including their cost of overhead during the period of construction, and interest on money invested, was about \$26 million. Had it gone through as anticipated then, of course, the equity of the life insurance companies would have been \$2,600,000 after the accounts were all adjusted.

*By Mr. Fleming:*

Q. How many houses belonging to the corporation in the overall picture—no doubt most of those taken over from Wartime Housing—have you been called on to demolish and remove? Have you a total?—A. The total number—and I think this is an answer to the question—removed from site, which I think is an answer to the question, is 182.

Q. Is that for the whole of Canada?—A. For the whole of Canada, and that is against about 19,000 war workers' houses which were built. Now, I think that figure includes Nobel. Mr. Chairman, it is 182 to date. You will remember that on page 12 I mention four projects in which there might be potentially some 1,500 of them, which might be, at a later date, removed from site.

Mr. FRASER: You have no agreement with the municipalities regarding them?

The WITNESS: No, we have only an extension from them of their right to ask for removal—in the case of Hamilton, till 1955, in the case of Windsor, I think that also in 1955, and North Vancouver is 1953. At the end of those periods the municipalities will reassume all the rights which they had under the original agreements and might call upon us to remove those houses. In the case of Windsor and Hamilton, the houses are located in areas which under their current town planning would seem to require better houses. In the case of North Vancouver, the houses are located in an area reserved for industrial use by the city of North Vancouver, and the case of Peterborough is similar to Windsor and Hamilton where they do not think the houses are good enough for the area. I may say, Mr. Chairman, that in none of these four cases, nor in any of those we have been required to remove, has the municipality been the least bit unreasonable. I think if we had any views it would be rather on the other side, that houses have been left due to the pressure for

rental houses, which we felt should have been removed. I have felt quite strongly about 14 units located right on the Queen Elizabeth Way near St. Catharines. I am sorry we were not told to remove those houses.

*By Mr. Fleming:*

Q. It would seem you have done effective work in regard to maintenance of these houses?—A. Yes.

Q. Is there any pattern or program of maintenance that you follow?—A. Yes, when we go to the municipality and ask for the permission for sale and relief from the terms of the contract we undertake that we will put a permanent concrete foundation under the houses. When we lift the house we will repair all the sills, we will put in a brick chimney and, generally, will bring the houses up to a much higher standard than at which they were originally built. The actual maintenance follows our usual pattern. I take a certain amount of pride in that maintenance. The maintenance is twice as good and costs half as much as it was under Wartime Housing Limited, and I take considerable pride in the quality of our maintenance, which has had the effect of making these houses desirable for people to live in and, equally important, making it possible for the municipality to face local public opinion in agreeing to renegotiation.

Q. Apart from what Wartime Housing did in that respect, you have never constructed any houses without basements?—A. Mr. Chairman, the final part of the 1947 program was without basements, but generally those agreements had been entered into with the municipalities and were inheritors of the agreements. When I say that we put basements under the '48's and '49's, generally that is right. There are certain places, for instance, where we were building houses—as indeed we did for the Department of National Defence on Sea Island in Vancouver—a slab obviously is called for because if you were to dig down two feet you would get into water. Certain other places in British Columbia, where there was a rock formation and it would have cost \$2,000 to build 800 feet of basement, we have also used slabs, so some of the 1948 and 1949's have no basements. They were built on slabs, but for local reasons, and I think in every case the house was so designed to provide above grade utility rooms of lesser size, of course, to replace the basement. Our policy was a basement in everything unless there was some good reason for not doing so.

*By Mr. Fraser:*

Q. Your 1947 houses were mostly all wood, though, were they not?—A. The 1947 houses of the veteran rental housing had concrete foundations under them.

Q. Yes, but they were of wood frames?—A. Yes.

Mr. FULFORD: Some had aluminum.

The WITNESS: It was Central Mortgage which went into aluminum siding.

Mr. FRASER: You got into trouble, too, on some of them?

*By Mr. Fleming:*

Q. Of the houses you took over from Wartime Housing, which were built without basements, how many remain without basements now?—A. The question is, when we put in these permanent foundations how many of the war workers' units were given a full basement treatment at that time? Is that what you mean?

Q. Yes. This was a lively question, you will remember, when wartime houses were being built, and I am asking you now of these houses which you took over from Wartime Housing which were built without basements, remain without basements now?—A. If the houses are in a rental position they all remain without basements now. If the houses are sold, the new owner in many cases has himself put in a basement, but of those in our possession we have installed no basements in veterans' units which were inherited from Wartime Housing.



Mr. FRASER: You made an agreement?

Mr. FLEMING: Either veterans' or defence workers' houses? I am thinking of anything you took over from Wartime Housing.

The WITNESS: War workers' houses were all built on cedar posts, you will remember, and our agreement with the municipality was that we agreed to put them on concrete footings, repair the sills, build a brick chimney, take out the dry rot and generally put them in shape. In a number of cases, perhaps as high as 30 per cent, the owner said to us, "you have a tender for \$800 for this work, will you give us the \$800 and let us do the work of putting in a full basement?" and our answer to that was "yes", so there have been a great number of additional basements installed with our money being used as the partial payment.

Mr. FRASER: That is what I was going to ask, Mr. Chairman.

Mr. FLEMING: You could give us the total at a later time, the figure I asked you.

The CHAIRMAN: Are we agreed that we have reached page 18 and at our next sitting we will take up home improvement and home extension loans?

Mr. FLEMING: I have two or three more questions to ask on these pages between 14 and 18.

The CHAIRMAN: In looking at the list of committee meetings, tomorrow afternoon looks to be reasonably clear. Is the committee willing to sit at four o'clock tomorrow, and could you be here at four o'clock, Mr. Mansur? The other committees are commencing to sit with great regularity and it is going to be very difficult for us to work our meetings in. However, we will try tomorrow afternoon at four o'clock.

## APPENDIX "A"

PLANTS CERTIFIED BY THE MINISTER OF DEFENCE PRODUCTION TO  
QUALIFY UNDER THE DEFENCE WORKERS' HOUSING LOANS REGULATIONS

Region	Location	Industry	Date Certified
Maritime	Dartmouth	Fairey Aviation Company of Canada Limited	February 25, 1952
	Halifax	Cossor (Canada) Limited	April 4, 1952
Quebec	Arvida and Isle Maligne	Aluminum Company of Canada, Limited	March 4, 1952
	Cartierville	Canadair Limited	November 6, 1951
	Quebec City and Valcartier	Canadian Arsenals Limited, Dominion Arsenal Division	December 18, 1952
	St. Dominique and Valleyfield	Canadian Arsenals Limited, Explosives Division	December 18, 1951
	St. Paul l'Ermite	Canadian Arsenals Limited, Filling Division	December 18, 1951
	Sorel	Sorel Industries Limited	November 6, 1951
Ontario	Ajax	Dowty Equipment of Canada Ltd.	November 6, 1951
	Dundas	John Bertram and Sons Limited	January 10, 1952
	Galt	The R. McDougall Company Ltd.	February 25, 1952
	Etobicoke	Canadian Steel Improvement Limited	January 28, 1952
	Lindsay	Canadian Arsenals Limited, Gun Ammunition Division	December 18, 1951
	Long Branch	Canadian Arsenals Limited, Small Arms Division	December 18, 1951
	Malton	A. V. Roe of Canada Ltd.	November 6, 1951
	Renfrew	Cockshutt Equipment Company, Aircraft Division	November 6, 1951
	Renfrew	Light Alloys Limited	November 6, 1951
	Sarnia	Canadian Oil Companies Limited	April 26, 1952
Scarborough		Canadian Arsenals Limited, Instrument and Radar Division	December 18, 1951
Prairie	Atikokan	Steep Rock Iron Mines Limited	March 26, 1952
	Calgary	Canadian Pacific Airlines (Repairs)	January 10, 1952
	Fort William-Port Arthur	Canadian Car and Foundry Limited	November 6, 1951
British Columbia	Trail	The Consolidated Mining and Smelting Company of Canada, Limited	March 25, 1952

## APPENDIX "B"

SUMMARY OF LOSSES ON JOINT LOANS UNDER THE NATIONAL HOUSING ACTS  
(1938 AND 1944) TO APRIL 30, 1952

Location	Builder	Home owner	Government loss		Charged to P.G.F.		Total loss	
			\$	cts.	\$	cts.	\$	cts.
<i>Maritime Region</i>								
Shubenacadie, N.S.....		X	92	33	274	65	366	98
Newcastle, N.B.....		X	21	36	43	36	64	72
Regional Sub-total.....	0	2	113	69	318	01	431	70
<i>Quebec Region</i>								
Cap de la Madeleine.....		X	190	45	511	35	761	80
Bromptonville.....		X	95	00	285	00	380	00
Ste. Foy.....		X	134	51	288	87	423	38
Levis.....		X	172	82	383	95	556	57
Ville La Salle.....		X	681	01	1,970	18	2,651	19
Regional Sub-total.....	0	5	1,273	59	3,499	35	4,772	94
<i>Ontario Region</i>								
Williamsburg.....		X	299	68	899	05	1,198	73
Dundas.....		X	152	72	458	15	610	87
Regional Sub-total.....	0	2	452	40	1,357	20	1,809	60
<i>Prairie Region</i>								
Regina, Sask.....	X		174	72	369	33	544	05
" ".....	X		119	81	206	49	326	30
" ".....	X		327	64	828	12	1,155	76
" ".....	X		241	92	579	78	821	70
" ".....	X		314	48	793	07	1,107	55
" ".....	X		232	54	558	93	791	47
" ".....	X		274	58	621	12	895	70
" ".....	X		273	79	682	68	956	47
" ".....	X		88	33	81	63	169	96
" ".....	X		56	93	26	88	83	81
" ".....	X		127	48	223	25	350	73
" ".....	X		482	67	1,291	57	1,774	24
" ".....	X		354	83	904	15	1,258	98
" ".....	X		167	20	344	61	511	81
" ".....	X		147	57	282	43	430	00
" ".....	X		470	16	1,259	54	1,729	70
" ".....	X		337	53	865	56	1,203	09
" ".....	X		302	16	750	58	1,052	74
" ".....	X		411	98	1,075	60	1,487	58
" ".....	X		481	13	1,283	05	1,704	18
" ".....	X		329	43	844	60	1,174	03
" ".....	X		195	69	436	74	632	43
" ".....	X		280	51	677	83	958	34
" ".....	X		187	85	428	05	615	90
" ".....	X		119	75	200	07	319	82
" ".....	X		310	70	764	24	1,074	94
" ".....	X		217	85	467	29	685	14
" ".....	X		470	77	1,237	44	1,708	21
Regional Sub-total.....	28		7,500	00	18,084	63	25,584	63

SUMMARY OF LOSSES ON JOINT LOANS UNDER THE NATIONAL HOUSING ACTS  
(1938 AND 1944) TO APRIL 30, 1952—*Conte.*

Location	Builder	Home owner	Government loss		Charged to P.G.F.		Total loss	
			\$	cts.	\$	cts.	\$	cts.
<i>B. C. Region</i>								
Vancouver.....	X		355	77	1,067	31	1,423	08
".....	X		355	77	1,067	31	1,423	08
".....	X		378	08	1,134	24	1,512	32
".....	X		378	08	1,134	24	1,512	32
".....	X		650	28	1,950	83	2,601	11
".....	X		584	41	1,753	24	2,337	65
".....	X		603	41	1,810	25	2,413	66
".....	X		652	52	1,957	56	2,610	08
".....	X		679	32	2,037	94	2,717	26
".....	X		631	27	1,893	82	2,525	08
".....	X		458	46	1,375	39	1,833	85
".....	X		538	73	1,616	19	2,154	92
".....	X		732	79	2,198	36	2,931	15
".....	X		863	34	2,590	01	3,453	35
".....	X		902	29	2,706	87	3,609	16
".....	X		838	78	2,516	36	3,355	14
".....	X		760	64	2,281	93	3,042	57
".....	X		772	92	2,318	76	3,091	68
".....	X		667	04	2,001	11	2,668	15
Regional Sub-total.....	19	0	11,803	90	35,411	72	47,215	62

## RECAPITULATION

Maritime Region.....	0	2	113	69	318	01	431	70
Quebec Region.....	0	5	1,273	59	3,499	35	4,772	94
Ontario Region.....	0	2	452	40	1,357	20	1,809	60
Prairie Region.....	28	0	7,500	00	18,084	63	25,584	63
B.C. Region.....	19	0	11,803	90	35,411	72	47,215	62
Grand Total.....	47	9	21,143	58	58,670	91	79,814	49

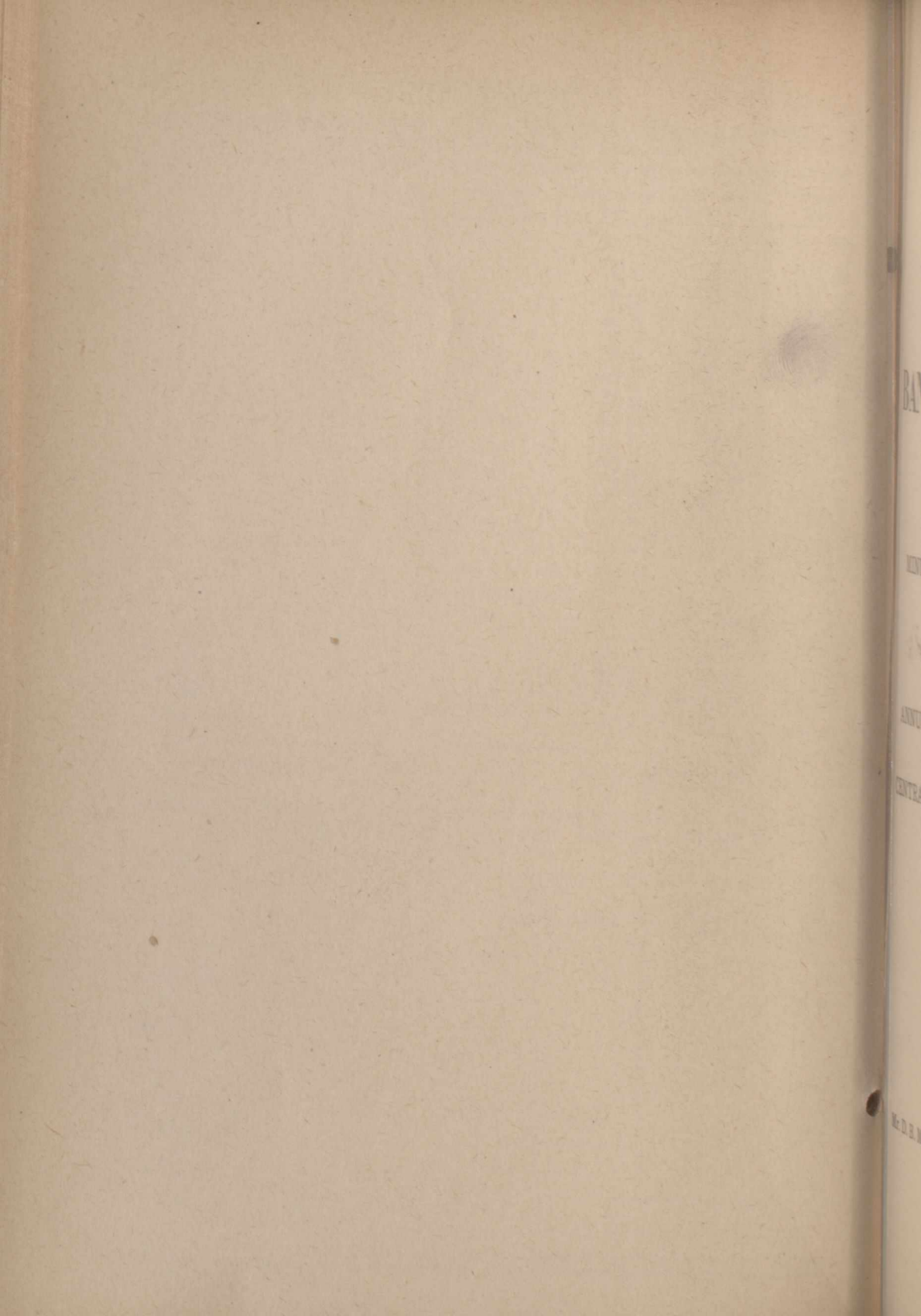
Total in Pool Guarantee Fund.....\$27,832,312.18

SUMMARY OF PROFITS ON PROPERTIES ACQUIRED BY FORECLOSURE OF JOINT  
LOANS UNDER THE NATIONAL HOUSING ACTS (1938 AND 1944) TO  
APRIL 30, 1952

Location	Builder	Home owner	Credit to Pool Guarantee Fund	
			\$	cts.
<i>Maritime Region</i>				
Port Elgin, N.B.....		X	61	61
<i>Quebec Region</i>				
Sillery.....		X	21	79
<i>Ontario Region</i>				
Burlington.....		X	759	44
<i>Prairie Region</i>				
Fort Garry, Man.....		X	44	28
Winnipeg, Man.....		X	85	25
<i>B. C. Region</i>				
Saanich.....		X	611	92
Total.....		6	1,584	29

NOTE.—Under the agreement covering these loans the total profit is credited to the Pool Guarantee Fund. Under the current agreement only the lending institution share of the profit is credited to the Pool Guarantee Fund.





HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
OF THE  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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WEDNESDAY, MAY 14, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

STANDING COMMITTEE ON BANKING AND COMMERCE

Chairman: HUGHES CLEAVER, Esq.,

Vice-Chairman: C. A. D. CANNON, Esq.  
and Messrs.

Adamson	Gingras	Nickle
Argue	Gour ( <i>Russell</i> )	Noseworthy
Arsenault	Harkness	Picard
Ashbourne	Harris ( <i>Danforth</i> )	Quelch
Balcom	Hees	Richard ( <i>Ottawa East</i> )
Bennett	Hellyer	Riley
Blackmore	Henry	Sinclair
Bradette	Helme	Smith ( <i>York North</i> )
Brooks	Hunter	Smith ( <i>Moose</i> <i>Mountain</i> )
Crestohl	Jeffery	Thatcher
Dumas	Laing	Viau
Fleming	Leduc	Ward
Fournier ( <i>Maisonneuve-</i> <i>Rosemont</i> )	Low	Welbourn
Fraser	Macdonnell ( <i>Greenwood</i> )	White ( <i>Hastings-</i> <i>Peterborough</i> )
Fulford	Macnaughton	Winters—50
Fulton	Maltais	
	McCusker	

R. J. GRATRICK,  
Clerk.



## MINUTES OF PROCEEDINGS

WEDNESDAY, May 14, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Bennett, Blackmore, Cannon, Fleming, Fraser, Fulford, Harkness, Hellyer, Helme, Henry, Hunter, Jeffery, Laing, Macnaughton, McCusker, Noseworthy, Riley, Smith (*Moose Mountain*), Ward, Welbourn.

*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

In reply to questions asked at a previous meeting, and which were reserved for written answers, Mr. Mansur tabled the following documents:

1. "Rental Insurance Projects for Certified Defence Workers";
2. "Vancouver No. 6—'Fraserview'—Review of Tenders";
3. "Breakdown of Costs of Acquiring and Servicing Lots on the Fraserview Project, Vancouver".

The said documents were ordered to be printed as part of this day's evidence and the Witness was questioned thereon.

The examination of the Witness on the principles contained in his general statement upon the functions and activities of Central Mortgage and Housing Corporation was continued. (*See Minutes of Evidence, No. 1, Tuesday, May 6, 1952*).

At 4.30 o'clock p.m. Mr. C. A. D. Cannon, Vice-Chairman, took the Chair.

In questioning the Witness with respect to a decision taken by the Government not to proceed with the construction of certain houses in the Fraserview Project, Vancouver, Mr. Fleming asked the following question:

Did the corporation make any recommendation to the government prior to the government's decision in 1951 to proceed?

The Vice-Chairman ruled the question out of order on the ground that it was not a proper question to be directed to the Witness but one that should be asked of the Minister when he is before the Committee.

Thereupon Mr. Fleming appealed the Vice-Chairman's ruling, and the question having been put on sustaining the said ruling, it was resolved in the affirmative.

At 4.50 o'clock p.m., Mr. Cleaver, Chairman, resumed the Chair.

At 6.00 o'clock p.m., the examination of the Witness continuing, the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, May 20, 1951.

The WITNESS: Mr. Chairman, I was asked to provide the committee with a breakdown of costs of acquiring and servicing the lots on the Fraserview project in Vancouver. I have this information with me.

The CHAIRMAN: Shall this go on the record?

Agreed.

**BREAKDOWN OF COSTS OF ACQUIRING AND SERVICING LOTS ON  
THE FRASERVIEV PROJECT, VANCOUVER**

Fraserviev will provide:

- 1119 fully serviced lots on CMHC account
- 247 fully serviced lots privately owned
- 35 acres public and other lands

*Breakdown Services and Lands Cost—*

	Expenditures to date	Est. Cost to complete	Total
Sewer .....	\$ 536,621.29	\$ 34,254.68	\$ 570,875.97
Water .....	391,085.95	6,191.56	397,277.51
Roads, Curbs & Gutters .....	1,055,339.82	506,380.80	1,561,720.62
Walks .....	124,267.99	91,033.47	215,301.46
Street Lighting .....	- 67,222.94	161,150.00	228,372.94
Landscaping Blvd .....	22,199.13	44,407.87	66,607.00
Maintenance .....	51,938.00	20,000.00	71,938.00
 Sub total .....	 \$2,248,675.12	 \$863,418.38	 \$3,112,093.50
Clearing .....	\$ 134,599.95	Nil	\$ 134,599.95
Survey .....	61,790.80	\$ 8,457.31	70,248.11
Legal & Misc. ....	63,321.62	595.68	63,917.30
 Sub total .....	 \$ 259,712.37	 \$ 9,052.99	 \$ 268,765.36
Land-Expro. Settlements etc. ....	\$ 743,729.46	\$ 67,955.15	\$ 811,684.61
 Total Costs .....	 \$3,252,116.95	 \$940,426.52	 \$4,192,543.47

*Recoverable from Municipality*

Services .....	\$837,400.69	\$2,274,692.81
Land Acquisition .....	214,491.58	597,193.03

\$1,051,892.27      \$2,871,885.84

*Services Completed to Date*

*Fully Serviced*

CMHC lots .....	853
Private lots .....	236
Public & Other lands .....	—

*Sewer and Water Only*

266
11
175 (35 acres—den- sity 5 lots per acre)

1089

452

Total lots CMHC—Private—Public lands .....1541

*Gross Cost Incl. Municipal share—1541 lots*

Cost per lot Services only .....	\$2,022.00
Cost per lot Services, Clearing, Survey, Legal, Misc. ....	2,194.00
Cost per lot Services, Clearing, Survey, Legal, Misc., land, etc .....	2,721.00

*Net Cost CMHC only—1541 lots*

Cost per lot Services only .....	\$1,476.00
Cost per lot Services, Clearing, Survey, Legal, Misc., land, etc. ....	2,038.00
Net Cost to CMHC—1119 lots and public and private lands equivalent to 175 lots	

Cost per lot—services only .....

Cost per lot—services, clearing, survey, legal, land & misc. ....

The WITNESS: Mr. Chairman, Mr. Fleming asked whether I would supply information concerning the cost per unit of houses in the Fraserviev project both in respect of the current contract which has recently been awarded and in respect of the tender received on January 23, 1951, that was not awarded. I have that information here, sir.

The CHAIRMAN: Shall this go on the record?

Agreed.

## EVIDENCE

MAY 14, 1952.  
4:00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. Mr. Mansur has answers to several questions which were asked at our last meeting.

Mr. D. B. Mansur, President, Central Mortgage and Housing Corporation, called:

The WITNESS: Mr. Chairman, I was asked the address of the York Township Homes Limited, which is known as the Beech Apartments which is a limited dividend loan for units for elderly people. The location is between Cordella avenue and Humber boulevard immediately west of Weston road in the township of York.

Mr. Chairman, I was asked to supply the committee with information concerning the details of the rental insurance projects for certified defence workers.

The CHAIRMAN: Shall this go on the record?

Agreed.

## RENTAL INSURANCE PROJECTS FOR CERTIFIED DEFENCE WORKERS

(All these projects are financed by direct loans—bearing interest at 4½ per cent. The rental insurance premium is 2½ per cent of the guaranteed rentals—30 year term.)

Owner	Location	Type of Project	Rentals (maximum for 5 years)	Total Annual Allowable Rental (5 years)	Guarantee First Year	Approved Estimate of Cost	Amount of Loan
Deguire Ave. Ltd. 1390 Sherbrooke St. W., Montreal.	Rosalie between Tasse and Deguire, St. Laurent.	216 apts. 3 storeys brick veneer.	12* apts. 880 sq. ft. 4 rooms \$77.50	\$ 229,392	\$ 194,808	\$1,707,600	\$1,451,460
			24 " 880 " 4 " 81.50				
			60* " 1,050 " 5 " 87.50				
			120 " 1,050 " 5 " 91.50				
			* Semi basement. Incl. stove, refrigerator, heating. Tenants pay water tax and provide own domestic hot water.				
Lafleur Ltd., 2799 Cote Ste. Catherine, Montreal.	Rosalie and Deguire, St. Laurent.	72 apts., 3 storeys brick veneer.	12 apts. 1,090 sq. ft. 5 rooms \$73.50	\$ 55,008	\$ 46,699	\$ 470,500	\$ 399,925
			12 " 953 " 4 " 66.50				
			12 " 927 " 4 " 66.50				
			12 " 782 " 3 " 59.50				
			6* " 958 " 4 " 63.00				
			6* " 836 " 3 " 57.00				
			12* " 779 " 3 " 56.00				
			* Semi basement. *Incl. stoves, refrigerator. Tenants pay water tax and provide space heater and fuel and domestic hot water.				
Rainbow Village Inc., 1200 Alexander St., Montreal.	Rochon St., P. 239 St. Laurent.	180 apts., 3 and 4 storeys brick veneer.	28* apts 1,008 sq. ft. 5 rooms \$70.00	\$ 147,888	\$ 125,274	\$1,256,400	\$1,067,940
			12† " 1,036 " 5 " 70.00				
			56 " 1,036 " 5 " 73.00				
			24* " 930 " 4 " 63.00				
			12† " 952 " 4 " 63.00				
			48 " 952 " 4 " 66.00				
			* Semi basement. † 4th floor. Incl. stoves, refrigerators, space heaters. Tenants pay water tax, provide fuel and domestic hot water.				

R. & J. Cummings 1039 Sherbrooke St. W., Montreal.	Hodge St., P. 367 off Cote de Liesse, St. Laurent.	240 apts., 3 storeys brick veneer.	12* apts. 876 sq. ft. 4 rooms \$79.00	\$ 256,488	\$ 217,692	\$1,901,100	\$1,575,935							
			14* " 920 " 4 " 79.00											
			12* " 1,023 " 5 " 89.00											
			14* " 1,034 " 5 " 89.00											
			14* " 1,075 " 5 " 89.00											
			14* " 1,086 " 5 " 89.00											
			28 " 1,006 " 4 " and 87.00 den											
			28 " 1,050 " 5 rooms 91.50											
			28 " 1,076 " 5 " 91.50											
			28 " 1,087 " 5 " 91.50											
			48 " 1,114 " 5 " 91.50											
			* Semi basement. Incl. stoves, refrigerators, heating. Tenants pay water tax and provide own domestic hot water.											
			Janpern Const. Ltd., 1390 Sherbrooke St. W., Montreal.					Laurentian Blvd. and du College St. Laurent.	72 apts., 3 storeys brick veneer.	4* apts. 876 sq. ft. 4 rooms \$79.00	\$ 76,944	\$ 65,242	\$ 569,420	\$ 472,007
										4* " 920 " 4 " 79.00				
4* " 1,023 " 5 " 89.00														
4* " 1,034 " 5 " 89.00														
4* " 1,075 " 5 " 89.00														
4* " 1,086 " 5 " 89.00														
8 " 1,006 " 4 " and 87.00 den														
8 " 1,050 " 5 rooms 91.50														
8 " 1,076 " 5 " 91.50														
8 " 1,087 " 5 " 91.50														
16 " 1,114 " 5 " 91.50														
* Semi basement. Incl. stoves, refrigerators, heating. Tenants pay water tax and provide domestic hot water.														

## VANCOUVER No. 6—"FRASERVIEW"

## Review of Tenders

PROJECT	Date of Award	HOUSE TYPES						
		Without Basements		With Basements				
		50-BC-54	50-BC-55	50-BC-43B	50-BC-44B	50-BC-54B	50-BC-55B	49-BC-60B
		\$	\$	\$	\$	\$	\$	\$
6M—(85 Units)....	Tender Jan. 23/51 (no award)	6,295	6,372	6,484	6,469	6,612	6,635	6,857
6Z-1 (50 Units)....	Dec. 6/51 (awarded)	Nil	Nil	Nil	Nil	7,346	7,337	7,882

The WITNESS: Mr. Chairman, at the last meeting I was asked if I would supply information concerning the number of Wartime Housing houses owned by the corporation without permanent foundations. I am not at all sure that this information is exactly that which was desired by the hon. member who asked the question, but the answer to it is that we have 3,512 war workers' units which do not have permanent foundations. Of that number 1,952 are yet to be "permanized" and there are 1,560 which are slated for removal and permanent foundations are not contemplated.

*By Mr. Henry:*

Q. Where is that latter group located, do you know, Mr. Mansur?—A. The latter group is located—126 in Peterborough, 591 in Windsor, 284 in North Vancouver and 559 in Hamilton.

*By Mr. Fleming:*

Q. Which ones are to be made—what is the word, "permanized"?—A. It is local jargon, sir.

Q. At which locations are the houses apart from Peterborough slated for removal and others to be made permanent if that is the meaning of "permanized"?—A. Mr. Chairman, there is rather an extensive list. We plan to make permanent improvements this year to war workers' projects at the following places: St. Catharines, Malton, Grantham, Windsor, Ajax, Etobicoke and a few at another thirty or forty places. Would the committee like the list?

The CHAIRMAN: No, that is good enough.

*By Mr. Fraser:*

Q. You have a few in Peterborough, haven't you?

*By Mr. Hunter:*

Q. A couple of hundred in Eglinton, aren't there?—A. I think they are all done in Peterborough, Mr. Chairman, except for the 126.

*By Mr. Fraser:*

Q. Yes, but I thought you had three or four units there

The CHAIRMAN: Are there any questions arising out of the answers to questions?

*By Mr. Fleming:*

Q. Yes, Mr. Chairman. Mr. Mansur, this figure you have given of 3,512, described as the number of houses now owned by the corporation without permanent foundation, do you construe permanent foundations in the same

way—without basements? The question I asked yesterday was the number without basements. Do you interpret that in the same way?—A. That was the reason for my qualification. I read the transcript of yesterday and I was not sure. We attempted to answer the question both ways but the answer to the question involves attempting to find out from various owners who have since taken over from us whether they have put in basements or not.

Now, as far as the corporation itself is concerned, any ownership by the corporation, we have no war workers' houses with basements under them.

Q. I wonder if we are not a little at cross-purposes. My question was directed toward ascertaining the number of houses among those which you took over from Wartime Housing Limited and still own, which are still without basements?—A. Mr. Chairman, the answer to that question is that every house that we took over from Wartime Housing save for about 100 units in Edmonton which had basements in them in the first instance and are still on our books, do not have basements today. We have added no basements in our own rental account. Is that the point?

Q. Well, I am thinking of all houses that you took over from Wartime Housing that you still own presumably.

The CHAIRMAN: And that originally had no basements?

*By Mr. Fleming:*

Q. Yes, that were without basements when you took them over?—A. Mr. Chairman, we have put no basements in the houses which we took over from Wartime Housing and still own.

Q. The other question is about Frasersview. This return you have made, have you got it in front of you, Mr. Mansur?—A. Yes.

Q. I would just like to follow this through and make sure I understand it. The third column on the right-hand side of the page headed "Vancouver No. 6 Frasersview" first shows that the tender which you did not accept on January 23, 1951, for 85 units call for a price of \$6,612. Is that the tender?—A. That was the tender price, yes.

Q. For how many units?—A. Mr. Chairman, the tender which we called on January 23, 1951, was for 85 units. I am sorry that the actual number of units of each kind is not shown, but it was a representative group and probably not far off from a dozen of each kind. I thought it would be desirable in answering this question to show it by type of comparable unit and my understanding was that at the last meeting it was agreed that the differential sought was likely to be best shown by the tender which was not accepted in January 1951 for like units as compared to tenders that we did take.

Now, I do not think, Mr. Chairman, that the number of houses, if that is what the hon. member has in mind, makes a tremendous amount of difference. There might be a few dollars but I do not think that that \$7,346 is reduced very much because perhaps in there we have 20 units as against 12 units which were bid at \$6,612.

Q. So, of these three types, the advance in price from January 23, 1951, when you rejected the tenders and decided not to build, until December 6, 1951—at which time you had decided to proceed—the advance in price was \$734 on that type; on the next type the advance was \$702, and the advance on the third type was \$1,025, and if we took, say, an average of those three we would have an approximate amount by which to measure the advance in cost by reason of the decision not to proceed in January, 1951 and to wait until December, 1951. Would that be correct?

The CHAIRMAN: In your question you are seeking the total dollar cost?

*By Mr. Fleming:*

Q. Yes, I want to come to the total. We have been told that the number of units was, I think, 494. I am trying to ascertain if it would be fair to take these three together and average them to arrive at the total.—A. Mr. Chairman, arithmetically I think that would be fair. I think it is to be appreciated, however, that there might have been trouble in trying to get those 85 units bid in January, 1951 completed at the contract price. But that is pure hypothesis, and I do not think that I could in any way qualify the arithmetical difference by such a contingency.

Q. Well, we arrive at an average—if you take the prices of the three types and average them out, we would arrive at an average of about \$820 advance in price on each.—A. Mr. Chairman, I think that is approximately correct. It is the figure corresponding to my guess of \$650 when I was last answering the question.

Q. And the number of houses affected by this decision, 494, say that we finished up with a figure of approximately \$400,000, which is the increased cost which has been borne as a result of the decision not to proceed in January, 1951 and to wait until December, 1951. That is correct, is it not?—A. Yes, from the figures I have placed before the committee, Mr. Chairman, I think that is correct.

Q. It is something over \$400,000. Well, you had a tender from responsible contractors in January, 1951, did you not, Mr. Mansur?—A. Yes. That tender of January 23, 1951 was acceptable as far as the responsibility of the contractor was concerned.

The CHAIRMAN: What was the material situation in January, 1951?

Mr. FLEMING: In Vancouver?

The CHAIRMAN: In Vancouver, or anywhere in Canada as compared with December, 1951.

The WITNESS: The change was very marked. In January, 1951, the lumber market was by no means as free as it is at the moment. Warm air furnaces, not only in Vancouver but at practically all places in Canada, were in very short supply at that time. Galvanized sheet for flashing and warm air ducts was unobtainable at that time. The situation changed very sharply in the third quarter of 1951.

The CHAIRMAN: Would you care to assign any reasons why the January 23, 1951 tender was not accepted?

The WITNESS: The reason it was not accepted was that in the light of the overall situation, both in respect to labour and materials, consultations took place between ourselves and the minister and the decision was, at that time, that in the light of all circumstances it would not be advisable for us to proceed to complete Fraserview.

The CHAIRMAN: Are there any further questions arising out of the answers which Mr. Mansur has given the committee today?

*By Mr. Fleming:*

Q. I would like to follow up your last answer. Did the contractor who submitted the tender indicate any reservations to you about building materials in January, 1951?—A. Mr. Chairman, I would have to check the correspondence to get an answer to that question. To my recollection, no, but that may not be a correct answer.

Q. Was the material situation in Vancouver not appreciably better in 1951 than in most other places in Canada?—A. In respect to lumber, I would think, yes. In respect to galvanized sheet, hot water boilers and warm air furnaces, I think it was tighter on the Pacific coast at that time than anywhere else in Canada.



Q. Did the material situation not appreciably improve long before December, 1951?—A. Mr. Chairman, I do not think so. I think by December, 1951 the difficulty with respect to building materials was reaching a peak—I beg your pardon, I am in the wrong year.

Q. May I just make my question clear, then? What I was asking you was if the material situation had not appreciably improved in 1951 much earlier than December 6?—A. Yes.

Q. Much earlier?—A. Yes, I think, Mr. Chairman, I made a statement that the big change took place in the third quarter of 1951.

Q. By the third quarter you mean the quarter beginning July 1?—A. Yes.

Q. But no decision was made to resurrect the Fraserview project for those remaining 500 houses until December last?—A. The tender call, Mr. Chairman, would be about four weeks prior to that date. The actual date of tender, I would guess, would be about November 15.

Q. What is the significance of the problem about the building materials anyway? You suggested earlier that there might have been difficulty about completion. I take it, or am I correct in understanding, that it might mean a delay in completion if there were shortages in any building materials encountered had the tender been accepted in 1951, but the contractor, had his tender been accepted, would then have been obliged to complete according to the price?—A. That is correct.

Q. So that whatever may be said about the building material situation in January, 1951, as compared with the third quarter of the year, the fact remains that the delay in proceeding with this contract, reflected in the decision in January not to proceed until December, did cost something over \$400,000?—A. Yes, I think that is the case.

The CHAIRMAN: I think, Mr. Fleming, that you are not unmindful of the fact that the priority for material which the job we are now discussing carried, if exercised, might have encroached on defence building?

Mr. NOSEWORTHY: Mr. Chairman, were not all these factors known and taken into consideration before the first tenders were asked for?

Mr. MACNAUGHTON: It seems to me, Mr. Chairman, that we are getting pretty far afield. I have tried to follow this line of questioning and if Mr. Fleming wishes to apply one code to the corporation and another to private enterprise—well, that may be one thing—but I do not see much point in this, frankly.

The CHAIRMAN: Mr. Noseworthy, you had a question.

Mr. NOSEWORTHY: My question was: Were not these difficulties known before the first tenders were asked for?

The WITNESS: Mr. Chairman, the tenders during the late 1950 for Fraser-view consisted of about four attempts on our part to get this at a level which was satisfactory in relation to the cost index at that time—as represented by our index. On three previous occasions we had secured bids that were unsatisfactory, and the bid quoted in this return which I have made was the last of them.

*By Mr. Fleming:*

Q. And it was satisfactory?—A. It was not satisfactory as related it to the cost index at that time.

Q. You thought the price of the tender was high?—A. Yes I did, at that time, yes.

Mr. RILEY: Which one is that? Is that January 23rd—is that the one Mr. Mansur means?

The WITNESS: Yes—\$6,612.

*By Mr. Cannon:*

Q. Mr. Mansur, is there any provision in these building contracts for renegotiation if the price of the material should change, or anything like that?—A. Our standard contract is on a firm bid basis and the renegotiation provision or the escalator clause as it is called, is not contained.

Q. That might have had some influence on the difference in price between the two.

Mr. RILEY: Is there any provision made in these contracts in respect to the cost jumping—the cost of materials—when the delay in construction may be laid to the door of Central Mortgage rather than the contractor?

The WITNESS: Mr. Chairman, in any firm bid contract the contractor has an action in damages against the owner if indeed an action of the owner has involved loss to the contractor. To that extent yes; but by formal provision in the contract, no.

(Mr. Cannon assumed the chair.)

Mr. FLEMING: Was the decision taken in January of 1951 not to accept the tender and not to proceed with the construction of this remaining 500 houses a decision of Central Mortgage and Housing Corporation or a decision of the governments?

The WITNESS: A decision of the government.

*By Mr. Hunter:*

Q. At that time, Mr. Chairman, was it not considered that due to the armament which we were going through that it might be a very long time before building materials became readily available for housing?—A. Mr. Chairman, at that time I think the government was attempting to defer everything it possibly could because it found there were tremendous strains being placed on the construction industry at that time. That applied not only to Fraserview but to a number of other activities of the government.

Q. Was there anything at that time which indicated the emergency might be quickly over?—A. I do not think so. In fact, I had anticipated a shortage of building materials in the residential field for a period much longer than that which extended in the third quarter of 1951. I had thought that we were in for much greater trouble than did occur.

Mr. FLEMING: Did the corporation make any recommendation to the government prior to the government's decision in 1951 not to proceed?

The WITNESS: Mr. Chairman, I am not sure of my position and I look to you for guidance; but I understand that communications between ourselves and the minister, particularly in the matter of advice, are privileged.

The DEPUTY CHAIRMAN: I think that is correct—that any communication between the corporation and the minister as to the policy of the corporation—

Mr. FLEMING: This is not on policy. Presumably we will leave for Mr. Winters any question about the decision but, in view of Mr. Mansur's statement that this decision was taken not by the corporation but by the government, I ask if the corporation made a recommendation. If you want precedents on this—for this question—you will find plenty of them in the Radio Committee where we have been given without any questions year after year recommendations made by the corporation to the Minister of Transport—for instance those with respect to the issuance of licences. It is given every year.

Mr. RILEY: That is not the case here.

The DEPUTY CHAIRMAN: That is a matter of policy that is made in individual cases.

Mr. FLEMING: The government in this case made a decision and what I have asked is if prior to that decision the corporation made a recommendation to the minister.

Mr. MACNAUGHTON: Why not ask the minister?

The DEPUTY CHAIRMAN: I think the decision is a matter of policy and the elements the minister acted upon, whether it was a question of advice or not, is a question for the minister.

Mr. FLEMING: I submit that I am not asking a question of policy. I am asking if the corporation made a recommendation. That is a matter of fact and not policy, and it is properly within the scope of Mr. Mansur.

Mr. RILEY: Obviously, Mr. Fleming is trying to bring out whether there was any variance between the thinking of the officials of the department and the government with respect to what policy would be. I do not believe it has any bearing.

The DEPUTY CHAIRMAN: Mr. Fleming is trying to find out what were the motives behind the minister when he decided what the policy would be. I think that is not the sort of question that should be asked of Mr. Mansur.

Mr. HUNTER: Might I say at this time, as Mr. Macnaughton said earlier when he raised the point, we are here studying the report of the Central Mortgage and Housing Corporation. We have gotten pretty far afield and I feel at this point that we have gone so far afield that we are entirely outside the terms of reference of this committee. I would suggest we try to restrict this and get on with the job.

The DEPUTY CHAIRMAN: I rule the question out of order.

Mr. FLEMING: I have asked the question whether a recommendation was made. I think you anticipated a question asking for a communication containing a recommendation. I simply ask the question if a recommendation was made by the corporation to the minister in connection with this matter prior to the government's decision on it?

The DEPUTY CHAIRMAN: You have qualified the question by saying that it has to do with a recommendation prior to the decision of the government and therefore bearing on the decision of the government. I am of the opinion that anything bearing on the decision of the government on a matter of policy is not a question to be asked of this witness but it is one to be asked of the minister.

Mr. FLEMING: I must appeal your ruling.

The DEPUTY CHAIRMAN: I will call for a vote on that. All those in favour of sustaining the ruling please say aye? Those against?

In my opinion the ayes have it.

*By Mr. Fraser:*

Q. On May 7 I asked if Mr. Mansur could give us the names of the distributors in the five different districts where they got nails, where nails were distributed. Have you got those names?—A. I think that was filed at the following meeting, Mr. Chairman.

Q. Then it would be in the next report, would it not?—A. I think we have a copy of it here which we can give to Mr. Fraser.

The DEPUTY CHAIRMAN: I think that answers your question, does it not, Mr. Fraser?

Mr. FRASER: Yes, thank you.

Mr. MACNAUGHTON: What page are we at, Mr. Chairman?

The DEPUTY CHAIRMAN: Do you want that answer on the record, Mr. Fraser?

Mr. FRASER: It must be already on the record, if it has been answered.

The DEPUTY CHAIRMAN: If there are no further questions on that last section, let us proceed.

*By Mr. Harkness:*

Q. I would like to ask about the cost of lots at the Fraserview project. I have not been here before, and if my question has been asked already, then I won't go on with it; but it seems to me that the costs shown in this return seem rather high. How do those costs compare with a similar situation, let us say, with reference to the centre of Vancouver, and so on?—A. If lots were sold subject to services being fully paid for, and that would be the only basis for a reasonable comparison, I think then that the special circumstances of Fraserview, including a rather expensive expropriation proceedings, together with the existence of the buildings on the site, had the result of bringing the net cost of the Fraserview lots out to something of the order of three to four hundred dollars more than for what comparable lots could be found in other sections of Vancouver. I would think, Mr. Chairman, that that might be qualified by saying that nowhere in Vancouver could 1,500 lots be found in one spot, so that a subdivision of this kind could take place.

Q. In other words, the price is relatively high, but you could not get that number of lots anywhere else?—A. I think that is correct, sir. I might answer that question in another way, though, by saying that if you take off the land expropriations, I mean the expropriation charges, you would be getting down into an area which I would think was one of comparable cost with other land in Vancouver.

*By Mr. Riley:*

Q. I would like to ask Mr. Mansur how these prices such as at the Fraserview project, compared in 1951 with prices in eastern Canada, particularly in the far eastern part of the Maritime provinces, on a unit basis?—A. Land development in the newer property in St. John's, Newfoundland, if I remember correctly, came out at \$1,400 a lot; there was no trouble of acquisition at all included in that; and in the case of the Halifax-Westmount project, the city having absorbed about half the cost of local services, my recollection is \$1,100 a lot; and in the case of the Rifle Range at St. John, N.B., I am afraid that I cannot answer that one; but I can find out for you.

Mr. MACNAUGHTON: It seems to me that we were on page 18, Mr. Chairman.

Mr. FLEMING: No. We were only leading up to page 18.

The DEPUTY CHAIRMAN: I was not here yesterday.

Mr. FLEMING: The chairman asked at the conclusion of yesterday's meeting if there were some more questions on pages 13 to 18 and I indicated that I had several to ask before we got to 18.

The DEPUTY CHAIRMAN: Has anybody any questions under the heading of "Housing enterprises" on page 14?

Mr. FLEMING: My questions are on page 16, Mr. Chairman.

The DEPUTY CHAIRMAN: Before we pass on to anything else, does anyone want to ask any questions on "Veterans rental housing"?

(At this point the chairman of the committee, Mr. Cleaver, resumed the chair.)

The CHAIRMAN: Have we now reached "Home improvements and home extension loans", on page 18?

*By Mr. Fleming:*

Q. Under "Allocations" on page 16, reference was made in the last line or two concerning applications on file. What is the extent of the backlog now? Have you any figures readily available on that?—A. Yes, we have, Mr. Fleming; they are right here.

Q. Do they show the trend of the backlog, whether it is increasing or decreasing?—A. The backlog is decreasing. Each six months it is the duty of our branch offices to go over the existing applications and do a weeding process. There are always fairly substantial changes in some of the branch reports that come in.

Q. Is there a statement which could go into the record about that?—A. Yes, I could put a statement on the record showing the number of applications which we have at each one of our branch offices.

The CHAIRMAN: Agreed. Are there any further questions?

*By Mr. Fleming:*

Q. Covering a reasonable period, giving us a picture of it?—A. Would it be satisfactory if I included such a statement for, let us say, two or three periods?

Q. You mean two or three six-month periods?—A. Yes.

Q. Let us say three of those periods?—A. Three periods of six months each.

The CHAIRMAN: Agreed. Are there any other questions?

*By Mr. Fraser:*

Q. What about your priorities? They have not changed any in the last year, I mean the set-up for rentals?—A. No. The rating system is the same as it was, with adjustments for Korea veterans, so that they come in with their Korean service, as if it was European service. It is added to the European service.

Q. On the same point basis?—A. Yes, on the same point basis.

*By Mr. Fleming:*

Q. Do you pay a fee to the bank for rental collections?—A. Yes, and the fee is 10 cents per item.

Q. On page 17, you give the aggregate selling price of those houses which were sold in the figure of \$109,557,000. Have you got the comparable figure of cost?

The CHAIRMAN: I think perhaps that is a question that should be answered in writing at the same time.

The WITNESS: Mr. Chairman, the total capital investment in munitions workers' houses, veterans programs up to the 1948 houses is \$138,700,000; and that, Mr. Chairman, is not comparable to that \$109 million, because the \$109 million had application to these 25 thousand units and that figure which I have just mentioned has application to the 31,554 units.

The CHAIRMAN: I think it would be advisable if you would answer questions as accurately as you can and with as few qualifications as possible and in writing at our next meeting.

Home improvements and home extension loans, page 18:

Mr. FLEMING: Mr. Chairman, I have one question on page 18 on land assembly before you go to that.

The CHAIRMAN: I thought we would come to that under section 35, and that is the reason why I introduced this section.

Mr. FLEMING: Mr. Chairman, I want to ask some questions about that section, but I am quite prepared to leave it if you prefer.

The CHAIRMAN: Yes.

Mr. HELLYER: This will come within section 35, I suppose?

Mr. HUNTER: Yes.

The CHAIRMAN: Just what was it you wanted to ask about, Mr. Fleming?

Mr. FLEMING: I was going to ask about the real efficacy of section 11. We have been told what the effect of the section is here. My question is trying to bring out what effective use has been made of section 11. There were some hopes held out when that section was adopted. Has it really amounted to very much, Mr. Mansur?

The WITNESS: There have been some quite impressive projects done under it. I think one of the best known is Yorkminster, in Toronto.

The CHAIRMAN: And the London Life did a fine job in Orchard Park in Burlington.

Mr. FLEMING: That is an exceptional community, Mr. Chairman.

The WITNESS: A total of 9 land assembly projects with lending institutions, involving 2,133 residential building lots were guaranteed under this section. There have been no claims from lending institutions for losses, and the profit to date realized by reason of the cushion included in the sale price is \$50,408.00.

The CHAIRMAN: Home improvement and home extension loans:

Mr. MACNAUGHTON: Before we leave that section, Mr. Chairman, is there a limit on the amount of return that the insurance company can make on one of these projects.

The WITNESS: Mr. Chairman, the limit on the return to the insurance companies is 2 per cent per annum of their invested capital.

*By Mr. Hellyer:*

Q. That is the maximum they can make?—A. Yes.

Q. Do you think, Mr. Mansur, that it would help in providing greater use of this section by the lending institutions if that limit were increased?—A. I do not think it would. I think that the feeling of the lending institutions against it is more directed towards the amount of work which is involved and the difficulties encountered in tying up all their staff rather than toward interest rates and return. I think, that the incentive to the lending institutions under the present plan was not the return on their money voluntarily invested but rather in the mortgage business that would arise from that land assembly.

Q. Do you think there would be any advantage in giving it to a private corporation and guaranteeing a return of say 5 per cent or 6 per cent per annum to private individuals?—A. We have not thought of that.

Q. It seems that the lending institutions are losing interest in this particular section, and it occurred to me that possibly some other people might take it up if they had the same opportunity. Would you care to comment on that?—A. Mr. Chairman, I would like to think about that before I give an answer.

The CHAIRMAN: Stands.

Are here any further questions on land assembly?

Home improvement and home extension loans: are there any questions?

*By Mr. Fraser:*

Q. On this, did the corporation give any municipalities any help regarding slum clearance?—A. The slum clearance grant which has been made under section 12 has been made to the Toronto housing authority for the Regent Park development.

Q. Is that the only one where such a grant has been made?—A. That is the only slum clearance grant that has actually been made. There have been a number under discussion.

Q. How much is that in greater Toronto, Mr. Mansur?—A. \$1,150,000; or 50 per cent of the cost of clearance whichever was the lesser.

Mr. FLEMING: And the acquisition of land?

The WITNESS: Yes, the acquisition and clearance.

Mr. FLEMING: You said just clearance.

The WITNESS: Yes, I meant acquisition and clearance.

Mr. FRASER: You had to take the land in first.

The CHAIRMAN: Are there any further questions?

Mr. JEFFERY: How much of that has been advanced to the city, Mr. Mansur?

The WITNESS: It seems to me there is approximately 70 per cent of that project acquired by the land department of the city of Toronto. I will give you a good figure at our next meeting. I would guess \$700,000.

The CHAIRMAN: Stands.

Mr. HUNTER: I just wanted to find out what constitutes a slum area?

The WITNESS: I think the best definition of that comes from the United States. The United States material seems to define a slum as an area which has no running water or a separate toilet and it is in a dilapidated condition in respect to its exterior; but I would think that the determination of slums was largely a matter of opinion rather than of fact.

Mr. FRASER: Well, the United States would be a better judge, because we haven't got much of that here.

The WITNESS: I would agree with you on that, sir.

Mr. HUNTER: That would be a matter of agreement between yourselves and the municipality.

*By Mr. Fleming:*

Q. What was the effect on the use of section 12 of the introduction of section 35?—A. I believe that 12 and 35 could be used in conjunction, in some of our older cities. There is a project under section 35 at the moment proposed for Halifax, and I know that the city of Halifax are very anxious at the same time as they start their housing authority to see if they can't clear up some of the sub-standard areas in the central parts of the town. Again, in the Prince Edward area of St. John, New Brunswick, the local housing authority has been talking to us about the application of 35. I do not believe that either of these two municipalities would be talking to us about the application of section 12 unless they knew there was some way to make progress under 35, getting on with some re-housing, because every one of these slum clearance projects involves re-housing.

Q. Yes. In the re-development plan, I understand it came under 35; the land clearance and the land assembly must be first carried out under section 12 before section 35 comes into play, so that the dominion contribution is 50 per cent, up to the point where the land is acquired and cleared. Am I right on that?—A. I don't know, and I will tell you why. In my opinion at least—and I am not a lawyer—there is a certain amount of conflict that has been left in the National Housing Act as between section 12 and section 35. I can hope that in due course, after the matter is brought to the attention of the government, that some of that area of conflict will be removed. Under section 35 it definitely provides that the federal government shall bear 75 per cent of the cost of the development of a project. Now, I think that when we really get down to cases we are going to have some pretty practical difficulties with the municipality in the case of a re-development project such as you suggest in convincing them that it comes in nice easy stages and stage one

is a 50 per cent contribution by the municipality and stage two is a 25 per cent contribution by the municipality. I believe we will have to have the determination of that apparent conflict from the government before we go very far.

Q. When section 35 was under discussion in the House in the committee of the whole—I think you were present—you may remember that I asked Mr. Winters if section 35 could be applied or would be applied to redevelopment projects as distinguished from development projects and his answer appeared to indicate the negative, that it did not so apply. Well, I found a different view of the effect of section 35 expounded by your officials out in Vancouver last September. There was some discussion about it at the time and they took the view that section 35 did apply in a re-development project and I think we ought to try to get the point cleared up. Has it arisen directly in your experience?—A. It has been under discussion and I think the most honest answer I can give you, Mr. Fleming, is the first one—I don't know. I think anybody who is working under this Act would admit quite freely that those two sections do not read very well together right at the moment. You asked me if it has come up in my work. Yes, the municipalities and the provinces have been looking at this very carefully and their interpretation, whether or not it comes from their law officers, is that, section 35 is applicable to the whole project whether re-development or otherwise.

Q. I think it won't be hard for us to believe that that would be the view taken by the provinces and the municipalities because the terms so far as the municipalities are concerned under section 35 are much more favourable to them than under section 12. Without appearing to trespass in the field of any recommendation to the minister you may have made on this subject, Mr. Mansur, would you be prepared to make a recommendation to this committee that we might pass on to the House?

The CHAIRMAN: I think that is in the hands of the committee, Mr. Fleming. I think the committee might feel like making some recommendations.

Mr. FLEMING: Quite, but we would be glad to have the assistance of Mr. Mansur's experience on this.

The CHAIRMAN: I do not think it is fair to ask Mr. Mansur that question.

Mr. CANNON: It seems to me that the wording of subparagraph 1 of 35 is broad enough to include both housing and re-housing.

Mr. FLEMING: All I can say, Mr. Chairman, is that that was the view I hoped—

Mr. CANNON: There would not be any point in making a recommendation to the House because the Act is broad enough now to include either.

Mr. FLEMING: I hoped that that was the view that was going to prevail when I asked the minister in the House in 1949 when this section was under review in the committee of the whole, and the view that he expressed at that time was that section 35 would not be available for the purpose of land assembly and land clearance in re-development projects. If it is a re-development project you have to assemble and clear your land under section 35 and then section 12 comes into effect at that point.

Mr. HUNTER: I think that was the intention.

The CHAIRMAN: The minister will be with us next week.

Mr. FRASER: Well, Mr. Chairman, will you see that this is brought to the attention of the minister at that time? That is a question that the chairman can put before the minister at that time.

The CHAIRMAN: Page 20, "Research work by the corporation."

Mr. CANNON: I just want to say that what I said was from a purely legal point of view. Now, as to the policy in carrying it out that is another thing.



Mr. FRASER: Don't you think, Mr. Chairman, the layman ought to know a little bit about this as well as the lawyers? The layman has had practical experience in it.

The CHAIRMAN: Next—"Grants to universities."

Mr. FRASER: That is for student housing, is that right?

Mr. HUNTER: Education and research.

*By Mr. Macnaughton:*

Q. Mr. Chairman, under this section I understand grants are made to universities for research. How can that research be used or has it been used?

—A. Yes, the grants to universities fall into two main categories. I think I mention them here. The first one we are very proud of, the development of schools in housing and community planning in four universities together with the graduates who have taken the fellowship course. The results have been almost phenomenal as to the number of graduates who are now occupied in the tasks for which they were trained. The last count we had was that fifteen of the eighteen who received this fellowship were presently engaged by provinces and municipalities. We are very proud of this, not only of the results of these fellowship students but also as a by-product we have developed in each one of those four universities a centre of learning and understanding about such matters.

Now, moving on to the second one, "Grants to assist in research," at McGill—I refer to one of them—a comprehensive study was made upon provincial planning legislation which, I might say, is presently forming the basis for some hoped for changes in the province of Quebec. I do not think those changes would have been forthcoming if that information had not been put together.

There is one going on at Queen's at the moment, the study of new towns, company towns or single industry towns, to show methods of financing and servicing and indeed municipal organization. That is a subject we are continually dealing with. We deal with it at Ajax and at Gander and the knowledge on the subject that may be located in any one spot is almost nil. We feel that that work at Queen's is going to make a very important contribution not only to our operations but also to anybody else in this field. It is that type of field, Mr. Macnaughton, in which I think there is very good work being done and whether it be in the training of technical people or in this research we are coming up probably with a by-product as important as the work itself, namely, a centre in which this subject is receiving continuous study by the universities.

*By Mr. Hunter:*

Q. What type of courses would people be taking who would find a course of that nature useful? Would it be engineers or architects?—A. We have had two or three engineers, quite a few architects and a few economists. Those are the main group that we draw on.

*By Mr. Fraser:*

Q. Mr. Chairman, the other day I had a man in to see me and he was a soil mechanic from Soil Mechanics Limited. That was the name of the English firm—Soil Mechanics Limited, and I wondered if you went into that sphere at all?—A. Mr. Chairman, the outstanding Canadian expert on soil mechanics is Mr. Legget of the Research Council. He came to the Research Council from the University of Toronto and I think Mr. Legget is the North American expert on soil mechanics, particularly as they relate to foundations.

The soil work for our organization is done for us by the Research Council. For instance, immediately the Winnipeg flood took place we were very concerned about the foundations of houses which we owned and houses which were under

construction. The Research Council at our request went out and did some work. I think in that respect we are very ably served by the Research Council.

The CHAIRMAN: We have now reached "Public housing", page 21.

Mr. MACNAUGHTON: Mr. Chairman, just before dealing with that I would like to make a few remarks and I do not intend them to be critical. The purpose is to elicit information. Under the heading of "Other", we have granted \$251,000 to the Community Planning Association of Canada and the object is to develop a program of public information and the promotion of community planning.

The question I would like to ask is, what practical influences does all this community planning have on large scale builders because there is very little evidence of it in Montreal, in any event. Large builders buy a large tract of land and they seem to jam it full of buildings. It seems to me that the profit motive seems to be the only factor and obviously the social consequences of bad community planning are very serious to the country. As a matter of fact, it would appear—and I hope I am wrong—that the Community Planning Association of Canada does not seem to have very much effect on private builders.

Therefore, I say that although we are all for community planning and this association is doing a very good job in the publication of a magazine and dissemination of information, what practical benefit do they have to private builders and has the corporation anything to suggest so that the work of the Community Planning Association could have some practical effect?

Mr. HUNTER: May I say this, Mr. Chairman, that it has very little effect, from my limited experience, on builders. It has had a great effect on the attitude of municipalities as to whether or not they will approve and file plans.

The CHAIRMAN: And the local planning board.

Mr. MACNAUGHTON: Certainly, in the city of Montreal if there is such a thing as community planning I would like to see some evidence of it.

The CHAIRMAN: Have you a planning board in Montreal?

Mr. MACNAUGHTON: I do not know, but I am sure we have had for years. In my own constituency, which is just indicative of a new constituency in this country rapidly growing, we have street after street of the most atrocious housing, cheap brick encased wooden places of three stories—you would almost call them tenements, and I do not care what the official name is. It was only a matter of three or four years ago that that land could have been subdivided on a properly planned basis and made a really attractive section of Montreal. It seems to me when we build a house and it is built to last for a number of years, that we are only creating great hardships for ourselves in the future, and the social consequences of massing a lot of people on a small area are terrific to contemplate.

Mr. CANNON: Is that not a matter for your municipal council?

Mr. MACNAUGHTON: My point was that we spend a lot of money, and I would like to know if it is possible for the corporation to have any effect to require the use of the plans of the community planners, to insist that when a building project is undertaken one of the terms and conditions, for example, might be that they do not construct as many units on a given area as is possible.

The WITNESS: Mr. Chairman, the Community Planning Association was set up primarily for public information and education, but it was hoped that their activities would extend beyond that and would get into the very field which Mr. Macnaughton has suggested needs them so badly. I would think that the example which Mr. Macnaughton has quoted is probably a particularly bad one. I can think of other communities in the country in

which the local branch of the Community Planning Association has had very much more influence than in the city of Montreal. I think of Edmonton as an example, where I think there has been quite a lot of influence exerted. I may be wrong but I think that education in land use is not too likely to be successful. I believe that the Ontario practice of the Department of Planning and Development, which will approve new subdivisions provided they have the concurrence of the municipality and the local planning commission, is the best of all that we have seen in this country to date. I rather hope that we may see exactly the same thing in the province of Quebec before too long. There are signs that the province of Quebec are also concerned about this. It might interest you to know that one of the studies being done at McGill University at the moment is on the present use of the arpent. That sounds like a pretty high faluting subject but it is a very important one because it is the existence of the arpent, Mr. Macnaughton, that has caused quite a lot of trouble to which you refer, I do not believe that other than by education or by participation by some of the better builders with the Community Planning Association can we get the kind of voluntary conformity of the builders to the ideas of the Community Planning Association. But I do think that their activities in varying degree and in various parts of the country have been quite important, and, as suggested by one of the hon. members, I think that their influence, their contribution in that field to date has been the crystallizing of thinking at the municipal and provincial levels leading towards the very sort of thing that is found in the activities of the Department of Planning and Development in Ontario at the moment.

*By Mr. Riley:*

Q. Is it not true that the Community Planning Association has been largely responsible in many communities for the crystallization of their thinking in that regard? I would judge that the services of the Community Planning Association have been of inestimable value to the communities across the country.—A. Oh, yes, I would agree with that, Mr. Chairman. I think that Saint John, New Brunswick, is probably not too good a place to judge the rest of the country by, because I do not think Saint John, New Brunswick, needed the Community Planning Association or anybody else to tell them how the city of Saint John needed to be redeveloped.

Q. That is because of the excellence of their town planning authority.

Mr. MACNAUGHTON: And local member!

Mr. HUNTER: I would ask that be underlined!

*By Mr. Ward:*

Q. In Mr. Mansur's very excellent brief the term "rural housing committees" is used. What is the character of those committees? How are they formed?—A. In 1946 we felt that there was a lot of work to be done in connection with rural homes, not only in the three prairie provinces but in the rest of the country. In 1947 we established what is known as the Prairie Rural Housing Committee and it was made up of the three western universities, the three provincial governments and the Central Mortgage and Housing Corporation. It was financed 55 per cent under Part V of the National Housing Act and 45 per cent by the provinces, being 15 per cent each. The group, being the representatives from the partners in this venture, met and the problem was broken down into main components, such as farmhouse planning, remodelling kitchens, heating, sanitation, rural electrification, home economics, in all, seven main subjects. Under the chairmanship of the person who appeared most competent in the pool of joint resources, a team was set up and they went to work on these various problems. During the

last three years there have been a series of booklets published. The one which deals with new rural construction is tremendously in demand. The province of Alberta recently ordered an extra 50,000 copies of it and it is quite a substantial book.

The CHAIRMAN: You have a copy of it, Mr. Ward.

The WITNESS: I believe that has been a very successful venture. The committee has come to what they believe is the end of their current activities. I have a report on my desk now from the chairman, which is in the nature of a final report, and I believe that that committee, made up largely of the provincial governments and the universities, have made a most important contribution to the quality of rural housing in the three prairie provinces.

*By Mr. Ward:*

Q. You said the end of their work—you mean the end of their research work.—A. They have now reached the end of these seven projects that were laid out to be done by the various committees.

Q. Individual projects?—A. Yes.

Q. Are these really rural homes or are they subdivision homes?—A. They are really rural homes. They contemplate the house on the quarter section or the half section.

Q. And that is still in effect?—A. Oh, yes, this information is available through the provincial governments, through the universities and through our organization.

Mr. RILEY: Mr. Chairman, could I go back for a moment. In order to clear up for some of the members of the committee Mr. Mansur's reference to the arpent, would the witness mind explaining that system to the members of the committee?

The WITNESS: Mr. Chairman, I would like to resign in favour of a lawyer trained in the province of Quebec. An arpent, Mr. Chairman, is a French measure of the equivalent of an acre. The arpent, if I remember correctly, is something of the order of 37,000 square feet, as compared with 43,560 square feet in an acre.

Mr. CANNON: The arpent is both a measure of area and a measure of distance—I am not sure which it represents, though.

The WITNESS: As a measurement of distance, if I remember correctly, it is the square which would represent this 37,000 square feet, that would be about 190 feet square. The arpent was the shape of the farm on which the rural development of the province of Quebec took place. Generally, it took place in the form of concessions back from the river and, therefore, there was a narrow river frontage and very long depth. As succession took place in the family the farm, which may have been so many arpents, was divided in two. Another succession took place and it was divided into four more—so even today in the city of Montreal you see these subdivisions of the arpent represented by land holdings. What happens is the private builder to acquire lands must go to where it is owned, and he finds the descendant of the original holder of the big acreage owns a strip of land a mile and a quarter long and 250 feet wide.

Mr. CANNON: One of the reasons for that now, it happens to come to my mind, was not only because of the length or area of the arpent—but the farm houses were built close together for protection against the Indians. In place of having a broad width with the farm houses far apart you find the houses close together with a greater depth to the land.

Mr. MACNAUGHTON: And also close to the river.

Mr. CANNON: The areas into which Montreal has now developed were subdivided in that manner.

Mr. RILEY: Don't people in Montreal live close together now?

Mr. MACNAUGHTON: But the situation has changed. Now it is to protect us from the maritimers who have taken over St. James street.

The CHAIRMAN: Page 21, public housing.

Mr. HENRY: Have you had any application from the Toronto housing authority as to the further extension of the Regent Park project?

The WITNESS: No, we have had no application. Applications to us of that type would arise through the province. It would not be a direct application from the authority itself and we have had no word from the province that such an application is even under way.

The CHAIRMAN: If there are no serious questions on this I will stand the item. I know that Mr. Fleming has some questions.

We now come to management which is also under public housing.

Mr. MACNAUGHTON: Which page are you at now?

The CHAIRMAN: Page 23.

Mr. MACNAUGHTON: May I revert to page 22?

The CHAIRMAN: I suggest that under "administration" we take up all the subparagraphs.

Mr. FRASER: You are holding those two items?

The CHAIRMAN: I am. Now we have "administration of Central Mortgage and Housing Corporation".

Mr. FRASER: What page?

The CHAIRMAN: Page 23 and following.

Mr. HUNTER: I had not quite finished with public housing, Mr. Chairman, might I ask a question on that?

The CHAIRMAN: Another serious question.

*By Mr. Hunter:*

Q. A serious one. I was wondering if Mr. Mansur could give us a list of the applications that have been made by the province of Ontario under section 35 for the servicing of land or anything else under that section, and how many projects have crystallized and become firm?—A. At the time I made the statement I tabled a summary of federal provincial projects— and that now forms parts of the record. Perhaps I could supplement that by informing the honourable member of the projects which are now in the negotiation stage and in the talk stage.

Q. In which stage?—A. In the talk stage?

*By Mr. Macnaughton:*

Q. What is the difference?—A. Well, I think it is in degree of formality.

Q. I have one short question under types of projects. It says: Projects undertaken under section 35 fall into four classifications—(1) land assembly. The question is: What is the corporation doing with regard to land assembly projects in Montreal, if any, and, secondly, under what terms is this land made available to builders?—A. All applications under section 35, including land assembly, arise from the provinces. As yet in the province of Quebec we have had no indication from the provincial government that they wish to proceed with a municipality to assemble land.

*By Mr. Cannon:*

Q. I was going to ask you that? You have no projects at all in the province of Quebec?—A. No.

Q. Not one?—A. No. The province of Quebec has enabling legislation but as yet there has been no indication from them that they either wish to assemble land or construct rental housing.

Mr. HUNTER: I judge from this summary attached to Mr. Mansur's report that there has been no land assembly on a joint federal-provincial basis in Toronto? Is that correct?

The WITNESS: That is correct.

Mr. RILEY: There are only two to date, is that not right?

The WITNESS: Well, Mr. Chairman, there is one at Atikokan, one at Windsor, one at St. Thomas, and one in London.

(Short discussion off the record.)

Mr. MACNAUGHTON: The second question is how, and on what terms is this land made available to builders?

The WITNESS: In the Ontario developments, which I might use as being the more typical of them, we acquire acreage, finance the installation of services, and arrange with the municipality in most cases for what you might virtually call the assignment of the normal local improvement tax roll. That is one way of doing it. The other way of doing it is to have the new owner of the land purchase it from you and pay in full for the local improvements.

Generally, the first technique is better so, really the sale is made either to an individual or to a builder at our raw land cost plus a proper cushion, subject to the equivalent of the local improvement taxes. The sale, particularly to builders and indeed to home owners, is protected by the partnership against speculative influences. In other words, if we are selling to a builder we require and enforce an end sale price as a control of this land which is rather cheaper than he could get by any other means.

What we are trying to do is to provide well planned projects for the builder and individual houses, and ensure that eventually the home owner gets full advantage of the finance and the talents, if you will, of the partnership in putting the land together.

*By Mr. Hunter:*

Q. What are the mechanics for keeping that under supervision? Do you have him submit plans and specifications and you set a sale price?—A. Yes. I might refer to the Ottawa project right here across the river at Hurdman's bridge. We subdivided that land, put in services, and the builders line up on the right for this land. We put it under our regular maximum sale price technique and do a deal not only with the land but also on the mortgage at the time the negotiations are going on. We tell builder "A" we are willing to make this land available provided we are satisfied with the maximum end sale price of the house which you produce".

Q. Those would be joint loans?—A. Generally speaking they would be joint loans. If a private owner wished to proceed, and in some cases that is so, the technique is theoretically the same but there is not the same facility for controlling it and of necessity is a bit looser.

The CHAIRMAN: On fairly early resale of the finished house what happens?

The WITNESS: We get 'done'.

Mr. FRASER: Mr. Chairman—

The CHAIRMAN: If I may I have just one other question and I am sorry to interrupt, Mr. Fraser.

What is the technique in regard to the assignment of the right to impose local improvement rates?

The WITNESS: The arrangement with the municipality is that instead of the municipality providing funds by selling debentures and making the improvements and then charging on the local improvement roll, they will look upon us as having done exactly that transaction and will set up a series of accounts owing not to the municipality but to the partnership, and will use their techniques for collecting them along with their regular taxes.

I may say, Mr. Chairman, that the municipality has been rather anxious that the recovery of those moneys be absolutely the same as they do it normally—through local improvement tax method. They do not want two methods existing in the city.

The CHAIRMAN: So that if the partnership sells vacant land to builders, then a special assessment roll is prepared by the municipality.

The WITNESS: Virtually that, yes.

The CHAIRMAN: Right!

*By Mr. Fraser:*

Q. What percentage is that to the total? That is to cover your overhead?—A. It is to cover the overhead and to cover any miscalculations, and to cover the passage of time.

Q. And you have a set rule for that?—A. We usually use 10 per cent; and if the disposal of the property is much faster than we anticipated, there is likely to be a profit. But if we get hung up for one reason or another and own the land for a long time, then it might disappear.

Q. You mean that you would be stuck?—A. Yes. But in any of the land assembly projects we have done to date with the life companies and with the provinces, the cushion has been sufficient to look after that eventuality.

Mr. HUNTER: It has been more than sufficient?

The WITNESS: Yes; and in the case of the life company projects we did them at a particularly good time, and we have made a very comfortable profit on them.

The CHAIRMAN: Shall we now turn to page 23 "Administration of Central Mortgage and Housing Corporation"; subparagraph (a) "capital and reserve"? Are there any questions?

*By Mr. Fraser:*

Q. With respect to this heading, you have made some profit. What has been that profit, let us say, in 1951?—A. In 1951 our profit on what you might call current account was \$3,144,000 odd; and to that must be added the proceeds from the sale of property acquired from Wartime Housing Limited, in the amount of \$9,843,062.96; in all, \$12,987,099.98. That is to be found on page 39 of the corporation's report.

Q. Thank you.

*By Mr. Hunter:*

Q. That \$9 million odd is just a paper profit?—A. No. That is a real cash profit.

Q. A cash profit; but I mean it is only a profit by reason of the fact that you took those properties over at a certain value.—A. Yes.

Q. So it is not a profit which was made by the operations of your corporation except through the selling of the property which you took over.—A. I would like to say that at the time we took them over the agreements with the municipalities were in a very different shape to what they are now. At the

time we took them over war workers houses were unsaleable, and they had a net value of six months rent from the declaration of the end of hostilities. I agree completely that under section 34 of the Act this property was transferred to the corporation, but I would like to mention that it was not quite in a saleable condition when it was given to us as a gift under section 34.

Q. You feel that you deserve some credit for that?—A. A little, sir.

THE CHAIRMAN: "Financial statements".

"Real estate".

"Sundry real estate".

"Additions to unrealized capital surplus".

"Borrowings".

*By Mr. Laing:*

Q. The 2 per cent rate has been maintained in the case of Frasersview?—  
A. Yes.

Q. How is the loss taken care of?—A. The loss on the Frasersview project?

Q. The loss occasioned out of the very cheap money?

The CHAIRMAN: The difference, I take it, would be between 2 per cent and the cost of government financing.

The WITNESS: Our borrowing rate from the Minister of Finance is 2 per cent. The rents charged to the tenants are calculated on 2 per cent; and as to the difference between that and the mid-term government borrowing rate, I think an official of the Department of Finance would know more about it than I do.

The CHAIRMAN: Agreed.

*By Mr. Fraser:*

Q. Under the heading of "Sundry real estate", and with respect to Deep River village, what is being done there now?—A. At Deep River, did you mean, Mr. Fraser, in respect to administration of Deep River?

Q. Yes. Have you any revenue from it?—A. No.

Q. There is no revenue from there?—A. No. The administration of Deep River was in the hands of Central Mortgage and Housing Corporation for one year. But last year we returned the administration to the National Research Council because the respective ministers felt that in the light of all the circumstances it was probably a project which was better administered by the Research Council than by the corporation; so that on income and expenditure account we have nothing. But we still act for them in their construction activities.

Q. You mean repairs and things like that?—A. No. I am thinking of the new church which has just been finished, the community center, extensions to the staff house, the 100 houses, and activities of that kind within Deep River. The Research Council asked us to do them.

Q. And they pay you for it?—A. Yes.

Mr. HUNTER: Who owns Deep River now?

The WITNESS: I think that Deep River is presently owned and managed by a new crown company.

The CHAIRMAN: "Additions to unrealized capital surplus".

"Borrowings".

"Overhead recovery", page 26.

*By Mr. Hellyer:*

Q. On page 28, Mr. Chairman, with respect to overhead recovery, it says: "The corporation has established a pension fund and staff retirement fund for its employees".



That would indicate that the plans are that Central Mortgage and Housing Corporation be more or less of a permanent fixture rather than just something which was necessary over a limited period to fill certain functions. I wonder if the witness would care to comment on that?—A. In my interpretation, when the various housing activities of the government were put together into one spot, the body to operate the combined operations would probably be a permanent one because it was quite likely that some of the operations being transferred to it were of a permanent nature. There would seem to be phases of our operations which will last for a long time. Therefore my opinion, for what it is worth, is that providing we behave ourselves and do a reasonably efficient job and to the peoples' satisfaction, there is every reason to believe that our life may coincide with that of our duties.

Mr. MACNAUGHTON: The new head office could be considered then as fairly permanent?

The WITNESS: I hope so.

The CHAIRMAN: "The present situation", on page 29. I would like very much if we could finish this report this afternoon so that at our next meeting we could start in on the three main questions indicated in the report of our agenda committee.

Mr. FRASER: All except those two you were holding, Mr. Chairman?

The CHAIRMAN: All except the two we were holding, Mr. Fraser.

*By Mr. Hunter:*

Q. With respect to the pension plan, I suppose it covers those people who are considered by your organization to be permanent employees. You must have a lot of temporary employees now?—A. We have a lot of categories in the corporation and from a total of 2,200 of all kinds, casual, contract, temporaries, we have 1,076 in the pension fund. They would be considered full time regular employees who had served the three months waiting period prior to entry into the fund. Also, the engineers and those working under short term contracts, are not in the fund, but are carried in the group insurance plan after a three month waiting period.

*By Mr. Fraser:*

Q. Mr. Chairman, on page 30, it says here, "fully serviced rental accommodation of four rooms cannot be produced for much less than \$85 a month under present conditions". I was just wondering if Mr. Mansur had any idea of any way it might be possible to get rentals lower than that, if a building could be put up so as to service a community at a lower figure than that? Everyone knows that is high.—A. The price is high. The quality is high. There is rental accommodation being produced for less than \$85. In Montreal it takes the form of what is known as cold water flats—no heat, no janitor service or anything of that kind; but if we are dealing with an apartment house in the general sense of the word, fully serviced, with refrigerator, stove, domestic hot water, janitor service and so on, owned by an individual who wants a reasonable return upon his equity.

Q. What do you mean by reasonable, 5 per cent or 10 per cent?—A. No, I think that a landlord entering into the field with the risks attached to it and requiring certain inducements to go into it, is probably looking to something closer to 15 per cent on his equity. With today's costs, I think that something of the order of \$1.10 per annum per square foot is about as low as we can get it down to. Now, if some of these conditions are removed, and I am not suggesting that they should be, and there are certain things that can be done to reduce rents. I think we have seen one or two very excellent examples of co-operatively owned apartment houses. We have also seen

examples of publically owned housing. There is one in Burlington. The alternates will produce lower rents, but I am not sure that housing owned by the state is the cure—all that sometimes it is represented to be.

Q. You take this housing owned by the state. When they get into difficulties it sometimes get into a slum condition, doesn't it, unless there is lots of space around it, playgrounds and all conveniences?—A. Yes. Mr. Chairman, I think that one of the interesting things in this country is that the state multiple housing of which, of course, we are about 95 per cent owner, all falls into the category of rental housing where the land has not been sweated. Mann Avenue here is a as good an example as you will find. There is something of the order of 16 families to an acre there. It is well planned, lots of open space; I do not think any of us or our grandchildren are going to see Mann Avenue get into the category of a slum. I think the same thing applies to Benny Farm, in Montreal; and we have some excellent projects in New Westminster and Vancouver; and, although there may be philosophical reasons against ownership by the state, I suggest that if you take an average of multiple accommodation throughout this country, that which is owned by the state is certainly not a bad type of housing. I do not think there is too much relationship between ownership and what may happen to it eventually.

*By Mr. Hunter:*

Q. Is not the main objection to state owned housing the fear that political influence will enter into the picture and may affect your collections, and so on; is that not the main fear in public housing?—A. Yes, Mr. Chairman, I think it is as far as rent collection is concerned. I have been told by a number of large landlords that we are the only organization they ever heard of in their life, private or public, who came out at the end of the year with rent arrears of rather under  $\cdot 3$  of 1 per cent, and a total rent write-off during the year of rather under  $\frac{1}{4}$  of 1 per cent. I assume it may be said that times have been good, and there does not seem to be yet very much trouble on that score. I think that is true. A group of people who get together act rather differently than they would as individuals. For instance, we notice that it follows a very exact pattern. Whenever we have a new project to be occupied we have a group of very grateful incoming tenants, and regularly within two weeks they form a, let us say, a Mann Avenue protective association. That comes just as night after day. So I think the point Mr. Hunter makes might have something in it. We have never yet been able to find out what the protective association are trying to protect themselves against, but that is what they call it.

*By Mr. Jeffery:*

Q. You must have learned something from past experience or from the things that were done previous to the last war?—A. No, I would admit quite freely that a chain of circumstances could get moving that would cause us trouble; but I think with reasonable management and with support from the real owners—I do not mean only the government but everybody—that public housing can be run. It is a new experience in all levels of government. The Regent Park project in Toronto is a good example. Rent arrears there are practically nothing.

Q. But do they pay economic rents?—A. They are below economic rents, yes. I may tell you that I can show you areas in this country where the rent arrears under present conditions are extremely large. I also appreciate that the capacity to pay must be there, but on top of that capacity to pay there is a tremendous difference between types of management as far as rent paying is concerned.

*By Mr. Fulford:*

Q. You take this question of rents, they vary with taxation. I understand that there are two ways to look at this in connection with state-owned enterprises, they can either pay taxes or reach some agreement with municipalities. If taxes go up, and they are going up all over Canada, rents go up. Is that not right?—A. That is correct.

*By Mr. Hellyer:*

Q. I would like to ask a question relative to the statement on page 30; "whether we like it or not, the reduction in effective demand is now a limiting factor upon private building". And that is reiterated on page 29, the previous page. I wonder if the president of Central Mortgage and Housing would know anything about how this apparent lack of effective demand came into being. There seemed to be no lack of effective demand last winter up to and including the time when the one-sixth loans were taken off dwellings on which that loan applied. I wonder if he would think there is any correlation between the fall off of effective demand and the removal of the one-sixth loan?—A. Mr. Chairman, the history of effective demand since the end of the war I think is this. For the period up to the end of the first quarter of 1949 the effective demand at current prices left nothing to be desired. Houses were being bought when they were nothing more than holes in the ground. Starting in 1949, about May or June, we sensed quite a weakening in the effective demand. We thought that a change was taking place. However, by the time June, 1950, came around a new set of circumstances arose and the effective demand tightened up considerably, and was accompanied by a sharp rise in prices. However, up to the end of 1950, or late in 1950, the one thing that we hadn't even bothered to keep track of, hadn't even looked at, was the number of completed but unsold houses in various cities in his country. In the first 5 years following the end of the war, that was almost unknown. But we suddenly found that it was necessary to give some attention to that, as we knew the condition was developing. As of February 29, 1952, in the metropolitan areas, and in the other major cities—which takes us down to about Sydney and Three Rivers—there were 1,464 completed and unsold houses. Now, that number of houses is not much more than two weeks production; and it probably is not a figure that anybody should be too concerned about, but it is a very real change from the experience of the first five years after the end of the war.

*By Mr. Jeffery:*

Q. May I interrupt for a second? How long did these remain unsold?—A. Of 1,407 of them, Mr. Chairman, 466 were one month unsold; 286 were two months unsold; 143 were three months unsold; 315 were four months unsold; five months, 126; six months, 39; seven months, 9; eight months, 18; nine months, 3; ten months, 2; and 2 of them thirteen months.

Q. So that in fact that ten days you mentioned was ten days' production?—A. Yes.

*By Mr. Macnaughton:*

Q. On page 31, line 12—lending by government was about 13 per cent. That is the total lending by the government, is it?—A. Yes, sir.

Q. My question would be, with a volume of housing costing \$12,000 or less, what percentage of the total mortgage money would be provided by the government? It seems to me the figure would be much greater.—A. Oh, yes, it would be greater. I would suggest, Mr. Macnaughton, a figure of twice that. I can check it for you if you would like the information.

Q. Well, if it is not too much trouble?—A. An estimate?

Q. If you could.—A. Yes.

Mr. LAING: I have a question to ask Mr. Mansur which very well might have been asked.

The CHAIRMAN: This will be the last question.

*By Mr. Laing:*

Q. It has reference to the very fine portfolio of publications you have sent us. I think the corporation is to be complimented on it. It will be a very great contribution to Canada. How are they publicized? I know people who would like one or some of them. How are they made available? How are they distributed? What arrangement, roughly, has been provided for that?—A. We have not the volume figures here. Generally we depend on our branch offices. That is generally our method of distribution. We have a number of inquiries. As you know, we have exhibitions throughout the country—eastern Canada and throughout the west—and we make these available at the exhibitions. We learned very quickly that we could not hand them out at the exhibitions. If people are interested they are given a postcard and if they write in we send them one.

The distribution, particularly of those sketch design booklets is extremely heavy. Some of our printing costs of those sketch design booklets to keep up with the demand makes me wonder just how far we can go.

Q. What about farm publications—are they widely distributed?—A. The farm publications—particularly the prairie farms, the three provincial governments in using the wheat pools and the farmers' organizations have done a tremendous distribution of those.

The CHAIRMAN: Before we adjourn until Tuesday morning at 11 o'clock I would like to inform Mr. Fleming that the public housing items stand on which to ask questions.

On this committee we make a policy of trying to accommodate all members on the committee and any member who has to be absent or go to the House for a purpose has his day in court.

Mr. FLEMING: Thank you, Mr. Chairman.

Mr. CANNON: Are there any other items standing or just public housing?

The CHAIRMAN: No, just public housing.



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HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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ANNUAL REPORT AND FINANCIAL STATEMENTS

of the

CENTRAL MORTGAGE AND HOUSING CORPORATION

1951

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TUESDAY, MAY 20, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

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OTTAWA, CANADA



## MINUTES OF PROCEEDINGS

TUESDAY, May 20, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Balcom, Bennett, Blackmore, Crestohl, Fleming, Fraser, Fulford, Gingras, Gour (*Russell*), Hellyer, Helme, Henry, Jeffery, Maltais, McCusker, Richard (*Ottawa East*), Sinclair Smith (*York North*), Ward.

*In attendance:* Mr. D. B. Mansur, President of the Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

In reply to questions asked at a previous meeting and which were reserved for written answers, Mr. Mansur tabled the following documents:

1. "Direct Lending Policy"; (*Appendix "A"*)
2. "Applications for Accommodation". (*Appendix "B"*)

The said documents were ordered to be printed as appendices to this day's Minutes of Proceedings and Evidence and the Witness was questioned thereon.

The Witness gave oral answers to several questions asked at the last meeting of the Committee.

The following document was tabled for distribution ordered to be printed as appendix "C" to this day's Minutes of Proceedings and Evidence and the Witness questioned thereon:

Inter-Office Memo

Central Mortgage and Housing Corporation

Re: Starts and Completions

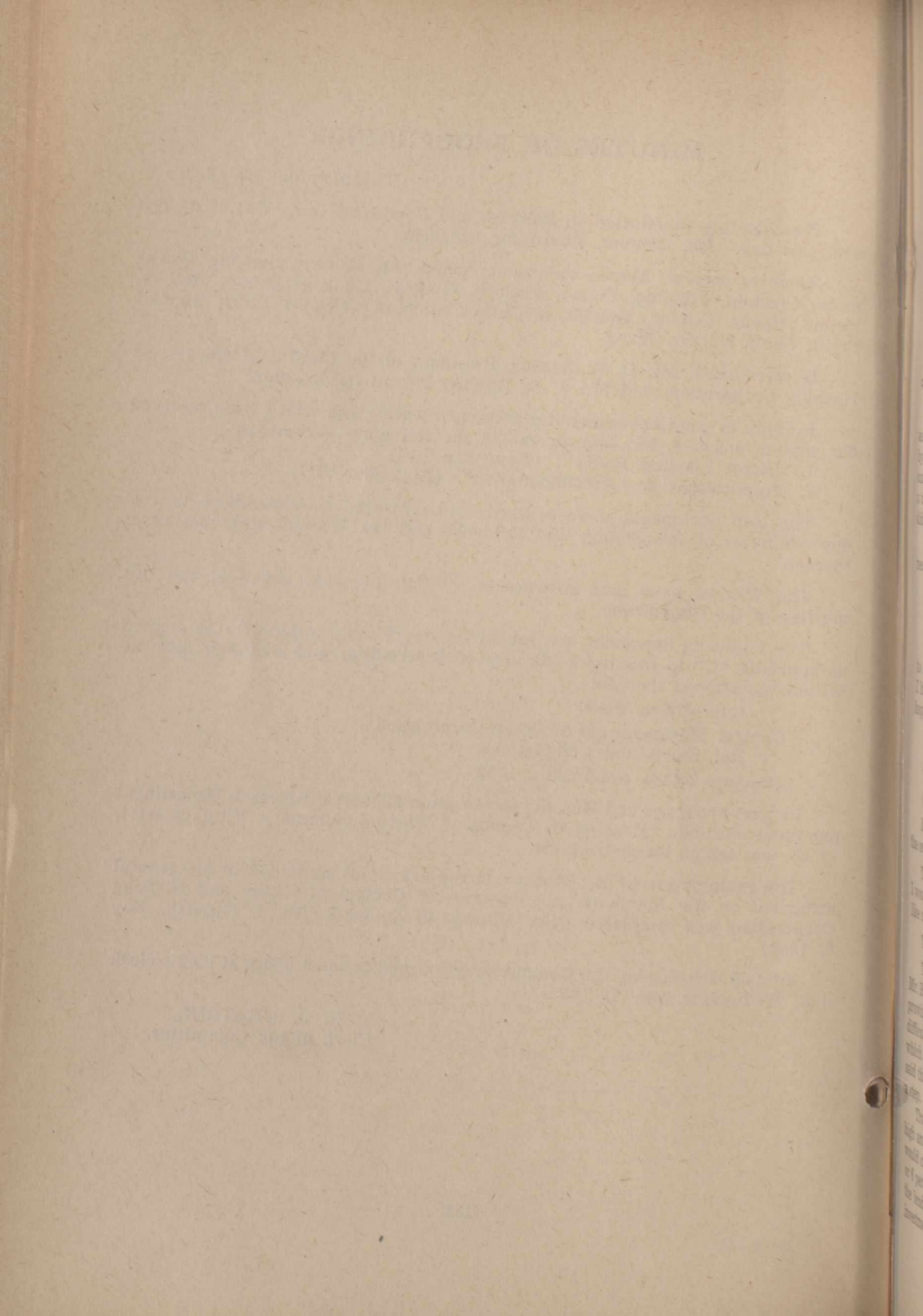
January 1st to April 30th, 1952.

Central Mortgage and Housing Corporation Economic Research Department pamphlet entitled: "Housing in Canada, A Factual Summary, First Quarter, 1952", was tabled for distribution.

The examination of Mr. Mansur on the principles contained in his general statement on the functions and activities of Central Mortgage and Housing Corporation was completed. (*See Minutes of Evidence, No. 1, Tuesday, May 6, 1952*)

At 1.00 o'clock p.m. the Committee adjourned to meet again at 4.00 o'clock p.m., Wednesday, May 21, 1952.

R. J. GRATRIX,  
Clerk of the Committee.



## EVIDENCE

MAY 20, 1952.

11:00 a.m.

The CHAIRMAN: Gentlemen, if you will come to order, we now have a quorum. Mr. Mansur has answers to several questions which were asked at previous sittings of the committee.

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:

The WITNESS: Mr. Chairman, at one of the earlier sittings a question was asked by Mr. Picard about the number of direct loans approved and refused by localities. I have with me material which is in four parts: a statement of our policy of administration in respect to applications from outlying areas; a tabulation of loans approved by localities; and a tabulation of inquiries which did not result in applications to branch offices and to tabulation of loans declined.

The CHAIRMAN: Shall this answer to Mr. Picard's question go on today's record as appendix A?

Agreed.

(Appendix A: Statement of loans and lending policy.)

The WITNESS: At our last meeting Mr. Fleming asked about applications to rent or purchase outstanding, by periodic dates, over the past two years. I have a statement here showing the applications for accommodation which I hope will answer the question.

The CHAIRMAN: Shall this answer go in the report as appendix B?

Agreed.

(See Appendix "B".)

Mr. FLEMING: Do I take it that these written answers are to go in before the oral answers?

The WITNESS: That concludes my written answers. I have answers which I would like to make orally to questions asked at the last meeting. Would you like me to give those?

The CHAIRMAN: Yes. Would you proceed now.

The WITNESS: Mr. Chairman, at the last meeting of the committee Mr. Hellyer asked for my opinion of the probable effectiveness of extending the provisions of section 11-B to investors other than lending institutions. The difficulties in financing serviced land are presently so acute that any suggestion which would afford relief or additional facilities must have merit. But having said this I must express some reservations about the likely effectiveness of such a step.

Traditionally, developers of land look for a substantial profit. Risks are high and I do not think that even the underwriting of risks under section 11-B would change the attitude of the private developer of land. Even a 5 per cent or 6 per cent guaranteed return—as compared with the 2 per cent guaranteed the lending institutions—would not in my opinion be sufficient to attract the investment of private funds in the development of land.

Because a project under section 11-B is to relieve the municipality of the financing of services and development costs, these costs must be included in the selling price of the lot. This means that the developer must be prepared to make a substantial investment in the project. Furthermore, the developer of the project must also be prepared for a two to three year investment under the best of circumstances. As an example, a 91 lot project in Ottawa in the years 1948 to 1950 involved an investment of about \$18,000 in land and \$65,000 in development costs. From the time of the signing of the agreement until the last lots were sold, two years and three months elapsed. Under present circumstances the costs would be considerably higher and the prospects for ready disposal rather less. In this project the sponsor was involved in handling the details of buying the land, arranging sub-division plan, calling tenders and awarding contracts for services as well as the selling of lots. Had a return of 5 per cent been available to a private sponsor his return would have been less than \$8,000. I do not believe that many private investors could be found who would be willing to undertake such a transaction for \$90 a lot.

Because public credit would be underwriting the risks, I question whether a guaranteed return of more than five or possibly six percent would be considered appropriate even if it were decided that guarantees of this kind were suitable for private investors.

I like the purpose of Mr. Hellyer's suggestion but doubt its effectiveness.

Along the same lines, the committee might be interested to know that we have been discussing with officials of the provinces the possibility of land development by the partnership of land owned by private individuals. This is not without difficulty but it does have the advantage over a widening of section 11-B by reason of the partnership providing the funds required to pay for the services. I believe that this form of assistance might prove more effective because of the difficulty of the private owner finding sufficient money to meet the heavy cost of services. I do not believe that this can be done under section 35 in its present form. However it is a variation of the suggestion made by Mr. Hellyer, who perhaps would agree with me that if section 11-B or section 35 were to be amended for such purpose, an amendment to the latter would be preferable.

Mr. Chairman, at the last meeting of the Committee I was asked about the cost of assembling and servicing land in the Maritimes. The cost of 180 lots in the Rifle Range project in St. John, N.B., was \$190,288.78 or \$1,057 per lot; the cost of 607 lots in St. John's, Newfoundland, Federal-Provincial project was \$1,060,780 or \$1,748 per lot.

That includes all the services required and all paid for.

Mr. Chairman, at the last meeting I was asked about federal-provincial land assembly projects now under negotiation with the province of Ontario. I wonder if I might give you this off the record, for the reasons I mentioned formerly?

The CHAIRMAN: Yes.

Mr. LAING: What about British Columbia; have you had any discussions there with the provincial government?

The CHAIRMAN: We will take Ottawa and then British Columbia.

*By Mr. Richard:*

Q. In the case of the farm project out there at Hurdman's Bridge, the St. Louis farm, who owns the land?—A. The land was purchased by the province and the federal government jointly.

Q. Yes.—A. The services are arranged for by that partnership with the municipality.

Q. Who paid for the services?—A. They were paid for by the partnership and the land will be sold to private individuals by the partnership with Central Mortgage acting as the manager in respect to sale.

Q. And fixing the cost?—A. And fixing the price, yes.

Q. Have you any idea of the price of those lots at present?—A. Yes. Mr. Chairman, you remember that I mentioned earlier that the province and the federal government were to recover the cost of services by way of what was virtually the assignment of the municipal tax poll. The cost of the lots, with some variations, is \$250 each; and from the owner's point of view he has a payment to make on account of installed services very similar to that which he would have made had the municipality put in the services itself. The municipality undertakes the collection of such payments from the owner of the lot and will pay them over to the partnership so that the partnership may liquidate its capital investment on account of those services.

The CHAIRMAN: And those payments for services will be spread over a term of years?

The WITNESS: Yes.

*By Mr. Richard:*

Q. Over what term, Mr. Mansur?—A. 15 years.

Q. How many houses do you expect to have in that development?—A. 683, Mr. Chairman.

Q. Have any of them been built yet?—A. I was out there last Sunday and I noticed that there were perhaps 15 houses framed.

Q. Are they all the same type of house?—A. No, generally a storey and a half, but I think there are some bungalows.

The CHAIRMAN: Mr. Laing:

*By Mr. Laing:*

Q. There has been a lot of consideration given to Ontario. I wonder whether there is that from of negociation with the provincial government.—A. In British Columbia there is very active negotiation going on at the moment in Trail in respect of land assembly.

Q. In partnership with the province?—A. Yes, in partnership with the province. In the city of Vancouver—and I wonder if I may go off the record here, Mr. Chairman.

The CHAIRMAN: Yes.

Mr. RICHARD: Just to come back to Ottawa here, would Mr. Mansur tell us if there is any plan to assist civil servants in areas where large buildings are being put up; for instance, there is the Bureau of Statistics moving out to Tunney's pasture; have there been any reserved areas for putting up a certain number of houses to accommodate the low grade employees? There are a lot of people of that kind in my riding who have been moved out to Tunney's pasture. Is it the intention to provide any kind of housing accommodation for them? Even \$8,000 to \$9,000 is too high a Price for them. These are probably all clerks grade 2 or grade 3 in the employ of the Bureau of Statistics which has now been moved out to Tunney's pasture. Has anything been recommended there in the way of low cost housing for people of that type?

The WITNESS: No, Mr. Chairman, there is not; although in our conversations with the province—I wonder if I might go off the record here again?

The CHAIRMAN: We are now back on the record and Mr. Mansur has two releases which he feels should be made first to this committee as the committee is sitting.

The WITNESS: Mr. Chairman, I think already there has been distributed the monthly report of starts and completions. There is one very interesting item in those starts and completions. Members will notice that the trend which

was created just about a year ago, a very sharp decline in comparison of starts, seems to be somewhat reversed in March and April of this year—and the figures show a slight increase in starts in communities of 5,000 over that for last year.

The CHAIRMAN: Shall these go in the record as an appendix?

Agreed.

(See Appendix "C")

The WITNESS: I just would like to put in one word of caution on these figures. There may be rather more weather than buoyancy in them. It has been an extraordinary spring.

I also have with me our current issue of Housing in Canada, which brings the statistical tables up to the end of 1951. It may be useful to the committee.

At the last meeting I was asked a question by Mr. Fleming about whether the low bidder in January 1951 tender call on Frasersview had included in his tender any qualifications regarding material or labour and costs. The tender which was received on January 23rd was submitted as a firm price bid without qualification. Although such tenders are good for acceptance within 60 days, on February 3rd—11 days after the tender closed—the low bidder asked if he could withdraw his bid. The contractor said he wished to withdraw because his lumber suppliers and some sub-contractors were unwilling to proceed at the prices on which he based his bid. I made an answer to that question at the last meeting but not quite correctly.

The CHAIRMAN: Are there any questions arising out of the answers which have been given today?

Mr. FLEMING: Yes, there are a few. Perhaps we can take the last one first if it is convenient.

*By Mr. Fleming:*

Q. What was the next lowest tender? Have you the figure there?—A. It was about \$35,000 above this bid. There were 85 units at about \$400 a unit higher in price.

Q. To whom was the contract eventually awarded when you decided in November to resume construction? Was it either of those contractors?—A. I think it was Pyke and White.

Q. They were the low bidders in January of 1951?—A. I think Pyke and White were the second low—\$35,000 above the low bidder. They were the low bidder when we resumed.

Q. Did you call for new tenders in November and December of 1951?—A. Yes, they were new tenders. You will remember the quantities were rather different.

Q. Exactly what date was it in the early part of the year when the government decided not to proceed with the project?—A. February 5th, 1951.

Q. The government's decision not to proceed was reached on February 5th and the request of the successful bidder to withdraw his bid was not made until February 11th?—A. February 3rd, I think.

*By Mr. Fraser:*

Q. Would he lose his deposit?—A. No.

Q. You gave it back to him?—A. Yes.

Mr. Chairman, we find in contracts for both housing and other construction that forfeiture of deposit by a contractor is only justified in the most flagrant circumstances. I find great difficulty in forfeiting.

*By Mr. Fleming:*

Q. You would hardly have thought of forfeiture because it was the government's decision not to proceed?—A. That is right.

Q. In connection with the statement tabled with regard to applications for accommodation, this relates almost entirely to the accommodation of veterans as such does it not?—A. Yes, although there are some civilians in our applications. You will see the total and then the subdivision of "veteran".

There are certain projects which we own, Mr. Chairman, where the rentals are rather beyond the capacity of veterans. I am thinking particularly of home conversion units, so that we do have some civilian applications but of course for any allocation the veteran's priority is observed completely.

Q. To what extent have you found a backlog of applications from veterans for housing to be symptomatic of the general backlog of the demand for housing?—A. In the years immediately following 1945 I think there was a very high degree of correlation between the two. I think as the years go by the correlation becomes rather less because, if you look at the extremely high marriage rate that continues, the veteran content in that marriage rate has dropped very sharply; likewise, the veteran content in families with first children has dropped very sharply. The housing demand arises not entirely from marriages but probably equally from families with their first child. So, I would think in answer to that question, Mr. Chairman, correlation is not too great although it may be symptomatic. I think the limited exposure of veterans and the efforts made to look after them are reasons why a certain amount of correlation is being lost.

I would like to say that these figures may represent a satisfactory answer from our point of view but I do think it should be remembered that we have been pressing branch offices to keep their files of live applications in much better shape. I would suggest some of the improvement indicated in this statement is perhaps an improvement in our organization rather than in conditions faced by veterans in the housing field.

The CHAIRMAN: Weeding out duplication.

*By Mr. Sinclair:*

Q. What effect do you think yesterday's removal of bank credit restrictions as such will have on contractors financing payrolls and financing purchases of materials?—A. I think it will be beneficial, not because banks have been unduly restrictive upon any worthwhile project that seems to be in the national interest, but rather that the whole atmosphere will change—and that people's ideas as to credit restrictions will have been dispelled.

In my experience at least, I believe a lot of non-creditworthy borrowers were blaming credit restrictions for perhaps improper reasons. From what I can see in our operations both on construction account where we have awarded about \$275 million of contracts since November of 1951, and in the housing field, I cannot find many cases where operations of contractors have been interfered with by the credit restrictions.

Mr. Chairman, when they were first introduced representations were made to me to the probable effect and would we intercede. I took a very dim view of the situation and I was afraid of it. I promised to do everything I could for the contractors to see they were financed in worthy projects. I think I am correct in saying that I have spoken to the banks twice since the introduction of the credit restrictions. In the first case, I thought it was the proper thing for me to do and—in the second case I withdrew very quickly because the bank knew a lot more about it than I did. Those are the only two cases where I have been asked to act in connection with credit restrictions in order to get on with the job.

Q. What is the sector, as far as national housing is concerned, that is important. Is it just the financing of contractors or is it more than that?—A. There are two main sectors where bank credit is involved. First, the contractor or house builder to carry on efficient operation must have either cash

himself or he must have a line of credit. Some time ago I heard quite a lot about these lines of credit being withdrawn by the banks but, on inquiry, I thought the banks behaved extremely well.

The second area where bank credit is important is to assist the owner in financing the sale of his existing house and the purchase of a new house. The mortgage transaction very often may be such that bank credit is needed so that the first mortgage can be paid off on the first house and the second one financed. Once again there was a tremendous outcry when the restrictions went on but I could not find the banks had been unreasonable in that. I come back to my earlier point, Mr. Chairman, in expressing the belief that now that credit restrictions have been lifted the non-creditworthy borrower is going to have rather less to talk about than he had before.

Some Hon. MEMBERS: Hear, hear.

Mr. CRESTOHL: On the matter of mortgages there is no overlapping because banks do not generally lend money on mortgages?

The WITNESS: No, sir. Under the Bank Act banks are not permitted to lend money on mortgages but they are permitted to make short term construction advances to assist contractors.

Mr. HELLYER: Was it not also true before the bank credit restrictions went on that often persons with good credit records approached banks for additional assistance necessary to finance such items as household appliances. Had that not been done it would have been impossible for the prospective purchaser to buy the home when he did not have just the additional \$1,000 which was necessary?

The WITNESS: Quite correct. Even in the case of the small bungalow, a purchaser starting from scratch and not moving from another household of his own, the purchaser is up against something of around \$1,000 to \$1,200 to equip that house in a manner in which his wife finds acceptable.

The CHAIRMAN: Mr. Fleming, you had some questions on public housing.

Mr. FLEMING: Just before we leave the statements that have been tabled this morning, I wonder if Mr. Mansur would be good enough to enlarge on the comment that he made with respect to the total starts and completions? I thought he was very fair in what he had to say. He was speaking, I think, particularly about starts. The completion rate in the first four months of this year does not reflect too happy a result, either, does it? I suppose that is the inevitable consequence of the reduction 1952 number of starts?

The CHAIRMAN: 1951.

*By Mr. Fleming:*

Q. 1951, I am sorry.—A. Well, Mr. Chairman, the carry-over at the end of 1950 was 60,000 units. The carry-over at the end of 1951 was 46,000 units. Therefore, there is a lower rate of completion by reason of the industry only having 46,000 units to work on instead of 60,000.

Now, moving over to the starts, you will notice in April there were 6,006, as compared with 5,889 a year ago, 6,148 two years ago, and 5,806 three years ago—1949.

The figures relate only to communities of 5,000 or over. There can be changes take place in the under 5,000 sector which represent about one-third of the coverage. There has been over the last few years both buoyancy and lack of buoyancy in these smaller communities. The amount of change is not great in the aggregate. I do want to say that the 6,006 starts cannot be multiplied by 150 per cent and necessarily be blown to a national figure.

Q. I think we appreciate the limitations on the use of statistics of this kind. I was wondering on what you base your figures as to starts, as to what



are starts and what your sources are. You have got tables on construction contracts already and building contracts and so on. What is your source of information as to what you regard as starts?—A. Mr. Chairman, at the time Central Mortgage was formed, there was absolutely no information about starts in this country. There were some guesses but no information. We saw the Dominion Bureau of Statistics and said that from our viewpoint we were working in the dark and something would have to be done about it. So, in a joint endeavour, with Central Mortgage being responsible for the 5,000 and over sector, we introduced a technique of keeping track of starts. In the 170 communities we have a man whose job it is to keep track of the number of starts in that municipality.

In the smaller municipalities, sometimes it is liaison with the engineer of the municipality. There are various ways of doing it but in every municipality we do our best to keep track of every start. The technique is this: that a man who is covering the city has a double postcard and when he sees an excavation taking place, and he finds out what kind of a building it is going to be, he writes the details on one part of the postcard. Those details which form the basis of the figures produced by the Dominion Bureau of Statistics, are received by them by the receipt of the first half of this postcard through the mail.

As the man drives around the city, he has as his outstanding file the other half of these postcards and as each house is completed, he drops the other half of the postcard into the mail and the Dominion Bureau of Statistics has a record of that house being completed. We believe that our technique is reasonably accurate and we believe it is the only one that provides accurate enough information to be of use.

For instance, the technique used in the United States of taking thirteen counties in the United States and blowing them up by a factor of about 560, just does not appeal to our sense of reason at all because one of the things that we are most interested in is to see just where Toronto stands in relation to their past experience and the national trends. I feel that the information which we have, subject to human error, is just about as good as we can get. Moreover, that information is now providing the Dominion Bureau of Statistics with something that is most important. They know whether it is a solid brick bungalow or whether it is a frame house or whether it is an apartment house with sixteen units. I believe we now have a pretty good record of what is going on in these communities.

I know there is no statement more in demand than this, and each month this statement is broken down by every community in Canada of 5,000 or over. That is dealt with by the Dominion Bureau of Statistics.

*By Mr. Fraser:*

Q. Does that start from the time the permit is issued in the municipality?

—A. No, sir, we start at the time of the excavation. Our check is a physical check.

Q. You do not check with the permits?—A. No.

Q. Because there used to be and still are daily reports that go out by certain concerns here—I get them all the time—on building permits.—A. When I say “no”, that is not quite the case, Mr. Chairman. Depending on local circumstances, our investigator takes advantage of every bit of information to indicate to him that there is a new start on Smith street. In Belleville, for instance, there is very close liaison with the city engineer. The city engineer knows immediately there is a new house, but in Toronto that is impossible. We do not place all our reliance, however, on the issuance of a permit due to the fact that a great many of them lapse without the owner

proceeding, and I am very suspicious, particularly in a declining period, of housing permits as a criterion of the number of new starts. I think in a rising period it would be pretty good, but in a declining period they are very misleading.

Q. I was just wondering if your Central Mortgage men across the country used the permits to locate where the start may be?—A. Yes, I would think that information would be helpful. In Montreal an entirely different technique is used. The custom in Montreal is that every basement is dug out by a sub-contractor. There are six major sub-contractors digging basements in Montreal and their new business list is just what we are looking for. There is a very close liaison between the people who dig basements and our men who are trying to keep track of the number of starts.

Q. Do your Central Mortgage men have an office for that purpose?—A. Yes; if it is a small community then he will be part-time. For instance, in Belleville it is probably a quarter day once a month. In Toronto it is a continuous process.

*By Mr. Jeffery:*

Q. I am worried about the number of two-bedroom, three-bedroom and four-bedroom houses, and I am wondering if the Central Mortgage has in the past or whether they are in the future taking active steps because we are getting a lot of two-bedroom houses in order to keep the price down and I am very, very worried that they are not of a type suitable for a housing project and I am wondering what steps the Central Mortgage is taking to check that?—A. Mr. Chairman, in the years immediately following the war, there were a great many box-like structures erected which purported to be two-bedroom bungalows. By the end of 1947 we were very concerned about it and we took financial methods to correct the trend.

We proceeded to drop the lending value on two-bedroom bungalows so that the down payments were less, say, upon a storey and a half house than they were on a two-bedroom bungalow.

We never thought the financial method would be quite so effective but we just stopped the building of two-bedroom bungalows and last year—I think I am correct in this—the number of houses which were financed by Central Mortgage under 800 square feet, I think, was one per cent. Now, that percentage in 1946 was sitting up around 40 per cent.

Q. I do not think you can go by the area alone, either, Mr. Chairman. I think you have to have the actual record as to how many bedrooms they have.—A. Well, I have just mentioned the 800-foot because to stay within our standards you just cannot put three bedrooms in 800 hundred feet. The size of the house has been increasing almost continuously during the last three years. We have met a lot of criticism from the builders because we have given a better mortgage deal on storey and a half houses than on bungalows. We know tremendous criticisms are coming from the builders who would prefer to build bungalows but we feel that the rash of very small houses that were built in the years 1946, 1947 and starting into 1948 had carried our stock of housing of that kind beyond reasonable limits and that steps should be taken to increase the size of the house.

Q. Could you let us have some figures on that?—A. Mr. Chairman, I would be very glad to supply some schedules, if the committee would like them, to show exactly what has happened. I may also say that the views expressed by Mr. Jeffery coincide with ours completely, that we feel that an overstocking of box-like structures is something that should not be permitted.

Q. I think it should be drawn to your attention, Mr. Chairman, that for instance the institution I have connection with withdrew from Winnipeg entirely one contractor because we would build nothing but two-bedroom houses.

*By Mr. Sinclair:*

Q. Mr. Mansur, what about the other end—five-bedroom and six-bedroom houses? There does not seem to be many of these on the market or being built. That is not lack of demand, I hope?—A. The current costs are such that we do not see many of them except those built by a home owner for his own use. It is certainly not the ordinary builder's stock in trade. Once you get up to a three-bedroom house, full two-story, with perhaps an additional room over the attached garage, you are reaching the upper end of what would be considered the house the average builder is interested in building.

*By Mr. Fulford:*

Q. How much would a three-bedroom house cost?—A. Excluding the cost of land, a house 25 by 25 which is about the minimum for a six-room house, that would be 1,250 square feet, and the cost of construction only—I doubt if it could be bought at much less than \$9 a foot or somewhere in the order of \$10,000 construction costs only. To that you must add land.

*By the Chairman:*

Q. Do you have any financial deterrent on bungalows that are larger in size?—A. No.

Q. Or does your deterrent stop at the 800 square foot level?—A. Our deterrent disappears in the 850-foot class. The discount has been removed and it sits on all fours with other types of houses until we get into the ranch type bungalow which runs about 2,000 feet, which is a little bit out of our class. It is carriage trade and our job in life is not carriage trade.

*By Mr. Blackmore:*

Q. Mr. Chairman, just for the record, what is the particular objection to having two-bedroom houses? Obviously they were built because the people needed accommodation. What was the objection to that?—A. The objection to them, Mr. Chairman, was that these houses were being represented to a great many veterans as being their dream house and a place where they would live happily ever after, and the man, wife and one child moved in. Then, nature being what it is, more children arrived and the house was completely unsuitable. They had their equity tied up in the house and it was a question of selling that house and getting into another one. We were beginning to see in some municipalities lean-to's and rooms being built on these small houses. It was quite obvious that the man who wanted a house because he wanted to have a family should not be encouraged to take a 760-foot two-bedroom bungalow.

Now, I would agree completely that our housing stock requires some of these small houses. I do not think our objection was to the small house as such but it was to the quantity of the small houses of that kind being built.

*By Mr. Laing:*

Q. If that fellow leaves, there will be enough new families projected in the future to take it over, won't there?—A. I think there is a certain filter in it to look after that, but I would not like to see the percentage of our housing stock increase in respect to two-bedroom houses. I think we have enough of them.

*By Mr. Blackmore:*

Q. Mr. Chairman, I am wondering if the limitation on the construction of two-bedroom houses would be correspondingly met by the number of people who would have to surrender the house because they were unable to pay for it?—A. I am afraid, Mr. Chairman, I did not make my point absolutely clear. I said that we discounted the lower end of bungalows so that the deal

was less favourable to the home owner than a storey and a half house; in other words, we adjusted the financing so that the man might move into a one and one-half storey house with rather less down payment than a small bungalow.

Q. In the long run there is the matter of paying municipal taxes on that house, which is going to constitute a heavy drain on the home owner for years to come. Now, what is happening in respect to that? Are these people who are now being deprived of building a two-bedroom house put in the position where the municipality is charging them far more taxes than they might otherwise have to pay?—A. I am afraid, Mr. Chairman, this discussion has developed the atmosphere that we won't build a two-bedroom house. That is not quite the case. What we object to is a two-bedroom house with about 720 feet which is inadequate even for man, wife, and one child. We think that is just too cramped. We still make loans on 850-foot two-bedroom bungalows without the discount. It is the degree of smallness of these two-bedroom bungalows rather than it being a two-bedroom house.

*By Mr. Jeffery:*

Q. Isn't it a fact that a great many of these storey and a half houses that you are talking about here, in a great many cases the other bedroom is never completed? It is just there for expansion?—A. That is true in some cases, but we are finding that a lot of them are being completed.

Q. By the owner?—A. By the owner; and we find also that sub-tenancies are developing in those upper two rooms in a most distressing manner. I do think that it also should be remembered, Mr. Chairman, that there are a lot of constant charges in a house that are common to storey and a half houses and the bungalow type. Exactly the same basements are used except that the basement of the bungalow must be larger; heating equipment, stoves and bathroom are the same, and for anybody's money the storey and a half house is a better buy than the bungalow. The bungalow is the most expensive way that Canadians can live and I think we should be pretty careful about promoting something that is not the most economical.

*By Mr. Crestohl:*

Q. Mr. Chairman, may I put a question that perhaps touches another phase of the problem? I see from your statistics, Mr. Mansur, which are excellently prepared, that you start with population trend and then speak of births, marriages, deaths, immigration, emigration and so forth as being naturally the basis for housing in Canada. Have you prepared any record, or perhaps you might enlighten us, as to whether the new housing projects are accelerated by the fact or to what extent they are accelerated by the fact that people were not inclined to move from the centre of the commercial or industrial areas where they had been living for many years into outlying centres or whether the normal extension of city life was helped by the program of immigration in Canada?—A. Mr. Chairman, the needs of the country have been added to by the migration from downtown areas into what are known as dormitory municipalities. I could not give you any better example than the city of Toronto proper where last year the school population in the city of Toronto proper dropped I think by 1,500 pupils when on a national basis the school population was going up by 150,000 pupils, so you might have expected 6,000 or 7,000 of the increase in Toronto. Now, that migration to dormitory municipalities is adding to all the problems that have been under discussion in this committee for the last few meetings we have had. I think it is fair to say that the downtown residential construction, speaking of existing residential construction, is not being used as efficiently for that purpose, as it was used 15

years ago, because there is a definite trend, as the honourable member suggests, to new areas where people find their friends are and life is more suitable for raising a family. Moving on to the next point now—

The CHAIRMAN: Before you leave that point, do you mean by what you have said that there is vacant accommodation in the down town area in Toronto?

The WITNESS: No, I don't think vacant, rather residentially inactive—a shifting into commercial use. You will find streets, I think no further away than Center Town here where you will see the commercial influence coming in; you will find the larger houses being used as boarding houses. This may be over-simplified, but in the city of Toronto I think it is a lot easier to find a room to rent on St. George street than it is to find a house to live in an outlying area.

Mr. CRESTOHL: And, of course, immigration has a bearing on it, immigrants are using a number of these vacant houses in the centre of the city?

The WITNESS: Yes, the immigrant position is a very delicate one. I think they are making good as fast as they can. You will find quite a substantial number of them in the centre of the city of Toronto, some of them in distress. The city welfare officer is having quite a time with immigrants who arrive in the Toronto area and just can't find a place to put themselves and their families. On the immigrant situation I think that you will notice in our figures that the key figure is the married woman. We think that is probably the best criterion on families. I think it is to be remembered though that a very substantial amount of our immigration is going to the rural areas and a very large part of it to company towns especially, so that the full impact is not borne by the municipalities. But I do agree heartily that the housing shortage is being added to by reason of the newcomer.

*By Mr. Henry:*

Q. Speaking of schools, Mr. Mansur, can you give us some information on that? I think you referred to a falling off in Toronto of 1,500?—A. I meant to discuss that a little later, Mr. Chairman. My recollection is that it was 1,500 off last year. There is a school building which is south-west of Ramsden Park which is empty at the moment. There are school rooms all through the old areas that are not completely used; and, as a matter of fact, on occasion we have had a rather covetous eye on some of these places.

Mr. HENRY: Yes, and there is limited activity in the south end.

*By Mr. Fleming:*

Q. Coming back to this statement on starts and completion given in the report you submitted this morning. It begins, Mr. Mansur—it starts off by months with April, 1950; April, 1951—the record, in the first quarter of 1951 on both starts and completions was much better than what followed, was it not? The record starts, on the first quarter of 1951—according to the table on page 43 of "Housing In Canada" 1952, it shows 9,801 starts for the first quarter of 1951, against 9,015 for the first quarter of 1950; and, on completions, your record in the first quarter of 1951 was 19,521, against 17,873 in the first quarter of 1950. The place where the record of starts dropped off was about the middle of April?—A. That is correct.

Q. Was that not about the time that the cessation of lending of the 1/6th additional loan under the National Housing Act began to take effect, to reflect itself in the figures on starts?—A. The change in lending conditions was in February of 1951.

Q. Yes. The announcement was made I think on the 6th of February, 1951, of the cessation of the 1/6th additional loans. What I am asking is if it was not within the two months period up to the middle of April that this change in

policy began to produce its results in starts?—A. Mr. Chairman, the first quarter of 1951 continued the buoyancy of 1950. The change started in the second quarter of 1951, and it arose from a number of factors. The one suggested by the honourable member is one of the reasons. There were a great many things happening at that time, which tended to reduce the number of starts, some of which I mentioned in my preliminary statement.

Q. Well, I take it you are not saying it as an answer that the cessation of the 1/6th additional loan did not have an adverse effect on the number of starts?—A. I think that it did have the effect of reducing the number of starts along with other conditions. I think so because—and I think it is most interesting to analyse—the change occurred not only in the National Housing Act sector but in all other sectors of new housing starts; so there must have been factors other than N.H.A. financing entering into the changes which brought about a similar effect in starts not in any way affected by the National Housing Act.

Q. Well, I wasn't asking you to commit yourself to saying that this change in policy was responsible in full for what followed. I think, and I want to be quite clear in my understanding, that it had in your opinion some effect in reducing the number of starts; affecting, we will say, the spring of 1951 as compared with the previous period in 1950?—A. Well now, Mr. Chairman, I think it probably is the case; that there was a borrower somewhere who would have built a house had the loan been rather higher than was available at that time. In degree, I think the answer to the question is, yes; in extent, I am not quite sure.

Q. Well, it may be difficult to isolate the exact number of starts that would have been made that were not made because of this change of policy, but I think we can agree that it had some adverse effect on the number of starts?—A. Yes, I would agree to some extent. I would say that there were people who might have started in April or May of 1951 who did not start because the equity requirement was rather larger than they had anticipated.

Q. What would your comment be as to the effect of the introduction of this 1/6th additional loan in late 1949? What was the effect on the number of starts as reflected in the figures of starts for the year 1950?—A. The interjection of the extra 1/6th was done at a time when the government had some doubt as to the continuation of effective demand. I would think that in exactly the same way as in May 1951 the lack of the 1/6th may have resulted in a number of people not building houses who would have built houses, so, likewise in September of 1949, the existence of that extra 1/6th encouraged some people to build houses that otherwise would not have been built.

Q. You would not be prepared to make an estimate as to their number or proportion?—A. No. I do not think I could, Mr. Chairman. I do not want to appear to be evading the question. I think it must be remembered that there were six big factors working in the same direction and it is pretty difficult to evaluate any one of them arithmetically.

*By Mr. Henry:*

Q. You said that there were six other factors involved, what are those factors besides this 1/6th additional loan?—A. At what time?

Q. Let us say in 1949 up until 1951, take 1951, if you wish.—A. Well, in 1951, there was difficulty in the materials field and, after that, there was a sharp rise in the price level taking place at that time; people were very disturbed to find that what they thought was to be a \$7,000 house had moved ahead and was going to cost them \$8,000. Also, the municipal tax level was rising very sharply, and municipalities through no fault of their own were lagging behind in getting roads in, and so on; people were walking through mud—the whole became very difficult.

Mr. GOUR: That applies in our riding, and all over.

The WITNESS: I think there were a lot of unfavourable factors at that time. Again in 1949, the other factors were a weakening in effective demand: the feeling of the builders was at that time that if they built a house they had some doubt as to whether they could sell it; and, generally, it was a soft situation. I think that is about all I have to say on that point.

*By Mr. Fleming:*

Q. Mr. Mansur, for your comment on it I would like to say this: your opinion as to the effectiveness during the period during which it was in operation, from December of 1949 to February of 1952, this additional 1/6th loan seems to indicate that you attach much less weight to it than most of us in the House at the time were lead to expect by statements that were made when this amendment to the Act was made. I gather that you, from the answer that you made—I am offering this for your comment so that I may have a clear understanding of it—you did not attach even from the beginning as much importance to the addition of the 1/6th loan as some at least of us in the House did?—A. Well, the 1/6th loan was perhaps a suggestion of my own—it was reasonable for me to believe that it would be a very effective device. I believed that conditions at that time were such that they required some upward revision in the mortgage funds available, but one thing that must not be forgotten is that we are not complete masters of the level of loans. We have a partner, a very senior partner, a three-quarters partner, who would have something to say as to the level of loans. The 1/6th device was to increase the level of loans as far as the home owner was concerned, but left the position of the lending institutions unchanged. Now, at the time that was introduced we were very much disturbed about effective demand, and we were very actively engaged in trying to push the starts up. We thought that the 1/6th device which parliament approved, was the only way of doing it, and I think it was. The point I was trying to make was that I can not measure arithmetically in these tables the effect of this 1/6th additional loan, nor its withdrawal.

Q. I think in all fairness we appreciate you cannot isolate that one factor in the situation. It is not simple; it has been complex at any time. I have just stated my impression for your comment so that you could correct me if my impression was erroneous; that you did not attach probably very much hope, or weight to the introduction of the 1/6th loan at the end of 1949.

*By Mr. Jeffery:*

Q. I suppose it is reasonable to assume that for the moment at least there was an increase in values under the National Housing Act. You could not at that time tell what effect that was going to have on starts there; but you must have anticipated at least that the effect of this additional 1/6th loan would be encouraging?—A. Yes, that is quite correct. I believe, in respect to the builder and the eventual purchaser that generally higher mortgage financing resulting in lower equities has a buoyant effect; and the removal or reduction of such loans has the reverse effect.

Q. Is it not a fact that values have gone up since you took off that 1/6th additional loan; has not the cost of the house also been increased?—A. Yes, Mr. Chairman. The government announced the suspension of this 1/6th additional loan in February of 1951. The maximum sale price technique which provides for loaning 80 per cent on the sale price was introduced in October of 1951. There was that hiatus in between. But, just to go back to the point I was on; I think for the home owner and for the builder, more generous financing will increase volume, just as the reverse of that principle tends to decrease volume. However, that is essentially an academic question.

*By Mr. Fleming:*

Q. You referred a moment ago to your partner in lending. Did that partner in lending seek the curtailment of the 1/6th additional loan in any way?—A. No, they were not interested in that, save for one phase; whereas they did not seek any change in government policy in that respect, I think they felt that conditions were such that it was a wise move. Looking at it from their own point of view a mortgage of like amount, without the additional 1/6th tends to be a better risk than a mortgage loaded with an extra 1/6th, because the owner is subject to rather less debt; so I would think that the lending institutions might have preferred to loan without the extra 1/6th for that indirect reason. But directly they were not interested in the additional loan.

Q. Were they consulted in any way with regard to this change in policy?—A. Oh, yes. Our agreement with the lending institutions provides that major changes must be subject to 60 days notice; and it must be remembered that our arrangement with them in respect to major changes, is that we will consult with them. We have to consult with them so we can work out an operating agreement.

Q. Were they consulted in the same way in the fall of 1949 before this 1/6th additional loan was introduced?—A. Yes sir. Before that was introduced it was discussed with the lending institutions at great length. It was a great problem at that time, but they were very co-operative in making it work; because, after all, they became the administrators of that extra 1/6th loan; though actually, they had no financial interest. They felt, I think, that in the light of all the circumstances this was a proper step to take at that time, although they felt as a lending institution always should that anything that tends to increase the level of loans in which they participate is not entirely desirable from their point of view.

Mr. LAING: In our province at the time the one-sixth was removed, I think a more difficult condition existed than has existed at any time since. Just at that time the huge construction program was beginning in British Columbia draining off all the help that was available and there was a shortage of building supplies of all kinds and also furnishings, which are the prerequisite of any habitable home. I am told today that furnishings can be purchased for something like \$500 less than they could at that time. So I think it was a good thing that the average person was restricted just at that particular time.

The CHAIRMAN: We have another half hour before we adjourn and I was wondering, Mr. Fleming, if you could complete the questions you wish to ask on the public housing program so that at our next meeting we can then head into the specific subjects, the three that we indicated.

*By Mr. Fleming:*

Q. Mr. Mansur, in connection with so-called public housing in general, I think you have already indicated your view that it is most desirable that there should be administrative responsibility and supervision at the local level?—A. Yes.

Q. Are you satisfied that under the present set-up—I am thinking now of section 35 particularly—that that goal is achieved or assured adequately?—A. I think that as the projects develop under section 35 we will find quite a variation in the quality of local authorities. Already such has been the case and we have very few of them. I believe the legislation provides the very best way to get the highest quality of local authority, namely, that they be appointed by the Lieutenant Governor in Council. That is a requirement in our agreement with the provinces.



We feel that they are in the best position to determine who is well suited to run a local authority and I think that all the mechanics are presently there for as good a selection on the average as can be possibly made.

Q. I suppose you must have been increasingly conscious of the difficulty created by the fact that the municipalities are so hard put now for funds to contribute to these schemes and that you are faced with something of a dilemma? I wonder now if the municipalities' share of cost is absorbed a higher government, say, the provincial, that the degree of local responsibility may be correspondingly reduced and that would be undesirable?—A. Yes, I think that would, but I am not at all sure that there is a complete correlation between the amount of investment by the municipality and the degree of responsibility which the Lieutenant Governor in Council can secure from five local public-spirited citizens.

I think it should be remembered that our contractual relationship is with the province, and with the province only, and that they arrange the financial share of the municipality, and generally establish the terms of their participation. I feel, Mr. Chairman, that the whole success of section 35 is going to depend upon the success which attends our efforts to find five good public-spirited citizens to take an interest in the section 35 project in each one of the localities. I may be wrong in this, but I do not think it is going to make very much difference to those five public-spirited citizens whether the municipality's participation is 5 per cent or 15 per cent.

Q. Well, when we speak of local administrative responsibility sometimes we are disposed to think of responsibility in terms of the local government which is the municipal government. I take it from what you have said you look on this matter as the selection of people residing locally but selected not by the local or municipal government but rather by the provincial government as being the desirable way of meeting the administrative problem?—A. Yes, Mr. Chairman, the local authority we hope in every case will have municipal representation but not municipal control. In the matter of selection, the responsibility had to be left somewhere. There is the municipality, ourselves and the province, and it had to be somebody's responsibility to do it and it was put in the hands of the Lieutenant Governor in Council.

Now, in actual practice where we have had cases, the method of selection is the minister of the provincial government taking the lead because it is his responsibility to make a submission to council; he consults with his federal partner and the municipality itself in a very real effort to find five men that everybody will be very happy with. I would not like to create the impression that the agreement with the province merely says, "We will be quite happy if you come up with five good men if you can think of them." It is not quite that.

*By the Chairman:*

Q. These appointees will have no financial interest? Their interest will be on account of their public-spirited feeling?—A. Yes, the province agrees with us completely in that connection, Mr. Chairman. There should be no fees; that their selection will be so much better if the reason for making it is other than fees.

*By Mr. Fleming:*

Q. I am sure we all appreciate the importance of that. Is your corporation consulted at all about these selections?—A. Technically no. The selection is done by the Lieutenant Governor in Council and, of course, I am not an adviser to the Ontario government. But in point of practice we sit down with our partners as in any other phase of the project. The minister concerned says, "What do you think we had better do with such and such a place? I have in mind a few men. How do you think your minister will feel about it?" And

I say, "How does the mayor feel about it?" Really there is a four-way going on with our minister, the provincial minister, the mayor and Central Mortgage; I think that is a very healthy way to anticipate many of the problems that have not yet developed.

*By Mr. Henry:*

Q. Have you been able to make a statement on the relationship between section 12 and section 35 in relation to such a project as the Regent Park South project in Toronto?—A. Section 12 authorizes a grant by the federal government to a municipality to assist in the cost of acquiring land in a slum area and clearing it. The grant can be made only on condition that the municipality sell the land to a limited dividend housing company for the development of a low rental housing project or to a life insurance company which has undertaken to build a rental housing project on the land.

The amount of the grant by the federal government is half the difference between the cost of acquiring and clearing the land and the price at which it is turned over to the limited dividend company or the life insurance company. The remainder of the excess cost must be borne by the municipality or jointly by the municipality and the provincial government.

In the case of section 35, this section authorizes two types of projects:

- (a) a project for the acquisition and development of land for housing purposes; and
- (b) a project for the construction of houses for sale or for rent.

The power to acquire land is not expressly limited in the section to vacant land. It is therefore believed that land with buildings upon it might be acquired under section 35. In other words, under section 35 the federal and provincial partnership could acquire and clear a slum area and build thereon a housing project.

Now, dealing with the difference between section 35 and section 12. Because of the fact that it is a condition that the land acquired and cleared under section 12 be transferred to a limited dividend company or to a life company, it is impossible to combine a section 12 and section 35 operation, because under section 35 the project is to be owned by the federal-provincial partnership.

Q. As I understand it, if the Toronto housing authority proceeds with the project in Regent Park, they would get out of the federal government 75 per cent, having to do with construction plus the land?—A. If it was decided to proceed with the south end of Regent Park and provided the provincial government and the federal government both liked the deal, it would be possible for the partnership to do the whole transaction south of Regent Park. Now, as to whether they wish to or not, I express no opinion, but under section 35 we believe that that could be done.

Under section 12 if the land is acquired by the municipality with the assistance of a slum clearance grant, section 12 is very clear that that land must be taken over from the municipality by either a limited dividend company or a life insurance company.

*By Mr. Fleming:*

Q. In other words, developing the answers you gave me the other day on this subject, it becomes impossible, does it not, to combine section 12 and section 35 for any redevelopment purpose?—A. That is my opinion, yes.

Q. Well, that is in fact the statement that the minister made in the House in November 1949 when section 35 was before the House in committee of the whole; in other words, section 35 is not available for redevelopment purposes?—A. Under section 35?

Q. Yes, under section 35 you cannot undertake a redevelopment scheme?—  
A. But section 12 is available for redevelopment provided the redevelopment is done by a limited dividend company or by a life insurance company.

Q. Quite, but looking at a redevelopment scheme, starting in from the beginning to clear up an old sub-standard area; in other words, assemble your land, clear it and then start in with your construction, section 35 cannot apply to that scheme?—A. If you start right from scratch and do not introduce section 12, I could see no reason why section 35 could not do the whole job provided the federal and provincial government want to do it.

The CHAIRMAN: That is my understanding, Mr. Fleming; you have two options; you can go under 12 or under 35 but you cannot blend the two.

Mr. FLEMING: Well, let us forget about the case of blending for the moment Mr. Chairman, and consider simply the bare question of whether section 35 can be applied to a redevelopment program.

The CHAIRMAN: The answer is yes.

*By Mr. Fleming:*

Q. You start in where you have a sub-standard area, clear the thing and start construction. Now, what is the interpretation that Mr. Mansur is putting on section 35—how would that be put into use for a redevelopment scheme under those conditions right from the start? Could it be done?—A. Yes.

Q. Is that an interpretation you give, Mr. Mansur, after consultation with your minister?—A. No, my impression is that I think that under the legislation such could be done and I qualify it by saying whether it would be considered desirable by the province or by the federal government so to do, I don't know.

Q. I am just trying to clarify the problem for the moment. Frankly I have been bothered about it for two years and it has arisen in one or two cities. That is why I asked Mr. Mansur if the interpretation which he has put on section 35 in reference to redevelopment projects is one he makes with the authority of the minister.

The CHAIRMAN: I think the minister has already made a statement on that, Mr. Fleming. As I understand it, these problems arise owing to the fact that there is a 75 per cent federal partnership contribution under section 35, but section 12 is a totally different option.

Mr. FLEMING: I do not think you have correctly interpreted my question. I am going back to what the minister said in the House in November 1949, when I asked him if section 35 would be available for redevelopment.

The CHAIRMAN: Well, shall we leave that until he is here?

Mr. FLEMING: Yes. I understand under Mr. Mansur's interpretation—and I understand that is a personal interpretation as far as Mr. Mansur is concerned; it is not one that he gives with the approval or authority of the minister behind it—

The CHAIRMAN: It is just given from reading the Act and you can read the Act.

The WITNESS: I might say, Mr. Chairman, that my interpretation is what I have been advised by our legal people as being a reasonable interpretation of what can be done under section 35 should it so be decided by the province and the federal government that such is desirable.

*By Mr. Fleming:*

Q. Well, by "legal people" you mean the legal advisors of the corporation?  
—A. Yes.

*By Mr. Henry:*

Q. Speaking of land acquisition, Mr. Chairman, in the Regent Park scheme if you acquire the land under section 12, as I understand it, you get a 50 per cent contribution?—A. Yes.

Q. If you acquire it under section 35 you get a 75 per cent contribution?—A. No.

Q. Then what would you get for land acquisition?—A. If section 35 were being used, the municipality would not own the land—the partnership would own the land. So far as the municipality is concerned there is no question of ownership by them or subsequent ownership of the land. The loss would be absorbed 75-25, federal and provincial governments.

Q. But section 35 has a broader approach and a broader contribution on the part of the federal government, hasn't it?—A. It would be if it were used, yes.

Q. Is the difference between 50 per cent as opposed to 75 per cent in relation to land acquisition?—A. Theoretically, yes.

Q. Who would own the project—the partnership to the exclusion of the municipality if section 35 were used?—A. Yes.

Q. So if section 35 were used the Toronto housing authority is superfluous to the arrangement?—A. Oh, no, because the Toronto housing authority are purely the nominal owners of the present project. The beneficial owners are the municipality.

Q. Who would be the nominal owners in the event that section 35 were used?—A. The land and buildings would be owned by the province and the federal government.

Q. Then, you would not have any use for the legal device known as the Toronto housing authority if you operated under section 35?—A. I do not think there is any relationship whatsoever between the ownership of the housing project and its management.

Q. So they might become managers?

The CHAIRMAN: That would be up to the Lieutenant Governor in Council.

*By Mr. Henry:*

Q. I am only trying to find the theoretical role of this Toronto housing authority if you operated under section 35.—A. As the chairman says, the Lieutenant Governor in Council might think they were suitable appointees for such a job and I would think there would be no objection in appointing them.

Q. As I understand the present arrangement in Regent Park North, the federal government has made a contribution of approximately \$1,100,000—is that right, Mr. Mansur?—A. The commitment is half the cost of the slum clearance of \$1,150,000, whichever is the lesser. The city has acquired 70 per cent of the property at a cost of about \$1,700,000. Only one advance has been requested by the city and this advance of \$311,231.51 was made in May 1951.

Q. Now, Mr. Mansur, fixing the total cost of Regent Park South at approximately \$10 million, if it were proceeded with under section 35 in a broad estimate what would be the contribution of the dominion government?—A. I do not know. I think it will be remembered that although we did have business with the Regent Park development, it was limited entirely to a slum clearance grant in which we are not principals but are just advisors to the minister. I do not know enough about Regent Park to answer such a question.

Q. But I said if the cost of Regent Park South be \$10 million complete—and that is a tentative figure—what would be the contribution of the federal government under the statute, section 35?—A. Well, it would depend upon the income and expenditure statements over the next fifty years and the losses thereby incurred. In the original instance if the province and the federal government decided to go into a project that cost \$10 million, then there would be

\$7½ million investment by the federal government and \$2½ million by the province. The contribution or subsidy could only be determined after the project had come to the end of its useful life and the loss of such a project had been determined.

*By the Chairman:*

Q. Well, under section 12 a 50 per cent federal grant—is that an out and out gift?—A. An out and out gift subject to certain gift conditions.

The CHAIRMAN: Well, are you not confusing the two, which are totally different?

Mr. HENRY: I am not confusing anything. I should have used the words "capital cost" in putting my question.

The CHAIRMAN: But under section 12, as I understand it, the 50 per cent contribution is an out and out federal gift. Under section 35 it is a totally different proposition. The 75 per cent contribution is not an out and out gift. The federal government is saying, "We are a partner in the ownership of the project."

Mr. HENRY: But it is a contribution.

The CHAIRMAN: Yes, but not a gift. You are speaking about two different things; one is a loan to a partnership and the other an out and out gift.

*By Mr. Fleming:*

Q. Mr. Mansur, I think we are agreed there has not been a case yet where section 35 has been applied to a redevelopment project?—A. I was just trying to think of one. I believe that in St. John's, Newfoundland, when we went to the Ebsary Estate, there was a little shack on it about 10 by 12. I think that shack was pulled down to make way for the buildings so that to that extent perhaps there has been some redevelopment take place, but not in the sense Mr. Fleming means.

Q. I take it this question has yet to arise and be really decided?—A. Yes, we have one very much before us at the moment in Saint John, New Brunswick there a very substantial redevelopment is to take place where the municipality has already acquired some land in the area and cleared it and needs more land I think that there will have to be a decision taken by government as to whether they are prepared to use section 35 for the over-all development of the Prince Edward area in Saint John.

Q. When you say "taken by government" you mean federal and provincial?—A. Yes, "by governments" I should have said.

Q. So there will be a question of policy in every situation as well as this question of legal interpretation we have been confronted with?—A. Yes.

Q. Now, I do not want to be asking you questions on matters that may be involving extensive pending negotiations, but I do think it might be appropriate to ask you questions about projects that are under consideration now and on which the dominion and provincial authorities are consulting together.—A. Mr. Chairman, I am willing to answer the question if it can be off the record.

The CHAIRMAN: Looking over the meetings of committees, we cannot possibly meet tomorrow morning. I would suggest in this room at 4 o'clock on Wednesday and at 11 o'clock on Thursday. Those appear to be the only places where we can possibly squeeze in this week.

## APPENDIX "A"

## DIRECT LENDING POLICY

## 1. Location

Direct loans under Section 31A may be made

(a) In the case of defence workers, in any locality located convenient to a certified defence plant;

(b) In other cases, direct loans under Section 31A may be made only in the following localities:

(i) The towns listed under the heading of "Other Localities" in the third section of Table No. 5 (page 56-60) of the Corporation's Annual Report for the year 1950.

(ii) Other towns or villages or other areas with a population of less than 5,000 provided that the proposed house site is located more than five miles of the limit of municipal services of the nearest adjacent centre with a population of over 5,000. Lending institution refusal letters are not required with applications from localities of less than 5,000 population.

Areas of doubtful classification should be referred to the Assistant Secretary at Head Office for a decision.

## 2. Eligibility

An acceptable application is defined as one which meets the following requirements:

(a)

(i) from a married person who intends to occupy the house,

or

(ii) from a single person contemplating marriage or from a single person who will occupy the house with dependents,

or

(iii) from a person wishing to provide a home for dependents but who will not live in the house personally,

or

(iv) from a Municipality or Organization wishing to provide a house for an incumbent Minister, doctor, or Organization official, etc.

(Under (iii) and (iv), the application must be submitted under Part II of the Act.)

(b) Is on a property which will conform to National Housing Act standards of construction and is being built on a location acceptable to the Corporation.

Note—"Person" is to be construed as male or female.

## 3. Level of Loans

Appraisals will be computed in the same manner as prescribed under joint loans procedure.

If, however, owing to low rental levels in the community an unrealistic level of loan would result, then an upward adjustment may be made in the lending value to increase it to 80% of the urban counterpart of a house built in the town where the controlling branch office is located.

When the loan is subject to a satisfactory "Maximum End-Cost", the loan ratio may be up to a maximum of 80% of the lending value computed on the basis outlined above.

When the end-cost of the house is not considered to be satisfactory, the loan ratio must not exceed 66 $\frac{2}{3}$ % of the lending value computed as outlined above.

In determining whether the cost of the house is satisfactory in order to qualify for the higher scale of loan, it is suggested in general that the basis should not be in excess of 90% of the satisfactory end-cost of the urban counterpart of the house as defined above. There will be cases where this figure of 90 may be exceeded after considering the level of costs in the particular location where the house is being built.

Where possible, loans should be limited to a maximum of \$6,000 (duplexes \$8,000) when processed on the 66 $\frac{2}{3}$ % basis and to \$7,000 (duplexes \$9,000) when processed on the 80% basis. These are general policy directions and the amounts may be exceeded where the circumstances warrant such an action.

#### 4. Regional Approval Limits

The regional approval limit on loans on single houses has been raised from \$6,000 to \$7,000 (duplexes from \$8,000 to \$9,000) regardless of whether the loan is on a 66 $\frac{2}{3}$ % or 80% basis. When loans are approved by the Regional Loans Manager within the limits of his authority, the relevant papers should be transmitted direct to the Loans Division at Head Office.

When loans in excess of \$7,000 (duplexes \$9,000) are recommended, the relevant papers together with the recommendation of the Regional Loans Manager should be relayed to the Assistant Secretary at Head Office.

#### 5. Amortization Terms and Ratios of Gross Debt Service to Income

(a) Amortization periods on direct loans should bear a relationship to the borrower's ability to pay. (This does not apply to joint loans unless the Lending Institution so insists.)

(b) For direct loans, as in Sales Agreements, every effort should be made to introduce intermediate amortization periods other than the standard periods of 10, 15, 20 or 25 years. This will allow greater flexibility when establishing conformity with the approved pattern of debt service ratios.

A book of intermediate amortization tables has been produced by the Corporation and is identified by Form No. CMHC 223A. These tables are available on requisition. Widespread distribution is not desirable owing to the cost involved and it is suggested that requisitions should be limited in amount so as to provide three copies for the Regional Office and a copy for each Branch or other office engaged in direct loan processing.

(c) The maximum amortization period on direct loans will be 25 years. On loans to defence workers the terms will be 25 years unless the borrower requests a shorter period.

(d) In outlying areas and smaller towns where living expenses such as transportation costs are lower than in the urban centres, the maximum debt service ratio must not exceed 27% on single family dwellings (30% duplexes). In the larger centres, where living costs approximate urban levels, the maximum debt service should not exceed 23% on single family dwellings (30% duplexes). The limit of 23% may be exceeded in special cases up to a ratio of 25% but only where there is evidence of increased income in future years or where there is a strong additional covenant offered or where the applicant requests the more onerous basis.

(e) In accordance with (a), amortization terms on single family house loans, should be arranged so that the borrower will pay according to one of the following gross debt services ratios:

—no dependents (ex. wife) .....	20%
—one dependent (ex. wife) .....	19%
—two dependents (ex. wife) .....	18%

- Notes*
- (i) Where the application of the above ratios would reduce the amortization term below 10 years, the loan may be approved on a 10-year basis.
  - (ii) Where the applicant requests more onerous terms than the above, such may be approved as an adjustment can be made in later years should the debt service charges prove to be too heavy.
  - (iii) On duplex loans, amortization terms should be granted according to the circumstances, bearing in mind the personal income of the borrower and the net rental value of the additional unit.
  - (f) The age of the applicant need not affect the amortization granted unless the Regional Loans Manager feels that special circumstances (such as reduced income following retirement) warrant some restriction.
  - (g) In towns or areas where the economy is dependent on the supply of natural resources such as oil, coal, asbestos, etc., it might be necessary to gear amortization periods to the expected life of such natural resources. Where such circumstances exist, the subject should be referred to Head Office, where a report will be obtained from the Department of Resources and Development. Any decision to restrict amortization periods will be governed by such reports and the lack of any company guarantees, (see 6 (d) below).

#### 6. *Covenants and Guarantees*

(a) Regardless of whether the land is held in joint-tenancy or otherwise, the covenant of the husband or wife of the applicant must be obtained except in the Province of Quebec.

In Quebec, where the husband and wife are separate as to property, the husband's covenant is required as guarantor where the land is in the name of the wife. When the land is in the name of the husband, the covenant of the wife is of no value.

(b) When loans are approved to single persons contemplating marriage (see paragraph 2(a) (ii) ), the covenant of the fiancée or fiancé must be obtained under the same rules governing the covenant of a wife or a husband.

(c) Where a mortgagor or covenantor is a minor, direction should be obtained from the Mortgage Division, Head Office, as to the procedure to be followed.

(d) In Company towns where the economic life is dependent on a single industry, consideration should be given as to the advisability of negotiating a partial or total guarantee agreement with the Company whose employees require housing. Recommendations in this regard should be referred to the Assistant Secretary.

#### 7. *Construction Status*

(a) When a direct loan application is submitted before the applicant has commenced construction, the applicant should be warned to withhold the commencement of construction pending a decision as to whether a direct loan will be made.

(b) When it is evident that an applicant has proceeded with construction prior to applying to a lending institution for a joint loan which has been refused, the application for a direct loan should be declined on the grounds that a joint loan would not have been available.

#### 8. *Progress Advances*

The Corporation's standard progress advance technique is based upon the following. When determining the amounts to be advanced from time to time on the loan, a sufficient amount is withheld to permit reasonable completion of the building should the borrower default in his construction program.



Having determined the amount available for advances by deducting the "amount to complete" from the loan, a holdback is then made on the calculated advance, according to the percentages prescribed by the Legal Division. The deduction of this percentage holdback produces the amount which may be disbursed.

Following the discussion at the recent Supervisors' Conference, it was felt that the Regional Office Secretary should be allowed some discretionary powers within certain defined limits, to enable him to make a more generous scale of advance where such was considered desirable.

A new technique may be introduced whereby progress advances are based on the percentage completion of the building instead of the "amount to complete" technique.

Regardless of whether the above technique is introduced, the normal mechanics lien holdback will be made as formerly.

It is felt that the governing decision in each specific case must be made by the Regional Secretary according to the circumstances. The standard pattern of progress advances may be continued. Conversely, full advantage may be taken of the alternative procedure outlined above. In many cases, a mid-way course may be considered desirable.

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE NHA 1944  
BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
<b>HALIFAX</b>									
Digby.....	1	1	3,500				1	1	3,500
East Ferry (Digby Co.).....	1	1	2,740				1	1	2,740
Armdale (Halifax Co.).....	1	1	4,200				1	1	4,200
Inverness.....	1	1	3,000				1	1	3,000
Lockport.....	1	1	4,000				1	1	4,000
Newellton (Shelburne Co.).....	1	1	2,600				1	1	2,600
Port Hawkesbury (Inverness Co.).....	1	1	3,740				1	1	3,740
Sheet Harbor.....	1	1	3,000				1	1	3,000
Shelburne.....	1	1	5,000				1	1	5,000
South Ohio.....	1	1	3,500				1	1	3,500
Stellarton.....	1	1	5,000				1	1	5,000
Trenton.....	1	1	4,100				1	1	4,100
Sub-total.....	12	12	44,380				12	12	44,380
<b>SAINT JOHN</b>									
Gordon Parish.....	1	1	3,500				1	1	3,500
Hartland.....	1	1	5,500				1	1	5,500
Neguac.....	1	1	3,500				1	1	3,500
McAdam.....	1	1	4,000	1	1	4,000			
Peel Parish.....	1	1	6,040				1	1	6,040
River de Chute.....	1	1	5,000				1	1	5,000
McDonald.....	1	1	6,000				1	1	6,000
Sub-total.....	7	7	33,540	1	1	4,000	6	6	29,540
<b>MONCTON</b>									
Bathurst, N.B.....	2	2	11,540				2	2	11,540
Bedford, P.E.I.....	1	1	5,160				1	1	5,160
Blackville, N.B.....	1	1	4,500				1	1	4,500
Borden, P.E.I.....	1	1	6,000				1	1	6,000
Campbellton, N.B.....	2	2	10,200	1	1	5,200	1	1	5,000
Kensington, P.E.I.....	1	1	3,500				1	1	3,500
Legerville (Kent Co.) N.B.....	1	1	3,500	1	1	3,500			
Newcastle, N.B.....	1	1	5,400				1	1	5,400
St. Martin de Restigouche.....	1	1	3,500	1	1	3,500			
St. Paul (Kent Co.) N.B.....	1	1	4,000				1	1	4,000
Tracadie.....	1	1	5,000				1	1	5,000
Sub-total.....	13	13	62,300	3	3	12,200	10	10	50,100
<b>ST. JOHN'S</b>									
Botwood.....	1	1	4,000				1	1	4,000
Harbour Grace.....	1	1	4,500	1	1	4,500			
St. John's.....	2	2	16,000				2	2	16,000
Sub-total.....	4	4	24,500	1	1	4,500	3	3	20,000
<b>QUEBEC</b>									
Amqui.....	7	7	35,760	3	3	16,480	4	4	19,280
Baie des Sables.....	1	1	2,740				1	1	2,740
Beauce Jonction.....	2	2	11,400	1	1	5,700	1	1	5,700
Beauport.....	1	1	5,600				1	1	5,600
Beaupre.....	4	4	21,800	3	3	16,200	1	1	5,600
Carleton-sur-Mer.....	6	6	25,980	1	1	4,300	5	5	21,680
Chandler.....	3	3	15,400	2	2	10,600	1	1	4,800
Donnacona.....	1	1	4,600				1	1	4,600
East Broughton.....	3	3	12,600	1	1	5,000	2	2	7,600
Eastcourt.....	1	1	4,000				1	1	4,000
Grandes Bergeronnes.....	1	1	6,000	1	1	6,000			
Grande Riviere.....	2	2	4,920				2	2	4,920

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE NHA 1944—(Continued)  
BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
QUEBEC (Continued)									
Gronclines.....	1	1	4,500				1	1	4,500
L'Ancienne Lorette.....	32	32	172,560	4	4	23,540	28	28	149,020
La Malbaie.....	1	1	6,000	1	1	6,000			
Matane.....	3	3	12,000				3	3	12,000
Mont Joli.....	1	1	7,000				1	1	7,000
Montmagny.....	4	4	20,100	1	1	5,500	3	3	14,600
N.D. de Lorette.....	1	1	2,800				1	1	2,800
Rimouski.....	10	11	63,280				10	11	63,280
Riviere a Pierre.....	1	1	3,500				1	1	3,500
Riviere Bleue.....	1	1	3,600	1	1	3,600			
Riviere Malbaie.....	1	1	6,000	1	1	6,000			
Ste Claire de Joliette.....	1	1	6,000	1	1	6,000			
Ste Croix de Lotbiniere.....	1	1	3,740				1	1	3,740
Ste Florence.....	1	1	5,000	1	1	5,000			
Ste Marie de la Beauce.....	1	1	5,000	1	1	5,000			
Ste Rose du Degele.....	1	1	5,200				1	1	5,200
Ste Therese de Gaspé.....	1	1	2,700				1	1	2,700
St. Joseph de la Rive.....	1	1	2,800				1	1	2,800
St. Leon le Grand.....	3	3	13,780				3	3	13,780
St. Raymond.....	1	1	5,600				1	1	5,600
St. Romuald d'Etchemin.....	3	3	15,900	1	1	6,000	2	2	9,900
St. Simeon.....	1	1	4,000				1	1	4,000
Sault au Mouton.....	1	1	4,000				1	1	4,000
Sub-total.....	105	106	531,060	24	24	130,920	81	82	400,140
MONTREAL									
Aubrey.....	1	1	4,480				1	1	4,480
Beauharnois.....	49	50	232,480	18	18	80,460	31	32	152,020
Beloeil.....	1	1	5,000				1	1	5,000
Chambly Bassin.....	1	1	4,560				1	1	4,560
Chateauguay.....	3	3	15,000	1	1	4,000	2	2	11,000
Chateauguay Heights.....	1	1	6,000				1	1	6,000
Coteau Station.....	1	1	4,480				1	1	4,480
Dunham.....	1	1	4,000	1	1	4,000			
Farnham.....	5	5	23,560				5	5	23,560
Hemingford.....	2	2	11,200	1	1	5,600	1	1	5,600
Huntingdon.....	1	1	5,600				1	1	5,600
Ile Bigras.....	1	1	5,000				1	1	5,000
Joliette.....	43	85	341,500	16	31	126,000	27	54	215,000
Laval-sur-le-Lac.....	1	1	5,760	1	1	5,760			
Marierville.....	5	5	24,600				5	5	24,600
Melocheville.....	1	1	4,400				1	1	4,400
Mont Laurier.....	11	12	57,880	1	1	5,000	10	11	52,880
Mont Rolland.....	1	1	4,480				1	1	4,480
Oka.....	1	1	6,000				1	1	6,000
Otterburn Park.....	1	1	5,880				1	1	5,880
Rigaud.....	1	1	5,800				1	1	5,800
Rosemere.....	1	1	5,000				1	1	5,000
St. Andrews East.....	1	1	5,040				1	1	5,040
St. Basile le Grand.....	2	2	10,040				2	2	10,040
St. Bruno de Montarville.....	4	4	22,000	1	1	5,000	3	3	17,000
St. Calixte (Montcalm Co.).....	1	1	4,480				1	1	4,480
St. Constant.....	1	1	4,000	1	1	4,000			
Ste. Adele.....	1	1	4,200				1	1	4,200
Ste. Adele en Bas.....	1	1	6,000	1	1	6,000			
Ste. Marguerite.....	1	1	4,200				1	1	4,200
Ste. Rose.....	3	3	11,200				3	3	11,200
Ste. Rose West.....	1	1	6,000	1	1	6,000			
Ste. Therese.....	1	1	8,000	1	1	8,000			
St. Eustache.....	2	2	11,080				2	2	11,080
St. Eustache-sur-le-Lac.....	2	2	11,460				2	2	11,460
St. Hilaire de Rouville.....	1	1	5,000				1	1	5,000
St. Hyacinthe.....	4	4	20,040	4	4	20,040			
St. Joseph de Sorel.....	5	5	27,840				5	5	27,840

CORPORATION LOANS APPROVED UNDER PART I,  
 SECTION 31A OF THE NHA 1944—(Continued)  
 BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
<b>MONTREAL (Continued)</b>									
St. Jovite.....	3	3	18,400				3	3	18,400
St. Marcel.....	1	1	2,800	1	1	2,800			
St. Sauveur.....	2	2	10,600				2	2	10,600
Sorel.....	13	14	74,560				13	14	74,560
Terrebonne.....	1	1	5,600				1	1	5,600
Valleyfield.....	22	25	118,120	4	4	21,400	18	21	96,720
Varennes.....	5	7	21,760				5	7	21,760
Venise en Quebec.....	1	1	5,000				1	1	5,000
Waterloo.....	1	1	5,360	1	1	5,360			
Sub-total.....	213	263	1,205,440	54	69	309,420	159	194	896,020
<b>SHERBROOKE</b>									
Asbestos.....	1	1	6,000	1	1	6,000			
Black Lake.....	2	2	8,960				2	2	8,960
Bromptonville.....	1	1	4,800				1	1	4,800
Cookshire.....	2	2	10,500				2	2	10,500
Danville.....	1	1	6,000				1	1	6,000
Drummondville.....	2	2	9,300				2	2	9,300
East Angus.....	1	1	5,280				1	1	5,280
Grantham.....	5	5	22,240				5	5	22,240
Lac Megantic.....	3	3	15,600				3	3	15,600
Lambton.....	1	1	5,000				1	1	5,000
La Patrie.....	1	1	5,000				1	1	5,000
Magog.....	2	2	10,500	1	1	5,500	1	1	5,000
N.D. du Bon Conseil.....	1	1	4,000	1	1	4,000			
Plessisville.....	1	1	5,600				1	1	5,600
Rock Forest.....	1	1	5,700				1	1	5,700
St. Denis de Brompton.....	1	1	2,500				1	1	2,500
St. Elie d'Orford.....	1	1	5,600				1	1	5,600
Ste. Monique.....	1	1	4,500				1	1	4,500
Scotstown.....	2	2	6,500				2	2	6,500
Stanhope.....	1	1	4,000	1	1	4,000			
Stanstead.....	1	1	5,200				1	1	5,200
Weedon Centre.....	3	3	11,200				3	3	11,200
Windsor Mills.....	1	1	5,880				1	1	5,880
Woodlands.....	1	1	5,000				1	1	5,000
Sub-total.....	37	37	174,860	4	4	19,500	33	33	155,360
<b>THREE RIVERS</b>									
Batiscan.....	1	1	5,000				1	1	5,000
Cap-de-la-Madeleine.....	2	3	13,200				2	3	13,200
La Tuque.....	5	8	34,120	1	1	6,000	4	7	28,120
N.D. de la Présentation d'Almaville.....	1	1	4,200				1	1	4,200
St. Leonard d'Aston.....	14	14	60,700				14	14	60,700
St. Odilon de Cranbourne.....	2	4	16,000				2	4	16,000
Shawinigan.....	2	2	7,200	1	1	3,600	1	1	3,600
Shawinigan South.....	4	4	19,060				4	4	19,060
Sub-total.....	31	37	159,480	2	2	9,600	29	35	149,880
<b>VAL-D'OR</b>									
Amos.....	21	23	121,220	1	1	5,000	20	22	116,220
Belleterre.....	1	1	4,000	1	1	4,000			
Duparquet.....	3	3	12,000				3	3	12,000
Duparquet Twp.....	3	3	12,000				3	3	12,000
La Sarre.....	1	1	6,160				1	1	6,160
Taschereau.....	1	1	3,500				1	1	3,500
Temiscamingue.....	1	1	4,000	1	1	4,000			
Ville Marie.....	10	10	57,380				10	10	57,380
Sub-total.....	41	43	220,260	3	3	13,000	38	40	207,260

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE NHA 1944—(Continued)  
BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
<b>CHICOUTIMI</b>									
Bagotville.....	2	2	12,000				2	2	12,000
Desbiens.....	1	1	3,920	1	1	3,920			
Dolbeau.....	4	8	26,360	1	2	7,380	3	6	18,980
Grande Baie.....	2	2	10,700	1	1	5,000	1	1	5,700
L'Ascension.....	1	1	3,000	1	1	3,000			
Roberval.....	2	2	10,000				2	2	10,000
St. Bruno (Lac St. Jean Co.)..	2	3	9,400				2	3	9,400
St. Cœur de Marie.....	1	2	5,000				1	2	5,000
Talon.....	1	1	5,040				1	1	5,040
Sub-total.....	16	22	85,420	4	5	19,300	12	17	66,120
<b>OTTAWA</b>									
Barry's Bay.....	1	1	4,660				1	1	4,660
Billing's Bridge.....	1	1	4,000				1	1	4,000
Cumberland.....	1	1	8,500				1	1	8,500
Gatineau Point, P.Q.....	1	1	6,000	1	1	6,000			
Gloucester Twp.....	2	2	12,000	1	1	6,000	1	1	6,000
Hawkesbury.....	4	4	23,800				4	4	23,800
Killaloe.....	1	1	4,000				1	1	4,000
Masson, P.Q.....	1	1	4,000				1	1	4,000
Nepean Twp.....	17	45	269,060				17	45	269,060
N.D. du Laus, P.Q.....	1	1	4,200				1	1	4,200
Plantagenet.....	1	1	5,000				1	1	5,000
Rockland.....	1	1	5,000				1	1	5,000
Sub-total.....	32	60	350,220	2	2	12,000	30	58	338,220
<b>TORONTO</b>									
Alliston.....	1	1	6,080				1	1	6,080
Downsview.....	1	1	6,000				1	1	6,000
Etobicoke.....	120	120	1,099,140				120	120	1,099,140
Hanover.....	1	1	6,000				1	1	6,000
Lorne Park.....	1	1	7,000				1	1	7,000
Markham.....	1	1	5,800				1	1	5,800
Markham Twp.....	1	1	6,000				1	1	6,000
Minden.....	1	1	4,000				1	1	4,000
North York.....	90	90	690,900				90	90	690,900
Port Sydney.....	1	1	6,000				1	1	6,000
Richvale.....	2	2	11,140				2	2	11,140
Scarborough Twp.....	5	5	29,820				5	5	29,820
Toronto Twp.....	1	1	7,000				1	1	7,000
Vaughan.....	1	1	6,800				1	1	6,800
Wexford.....	1	1	7,000				1	1	7,000
Sub-total.....	228	228	1,898,680				228	228	1,898,680
<b>HAMILTON</b>									
Oakville.....	1	1	6,000				1	1	6,000
Sub-total.....	1	1	6,000				1	1	6,000
<b>LONDON</b>									
Byron.....	1	1	6,200				1	1	6,200
Clinton.....	1	1	5,000				1	1	5,000
Lucknow.....	1	1	5,060				1	1	5,060
Parkhill.....	1	1	7,000				1	1	7,000
Rodney.....	2	2	10,000				2	2	10,000
West Lorne.....	1	1	6,000				1	1	6,000
Sub-total.....	7	7	39,260				7	7	39,260

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE NHA 1944—(Continued)  
BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
WINDSOR									
Wallaceburg.....	10	10	34,760	6	6	21,600	4	4	13,160
Sub-total.....	10	10	34,760	6	6	21,600	4	4	13,160
KITCHENER									
Ayr.....	1	1	6,000				1	1	6,000
Brantford.....	3	3	14,500				3	3	14,500
Brantford Twp.....	2	2	11,080				2	2	11,080
Dumfries.....	1	1	4,000				1	1	4,000
Fergus.....	1	1	4,080				1	1	4,080
Sub-total.....	8	8	39,660				8	8	39,660
NORTH BAY									
Chapleau.....	3	3	15,760				3	3	15,760
Englehart.....	1	1	6,000				1	1	6,000
Espanola.....	3	3	15,700	1	1	6,000	2	2	9,700
Gore Bay.....	1	1	6,000	1	1	6,000			
Matheson.....	2	2	13,040				2	2	13,040
North Bay.....	2	2	10,500	2	2	10,500			
Sault Ste. Marie.....	4	4	16,000				4	4	16,000
Stonecliffe.....	1	1	6,000				1	1	6,000
Sub-total.....	17	17	89,500	4	4	22,500	13	13	67,000
SARNIA									
Bluewater.....	27	27	104,360	11	11	40,380	16	16	63,980
Sub-total.....	27	27	104,360	11	11	40,380	16	16	63,980
KINGSTON									
Brockville.....	1	1	4,500				1	1	4,500
Cardinal.....	1	1	5,000				1	1	5,000
Carleton Place.....	1	1	6,000				1	1	6,000
Erneston.....	1	1	3,500				1	1	3,500
Perth.....	2	2	9,500				2	2	9,500
Sub-total.....	6	6	28,500				6	6	28,500
WINNIPEG									
Beausejour.....	1	1	6,000				1	1	6,000
Blaine Lake.....	2	2	11,800				2	2	11,800
Calder.....	1	1	6,000				1	1	6,000
Rainy River.....	1	1	6,000				1	1	6,000
Russell.....	1	1	6,000				1	1	6,000
St. Lazare.....	1	1	5,000	1	1	5,000			
Snow Lake.....	1	1	3,200				1	1	3,200
Warren.....	1	1	6,000				1	1	6,000
Sub-total.....	8	8	44,000	1	1	5,000	7	7	39,000
REGINA									
Assiniboia.....	4	4	19,740				4	4	19,740
Avonlea.....	1	1	3,000				1	1	3,000
Bredenbury.....	1	1	2,500				1	1	2,500
Carlyle.....	1	1	4,500				1	1	4,500
Cupar.....	1	1	4,500				1	1	4,500
Dysart.....	1	1	4,000				1	1	4,000
Estevan.....	3	3	15,500	1	1	5,000	2	2	10,500
Glenavon.....	1	1	4,420				1	1	4,420

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE N.H.A. 1944, BY  
LOCALITY AND BRANCH—(Continued)

CANADA 1947-1951

Branch Office and Municipality	* Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
<b>REGINA (Concluded)</b>									
Grenfell.....	3	3	15,140				3	3	15,140
Kipling.....	2	2	8,940	1	1	4,760	1	1	4,180
Lumsden.....	1	1	5,100				1	1	5,100
Shaunavon.....	1	1	5,500	1	1	5,500			
Stoughton.....	1	1	4,000				1	1	4,000
Sub-total.....	21	21	96,840	3	3	15,260	18	18	81,580
<b>EDMONTON</b>									
Andrew.....	2	2	8,860				2	2	8,860
Beauvallon.....	1	1	3,600				1	1	3,600
Barrhead.....	2	2	7,500				2	2	7,500
Bashaw.....	3	3	11,564	2	2	7,800	1	1	3,764
Castor.....	1	1	4,000				1	1	5,000
Devon.....	210	210	941,600	13	13	61,840	197	197	879,760
Donnelly.....	2	2	10,846				2	2	10,846
Eckville.....	1	1	4,500				1	1	3,500
Edson.....	2	2	9,720				2	2	9,720
Elk Point.....	1	1	5,000				1	1	5,000
Grand Prairie.....	3	3	15,060				3	3	15,060
Jaspar.....	2	2	10,000				2	2	10,000
Killam.....	1	1	4,500				1	1	4,500
Lac la Biche.....	2	2	9,700				2	2	9,700
Lamont.....	1	1	4,560				1	1	4,560
Liberty.....	2	2	7,700	1	1	4,400	1	1	3,300
Lloydminster.....	6	6	29,560				6	6	29,560
Marwayne.....	1	1	3,500				1	1	3,500
Meeting Creek.....	1	1	4,000				1	1	4,000
Peace River.....	1	1	3,500				1	1	3,500
Penhold.....									
St. Albert.....	1	1	6,000	1	1	6,000			
St. Paul.....	1	1	4,860				1	1	4,860
Vermillion.....	4	4	21,500				4	4	21,500
Vermillion Mun.....	1	1	5,000				1	1	5,000
Viking.....	1	1	4,000				1	1	4,000
Vilna.....	1	1	5,000				1	1	5,000
Dawson Creek, B.C.....	1	1	5,000	1	1	5,000			
Wainwright.....	5	5	26,270	1	1	3,500	4	4	22,770
Whitehorse (Yukon).....	1	1	3,000				1	1	3,000
Willingdon.....	1	1	4,940				1	1	4,940
Yellowknife, N.W.T.....	5	5	27,100				5	5	27,100
Sub-total.....	267	267	1,211,580	19	19	88,540	248	248	1,123,040
<b>CALGARY—</b>									
Brooks.....	3	3	17,760				3	3	17,760
Cochrane.....	1	1	4,000				1	1	4,000
Foremost (Haig Mun.).....	1	1	3,740				1	1	3,740
Hanna.....	2	2	10,340				2	2	10,340
Raymond.....	1	1	5,200				1	1	5,200
Sub-total.....	8	8	41,040				8	8	41,040
<b>SASKATOON</b>									
Barrier Valley.....	2	2	7,400				2	2	7,400
Biggar.....	1	1	6,000	1	1	6,000			
Canora.....	2	2	9,000				2	2	9,000
Cut Knife.....	1	1	6,000				1	1	6,000
Elrose.....	1	1	4,520	1	1	4,520			
Happy Land.....	1	1	6,000				1	1	6,000
Humboldt.....	10	10	49,120	2	2	10,500	8	8	38,620
Kamsack.....	1	1	4,800				1	1	4,880
Lloydminster, Sask.....	3	3	13,300				3	3	13,300
Lloydminster, Alta.....	19	19	95,320	1	1	4,800	18	18	90,520

CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE N.H.A. 1944, BY  
LOCALITY AND BRANCH—(Continued)

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
<b>SASKATOON (Concluded)</b>									
Meadow Lake.....	2	2	8,600	1	1	3,000	1	1	5,600
Melfort.....	8	8	42,700				8	8	42,700
Moose Range.....	1	1	5,920				1	1	5,920
Nipawin.....	3	3	16,060				3	3	16,060
North Battleford.....	6	6	36,440				6	6	36,440
Rosetown.....	4	4	21,440				4	4	21,440
Spalding.....	1	1	5,500	1	1	5,500			
Spiritwood.....	1	1	6,000	1	1	6,000			
Tisdale.....	2	2	8,986	2	2	8,986			
Unity.....	6	6	29,852	1	1	4,700	5	5	25,152
Wadena.....	1	1	4,500				1	1	4,500
Sub-total.....	76	76	387,538	11	11	54,006	65	65	333,532
<b>LETHBRIDGE</b>									
Claresholm.....	2	2	8,680	1	1	4,560	1	1	4,120
Coaldale.....	2	2	9,600	1	1	4,800	1	1	4,800
Glenwood.....	1	1	4,640	1	1	4,640			
Sub-total.....	5	5	22,920	3	3	14,000	2	2	8,920
<b>FORT WILLIAM</b>									
Atikokan.....	2	2	10,520				2	2	10,520
Bryden.....	1	1	5,000				1	1	5,000
Sub-total.....	3	3	15,520				3	3	15,520
<b>VANCOUVER</b>									
Brighouse (Mun.).....	1	1	5,500				1	1	5,500
Burnaby.....	2	2	11,000				2	2	11,000
Cloverdale.....	1	1	4,500				1	1	4,500
Hope.....	5	5	25,360	1	1	5,060	4	4	20,300
Langley Prairie.....	2	2	8,600				2	2	8,600
Lulu Island.....	1	1	6,000	1	1	6,000			
Maple Ridge.....	3	3	13,040				3	3	13,040
North Vancouver.....	1	1	4,100				1	1	4,100
Port Moody.....	1	1	6,000				1	1	6,000
Quesnel.....	6	6	33,860				6	6	33,860
Ruskin.....	1	1	5,560				1	1	5,560
Sea Island.....	1	1	6,000				1	1	6,000
Smithers.....	3	3	18,000	1	1	6,000	2	2	12,000
Squamish.....	1	1	3,900	1	1	3,900			
Steveston.....	1	1	4,080				1	1	4,080
Surrey.....	1	1	2,700				1	1	2,700
White Cliff.....	1	1	5,360				1	1	5,360
Sub-total.....	32	32	163,560	4	4	20,960	28	28	142,600
<b>VICTORIA</b>									
Campbell River.....	8	8	42,720	2	2	10,000	6	6	32,720
Sydney.....	1	1	6,000				1	1	6,000
Sub-total.....	9	9	48,720	2	2	10,000	7	7	38,720
<b>TRAIL</b>									
Fruitvale.....	4	4	20,240	1	1	5,000	3	3	15,240
Grand Forks.....	2	2	11,280				2	2	11,280
Sub-total.....	6	6	31,520	1	1	5,000	5	5	26,520



CORPORATION LOANS APPROVED UNDER PART I,  
SECTION 31A OF THE N.H.A. 1944, BY  
LOCALITY AND BRANCH—(Concluded)

CANADA 1947-1951

Branch Office and Municipality	Loans Approved			Loans Cancelled			Net Loans Approved		
	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$	No. of Loans	No. of Units	Amount \$
KELOWNA									
Oyama.....	1	1	5,780				1	1	5,780
Williams Lake.....	2	2	11,800				2	2	11,800
Winfield.....	1	1	6,500				1	1	6,500
Sub-total.....	4	4	24,080				4	4	24,080
Total.....	1,247	1,340	7,180,238	163	179	831,686	1,084	1,161	6,348,552

## APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>HALIFAX—</b>						
Cheticamp, N.S.	1					
Comeauville, N.S.	1					
Grand Etang, N.S.		1				
Melanson, N.S.		1				
New Albany					1	Referred to V.L.A.
Sub-Total	2	2			1	
<b>SAINT JOHN—</b>						
Andover				1		
Bristol	1					
Central Greenwich	1					
Cantebury		2				
Chipman				2	1	Commercial
Deer Island	1					
Doaktown	1					
Edmunston	1					
Freeport	1					
Fredericton	1					
Glen Falls			1			
Harvey Station	1					
Lower South Hampton	1					
McAdam	1					
Oromocto		1				
Perth	1					
River de Chute	1					
St. Anne					1	Commercial
St. Croix					1	Loan of \$600 impractical
St. Leonard	1					
St. Thomas					1	Remodelling existing house
Victoria		1				
Westfield Centre		1				
Woodstock	1					
Woodstock Junction	1					
Sub-Total	15	5	1	3	4	
<b>MONCTON—</b>						
Bathurst		1	1			
Chatham	1					
Northumberland County		1				
Richibucto			1			
Ste Anne de Bocage		1				
Sub-Total	1	3	2			
<b>ST. JOHN'S—</b>						
Badger					1	Did not start
Bay Roberts		1				
Bellisland	1					
Botwood					1	Did not start
Clarks Beach	1					
Fogo					1	Did not start
Lewisporte		1				
Port au Port					1	Home Improvement
Windsor		1				
St. Georges					1	Did not start
Sub-Total	2	3			5	

## APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
QUEBEC—						
Amqui.....		1		3	3	Credit Rating
Ancienne Lorette.....		6			2	Credit Rating
Baie St. Paul.....				1	1	Credit Rating
Beaupre.....				1		
Cabano.....					1	Credit Rating
Causapsal.....				1		
Cape Cove.....				1		
Carleton-sur-Mer.....				1	1	Credit Rating
Chandler.....				3	1	Credit Rating
Charlesbourg.....					1	Commercial
Chute Panet.....		1				
Clermont.....				1		
Gaspe.....				1	1	Credit Rating
Grandes Bergeronnes.....				2		
Isles de la Madeleine.....					1	Credit Rating
Kamouraska.....					1	Credit Rating
La Malbaie.....		4		1		
Les Eboulements.....				1		
Les Escoumains.....					1	Credit Rating
Les Etroits.....				1		
Les Saules.....			1			
Lac Humqui.....				1		
L'Islet.....				1		
Maria.....		1		1		
Matane.....			1			
Montmagny.....		1		2		
Montmorency.....			1			
New Carlyle.....					1	Commercial
Padowe.....				1	1	Credit Rating
Port Daniel.....					1	Credit Rating
Quebec.....			2			
Quebec West.....			2			
Rimouski.....		1		8		
Riviere du Loup.....				3		
Riviere Ouelle.....					1	Credit Rating
Riviere Portneuf.....				1		
St. Aurelie.....		1				
St. Basile.....		1				
St. Croix.....					1	
St. Cyprien.....		1				
St. Evariste.....				1		
St. Foy.....			1			
St. Frederic.....					1	Credit Rating
St. Jean Port Joli.....					2	Credit Rating
St. Joachim de Tourelle.....				1		
St. Leon le Grand.....				1		
Ste. Marguerite.....		1				
St. Narcisse.....					2	Credit Rating
St. Pascal Kamouraska.....				1		
St. Prosper.....		1				
St. Raymond.....		1				
St. Simeon.....					1	Credit Rating
St. Vallier.....					1	Credit Rating
Val Brilliant.....		1				
Sub-Total.....		22	8	42	25	
MONTREAL—						
Beauharnois.....	1	2		1		
Bedford.....			1		1	Credit Rating
Beloil.....	1				1	
Boucherville.....			1			
Chateauguay.....					4	
Clarenceville.....					1	
Como.....	1					

APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—*Continued*

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>MONTREAL (Continued)—</b>						
Cote Ste. Catherine.....	1				1	Credit Rating
Cowansville.....					1	Credit Rating
Dewittville.....				1		
Farnham.....			2			
Granby.....			2			
Huntingdon.....	1					
Ile Jeannette sur Richelieu.....				1		
Joliette.....	3					
L'Abord-a-Plouffe.....			1			
Lachute Mills.....					1	Commercial
Lanoraie.....		1				
Lac du Cerf.....					1	Credit Rating
La Prairie.....				1		
Marieville.....	1					
Mont Laurier.....		3		1		
McMasterville.....			1			
Melocheville.....	1				2	Credit Rating
Montee St. Hubert.....		1				
Montreal.....		2	3	1	1	Credit Rating
Montreal North.....	1		1			
Nomingue.....		1				
Plage Laval.....			1			
Pointe aux Trembles.....			1			
Rawdon.....	1					
Rigaud.....					1	Credit Rating
Riviere des Prairies.....			1			
Roxboro.....			1			
Riviere Beaudette.....					2	Commercial
St. Agathe.....	2					
St. Eustache.....				2		
St. Chrysostome.....		1				
St. Hubert.....					1	Commercial
St. Hyacinthe.....		2		1	1	Single—no dependents
St. John's.....					1	Credit Rating
St. Jovite.....		1	1	1	1	Single—no dependents
St. Jerome.....	2				1	Credit Rating
St. Lambert.....			1			
Ste. Philomene.....				1		
Ste. Rose.....			1		1	Credit Rating
St. Martin.....				1		
St. Robert de Sorel.....				1		
St. Sauveur.....				1		
Ste. Therese.....				4		
St. Remi de Napierville.....					1	Commercial
Ste. Veronique de Turgeon.....				1		
Sorel.....	3	2		3	3	Single—no dependents
Sweetsburg.....					1	Credit Rating
Valleyfield.....	1	4		2		
Varennes.....				1		
Vaudreuil.....			1	1	1	Single—no dependents
Vercheres.....				1		
Waterloo.....		1	1			
West Shefford.....		1				
Sub-total.....	20	22	21	34	23	
<b>SHERBROOKE—</b>						
Acton Vale.....		5				
Asbestos.....		11				
Ascot.....	1	1				
Black Lake.....		2				
Bromptonville.....	1			2		
Coaticook.....	1		3	1		
Cookshire.....				1		
Dixville.....		1		1	1	Credit Rating

## APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>SHERBROOKE (Continued)</b>						
Drummondville.....	1	3	1		1	Commercial
East Angus.....					1	
Lennoxville.....	1	1				Commercial
Laurierville.....					1	
La Patrie.....	2					Commercial
Magog.....		1			1	
Megantic.....	1	1				Commercial
Piopolis.....		1			1	
Rock Forest.....					2	Commercial
Richmond.....					1	
Sherbrooke.....			5			Commercial
Sutton.....		1				
St. Simon de Drummond; ville.....	3				2	Commercial
St. Nicephore.....		1				
St. Elie d'Orford.....	2					Single—no dependents
St. Ludger.....					1	
St. Samuel.....		1				Commercial
St. Sebastien.....	1					
South Durham.....		1				Commercial
Victoriaville.....			3			
Warwick.....	1					Commercial
Weedon.....					1	
Windsor.....					1	Commercial. Credit Rating
Windsor Mills.....					1	
Sub-Total.....	15	31	12	13	7	
<b>THREE RIVERS—</b>						
Becancour.....		1				Commercial
Gentilly.....	1					
Grand Mere.....	1					Commercial
La Tuque.....	1					
St. Thomas de Caxton.....	1					Commercial
St. Tite.....	1					
Shawinigan.....			1			Commercial
Yamachiche.....					1	
Sub-Total.....	6	1	2	1		
<b>VAL D'OR—</b>						
Amos.....	3	10			2	Credit Rating
Guigue.....					1	
Macamic.....					1	Commercial
Malartic.....			31			
Normetal.....	1					Commercial
Senneterre.....		2			1	
Val d'Or.....			2		1	Commercial
Sub-Total.....	4	12	33	1	5	
<b>CHICOUTIMI—</b>						
Ascension.....		2			1	Credit Rating
Bagotville.....			1			
Canton Begin.....	1					Credit Rating
Chambord.....	2	3			1	
Chambord Junction.....					1	Credit Rating
Chicoutimi.....		1	3		6	
Dolbeau.....		3	5		1	Credit Rating
Doskiens Mills.....		4			3	
Grande Baie.....			3			Credit Rating
Hebertville.....		4			4	
Jonquiere.....			1		1	Credit Rating
Kenogami.....			1		1	
Mistassini.....		1				

APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE  
N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Con- struction started	Lack of equity	Serviced by lending insti- tutions	Un- suitable land or plans below standard	—	
<b>CHICOUTIMI (Continued)—</b>						
Normandin.....		1		2		
N.D. d'Iberville.....				1		
Port Alfred.....			2			
Peribonka.....				1		
Roberval.....		1	3	2		
Rang St. Jean Baptiste.....				1		
Ste. Anne de Chicoutimi.....			4			
St. Felicien.....				1		
St. Jean Eudes.....			1			
St. Fulgence.....		1				
St. Honore.....		1				
St. Gedeon.....		1				
Ste. Jeanne d'Arc.....		1				
St. Joseph.....				1		
St. Coeur de Marie.....		1				
St. Leon de Chicoutimi.....	1					
Sub-Total.....	4	25	24	26	4	
<b>OTTAWA—</b>						
Beechburg.....	1					
Buckingham, P.Q.....		1				
Deep River.....	1					
Eganville.....	1					
Gloucester Twp.....				3		
Gracefield, P.Q.....				1		
Hawkesbury.....		1				
Hull South, P.Q.....	1					
Kingston Twp.....				1		
Moore Lake.....	1					
Pte. Gatineau, P.Q.....	1					
Papineau County.....	1					
Pembroke.....	1					
St. Eugene.....		1				
Sub-Total.....	8	3		5		
<b>TORONTO—</b>						
Brooklin.....				1		
Bracebridge.....				1		
Brampton.....		1				
Highland Creek.....		1				
King.....				1		
Kleinberg.....				2		
North York.....		1			1	Owned integrated house
Oakville.....				1	1	Single—no dependents
Richmond Hill.....		1				
Scarborough.....		1				
Streetsville.....			1		1	Speculation Builder
Toronto Twp.....		1				
Vaughan Twp.....		1				
Sub-Total.....		7	1	7	3	
<b>HAMILTON—</b>						
Hamilton.....		1	1			
Sub-Total.....		1	1			

APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>NORTH BAY—</b>						
Ansonville.....				1		
Burke's Falls.....	2					
Callander.....				1		
Capreol.....		2		4		
Chapleau.....				1		
Gore Bay.....					1	Credit Rating Farm Loan—insufficient income
Novar.....					1	
Virginiatown.....				1		
Widdifield.....		1				
Sub-Total.....	2	3		8	2	
<b>LONDON—</b>						
Grand Bend.....		1				
Newbuoy House.....	1					Single with no dependents
St. Mary's.....					1	
Strathroy.....					1	Owns own home
Sub-Total.....	1	1			2	
<b>KINGSTON—</b>						
Kingston.....					1	Owns own home
Sub-Total.....					1	
<b>KITCHENER—</b>						
Doon.....	1					
Sub-Total.....	1					
<b>FORT WILLIAM—</b>						
Atikokan.....				1		
Dryden.....	2				1	Obtained Private Finance
Fort Frances.....			9		1	
Geraldton.....					1	Withdrawn
Port Arthur.....					1	Fringe Area
Rainy River.....				1		
Redditt.....					1	
Steep Rock.....					1	Re-modelling Home Improvement
Sioux Lookout.....	1				1	
Sub-Total.....	3		9	2	5	
<b>WINNIPEG—</b>						
Altona.....			1			
Bradwardine.....				1		
Glenlea.....		1				
Gladstone.....		1				
Hamiota.....		1				
Lac du Bonnet.....			1			
Norden.....			1			
Rivers.....			1			
Souris.....			1			
Steinbach.....			2			
Snow Lake.....					1	Cancelled Speculative Builder
The Pas.....					1	
Virden.....				1		
Sub-Total.....		3	7	2	2	

## APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>REGINA</b>						
Assiniboia.....		2				
Bredenbury.....		1				
Carlyle.....		1				
Foam Lake.....			1		1	Single—no dependents
Holdfast.....					1	Commercial Building
Indian Head.....		1				
Lucky Lake.....		1				
Maryfield.....		1				
Midale.....		1				
Shaunavon.....		2				
Wawota.....		1				
Wishart.....					1	Single—no dependents
Sub-Total.....		11	1		3	
<b>EDMONTON</b>						
Beverley.....					1	Fringe area
Edson.....	1					
Edmonton.....					4	Metropolitan area
Fort Saskatchewan.....					1	Credit Rating
Grande Prairie.....			1		1	Fringe Area
Leduc.....		1				
Sub-Total.....	1	1	1		7	
<b>CALGARY</b>						
Bentley.....					1	Construction not started
Big Valley.....		2				
Magrath.....					1	Insufficient income
Ponoka.....	2					
Rocky Mountain House.....		1				
Sub-Total.....	2	3			2	
<b>SASKATOON</b>						
Canora.....					1	Not eligible
Carragana.....		1				
Lloyd Minister.....				1		
Melfort.....	1					
Rosetown.....		1				
Tisdale.....				1		
Wadena.....	1					
Watrous.....					1	Single—no dependents
Wilkie.....					1	Credit rating
Sub-Total.....	2	2		2	3	
<b>LETHBRIDGE</b>						
Bow Island, Alberta.....					1	Did not start
Cardston, Alberta.....		1				
Claresholm, Alberta.....		2				
Coleman, Alberta.....					1	Did not start
Fort McLeod, Alberta.....		1			1	Did not start
Glenwood, Alberta.....		1				
Pincher Creek, Alberta.....		1				
Raymond, Alberta.....					1	Did not start
Taber, Alberta.....					2	Did not start
Vauxhall, Alberta.....		1				
Waterton Lakes.....					1	Did not start
Sub-Total.....		6			7	



## APPLICATIONS REFUSED FOR CORPORATION LOANS UNDER SECTION 31A OF THE N.H.A. 1944, BY LOCALITY AND BRANCH—Continued

CANADA 1947-1951

Branch office and Municipality	REASONS FOR REFUSAL					Other
	Construction started	Lack of equity	Serviced by lending institutions	Un-suitable land or plans below standard	—	
<b>VANCOUVER</b>						
Abbotsford, B.C.			1			
Balton, B.C.	1					
Dollarton, B.C.					1	Speculative builder
Gibson's Land, B.C.					1	Application withdrawn
Hope					1	Did not start
Lulu Island					1	Application withdrawn
North Vancouver				1	2	Fringe area
Quesnel		2				
Selma Park		1				
Smithers		1				
Squamish					1	Did not proceed
Surrey, B.C.					2	Application withdrawn
Westview	1					
Whalley	1					
Sub-Total	3	4	1	1	9	
<b>VICTORIA</b>						
Campbell River, B.C.		1			4	Did not start Applic. withdrawn (3)
Comox, B.C.					1	Applic. withdrawn
Courtenay, B.C.			2		1	Could not supply refusal letters
Lake Cowichan, B.C.					1	Application withdrawn
Lautzville, B.C.					1	Application withdrawn
Metchosin, B.C.				1		
Port Alberni, B.C.					1	Applic. withdrawn
Saseenos, B.C.				1		
Sub-Total		1	2	2	9	
<b>TRAIL</b>						
Fruitvale, B.C.					1	Applic. withdrawn
Invermore					1	Applic. returned for complication
Sub-Total					2	
<b>KELOWNA</b>						
Kelowna R.R. 3		1		1		
Williams Lake					1	Applic. withdrawn
Winfield					1	Applic. withdrawn
Sub-Total		1		1	2	
Total	91	173	126	150	133	

Total: All Reasons 673

SPECIFIC INQUIRIES FOR CORPORATION LOANS UNDER SECTION 31A OF THE  
NHA 1944 NOT RESULTING IN FORMAL APPLICATIONS, BRANCH  
OFFICE LOCATION, CANADA, 1947-1951

Halifax.....	4
Saint John.....	45
Moncton.....	21
St. Johns.....	54
Montreal.....	1,800
Quebec.....	4,449
Sherbrooke.....	265
Three Rivers.....	204
Chicoutimi.....	58
Val D'Or.....	65
Ottawa.....	100
Toronto.....	20
Hamilton.....	15
North Bay.....	75
London.....	20
Kingston.....	15
Fort William.....	40
Winnipeg.....	22
Regina.....	113
Edmonton.....	106
Calgary.....	41
Saskatoon.....	187
Lethbridge.....	38
Vancouver.....	42
Victoria.....	36
Trail.....	58
Kelowna.....	32
	<hr/> 7,925

APPENDIX "B"  
APPLICATIONS FOR ACCOMMODATION

Municipality	Total			Veteran			Rental only (1)
	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	Dec. 31, 1951
<b>NEWFOUNDLAND</b>							
St. John's.....	96	101	60	96	101	60	60
<b>PRINCE EDWARD ISLAND</b>							
Charlottetown.....	41	20	12	40	20	12	12
<b>NOVA SCOTIA</b>							
Amherst.....	262	135	87	248	100	37	64
Dartmouth.....	3	6	12	3	6	9	
Halifax.....	170			170			
Liverpool.....	60	63	11	58	61		
New Glasgow.....	8	8			1		
Stellarton.....	9	19	19	9	18	16	19
Trenton.....	6	14	13	6	11	6	13
	6	25	32	2	3	6	32
<b>NEW BRUNSWICK</b>							
Campbellton.....	954	385	444	877	333	390	194
Fredericton.....	50	55	46	50	55	46	46
Moncton.....	115	35	77	115	35	77	23
Port Elgin.....	217	146	119	216	140	117	
Saint John.....	1						
Shediac.....	526	149	192	451	103	140	125
Woodstock.....	1			1			
	44		10	44		10	
<b>QUEBEC</b>							
Beauharnois.....	9,290	9,253	4,455	9,259	9,221	4,447	520
Brownsburg.....	17	23		17	23		
Cap-de-la-Madeleine.....	29	29		6	6		
Chicoutimi.....	8	22	23	8	22	23	
Cowansville.....	18	15	43	18	15	43	14
De Salaberry.....	1	8	8		2	2	7
Farnham.....	6	22	16	6	19	14	
Hull.....	1	2	2	1	2	2	2
Jonquiere.....	388	508	192	388	508	192	61
La Tuque.....	28	19	41	28	19	41	
Montreal.....	13	36	38	13	36	38	
Quebec.....	8,436	8,299	3,884	8,436	8,299	3,884	402
Rouyn.....	119	61	54	119	61	54	
St-Joseph-de-Sorel.....	109	34	18	109	34	18	
Sherbrooke.....	8	23	23	8	23	23	
Three Rivers.....	80	130	98	80	130	98	34
Val-d'Or.....							
Waterloo.....	16	22	15	16	22	15	
	13			6			
<b>ONTARIO</b>							
Acton.....	13,246	14,117	5,581	12,325	13,086	5,176	1,127
Ajax.....	14	12	3	14	12	3	
Arnprior.....	247	346	57	238	304	11	31
Barrie.....	23	32	11	23	32	11	10
Belleville.....	114	111	59	114	111	59	59
Bracebridge.....	62	123	125	62	123	125	125
Brampton.....	10	14	4	10	14	4	4
Brantford.....	30	66	11	30	50	11	
Brockville.....	213	264	148	213	264	148	10
Campbellford.....	50	67	45	50	67	45	
Carleton Place.....		1	2		1	2	2
Chesley.....	1	7	9	1	7	9	
Chatham.....			4			4	4
Clinton.....	58	78	48	15	46	48	1
Cobourg.....	30	24		30	24		
Cochrane.....	18	26	24	13	21	19	
Collingwood.....	23	17	7	11	9	4	
Cornwall.....	4	6	17	4	6	17	3
Dryden.....	86	100	64	86	100	64	
Elmira.....	24	19	30	24	19	30	
Englehart.....	4	15	4	4	15	4	
Essex.....	9	6	4	7	5	4	
Etobicoke (Twp.).....	13	17	4	13	17	4	3
	2,143	2,725	130	2,136	2,715	130	21

## APPLICATIONS FOR ACCOMMODATION (Continued)

Municipality	Total		Veteran			Rental only (1)	
	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	
<i>ONTARIO (Continued)</i>							
Exeter.....	87	40	34	87	40	34	5
Fergus.....	10	18	3	10	18	3	
Fort Erie.....	17	59	42	17	31	42	13
Fort Frances.....	50	47	49	50	47	49	20
Fort William.....	404	130	137	404	126	134	31
Galt.....	81	126	70	81	126	70	17
Georgetown.....	40	52		40	52		
Geraldton.....	16	17	2	9	7		
Goderich.....	19	20	29	19	20	29	10
Gravenhurst.....	20	16	4	20	16	4	
Guelph.....	228	259	27	228	259	27	10
Hamilton.....	504	652	751	504	652	751	
Hespeler.....	33	36	4	33	35	4	
Ingersoll.....	6	9	5	5	6	4	3
Kearns.....	3		1	2			
Kenora.....	41	20	24	41	20	24	
Kingston.....	127	168	85	127	168	85	
Kirkland Lake.....	67	18	4	64	17	4	
Kitchener.....	271	342	221	271	342	221	56
Lakeview (Toronto Twp.).....	112	172		109	157		
Larder Lake.....		3			1		
Leamington.....	31	41	18	31	41	18	
Lindsay.....	61	74	50	40	62	39	
Listowel.....	32	24	25	32	24	25	8
London.....	434	627	308	415	601	303	180
Lucan.....	39	24	14	38	23	12	6
Malton.....			19			19	
Meaford.....		5			5		3
Midland.....	14	14	12	14	14	12	
Napanee.....	12	16	13	12	16	13	
New Liskeard.....	23	17	7	20	14	7	
Newmarket.....	50	39	43	50	39	43	43
Niagara Falls.....	156	209	136	156	209	136	1
Niagara-on-the-Lake.....	2	4	3	2	4	3	3
North Bay.....	106	56		84	33		
Orillia.....	34	63	34	34	63	34	20
Oshawa.....	88	101	7	88	101	7	
Ottawa.....	2,812	2,009	625	2,812	2,009	625	
Owen Sound.....	73	96	54	73	96	54	3
Palmerston.....	3	6	7	3	6	7	2
Paris.....	2	4		2	4		
Parry Sound.....	12	20	14	6	11	11	
Pembroke.....	67	72	75	67	72	75	75
Penetanguishene.....	2	7	2	2	7	2	
Perth.....	2	9	16	2	9	16	
Peterborough.....	209	225	196	209	225	196	
Port Arthur.....	211	77	103	211	75	101	31
Port Hope.....	60	67	46	25	32	11	
Preston.....	39	53	20	39	53	20	
Renfrew.....	43	63	56	43	63	56	34
St-Catharines (Grantham Twp.).....	406	384	124	337	315	124	10
St. Mary's.....	15	21	25	15	21	25	7
St. Thomas.....	61	65	69	59	52	59	40
Sarnia.....	214	330	327	210	324	54	54
Sault Ste. Marie.....	272	233	29	272	233	29	
Sioux Lookout.....	32	37	41	31	36	40	
Smith's Falls.....	2	36	37	2	36	37	
Stirling.....	9		1	9		1	
Stratford.....	158	148	159	158	148	159	30
Thorold.....	20	10	11	20	10	11	11
Tilbury.....	1	10	12	1	10	12	1
Timmins.....	52	25	6	52	25	6	4
Trenton.....	17	46	62	17	46	62	
Uxbridge.....	8	7	9	8	7	9	
Walkerton.....	17	7	7	17	7	7	4
Waterloo.....	78	86	48	78	86	48	19
Welland.....	86	153	60	86	153	60	
Wheatley.....	4	3		4	3		
Windsor.....	1,768	2,130	240	1,127	1,484	240	37
Wingham.....	6	12	13	6	12	13	13
Woodstock.....	91	70	79	87	65	77	50

## APPLICATIONS FOR ACCOMMODATION (Concluded)

Municipality	Total		Veteran			Rental only <sup>(1)</sup>	
	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951	Dec. 31, 1951
<b>MANITOBA</b> .....	5,160	4,838	1,704	5,045	4,728	1,704	822
Brandon.....	248	268	145	248	268	145	5
East Kildonan (Mun.).....	108	26	55	103	26	55	.....
Fort Garry (Mun.).....	37	39	20	35	37	20	.....
Portage la Prairie.....	53	69	69	53	63	69	36
St. Boniface.....	276	108	111	271	103	111	.....
St. James (Mun.).....	204	208	51	199	203	51	.....
St. Vital (Mun.).....	121	133	110	118	130	110	.....
Selkirk.....	50	47	41	26	29	41	.....
Transcona.....	65	66	27	64	65	27	.....
Winnipeg.....	3,998	3,874	1,075	3,928	3,804	1,075	781
<b>SASKATCHEWAN</b> .....	2,842	2,378	1,355	2,753	2,296	1,343	162
Kamsack.....	41	43	12	39	41	12	12
Lloydminster.....	18	37	45	18	37	39	.....
Melville.....	38	50	25	12	24	25	.....
Moose Jaw.....	362	399	176	362	399	176	17
North Battleford.....	40	46	64	40	46	64	25
Prince Albert.....	162	157	75	158	152	75	6
Regina.....	1,105	801	388	1,105	801	388	21
Saskatoon.....	726	471	368	716	470	363	12
Sutherland.....	7	6	2	6	5	2	.....
Swift Current.....	175	187	70	129	140	69	.....
Weyburn.....	67	68	56	67	68	56	56
Yorkton.....	101	113	74	101	113	74	13
<b>ALBERTA</b> .....	3,435	2,706	1,574	3,345	2,613	1,555	103
Calgary.....	1,085	1,320	585	1,069	1,303	585	15
Edmonton.....	1,658	855	622	1,658	855	622	40
Leduc.....	20	14	9	20	14	9	.....
Lethbridge.....	285	188	167	285	188	167	21
Medicine Hat.....	282	255	118	233	205	118	22
Ponoka.....	4	4	4	4	4	4	.....
Redcliff.....	11	12	5	4	5	5	5
Red Deer.....	47	47	49	29	28	30	.....
Wetaskiwin.....	43	11	15	43	11	15	.....
<b>BRITISH COLUMBIA</b> .....	6,750	6,926	4,155	5,397	5,580	4,132	455
Courtenay.....	3	6	12	3	6	12	12
Cranbrook.....	34	20	18	34	20	18	12
Cumberland.....	.....	6	6	.....	2	.....	6
Fernie.....	1	2	.....	.....	.....	.....	.....
Kamloops.....	87	91	58	87	91	57	11
Kelowna.....	30	16	4	29	15	3	.....
Kimberley.....	47	10	14	47	10	14	7
Lake Cowichan.....	22	4	11	11	4	11	11
Nelson.....	42	47	30	42	47	30	30
Penticton.....	32	35	42	32	35	42	10
Port Alberni.....	46	41	50	46	41	50	.....
Prince George.....	49	65	47	49	65	47	.....
Revelstoke.....	23	13	14	23	13	13	.....
Rossland.....	26	36	41	25	36	39	41
Trail.....	106	110	153	97	101	143	153
Vancouver.....	5,528	5,714	3,307	4,198	4,384	3,307	.....
Vernon.....	9	5	2	9	5	.....	2
Victoria.....	665	705	346	665	705	346	160
<b>CANADA</b> .....	42,076	40,859	19,427	39,385	38,078	18,856	3,519

<sup>(1)</sup> Available only for December 31st, 1951.

## APPENDIX "C"

## INTER-OFFICE MEMO

## CENTRAL MORTGAGE AND HOUSING CORPORATION

DATE: 13th May, 1952.

To: Mr. D. B. Mansur,  
No. 4 Building.From: Statistical Department,  
17 O'Connor.*Re: Starts and Completions  
January 1st to April 30th, 1952*

The table following gives preliminary results by region of the start and completion survey in cities and towns of 5,000 population and greater for the period January 1st to April 30th, 1952, with changes from the same period in 1951.

Region	Starts		Completions		Under Construction	
	Jan.-Apr.	Per cent change 1952-1951	Jan.-Apr.	Per cent change 1952-1951	Apr. 30	Per cent change 1952-1951
Canada.....	12,479	-10.4	15,493	-26.0	25,873	-23.9
Maritime.....	271	-42.7	681	+18.8	1,074	-29.1
Quebec.....	3,617	-18.0	4,338	-43.1	6,147	-34.6
Ontario.....	5,044	-15.5	6,804	-20.0	11,315	-22.9
Prairie.....	1,766	+13.7	2,131	- 2.9	4,107	-13.3
British Columbia.....	1,781	+17.1	1,539	-23.5	3,320	-11.8

The number of units started for the whole of Canada reflects a decrease of 10.4% from the 13,928 units started during the first four months of 1951. Units under construction and completions have declined by 23.9% and 26.0% respectively.

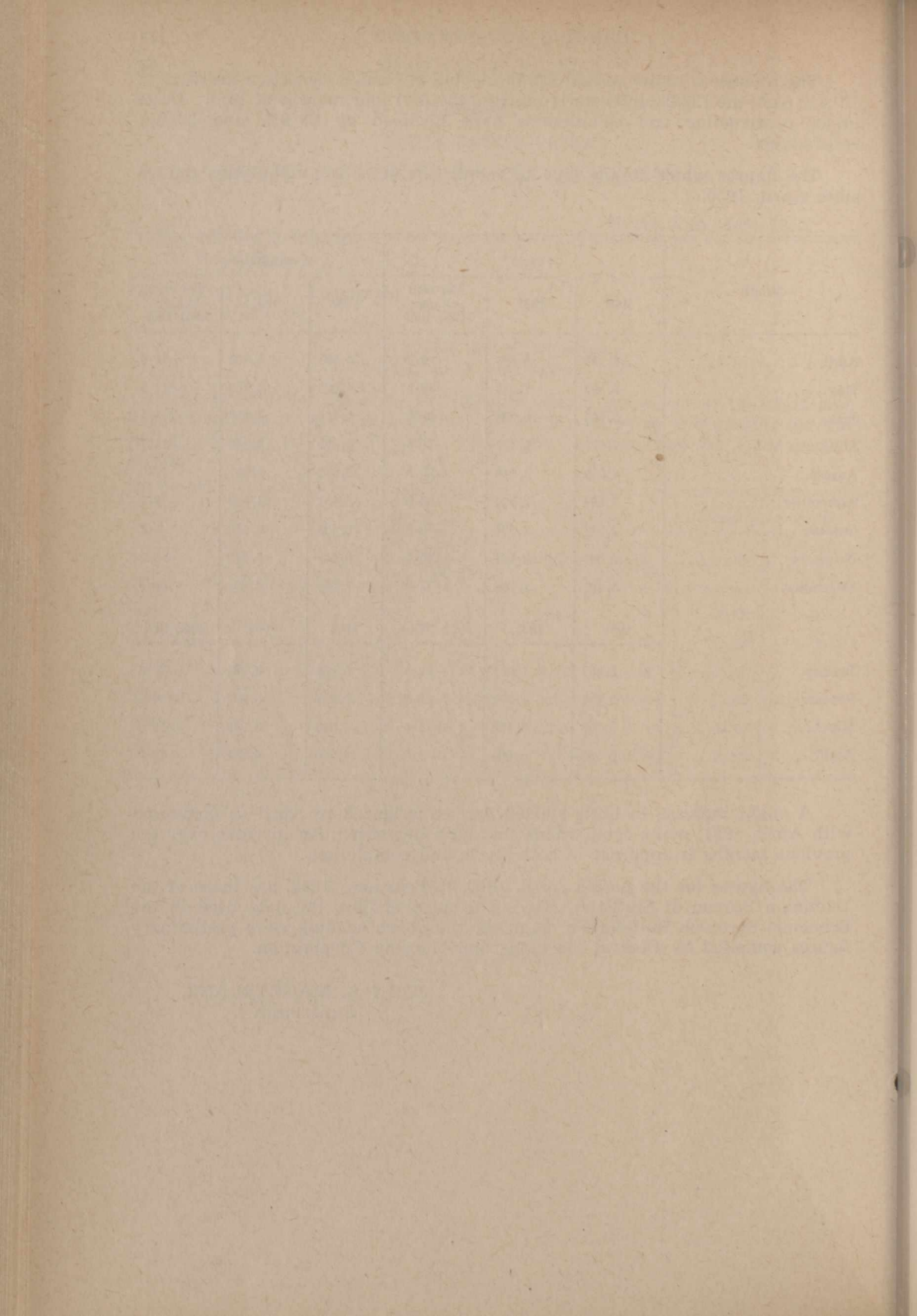
The figures which follow give by month the start and completion figures since April, 1950.

Month	Starts			Completions		
	1950	1951	Per cent change 1951-1950	1950	1951	Per cent change 1951-1950
April.....	6,149	5,889	- 4.2	4,308	4,806	+11.6
May.....	9,307	7,513	-19.3	4,625	5,169	-11.8
June.....	8,694	6,386	-26.5	5,150	5,157	+ 1.4
July.....	7,170	4,174	-41.8	4,354	3,842	-11.7
August.....	6,212	3,916	-36.9	5,882	4,881	-17.0
September.....	7,535	3,695	-50.9	5,881	4,810	-18.2
October.....	7,213	3,564	-50.6	6,408	6,173	-3.7
November.....	4,892	2,624	-46.4	5,658	5,846	+3.3
December.....	3,402	1,569	-53.9	7,246	4,354	-39.9
	1951	1952	1952-1951	1951	1952	1952-1951
January.....	2,337	1,345	-42.5	5,859	3,894	-33.5
February.....	2,406	1,704	-29.2	5,437	3,879	-28.6
March.....	3,298	3,449	+ 4.6	4,833	3,389	-29.8
April.....	5,889	6,006	+ 1.9	4,806	4,291	-10.7

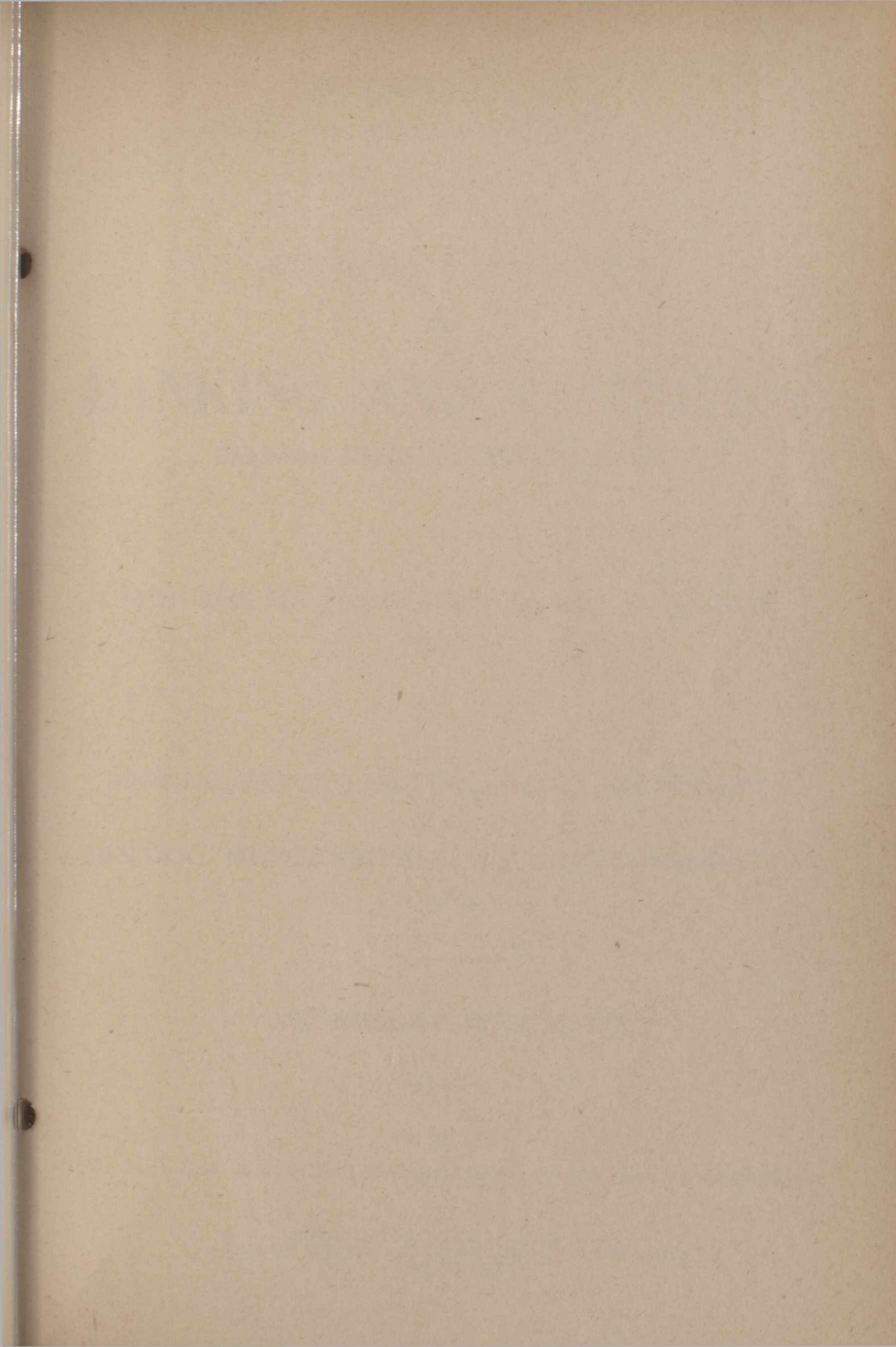
A slight increase in units started was experienced in April as compared with April, 1951, while completions showed a decrease. An increase over the previous months is apparent in both starts and completions.

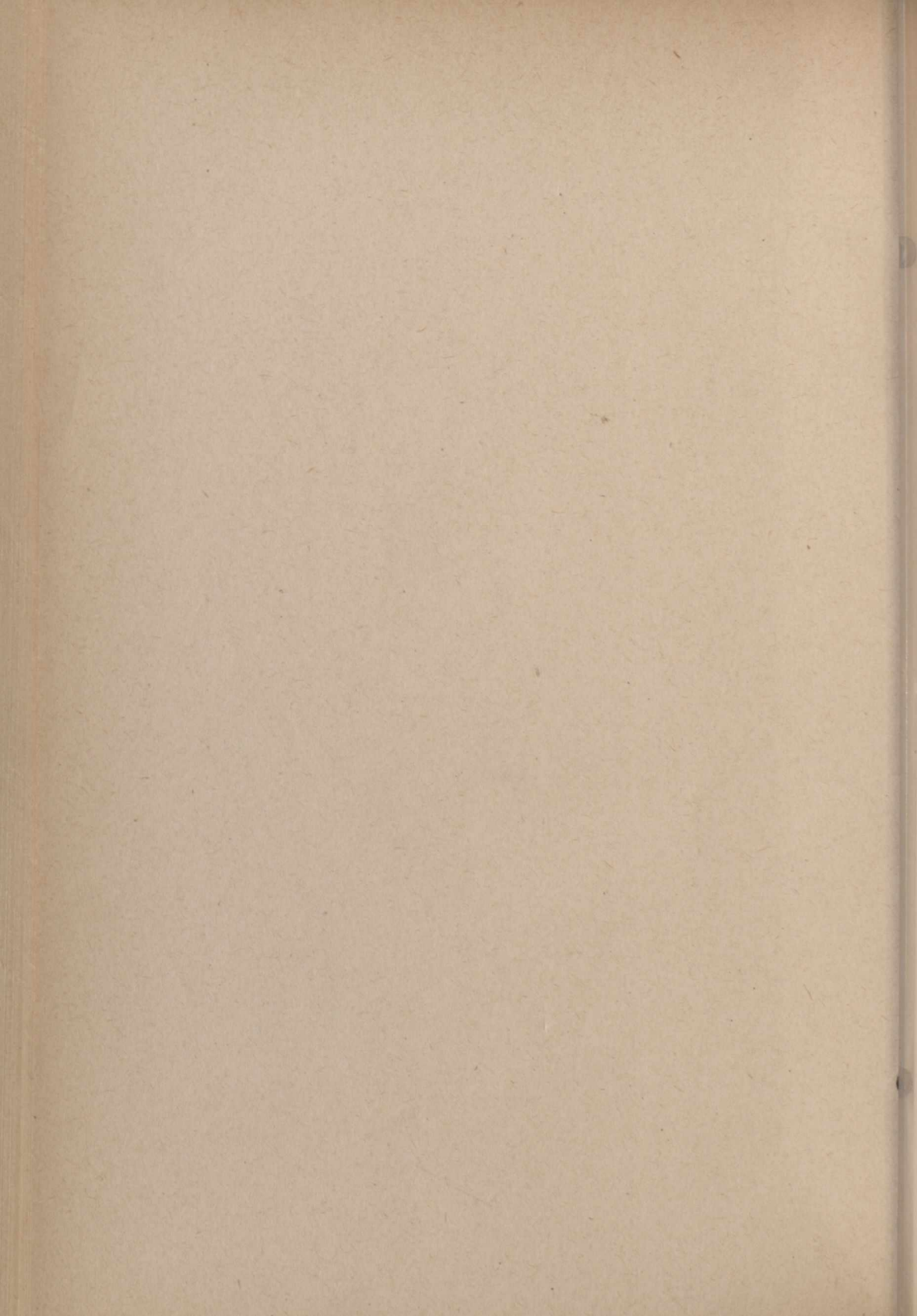
The figures for the period April, 1950, to February, 1952, are those of the Dominion Bureau of Statistics. Owing to an oversight, the data used in the Economic Research Bulletin No. 42 under the above heading were preliminary figures compiled by Central Mortgage and Housing Corporation.

JOHN A. MACFARLANE,  
*Supervisor.*









HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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WEDNESDAY, MAY 21, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.



## MINUTES OF PROCEEDINGS

WEDNESDAY, May 21, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs: Adamson, Ashbourne, Balcom, Bennett, Cannon, Cleaver, Fleming, Fraser, Fulton, Gingras, Gour (*Russell*), Harkness, Hellyer, Henry, Hunter, Jeffery, Laing, Macnaughton, McCusker, Richard (*Ottawa East*), Ward, Winters.

*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

The examination of Mr. Mansur on his general statement being completed, the Committee commenced a detailed study of the Annual Report and Financial Statements of Central Mortgage and Housing Corporation.

To facilitate orderly discussion, and pursuant to a recommendation of the Steering Committee, the subject under study was divided into three parts, to be considered in the following order:

- (a) Availability of loans—Mortgage money;
- (b) Relationship of lending value to actual cost;
- (c) Question of land servicing.

Mr. Mansur made a statement on the availability of mortgage financing, was questioned thereon and tabled the following documents:

1. Gross Loans approved by Lending Institutions and by Central Mortgage and Housing Corporation for new Non-Farm Residential Construction, Number of Dwellings and Amount of Loans, Canada, 1947-1951;
2. Net Lending Operations under the National Housing Act, 1944, Number of Dwellings and Amount of Loans, by Joint Loans and Corporation Loans, Canada, 1947-1951;
3. Available Funds and Mortgage Investments, Lending Institutions with Mortgage Loans Outstanding in Canada, 1950-1952.

The said documents were ordered to be printed a part of this day's Evidence.

At 5.30 o'clock p.m., the examination of the witness still continuing, the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, May 22, 1952.

R. J. GRATRIX,  
*Clerk of the Committee.*



## EVIDENCE

MAY 21, 1952.

4:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. Mr. Mansur is ready to make a brief statement in regard to the availability of mortgage money. Shall he give us that statement and then questioning follow?

Mr. FLEMING: Is this the launching of the three main questions?

The CHAIRMAN: Yes.

Mr. FLEMING: Do you mind if I read a brief sentence? Yesterday there came to me—and I presume to all the members of the committee—a publication of the Central Mortgage and Housing Corporation entitled F. P. 1/50 and I would like to ask Mr. Mansur what supervision is exercised over the issuance of the pamphlet because there is one statement to which I take strong objection. It reads:

In December, 1949, the government of Canada passed an amendment to the National Housing Act of 1944 which made such co-operation possible in the construction of low rental housing.

I take very strong objection to that.

Hon. Mr. WINTERS: I do too. I think that we are all of the same mind on that.

**Mr. D. B. Mansur, President, Central Mortgage and Housing Corporation, called:**

Your chairman has asked that I make a statement on the availability of mortgage financing.

I propose to confine my remarks to corporate funds for two reasons. First, in terms of mortgage lending for new house construction, corporate lenders constitute the most important source. And second, there is little definite data about individual lenders. By corporate lenders in the mortgage field, I mean life and fire insurance companies, trust and loan companies, and fraternal societies. Of these, life, loan, and trust companies are the more important.

Some general observations on the importance of corporate lenders in financing the Canadian housing program might be appropriate.

In terms of actual disbursements on new housing in 1950, lending institutions themselves contributed 25 per cent of the total outlay. Governments supplied 20 per cent. The owners of the new houses supplied 50 per cent. This 50 per cent includes the funds of those owners who fully financed their own houses, as well as the equity invested by those who received mortgage loan assistance. Individual and miscellaneous lenders supplied the remaining 5 per cent. These proportions in themselves do not reflect the full position of lending institutions in the initiation of the release of funds for new house building. Lending by these institutions has a leverage effect. When a lending institution approves a joint loan, and the initiative lies largely with the lending institutions in such approvals—it not only makes available its own funds, but also the 25 per cent share of the corporation. There is an additional leverage effect because in most cases the owner's investment in new housing would not be made were it not for the available mortgage.

Using the 1950 figures again, the lending institution investment of 25 per cent translates about 46 per cent of the total, if allowance is made for the leverage. This figure of 46 per cent is perhaps the best indicator of the importance of corporate lenders in the housing field.

In 1950 lending institutions approved mortgage loans in the amount of \$523 million on a gross basis. Of this amount \$310 million was for new house construction. In 1951 total gross approvals were down by 18 per cent to \$431 million, and approvals for new residential construction were down by 24 per cent to \$237 million. The number of dwellings involved in the loan approvals for new residential construction declined by about 17,000 from 55,000 to 38,000 in this same period. The decline was even greater in joint lending operations under the National Housing Act. Net joint loan approvals under the Act declined in value from \$260 million in 1950 to \$114 million in 1951, and the number of dwellings involved dropped from 38,000 to 18,000.

At this point I would like to digress for a moment to make a qualifying observation. The fact that mortgage loan approvals were down from 1950 to 1951 may, but does not necessarily, indicate a shortage in the supply of mortgage funds. A reduced demand for mortgage funds, deriving from any number of factors, could produce a similar result. In my first statement to the committee I mentioned three such factors that are currently of importance, namely, higher carrying charges for new houses resulting from higher interest rates, taxes, and construction costs; higher equity requirements; and the lack of serviced land. A decline in mortgage loan approvals cannot be attributed solely to a reduced supply of mortgage funds. Nor would an unlimited supply of mortgage funds mean an unlimited program of house building.

Returning to the supply of mortgage funds, it might be well to consider once more the year 1950, when 95,000 dwellings were started in Canada and when \$523 million, including the corporation share of joint loans, was approved by lending institutions on mortgage loan account. Of this \$523 million, \$310 million was for purposes of new residential construction. In view of the increase in building costs since 1950, an equivalent operation for 1952 in terms of dwellings started would involve total mortgage loan approvals by lending institutions of about \$620 million, of which about \$370 million would be for new residential construction. This assumes that the financing pattern of 1950 would be maintained. I do not think that lending institutions will approve as much as \$400 million for mortgages of all kinds in 1952 and I guess that the amount for new residential construction will be of the order of \$250 million.

There seems little doubt that the mortgage requirements of a physical housing program equivalent to that of 1950 are beyond the likely availability of corporate mortgage funds for this year.

In this discussion, I have taken the year 1950 as a base year, estimated the current corporate mortgage money requirements of an equivalent number of starts, and suggested that such an amount of mortgage money is not likely to be forthcoming this year. The subject may be approached in another way—the total availability of funds for investment by lending institutions from year to year, and the proportion of that amount that might be expected in mortgage account.

As an indication of the total funds available to these institutions for investment in Canada from year to year, I have estimated their annual net current Canadian income, added to it an estimate of Canadian mortgage principal repayments and bond maturities. I have confined the estimate to those lending institutions, whether Canadian or foreign, which actually have mortgage loans outstanding in Canada.

In 1951 total funds available amounted to about \$686 million and in this year total mortgage loans approved, excluding the Central Mortgage and Housing Corporation share of joint loans, amounted to \$396 million, of which \$202 million was for new residential construction.

For 1952, we might assume that total investible funds will be up by 10 per cent, let us say to \$750 million. If the same proportion of total funds available is approved for mortgage investments as in 1951, such approvals would be \$433



million of which new residential construction would account for about \$220 million. With costs in 1952 probably 5 per cent higher than in 1951—on the basis of their investment practice of recent years—this would represent corporate loan approvals of \$209 million in terms of 1951 dollars.

These two approaches to an estimate of mortgage funds available in 1952 result in figures of \$250 million and \$220 million. Both figures are subject to error. However, these estimates indicate that funds available from lending institutions might finance their usual share of an over-all program of 70,000 to 75,000 starts, provided that the over-all financing pattern in respect to the investment of funds from all sources is similar to that of 1951, and provided that I am a reasonably good prophet of the intention of mortgage investors, both corporate and individual.

As I have already stated to the committee, I believe that other unfavourable factors may have the effect of reducing starts below the 70,000 unit level this year. I do not suggest there is an ample supply of mortgage funds in every area in Canada because there are areas of shortage which I will discuss in a moment. The committee will recognize that the availability of mortgage funds does not lend itself to measurement on a national basis other than by an integration of a large number of local situations.

Because the life insurance companies are the largest of the corporate mortgage investors, I would now like to deal with their position. Their heavy participation in mortgage financing in recent years has resulted in large part from the partial liquidation of their bond portfolios. Earlier in this statement I referred to investible income which did not include this type of switch in kind of asset. Therefore any conclusions which I reached earlier must be modified by the possibility of varying emphasis being placed upon different types of investment by life insurance companies.

The aggregate figures of companies whose assets represent about 99 per cent of the assets of all Canadian life companies show that the holdings of Canadian government bonds have been reduced by \$202 million, in the years 1949 to 1951, to \$752 million. Expressed in terms of percentage of total assets the 1949 holdings of Canadian government bonds were 22.25 per cent, which was reduced to 15.57 per cent in 1951.

In the same period their investment in Canadian mortgages increased from \$572 million to \$837 million, or from 13.35 per cent to 17.34 per cent.

Even while it was going on, it was apparent that the liquidation of Canadian government bonds would not continue indefinitely. The life companies have always considered it advisable to maintain a reasonable percentage of their assets in Canadian government bonds. Therefore it is doubtful, quite apart from other considerations, whether much further liquidation can be expected. For all practical purposes I believe that we should think only in terms of funds available for investment rather than depend upon substantial transfers from other types of assets.

Current interest rates have a bearing upon the attitude of life companies as well as other investors towards investments in mortgages. Other forms of investment are becoming increasingly attractive and in the case of mortgages the gross interest return must be discounted by the expense of doing a mortgage business variously estimated by the companies at  $\frac{3}{4}$  per cent to 1 per cent.

Different companies have different "yardsticks" for investment policy, but there are general indications that some of the companies have reached, or are approaching, a point where they feel that a sufficient percentage of their assets is invested in mortgages. It is to be remembered that even if this is the case, principal repayments are currently such that about 8 per cent of the present mortgage portfolio must be invested annually to maintain the absolute amount of mortgage account and rather more than this if the percentage of mortgages

to total assets is to be maintained in a company whose assets are increasing. Another factor to be remembered is that with the current trend towards longer amortizations, mortgage investments lack the attraction of liquidity.

It is believed that the mortgage companies, by tradition, are conservative in valuations for mortgage lending purposes. Notwithstanding the rapid increase in the cost of new residential real estate, the life companies have cooperated fully with the corporation in adjusting lending values to meet increased costs. However, I do believe that a number of companies feel that levels of loans have reached what are, in their opinion, maximum limits. It is perfectly true that pool guarantee funds have been built over the years to a point that they are virtually a full guarantee. I have the feeling that it is not the danger of loss which is causing concern to the companies, but rather they fear a large number of delinquent accounts with borrowers having difficulty in meeting an increase in debt service on high mortgage loans. Delinquencies are expensive for the companies to handle and because of the nature of their business they are anxious to have as few foreclosure actions as possible.

What I have had to say should not be interpreted as criticism of the past and current investment intentions of the life insurance companies. I feel that their participation in loans under the National Housing Act has been invaluable in developing the post-war increase in the volume of new housing. Quite obviously the life insurance companies, who are free agents with responsibilities to their policy holders, must have freedom of investment action. Indeed if they have any responsibilities to ensure the financing of a housing program they have also responsibilities in other directions. The development of new industries, the requirements of the provinces and the municipalities are all dependent upon the life insurance companies as a major pool of individual savings. To my mind it is not reasonable to expect that the life insurance companies could direct all their investible funds into the mortgage field.

The whole concept of the National Housing Act involves a partnership between the lending institutions and the corporation, representing government. The purpose of the National Housing Act is to serve a national interest. To the extent that the investment intention of the life insurance companies also serves the national interest, the National Housing Act is a happy manner of accomplishing such end. However, over the course of time there may be circumstances under which the very legitimate investment interest of the life insurance companies is contrary to what may be considered the over-all national interest in respect to activities under the National Housing Act. I am a believer in the principle of joint cooperation between the lending institutions and government as the manner in which to provide adequate mortgage financing for new residential construction. However, the very advantages of such an arrangement must have in some degree the type of difficulty which I have just suggested.

Mr. Chairman, I have taken a long time upon a rather complex subject which does not lend itself to positive conclusions. Before completing these remarks I will comment upon where the shortage of mortgage funds is having the most marked effect.

(a) *Owner Labour*

For home owners, particularly those of the artisan class and in the lower income brackets there is an increasing tendency towards a desire to provide equity by means of personal labour rather than by cash outlay.

The lending institutions, with good reasons from their standpoint, are reluctant to consider the financing of homes where there is owner labour content. Such cases call for special handling. For example, earlier and more frequent mortgage advances are necessary. The construction period is prolonged

and the traditional practice of retaining sufficient mortgage funds to complete the house is impractical. Houses with an owner labour content require more frequent inspections. There is more danger of loss to the investor but if carried through to satisfactory completion the end product is often a better house.

A typical example of an owner labour operation is the group of houses recently completed near Hog's Back in Ottawa. By a joint operation of Veterans Land Administration and the corporation and by co-operative endeavour on the part of 29 veterans, a very satisfactory project has resulted. It is estimated that each of these houses has an owner labour content of approximately \$2,000.

(b) *Less Substantial Builders*

In a period when mortgage funds are more difficult to obtain, a selective policy is resulting in the elimination of a considerable number of the less substantial builders. These builders have in the past, by reason of financial limitations, restricted their operations to building a relatively small number of houses. But in the aggregate they have made a substantial contribution to the housing stock. Now with lending institutions preferring the larger builders, the builders of two or three houses are being compelled to find other activities.

I regard this as an undesirable trend.

(c) *Lack of Forward Commitments*

Even the larger builders are experiencing difficulty in obtaining forward commitments from the lending institutions. From the companies' standpoint their reluctance to give forward commitments for a large number of houses is understandable. Other forms of investment are becoming increasingly attractive and they prefer to keep mortgage and other commitments on a short-term basis.

From the standpoint of the builder, this is unsatisfactory. For large projects, land must be purchased, services installed and arrangements made for the necessary labour force. Even a substantial builder has reservations on acquiring land with a view to planning a housing project unless he has reasonable assurance of being able to obtain mortgage financing for the full number of houses to be built in the project area. At present, such assurance is almost impossible to obtain.

(d) *Lack of Coverage—Smaller Cities*

It is a natural development of a limited lending policy that there would be withdrawal by lending institutions from the smaller cities. I would estimate that there are about 75 smaller cities and towns, normally regarded as being lending institution territory where mortgage financing facilities under the National Housing Act are not available. At present, most lending institutions are limiting their operations to the large metropolitan centres.

(e) *Special Cases*

There are certain cities even with large populations from which the lending institutions have withdrawn. In general, these are centres dependent largely on one industry or where the lending institutions have had, or anticipate, adverse experience.

Mr. Chairman, I have with me three tables relating to this subject which may prove helpful to the committee in their considerations and if the committee so desires might be printed at this point in the record.

The CHAIRMAN: Shall the tables go on the record?

Agreed.

TABLE 1.—GROSS LOANS APPROVED BY LENDING INSTITUTIONS AND BY CENTRAL MORTGAGE AND HOUSING CORPORATION FOR NEW NON-FARM RESIDENTIAL CONSTRUCTION, NUMBER OF DWELLINGS AND AMOUNT OF LOANS, CANADA, 1947-1951

Type of Company and Year	Number of New Dwellings	Amount of Loans
<b>Life Companies—</b>		
1947.....	20,441	88,187
1948.....	29,061	140,917
1949.....	33,176	173,172
1950.....	45,827	269,168
1951.....	32,623	210,325
<b>Loan Companies—</b>		
1947.....	4,187	14,957
1948.....	5,194	18,806
1949.....	6,087	22,812
1950.....	6,765	28,353
1951.....	3,741	16,148
<b>Trust Companies—</b>		
1947.....	1,305	3,953
1948.....	1,755	8,724
1949.....	2,094	9,737
1950.....	1,838	8,254
1951.....	1,413	7,431
<b>Other private lending institutions—</b>		
1947.....	499	2,070
1948.....	1,129	5,157
1949.....	1,668	6,456
1950.....	918	4,382
1951.....	733	3,007
<b>Total private lending institutions—</b>		
1947.....	26,432	109,167
1948.....	37,436	173,604
1949.....	43,025	212,178
1950.....	55,358	310,157
1951.....	38,510	236,911
<b>C.M.H.C. (Corporation loans only)—</b>		
1947.....	281	1,133
1948.....	352	1,706
1949.....	6,648 <sup>1</sup>	38,793 <sup>2</sup>
1950.....	4,991 <sup>1</sup>	25,704 <sup>2</sup>
1951.....	1,815 <sup>1</sup>	11,384 <sup>2</sup>
<b>Total corporate lending—</b>		
1947.....	26,713	110,300
1948.....	37,788	175,310
1949.....	49,673	250,971
1950.....	60,349	335,861
1951.....	40,325	248,295

<sup>1</sup> Excluding units approved for joint loans with additional one-sixth loan.

<sup>2</sup> Excluding additional one-sixth loan on joint loans.

SOURCE: Data compiled by Economic Research Department, C.M.H.C. on the basis of direct survey for lending institutions data and records of the Corporation for information on C.M.H.C. loans.

TABLE 2.—NET LENDING OPERATIONS UNDER THE NATIONAL HOUSING ACT, 1944, NUMBER OF DWELLINGS AND AMOUNT OF LOANS, BY JOINT LOANS AND CORPORATION LOANS, CANADA, 1947-1951

Type of Loan, Company, and Year	Number of Dwellings	Amount of Loans \$000
<i>Joint Loans Approved</i>		
Life companies—		
1947.....	10,132	49,177
1948.....	17,667	91,791
1949.....	18,293	103,845
1950.....	35,400	245,868
1951.....	16,947	108,306
Loan companies—		
1947.....	566	2,962
1948.....	902	4,937
1949.....	1,161	6,458
1950.....	2,160	15,408
1951.....	725	4,820
Trust companies—		
1947.....	80	386
1948.....	91	499
1949.....	158	881
1950.....	160	1,167
1951.....	38	244
Other institutions—		
1947.....	4	26
1948.....	75	393
1949.....	271	1,444
1950.....	386	2,615
1951.....	52	289
Total joint loans—		
1947.....	10,782	52,552
1948.....	18,735	97,620
1949.....	19,883	112,268
1950.....	38,106	265,058
1951.....	17,762	113,659
<i>Corporation Loans Approved</i>		
Rental Insurance—		
1947.....		
1948.....		
1949.....	4,394	23,784
1950.....	4,091	21,261
1951.....	983	6,489
Other—		
1947.....	252	1,111
1948.....	404	5,511
1949.....	681	3,676
1950.....	584	3,241
1951.....	550	3,500
Total Corporation loans—		
1947.....	252	1,111
1948.....	404	5,511
1949.....	5,075	27,460
1950.....	4,675	24,502
1951.....	1,533	9,989
<i>Total Joint and Corporation Loans</i>		
1947.....	11,034	53,663
1948.....	19,139	103,131
1949.....	24,958	140,088
1950.....	42,781	289,560
1951.....	19,295	123,648

SOURCE: Data were compiled from records of the Statistics Department, C.M.H.C. The data on total joint and Corporation loans differ from those shown on page 49 of the Annual Report, 1951, C.M.H.C., because the latter incorporate revisions in the overall loans data that have not yet been allocated by type of loan.

TABLE 3.—AVAILABLE FUNDS AND MORTGAGE INVESTMENTS, LENDING INSTITUTIONS WITH MORTGAGE LOANS OUTSTANDING IN CANADA, 1950-1952.

Item	1950 \$ Mill.	1951 \$ Mill.	1952 \$ Mill.
1. Funds available for investment.....	611	686	750 <sup>1</sup>
2. Total gross mortgage loans approved <sup>2</sup> .....	461	396	433 <sup>3</sup>
3. Gross mortgage loans approved for new residential construction <sup>2</sup> .....	248	202	220 <sup>3</sup>

<sup>1</sup> Provisional.

<sup>2</sup> These estimates exclude the C.M.H.C. share of joint loans.

<sup>3</sup> Estimated to bear the same proportion to available funds as in 1951.

*Sources and Explanatory Notes:—*

Estimates in this table relate to life and fire insurance companies, trust and loan companies, and fraternal societies, with mortgage loans outstanding in Canada. Data on funds available are approximate and are estimated by the Economic Research Department, C.M.H.C. Funds available represent the sum of net current income plus mortgage principal repayments, plus a provision for bond maturities. The component for net current income is based on calculations relating to Canadian incorporated insurance companies. For these companies net current income, defined as the sum of premium income, investment income, amounts left with company, and miscellaneous income items less the sum of claims, expenses, withdrawals of annuities left with company, and miscellaneous expense items, was estimated from data obtained by courtesy of the Department of Insurance. The assets of these companies represent about half the assets of all lending institutions with mortgage loans outstanding in Canada. These proportions were translated directly into estimates of net current income of all lending institutions with Canadian mortgage loans outstanding. Mortgage principal repayments were obtained by direct survey of a sample of the lending institutions covered. Estimates for bond maturities are provisional and were calculated as the product of the Canadian bond holdings of these companies and a statistical factor representing the proportion of such bond holdings maturing annually. This factor was based on the experience of seven life companies in the year 1949.

Data on mortgage loans approved were obtained by direct survey of the institutions covered. The figures on mortgage loans approved supplied by the institutions included the C.M.H.C. share of joint loans and an estimate of this component, based on records of the Corporation, was deducted from the total.

The CHAIRMAN: Thank you, Mr. Mansur.

*By Mr. Fleming:*

Q. Mr. Mansur, how many lending institutions are now participating, or what has been the trend in the number of such institutions participating in part I of the National Housing Act over the past several years?—A. There are about eight or nine what might be considered large institutions actively participating at the moment, and perhaps another twenty or thirty which participate in a minor way. The trend has been toward the withdrawal by the loan and trust companies and, if anything, a bit of a widening by the life insurance companies.

Q. What do you mean by widening?—A. I mean that we are having some of the life insurance companies operating under the Act who, up to this time, have never done so.

Q. Then may we take it there are no life companies which have been participating under the National Housing Act which have withdrawn?—A. On a permanent basis, no. There have been occasions when the life insurance companies have suspended operations under the National Housing Act but I do not think I know of the case of a life company who has said: From now on, no more Housing Act loans.

Q. So that the tendency to withdraw funds, the tendency on the part of the financial lending institution to withdraw funds from loans under Part I of the National Housing Act has not affected the number of life companies participating—it has been reflected only in the loan and trust companies? Is that a fair summary?—A. Yes, that is right.

Q. Are the trends in attitude that you have described in your very interesting statement today reflected in all the life companies? Is there any degree of uniformity there or is it a question of a selective approach with each company dictated by its own personal interests?—A. I think the latter is the case. All companies show variation over the years in interest in National Housing Act loans. You might say they blow hot and they blow cold. There does not seem to be any kind of uniformity of policy of all companies at all times.

I may say, Mr. Chairman, there are ten really major operators every one of which are life insurance companies. The ratios of their percentage to the business vary greatly year by year and also month by month. For instance, I might mention that at one stage of the operation of the National Housing Act the Sun Life's percentage to total loans was approximately 33 per cent. In December 1951 the figure was 15·7 per cent; 10·2 per cent in November; and 14·7 per cent in December, 1950.

Q. Have the amendments made by parliament within the last couple of years in the investment powers of both life insurance companies and the trust and loan companies had any influence do you think upon the trend indicated in your statement?—A. The so-called basket clause of the life insurance companies has not been used by any means as much as I had expected. I am not familiar with the actual aggregate investment of all companies but certainly it is not large enough to have made large inroads on investible funds available for the mortgage market.

Q. Then do I take it you do not regard that is a factor in the trend away from the lending under part I of the National Housing Act—as evidenced on the part of lending institutions?—A. No, I do not regard that as a trend—

Q. A factor?—A. —a factor in operations under National Housing Act. However, if you are looking at the gross investment of life insurance companies in the mortgage field it does have a more important effect because, instead of the life company investing in mortgages against say a Woolworth store or Loblaw's store, the basket provision has made it possible for that life company to take full ownership of that property. So, in their gross investments their activities in the mortgage field are down by that amount with a corresponding increase in real estate assets on the other side.

Q. Do you find that this reluctance of the lending institutions to continue lending under part I of the Act at the rate which prevailed, let us say, in 1950 is traceable in any degree to feelings on their part about the security or the outlook on mortgage investment, or in regard to the rates? You are acquainted with the statement made in the House in regard to the rates which led to the increase of  $\frac{1}{2}$  of 1 per cent in the available rate under part I of the National Housing Act last year, and the further clause providing for adjustment of those rates from time to time. To what extent have adjustments of that kind in interest rates a bearing on this apparent reluctance as a trend on the part of the lending institutions, under part I?—A. Mr. Chairman, I find that a hard question to answer because I can only do so on the basis of my impressions of what the life companies think, and I am not among those persons in whom they share their confidence. But I think it probably is almost axiomatic that the higher the interest rate, the more attractive the investment. And I would guess that all companies would welcome increases in interest rates, in municipal bonds, in government bonds, in mortgages, and in all other forms of their investments. Now, as to the reduced amount the lending institutions are investing under parts 4 and 8 of the National Housing Act as far back as 1950, I think that if you made allowance for the liquidation of their bond portfolio, it would be found that their present rate of investment is equal to their net rate of investment in 1950, excluding the proceeds of the switch from bond to mortgage account. Have I covered all your points, Mr. Fleming?

Q. Well, I would not ask you to be more specific than you feel you can be; but to what extent are the lending institutions in communication with you in regard to their attitude with reference to participating under the National Housing Act in mortgage loans? Are you in close contact with them in that respect?—A. Yes. I see the lending institutions when representatives are in Ottawa. I attended the recent meeting of the Dominion Mortgage and Investment Association, I am fairly sensitive to things that they do not like under the Act, and I think the contact is reasonably close. But to come back to the other point which you made earlier, or which I, perhaps, made in answer to your question, and that is: That there is not too much uniformity between the views at any one time of the ten companies which are actively engaged in lending under the National Housing Act at the present time, and as I mentioned in my statement, I think that the companies are concerned about the absolute level of the loan which is caused, of course, by the cost of construction. I think that they have some doubts particularly with respect to large projects as to the sufficiency of the effective demand, and they are just wondering whether or not they are going to end up with a speculative builder of, let us say, 400 houses, in whose project there will be 200 houses not sold. I think those are two things which are worrying them. But as to interest rates, I do not think that interest rates are worrying them particularly at the moment, or at least they have not said anything about it.

Q. I wondered if they had made representations to you last year in respect to interest rates before Parliament amended the Act to increase the rate?—A. Although I may have had some informal discussion with some of the officers of the companies, there was nothing in the way of formal representations. None was needed because, of course, by May or early June there just were not any loans being made under the terms of the Act. Upon inquiry as to the reason, we were told that the interest rates, in relation to other investments, were unsatisfactory.

Q. Since the raise was made, has there been any change in the trend? What has been the result of the increase? Have you been able to isolate that factor in developing the situation since?—A. The change was made in June, late June or early July, 1951. The immediate effect of the change was the resuscitation of the National Housing Act, under parts 4 and 8. There is not much indication from the figures since the change was made in the middle of 1951, that the tempo has been other than fairly constant throughout that period, after allowance for seasonal variations.

Q. Do you consider the present rate of interest satisfactory, then?—A. It depends on the yardsticks, Mr. Fleming.

Q. Let me make my question perfectly plain, because there is no catch in it. Let me put it this way: Is the present rate of interest in your experience, or under your observation not attracting the lending institutions sufficiently, and is that factor responsible to any degree for the trend you have described in your statement today?

Mr. MACNAUGHTON: Mr. Chairman, I thought the witness answered that question. I thought he said that investment policy was a matter for the private company, and he outlined the reasons the investment in housing, perhaps, was not as attractive as in other places. Under the free enterprise system it seems to me that the companies should have to answer that question themselves.

Mr. FLEMING: We were discussing interest rates.

The WITNESS: At the moment, I do not believe that a change in interest rates would attract a large volume of funds, but it is difficult to tell. After all, I am just one person, and I do not know. But certainly there is no indication at the moment of the situation which we had exactly 12 months



ago when the lending institutions were withdrawing, and when upon inquiry, we were told that the interest rate was the reason. I think that is about as accurately as I can answer it. The whole interest-rate picture is a very volatile one at the moment. A little earlier in my statement I mentioned the difficulty of the builders in getting forward commitments. I am quite sure that the lending institutions are very curious as to the future trend of interest rates and they are rather reluctant to tie up their "invisible" funds in a forward position for 18 months, when they just do not know what the future might hold. I think that is true not only in the mortgage field but in other forms of investment, where lending institutions are asked to make a forward commitment.

Mr. FLEMING: Mr. Chairman, I have more questions, but I do not want to monopolize the time.

The CHAIRMAN: If you would like to have a rest, we will give one or two other members of the committee a chance.

*By Mr. Cannon:*

Q. I would like to ask a question. It has to do with those loans which were approved by the lending institutions and by Central Mortgage and Housing Corporation, for new non-farm residential construction. Is that the same as category one in the regulations, or is there a difference there, between the non-farm regulations and the categories—the regulations here mention category 1 and category 2. Is the area in category 2 the same as farm residential construction?—A. Generally this would be categories 1 and 2. There would be some loans, a few farm loans that we have made perhaps, loans in an outlying area say 10 miles from a metropolitan centre—that might fall into the farm category, but the amount of loans under section 4 that we would be making on what you might call farm residential construction is not important enough to really change the figures appreciably.

Q. In other words, nearly all the loans are made in metropolitan or city areas?—A. Yes.

Q. And very few in the rural areas, I suppose?—A. Yes, the small village centre, semi-rural area, perhaps something of the order of a thousand a year, say 4 or 5 per cent.

Mr. CANNON: Thank you.

*By Mr. Fleming:*

Q. May I come back, Mr. Chairman, for another inning? Mr. Mansur, to what extent does lending value, approved lending value, as you administer the Act, enter into the trend, indicated in your statement, away from participation, or perhaps I should say a trend indicated by reduced participation on the part of the lending institutions.

The CHAIRMAN: Where do you find this trend that you speak of, Mr. Fleming? My understanding is, if I have understood Mr. Mansur correctly, leaving out the factor of the selling of Dominion of Canada bonds in order to make mortgage investments, and having in mind the fact that insurance companies under present day conditions do not like to make commitments too far in advance, that there has been no appreciable change in their investment policy.

Mr. FLEMING: Mr. Chairman, when I speak of trend, I think the statement indicates that there is going to be much less money invested by the lending institutions—

The CHAIRMAN: Page?

Mr. FLEMING:—this year—

The CHAIRMAN: Page?

Mr. FLEMING:—in loans under the Act than has been the case during the last two years.

The CHAIRMAN: What page?

Mr. LAING: It is a little higher last year.

Mr. FLEMING: You will find it on page 3, on page 4, and you will, I think, find it in the table as well. For instance—

Mr. LAING: Last year's \$202 million becomes \$209 million.

Mr. FLEMING: It is this reference on pages 3 and 4 that I am going by.

The CHAIRMAN: Well, I do not find anything on either page 3 or 4 to indicate that, leaving out the two factors that I mentioned, I do not see any marked change in trend.

Mr. MACNAUGHTON: Mr. Chairman, it is not the statement, it is the interpretation of the statement given by Mr. Fleming.

Mr. FLEMING: I think the witness has been quite clear in understanding my questions. The answers have been perfectly clear.

The CHAIRMAN: I have been listening to the answers and listening to the questions, and I have been curious to find the basis for this statement of fact contained in the question.

Mr. FLEMING: We have been told, for instance, that certain of the lending institutions have been withdrawing from the field.

The CHAIRMAN: No; the trust and loan companies have been withdrawing, but not the insurance companies.

Mr. FLEMING: I am referring to the trust and loan companies.

The CHAIRMAN: I am sorry, I did not understand you were referring to the trust and loan companies.

Mr. FLEMING: I am referring to more than that. The participation, which I gathered from Mr. Mansur, is from within the 10 large life insurance companies that he has been referring to. Apparently, there has been no major trend at the moment in and out; nevertheless I gather from his statement that the amount of money available from these lending institutions for this year is estimated, for participation under the Act, to be less than has been invested by them in the last two years. Am I right or wrong in that?

Mr. HUNTER: It is more than last year, and less than the previous year.

The CHAIRMAN: And the previous year they were liquidating Dominion of Canada's.

The WITNESS: I think the major difference in the life insurance companies' figures as against two years ago is because of the liquidation of one type of asset for reinvestment in another. I think that today life insurance companies are participating fully under the National Housing Act. If we move, however, over to the loan and trust companies, there is a rather different situation. The loan and trust companies, who generally are considerably smaller than the life insurance companies, are not as keen on the National Housing Act for two major reasons. First is that the technique of making National Housing Act loans is essentially one for larger companies. The inspection of the houses, the technique of accounting, are techniques which are particularly suited to larger companies. The smaller companies, and in that category is where most of the loan and trust companies fall, find the procedure onerous and for that reason do not like the loans under the National Housing Act but prefer their conventional method of lending. The second reason that the loan and trust companies are not keen on the National Housing Act loans is that in a National Housing Act loan the interest rate is fixed for a period of 20 years on a

declining balance, or even 25 years if the amortization is that long. In the case of the life insurance companies their funds are very long term funds—without any maturity date at all if the company is ever increasing in size—whereas in the case of the loan and trust companies their liabilities are made up of deposits and of short term debentures, most of which are five years or under. The loan and trust companies find National Housing Act loans not entirely to their liking because of the lending long and borrowing short in respect to interest rates.

*By Mr. Fleming:*

Q. So far as the life insurance companies are concerned, if we may refer to the selective approach as indicated in your statement, both with respect to area and mortgagor or builder and certain other respects, may I ask you, coming back to the question I put earlier, what extent your corporation's approach on lending value is a factor in the situation. Have you had any representations from the lending institutions in that respect?—A. Lending institutions ever since 1946 have found some difficulty in accepting an ever increasing level of lending values. There is one life insurance company whose activities are greatly reduced at the moment because they found our level of lending values unacceptable to their ideas of what should be done in the mortgage field at this time. They feel that the loans are too high. They are not particularly disturbed about the eventual loss on their mortgage account, but they are disturbed about the number of delinquencies that will result because of loans being set at such a high level. I would be very disappointed indeed if they did not take exception to what we do on occasion. I think the lending institutions would be much happier and would make more loans under the National Housing Act if the lending values were less than they are today if for no other reason than that they would make an increasing number of loans in arithmetical ratio to the amount by which lending values were dropped.

Q. I suppose they would like to have more security with more return. That would only be natural. Are there any other cases, more than the one, where lending institutions have stopped participating in these mortgages as a result of their feeling that lending values as established by the corporation are too high?—A. I think I am correct in saying that there is only one company that feels very strongly that way. I would like to make it perfectly clear that the companies have been sympathetic and co-operative towards the move to raise the lending values in order to reduce the equity requirements and I think the companies, remembering the tradition of the mortgage business, deserve a great deal of credit for the manner in which they have tried to assist the financing of the houses under reasonable conditions of equity requirements.

Q. Well, suppose you increased your lending value under the Act today?

Mr. HUNTER: How could you? It is the sale price.

*By Mr. Fleming:*

Q. But you recall that it was frozen a year or so ago in terms, I think it was—what was the date you took in 1950?—A. January 1, 1950, lending values were maintained during 1951. In fact, there was a reference to that policy in a statement by the Minister of Finance in the House of Commons on September 7, 1950.

Q. Now, may I ask you in the light of measures like that, if lending values, the approved lending values were advanced—I do not say as radically—what would be the effect do you think on the attitude of the lending institutions with reference to participation?—A. I think the effect would be to reduce participation by the lending institutions notwithstanding the high level of co-operation which we have had from them ever since 1946.

The CHAIRMAN: Aren't we discussing rather hypothetical problems as to lending values?

The WITNESS: The whole basis of lending values was changed in October of 1951; but for the period January 1, 1950 to the third quarter of 1951, there was an attempt by Central Mortgage to do the best it could to maintain the lending value as it was at the January 1st, 1951, level. I must confess that in so doing a bit of leakage took place.

The CHAIRMAN: Your question is directed at that freeze period, is it not, Mr. Fleming?

Mr. FLEMING: No, not altogether. I am aware, perhaps, of the need of freezing and the unfreezing; but even before there was a freeze there always was room for difference of opinion as to where you as a corporation established your lending values. There were those who felt you established your lending values at too low a figure and those who, conversely, thought that under the freeze they remained too high, those who take the opposite view; and that is the reason for my question.

The CHAIRMAN: You do not find that today Mr. Fleming.

Mr. FLEMING: That may be, I am still asking the witness—

The CHAIRMAN: I am sorry.

Mr. FLEMING: —what representations you have had on the subject from the lending institutions or what he thinks their attitude would be if there were some further advance in approved lending values. He has made his answer, I was just wondering if he had something he wanted to add?

The WITNESS: No, I do not think I have anything I want to add to that, except to say that we are always in a middle position, and there are those people who think our lending values are far too high and those people who think our lending values are far too low; and we have not a great many supporters in the two camps.

Mr. HUNTER: I think you are right.

Mr. FLEMING: I have one or two more questions, Mr. Chairman.

The CHAIRMAN: Go ahead, Mr. Fleming; I will keep my eye on the committee.

*By Mr. Fleming:*

Q. You are speaking of areas of scarcity developing and the withdrawal by lending institutions of loans in certain areas and from some cities; is this resulting in a quite acute situation in some of these areas of scarcity?—A. Yes. There are certain communities which had Housing Act facilities in earlier years where today there is a virtually no Housing Act loaning. I think I mentioned, Mr. Chairman, that we felt there were about 75 of these communities. They come in varying degree, and they switch in and out of that category, but I would say roughly there are about 75.

Q. Well, in addition to that, you mentioned certain cities from which the lending institutions have withdrawn for the very reasons that you mention at the bottom of the page seven. Would you care to indicate to us what particular cities or communities there are where housing conditions can now be regarded as acute where you ascribe reasons for that acute condition to the withdrawal of lending institutions from further loans in such areas?—A. Mr. Chairman, I understand Mr. Fleming would like some specific instances of those areas of the kind he has mentioned?

Q. Yes. I am talking about places where the existence of acute shortage of houses can be ascribed to the withdrawal of the lending institutions from participation in mortgage loans in those areas.—A. Well, the first case I think of, Mr. Fleming, is Sherbrooke where, up to and including 1951, there was a fairly

good supply of mortgage loans. Today I would say the situation was acute in Sherbrooke. Another community I think of is Oshawa where, although I cannot say there are no loans under the National Housing Act at all, they are in such small quantity that it is causing some concern to the builders.

Another community is Hull. For some unknown reason the lending institutions prefer this side of the Ottawa river to the other. I cannot tell you the reason. In my mind it is one community but to the lending institutions' minds it is two communities and it is very difficult for anybody to obtain a loan in Hull at the moment.

The situation in Windsor, although not absolute, is unsatisfactory.

Q. Have the lending institutions withdrawn entirely from loaning in the Windsor area?—A. Well, perhaps I gave an improper impression about the lending institutions withdrawing. They do not pick up their tents and walk out and announce in the newspaper, "We are not going to lend in this community any longer." What happens is that they become more and more selective and make fewer and fewer loans without taking the absolute position, "We will not make a loan in a community."

In Windsor there are some loans still being made, but in degree not enough to satisfy local builders.

Mr. Chairman, there are also problems in some of the western cities—Moose Jaw is a case in point, where it is extremely difficult to get a loan from a lending institution under the National Housing Act. This is also true in Swift Current, North Battleford, Selkirk, Weyburn—towns of that size in the prairies. It is extremely difficult to get loans under the National Housing Act.

*By Mr. Jeffery:*

Q. May I interject a question? I am wondering if the majority of these cities in eastern Canada you have mentioned have been perhaps what might be called, although they are not exactly, one-industry cities where lending institutions might have had a bad experience at some time?—A. In answer to that question I can think of two of them where the experience was pretty bad because I was a participant in the experience.

*By Mr. Laing:*

Q. These companies pay for this information upon which they base their policies, don't they? They employ it. What can we do about it if they have that policy as a result of their own studies? Is there anything that Central Mortgage can do to change their minds?—A. I have never had very much success in changing their minds about the other side of the Ottawa river. Mortgage money has always been tight under the National Housing Act across the river, and I think that this condition is something that is very difficult to relieve. I think it might also be remembered that the stories to an organization like ours about shortage of mortgage money do not tend to be under-exaggerated.

*By Mr. Jeffery:*

Q. I was going to interject another question which ties in with that. Would the selectiveness of some of these companies also perhaps have something to do with effective demand?—A. Yes, I think that some of the companies are quite disturbed about the ability of the speculative builder to sell an unlimited number of houses. In respect of the lack of coverage in these towns, I think the number of owner applicant cases are perhaps a better yardstick than the applications arising from speculative builders.

*By Mr. Hunter:*

Q. When you say that there is a great shortage of C.M.H.C. loans in these towns, does that mean that there are a considerable number of conventional loans or that you only have information covering the joint loans?—A. Well, Mr. Chairman, that varies by districts. There are conventional loans in some of these smaller towns. For instance, under the National Housing Act I do not think we have ever made many loans in Lindsay, but there is a trust company in Lindsay that has a very active conventional business. I do think that the shortage of mortgage funds applies to both fields but we are likely to hear much more about it from those areas in which conventional loans are not available.

Q. What about those western towns like Moose Jaw, Selkirk and so on? When you say there is a greater shortage of corporation loans in those towns of C.M.H.C., does that mean that there are also no conventional loans or are there conventional loans in those towns?—A. Mr. Hunter, I think I am correct in saying that in the three prairie provinces 90 per cent of the corporate financing of new housing is through the National Housing Act. In western Canada there are not the number of local institutions with an interest in their particular locality such as you would find in Ontario and in the province of Quebec. So that if one is looking for corporate funds in even the larger cities in western Canada, one is practically dependent upon operations under the National Housing Act because even the lending institutions who are operating under the National Housing Act do not seem to be particularly keen on conventional loans in the three prairie provinces.

*By the Chairman:*

Q. What information have you in regard to the demand for housing, the consumer demand for housing in those localities?—A. As against a year ago I do not think there is any doubt but that the effective demand is down. The number of completed but unsold houses is rising. The band of income who can finance a new house is, I think, getting less by reason of the debt service on the higher loan together with a greatly increased level of municipal taxes. The combination of that reason and the attitude of people towards absolute prices on houses has, I believe, reduced the effective demand.

Mr. Chairman, effective demand may be measured in relation to the amount that could be financed by available mortgage funds or the amount that could physically be put in place. When we are so busy doing so many other things so quickly. I do not think that the gap between effective demand and availability of mortgage funds is as great as a number of people believe.

I think, as I mentioned in my statement, that the housing industry can absorb rather more mortgage credit than is presently available to it, but I do not think the margin is a very wide one.

Only today, Mr. Chairman, I had in my office a man whom I consider to be one of the best informed mortgage men in the country. He pointed out that mortgage offerings of a satisfactory character as far as his company was concerned were not too plentiful at the moment. He indicated to me that within the confines of the investment policy of that company, they were finding some trouble in finding enough mortgages to their liking.

Now, their yardstick may be pretty sharp in respect to their selection, but I was told that earlier in the day.

*By Mr. Fraser:*

Q. You mentioned demand for housing. Don't you think owing to the fact that there are a number of plants that are just working perhaps three or four days a week, that that might affect it also, that there is an uncertainty

among some of the people who would like to build?—A. Yes, Mr. Fraser, I think there are areas where changed labour conditions have had a very marked effect. I have in mind Valleyfield, for instance, and Magog—communities that are engaged in the textile industry. We notice there is considerably less buoyancy in the demand for more and more housing and I would agree completely that local employment conditions have a tremendous effect.

Q. Well, that is what I found, that they had a definite effect on the demand for housing.—A. Yes.

*By Mr. Hunter:*

Q. Have you any information on what the effect would be on the consumer demand if the carrying charges were permitted to represent a greater proportion of a man's income?—A. Mr. Chairman, I do not think I have any satisfactory information on which to answer that question. The committee will remember that our policy, subscribed to by the lending institutions and following all the precedent and theory there is on the subject, sits at 23 per cent in the metropolitan communities and at a somewhat higher figure, 25 per cent to 27 per cent, as the size of the community decreases. Last year, the average ratio of debt service to income for loans under the National Housing Act was 17.7 per cent with maxima as I have already indicated.

Q. Would you have any information on how many of those had been turned down by the lending institutions prior to reaching your corporation because they preferred to select the ones with the smaller percentage?—A. Mr. Chairman, I do not think we have record of the number of people who would like to buy or build houses but who have been turned down by the lending institutions. Even if such figures were available I think they would be an understatement of the situation which you have in mind because in a project where there are 100 houses for sale and the builder knows that it requires an income of \$3,100 to get through the screen, the first question he asks a prospective buyer is, "What is your income?" and if the man says, "\$2,500," he says, "Sorry, that is not enough; I cannot get your application approved." And the interview ends at that point. For that reason I do not think it is possible for us to get you any good figures which would indicate the screening processes against people with insufficient income.

Q. I was thinking more along the lines that perhaps the lending institutions' preference was to be selective and take it on the smaller percentage than at the 23 per cent?—A. In our experience, Mr. Chairman, I can see little indication that the lending institutions are trying to high grade their loans on that score. They seem to be quite willing to take any borrower who is within that 23 per cent limit. In fact we have numerous requests from the lending institutions for our concurrence in taking a borrower at 24 per cent or 26 per cent when the lending institutions feel that special circumstances are involved.

For instance, I remember one on my desk not long ago—a young chemical engineer aged about twenty-five, the boy was obviously on the way up. The lending institution was quite happy to take him at 27 per cent. I do not think the lending institutions do a great deal of high grading in their selection on account of variations below the 23 per cent. I think they are much more interested in the level of loan and the length of amortization in their selection policy.

*By Mr. Fleming:*

Q. On page 7 Mr. Mansur at about the eighth line says: "Now, with lending institutions preferring the larger builders, the builders of two or three houses are being compelled to find other activities. I regard this as an undesirable trend."

Is there anything that you have been able to do about this trend, Mr. Mansur?—A. Not a great deal. Our local managers do their best with the local managers of the lending institutions to assist any builder, whom they consider to be someone who should be retained in the trade if at all possible, to get a loan from a lending institution; but I am afraid that over the course of the last few years there has been very heavy mortality of these small builders. For instance, in the city of Toronto eighteen months ago there were I think 570 builders operating under the National Housing Act. Now there are something slightly under 200 operating under the National Housing Act—which shows this trend. As a direct answer to your question, Mr. Fleming, I do not think we have been at all successful in arresting this trend.

Q. What are the prospects from this point on in your opinion? I think it is a matter that is alarming—you regard it as undesirable and it alarms a good many of us. The small builder seems to be facing a pretty dismal prospect?—A. It may be in making my statement I should have gone into some of the other unfavourable factors affecting that small builder.

At the time the small builder was at the height of his activity there was available serviced land where he could get two or three lots. In the Toronto area today it is pretty difficult for a large number of small builders to get two or three lots on which to operate—because most of the residential construction is taking place on land where the builders have installed their own services.

If I might move from Toronto to Calgary, this situation was present in Calgary where the smaller and medium sized operators found that there was not serviced land upon which to build houses. The builders in Calgary have formed a co-operative among themselves to develop land as a group and to award lots within the major development not only to the larger builders who were influential in forming the co-operative, but also to the smaller builders who wish to build three or four houses and are unable to install services on their own account. I do believe that the difficulty in respect of serviced land is probably equally important in the small builder leaving the field of two or three houses a year.

Mr. JEFFERY: Just in regard to that same question, has Mr. Mansur any figures on how many of these small builders withdrew voluntarily or involuntarily from the building field—whether for lack of money or for some other reason? Let us say for some other reason than the lack of money? Have there not been some bankruptcies and some other things that may have had some influence on them? You must get reports on builders?

The WITNESS: Yes, there was one quite important factor which developed early in 1951 which had an influence. When business as a whole was faced with changing credit circumstances the supply houses reviewed their accounts receivable position, maybe on a bit of urging from the banks. I think it is the case that during 1951 there was a general tightening of credit terms in respect to the supply of building material. Now, those small builders generally were operating in less substantial circumstances than were the larger builders and I think that they found the climate rather less salubrious to getting by on a shoestring. So I would think there were probably other reasons. There is that one, mortgage credit, and the availability of serviced land.

Mr. CANNON: Mr. Chairman, we have had some very interesting figures from Mr. Mansur on the reduction of the effective demand for a variety of reasons that he has explained to us. I think the committee would be interested in having some figures on the condition of what I might call the absolute demand. In other words, has the over-all shortage of housing that existed at the time Central Mortgage and Housing began its operations been reduced considerably and, if so, what are the figures?

The CHAIRMAN: That answer will have to be given in writing, I take it?



The WITNESS: Well, Mr. Chairman, on that question I can only wish I did know the answer. We are now coming to a point where we are anxiously awaiting the first census figures. I have seen a number of estimates ranging from relatively modest figures to astronomical figures on the backlog of need. I do not think any of those figures have a great deal of validity because at the best they can merely be a projection of the 1941 figures and a lot has happened in this country since 1941. So, until someone sees the census figures for 1951 I do not think that any conclusions can be drawn. I could take a guess if that would be helpful but if you would like definite information—

Mr. CANNON: If you have not got figures available—

Hon. Mr. WINTERS: I think the question was related to the demand rather than need?

Mr. HELLYER: In the phraseology "absolute demand" he meant need I think?

Mr. CANNON: What I meant was the decrease in absolute housing shortage which existed four or five years ago. We had a figure then indicating that we were short so many houses or units. What has been the improvement in that position over a period of years—and have you any figures?

*By Mr. Fleming:*

Q. Would you be willing to take the figures given in the report of the Curtis Royal Commission in 1944 as a starting point?—A. No.

Q. You would not?—A. No.

Q. Do you think they are high or low?—A. Well, that is largely a matter of opinion and I disagree with some of the figures in the Curtis Report—not only with the figures but with the concept.

*By Mr. Harkness:*

Q. You were speaking a while ago about the availability of land and you mentioned Calgary as one example. I would like to ask this general question which happens to apply there and I presume in other places. In your opinion are you likely to get more home building when land which becomes serviced is released to builders as opposed to private individuals?—A. I think to builders.

Q. You think if it is released to builders you will get more houses than if it is released to what you might call the general public?—A. Yes, I do, because I think if land is released to builders you will immediately get 100 per cent coverage of that land if for no other reason than that they do not want to have their capital tied up in land any longer than they have to.

The CHAIRMAN: I am sorry, Mr. Fleming, I did not mean to interrupt.

*By Mr. Fleming:*

Q. I was asking you about your views on the figures in the Curtis Royal Commission Report of 1944. Do you regard their estimates as high or low, Mr. Mansur—I mean their figures with regard to housing shortage at the time?—A. Well, Mr. Fleming, I do not know what the Curtis Report really means, that is my trouble. They talk about housing need, about backlog, about the number of substandard dwellings, and I realize that some figures had to be put together for the Curtis Report but maybe our appreciation of the subject has progressed considerably since 1944.

I think it is the case, Mr. Fleming, that the key figure that must come out of the 1951 census is the number of families and non-families household in the aggregate and the number of household groups. I would like to see the relationship of household groups to the number of front doors we have in this country.

Q. When you made your inquiry of the Dominion Bureau of Statistics as to when they expected to issue their report, what information did you receive?—  
A. My information is that the first tabulation of household groups will be available in about three months' time.

Q. Even if there is difficulty in getting a starting figure which you would be prepared to accept, 1944 or 1941, is it not possible to measure with reasonable accuracy what has been accomplished since? I think it has been done by ministers in the House and done in your report. You take figures which you think, I presume, are accurate, as to the number of new dwellings constructed, and you also take the immigration rates and other factors; could you not give us an estimate in that respect along the lines requested by Mr. Cannon, even though we cannot get a figure you are prepared to take today as being an absolute figure of housing shortage in Canada?

The CHAIRMAN: I think it would only be fair to the witness to give him an opportunity to think that question over.

This being Wednesday, and some of the members having asked that we adjourn at 5.30, and it now being 5.30, I think we should adjourn until tomorrow morning at 11.00 o'clock when, for the first few minutes, the committee will deal with a bill which was referred to us by the House.

Mr. FRASER: I thought our next meeting was to be tomorrow afternoon, Mr. Chairman?

The CHAIRMAN: No, tomorrow morning, Mr. Fraser; and then after dealing with the bill, we will finish up this question of the availability of mortgage money and get on with the next heading, namely, "serviced land".

Mr. FLEMING: Is there no possibility of changing the time of tomorrow's meeting? The Speaker has called a very important meeting of the rules committee, and Lord Campion, a former clerk of the British House of Commons, is to be there; and the Speaker has asked all the members to be present. So may we not change the hour of our meeting tomorrow? The public accounts committee is meeting at 4.00 o'clock.

Mr. McCUSKER: Let us have it at 8.30 o'clock in the morning, Mr. Chairman.

The CHAIRMAN: If the committee is agreeable I think we should carry on with the meeting as arranged, and we will reserve the questions. If any member feels he cannot be here, we won't prevent him from asking questions at the next meeting on points which have been covered. I think that is the best we can do, Mr. Fleming. You know, we are getting on with this session; it is getting near the end, and I do not want to be rushed at the finish.

Mr. FRASER: When is "the finish", Mr. Chairman?

The CHAIRMAN: The meeting is now adjourned until 11.00 o'clock tomorrow morning.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

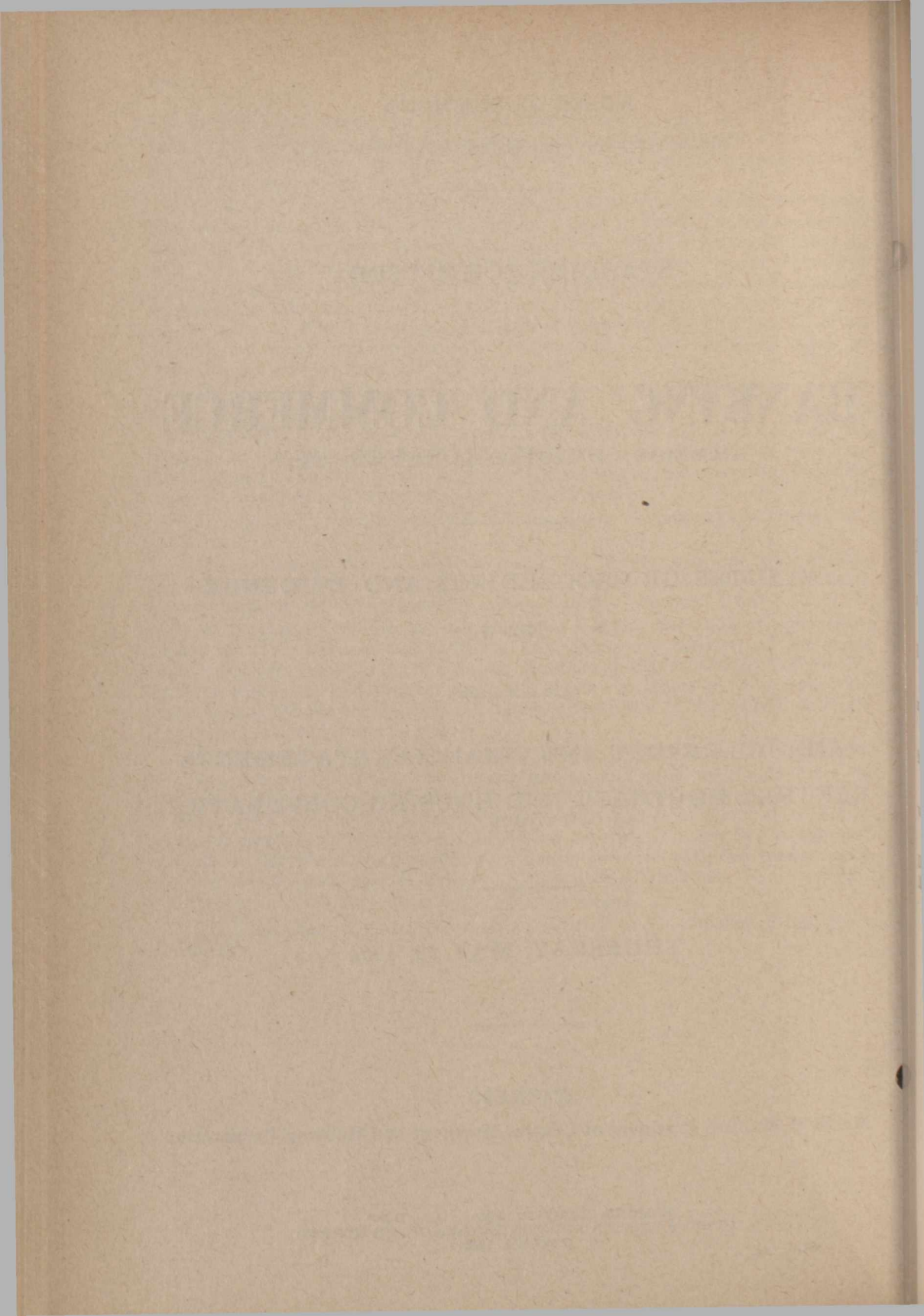
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THURSDAY, MAY 22, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.



## MINUTES OF PROCEEDINGS

THURSDAY, May 22, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Ashbourne, Balcom, Bennett, Blackmore, Cannon, Crestohl, Dumas, Fulford, Gour (*Russell*), Hellyer, Laing, Leduc, Macnaughton, Noseworthy, Ward, Welbourn, Winters.

*In attendance:* Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

In answer to a question asked by Mr. Jeffery at the last meeting, and reserved for a written answer, Mr. Mansur tabled the following document:

"Distribution of Single-Family Dwellings and Average Floor Area, 1946-51. N.H.A. 1944".

The said document was ordered to be printed as part of this day's evidence and the Witness questioned thereon.

The Committee completed its study on the availability of mortgage financing.

The Witness then made a statement on the relationship of current lending values to present day building costs and was questioned thereon.

At 12.10 o'clock p.m., the examination of the Witness continuing, the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, May 27, 1952.

R. J. GRATRIX,  
*Clerk of the Committee.*

REPORT OF THE

COMMISSIONERS

OF THE LAND OFFICE

IN RESPONSE TO A RESOLUTION

PASSED BY THE HOUSE OF COMMONS

ON THE 12TH MARCH 1881

AND THE HOUSE OF LORDS

ON THE 12TH MARCH 1881

AND THE HOUSE OF COMMONS

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## EVIDENCE

May 22, 1952.  
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. We will take up the Central Mortgage and Housing report.

Mr. D. B. Mansur, President, Central Mortgage and Housing Corporation, called:

The CHAIRMAN: Gentlemen, if you will now come to order Mr. Mansur has an answer to a question asked by Mr. Jeffery yesterday.

The WITNESS: Mr. Chairman, Mr. Jeffery asked yesterday whether we could supply some information showing the change over recent years of the average floor area by types of house. I have with me a statement showing for the years 1946 to 1951 inclusive the average floor areas for the three major types of houses.

The CHAIRMAN: Shall this go on the record?

Agreed.

DISTRIBUTION OF SINGLE-FAMILY DWELLINGS AND AVERAGE FLOOR AREA,  
1946-51. N.H.A. 1944

Year	1—Storey			1½—Storey			2—Storey			% of Single-Family Dwellings Less Than 800 Sq. Ft.
	No.	%	Floor Area	No.	%	Floor Area	No.	%	Floor Area	
1946.....	5,425	61.5	824	2,572	29.1	1,065	827	9.4	1,168	28.0
1947.....	3,908	48.9	839	2,972	37.2	1,190	1,108	13.9	1,238	19.4
1948.....	7,165	53.0	880	4,607	34.1	1,218	1,740	12.9	1,301	13.2
1949.....	8,882	53.9	904	5,875	35.6	1,218	1,724	10.5	1,344	8.6
1950.....	16,666	54.5	975	10,761	35.2	1,225	3,156	10.3	1,365	4.5
1951.....	8,488	61.3	1,031	3,941	28.5	1,255	1,415	10.2	1,364	1.1

The WITNESS: Mr. Chairman, at one of our earlier meetings I was asked for an estimate of the proportion of the total expenditure on new housing costing less than \$12,000 which was in the form of government loans. An accurate estimate cannot be prepared because we have not a distribution of the annual house construction program by cost ranges. A rough indication can be obtained from data on house building by type of financing. Our guess is that government loans on housing equal about 20 per cent of the total expenditure on houses costing less than \$12,000. On those houses financed with the assistance of government loans, the government funds represent about 29 per cent of the total expenditure.

The CHAIRMAN: You now have in front of you the typewritten statement showing distribution of the single family dwelling and average floor area. Are there any questions arising out of this answer?

By Mr. Crestohl:

Q. Those figures under "number" indicate the number of units?—A. The first is the number of units, the second is the percentage of the whole and the third is the average floor area.

Mr. Chairman, you will recall that I said that in the years immediately following the war we were disturbed about the large number of box-like structures which purported to be two-bedroom bungalows. I also mentioned that we took steps by altering the level of financing available to ensure a rather lesser increment in our supply of these very small houses. These figures, I think, indicate the change which has taken place over the last five years.

*By the Chairman:*

Q. Which was a quite effective weapon, I take it?—A. Yes, Mr. Chairman, surprisingly so. It rather restored my faith in financial measures as being an effective weapon. In the final column I might comment that you will notice that single family dwellings as such, less than 800 feet have fallen from 28 per cent to about one per cent.

Mr. HELLYER: It is true also that some people do not take into consideration the difference in floor area when they are comparing present prices with the prices of 1948. The average person looking at a small house is more impressed by the change in price without taking into consideration that it is also a much larger house.

The CHAIRMAN: If there are no further questions on this answer, Mr. Mansur, would you make a statement now on the relationship of lending value to actual cost?

Mr. HELLYER: Mr. Chairman, have we finished with the availability of mortgage money?

The CHAIRMAN: I thought the committee had exhausted their questions but if there are any more we will take them now.

Mr. HELLYER: There are a couple I would like to ask.

The CHAIRMAN: Yes.

*By Mr. Hellyer:*

Q. I would like Mr. Mansur to indicate what he would expect if, for instance, the government supplied additional funds—how they are raised is not important at the moment, whether by bond issue or otherwise—and increased the Central Mortgage and Housing portion of the joint loan to, say, 33½ per cent—just using that as an example—and at the same time reduced the interest rate on the total loan from 5 per cent to 4 per cent?—A. Mr. Chairman, were that done I think that the amounts of funds available for investment by the lending institutions would spread somewhat more widely than they do at the present time. Such a proposal would have the disadvantage that the lending institutions who are responsible for the administration of the loans would have a lesser amount against which their actual expenses could be gauged to bring out their expense ratio.

Mr. Chairman, you will recall that a situation similar to that now suggested by Mr. Hellyer was virtually in effect when the extra one-sixth loan technique was being followed. At that time approximately 36 per cent of the total loan including the extra one-sixth were funds arising from government and the remaining 64 per cent from the lending institutions. I believe that under the circumstances suggested by the hon. member that the funds of the lending institutions would be spread somewhat more widely than they are at the present time.

Q. In the same connection do you think that there would be also a smaller increase in the effective demand due to reduced carrying charges?—A. Anything that reduces the actual debt service on houses, I think, would be beneficial. That could arise from a number of reasons. Lower cost of the



house and thereby lower mortgages will do it. A lower interest rate will do it, lower municipal taxes will do it. So that I believe that anything that could be done to reduce the monthly debt service would have a beneficial effect on housing generally.

*By Mr. Noseworthy:*

Q. Do we understand you to say that the payment of the 33½ by the government would have very much the same effect as did the old one-sixth loan?—A. Yes, Mr. Chairman. In respect to the spreading of a limited amount of funds from lending institutions, I think that the suggestion which is made would revert us to very much the same position we were in at the time the extra one-sixth technique was being used.

Q. Are there any advantages or disadvantages that would accrue to the purchaser as between the one-sixth and the 33½?—A. No, I do not think that is so. The purchaser is really only affected by the combination of the financing between the lending institution and Central Mortgage and the distribution is not of real importance to the home owner.

Q. Would the carrying charge likely be higher under the 33½ than by the restoration of the one-sixth?—A. I do not think I could say. The question was asked on a hypothetical basis. I hope that in what I have said to date I have not, even by inference, expressed any opinion either in respect to the government share or interest rate or other related matters.

*By Mr. Hellyer:*

Q. Mr. Chairman, I just have one more question in this regard. There was an indication in the answer that the cost ratio for the insurance companies would be increased relative to their share. Would that be offset in the minds of the insurance companies by the knowledge that their proportionate risk would reduce, I mean as far as their attitude is concerned?—A. Yes, I think they would have that in mind because the larger the share of Central Mortgage, the more improved is the position of their remaining share and although they might have reservations in respect to their expense ratios, I think that they would have the other factor suggested by Mr. Hellyer in the back of their minds but would not be talking too much about it to us.

The CHAIRMAN: Any other questions on the availability of loans? If not, we will now turn to relationship of lending value—

Mr. NOSEWORTHY: Just a moment. Is the recent change in credit restrictions likely to affect the lending institutions and supply of money available for mortgage loans?

The CHAIRMAN: That was pretty well answered the other day, Mr. Noseworthy. Perhaps a short answer now would satisfy you?

Mr. NOSEWORTHY: If it is in the record it is all right.

The CHAIRMAN: It is in the record.

The WITNESS: I do not think it is in the record in the form that Mr. Noseworthy asked the question. I do not believe that the changes of the last two or three days in credit circumstances will have much effect upon availability of funds from the life insurance companies. They were pretty well removed in their operations from restrictive influences by reason of the policy. However, as I indicated to Mr. Sinclair the other day, I believe that the whole over-all atmosphere may be more conducive to greater efforts by the house-building industry as a result of the credit restrictions ceasing to be of as apparent importance.

I am thinking particularly, Mr. Noseworthy, of the credit terms and attitude of supply houses when providing builders or home owners with materials. I am not at all sure that the policy will change, but I do think that the climate will be a bit more salubrious.

*By Mr. Crestohl:*

Q. And also because of the availability of building loans from banks?—

A. Yes.

The CHAIRMAN: Relationship of lending value to actual cost.

The WITNESS: Your chairman has asked that I give you the corporation's viewpoint on the relationship of current lending values to present day building costs.

Perhaps I should begin by quoting the corporation's responsibility under the Act. Subsection 2(23) of the National Housing Act defines "lending value" as meaning "the estimated cost of construction or cost of conversion, or the appraised value, whichever is less, of a house or housing project".

It does not appear to be the statutory intention that loans should be based on actual costs unless such costs were equal to, or less than, the appraised value. There is a very natural tendency on the part of applicants to over-state their costs in the hope of obtaining higher loans; it follows that in the vast majority of cases, it is the "appraised value" that governs the level of loans.

Appraisal is not an exact science governed by immutable laws, but rather it is an attempt to measure the long-term value of a property for mortgage loan purposes. There are several approaches to the appraisal analysis, the most common of which are the reproduction value approach, the market value approach and the derived rental concept. Using these approaches, the appraiser endeavours to produce a valuation figure which will be reasonably sound, bearing in mind the ups and downs of the economic cycle.

While not inherently an appraisal component, there is intertwined in the problem, the value of the covenant behind the loan. For example, a home owner does not necessarily sacrifice his home simply because it has dropped in value. It has an amenity appeal to him and he generally endeavours to hold the house regardless of economic fluctuations. The owner of rental property on the other hand, has not the same incentive to hold the property should he experience a prolonged period when carrying charges, taxes, etc., are greater than his rental income. It is basically for these reasons that there is a differential in the lending values on loans to home owners and loans on rental property.

Perhaps I should mention at this point that the corporation is not a free agent in dealing with lending values on joint loans. Under the formal agreement with the lending institutions, the primary appraisal is made by the lending institution. The corporation also makes an appraisal and the lesser of the two becomes the lending value.

In the four months ended April 30, 1952, the two appraisals were approximately equal in 62.5 per cent of the joint loan applications submitted, in 24.7 per cent the lending institutions' appraisal was lower than that of the corporation and in only 12.8 per cent was the corporation's appraisal lower than that of the lending institutions.

I would like to comment separately on the lending values under section 4 and section 8 of the Act.

Under section 4 we have loans to home owner applicants owning their land and loans to builders who are building houses for sale to eventual home owners. There is a little problem with the former type. If the estimated costs are considered reasonable, the home owner applicant generally obtains a full 80 per cent loan. If the house is of larger or more costly type, the loan may be held down by the regulations ceiling of a \$10,000 loan.

It is in the field of builders' loans that we hear the most comment on lending values. The views and interests of the builder and the eventual home purchaser are opposed to each other.

There are exceptions but most builders are interested in obtaining as large a profit on each house as is possible. For example, one builder told me recently

that our lending value pattern was not suitable to his building program as he preferred to build only four or five modest houses a year with a profit of \$2,800 on each. Our lending values do not envision such a large profit.

The home purchaser on the other hand is interested in buying a house as cheaply as possible. He recalls the low prices of the past and tends to forget that the value of the dollar has changed. Often he does not relate the rise in house prices to his own increased dollar earnings.

Between these two opposing views is the appraiser endeavouring to be fair to both parties, allowing what in his opinion is a reasonable increase in costs and disallowing any exorbitant profit. How successful we have been in this regard is a matter of conjecture because only the future can prove or disprove any appraisal pattern. Perhaps a few figures would illustrate the trend in lending values and show how they have been adjusted over the years.

Taking as an example a bungalow in Toronto having 850 square feet of liveable floor area, our basic rate in 1946 was \$5.80. It has moved progressively to \$5.98 in 1948, \$6.95 in 1950 and now stands at \$9.23 in 1952. This rate is on what we term a "base-house", a reasonable value is added for land and an additional allowance is made for any "extras" or refinements that are included, such as a fireplace, oil heating, etc.

I feel that our present levels of lending values on section 4 loans are realistic in the light of today's costs. This conclusion is reached after weighing the results of our operations since the change in policy which was effective in October, 1951.

At that time, two major changes were effected in the home owner loan field. These were higher loans in the ordinary sector on the basis of 80 per cent of an agreed sale price as established by the corporation and secondly 90 per cent loans to certified defence workers.

When the change in policy was made there were a considerable number of houses partially or fully completed and unsold. We agreed to increase the loans on these houses to 80 per cent of an agreed sale price if the builders in turn would sell at these prices. There was no compulsion in this—the builders could retain their old prices with the lower scale of loan.

The response was satisfactory. From October, 1951, to April 30, 1952, we received 2018 requests for loans to be reconstituted and the houses are now selling at the prices as established by the corporation. This would tend to show that the builders had adjusted their sights as to the amount of profit they were willing to accept in return for ready sales.

As to level of our lending values in the field of housing for defence workers, the ready response to the plan and the builders' willingness to sell houses at our lending value figure would seem to indicate the fairness of these figures. We established a preliminary quota of 500 houses for defence workers in the A. V. Roe plant at Malton. The quota was rapidly taken up by seven builders who are building 511 houses at prices ranging from \$9,200-\$10,700, loans are a full 90 per cent on these prices and down payments only 10 per cent. The monthly payments range from \$59 to \$71 including taxes.

Turning now to lending values in the rental housing field, these are of two classifications—lending values on ordinary rental property under section 8 of the Act and loans on rental insurance projects under section 8B.

The statute makes a differentiation as to the basis on which loans are to be made. On ordinary rental property, the loan is to be based on the lending value, which introduces the appraisal aspect commented on earlier. On rental insurance projects, the Act specifies that loans are to be based on the estimated costs of the project as determined by the corporation.

This statutory distinction is the chief reason for the differential that exists between our section 8 and section 8B lending values. At the present time

there is a difference of about 10 per cent in the two lending values. It is justifiable, first because of the governing definitions and secondly because of the relative additional security behind the 8B loans given by the rental insurance contract for which the builder pays a premium. Moreover, on a section 8B project the rentals are controlled for three years—five years on defence area projects—whereas on section 8 the owner enjoys “free market” rentals.

Perhaps I should comment on the adequacy of lending values on rental insurance projects, which by statute are based on our estimate of costs. The adequacy, and possibly over-adequacy, may best be illustrated by mentioning that in Montreal, where we established a rental insurance quota of 1750 units, we received applications on over 22,000 units. Probably on analysis some of these would have proven to be unacceptable, but it does tend to show that builders were generally satisfied with our estimates of cost.

As a further illustration, under the new insurance rental plan, loans are now based on the final proven costs. In other words, if the final costs are less than our original estimates, then the loan is reduced. One builder came to see me and offered to accept a lower loan in exchange for a firm commitment on his loan rather than to have it geared to his final costs. He admitted that in his case our estimates were slightly higher than what he felt his costs would be.

Summing up, therefore, I feel that in the home-owner field our appraisals are sufficient to give the average builder a fair margin of profit on houses built for sale. On rental insurance projects our lending values are approximately equal to today's costs. On section 8 loans, our lending values may be about 10 per cent lower than estimated costs. I feel this differential is justified by the Act definitions and any increase would not necessarily give higher loans as there are regulation limits which govern the amount we may lend on a “per unit” basis.

Mr. CRESTOHL: Mr. Chairman, before we enter into a discussion of this report I wonder if you have any particular reason why there is not a single member of the official opposition present at this morning's meeting of the committee?

The CHAIRMAN: Well, I think there is a very good reason. There are other committees sitting and at our last meeting yesterday afternoon they indicated they would have to be absent. I assured them that at our next meeting they would have an opportunity to ask any questions they desired to ask on the subject that we would deal with today. It is compromise arrangement looking to the general over-all needs of the members.

Mr. LAING: They had a pretty full day yesterday.

The CHAIRMAN: Any questions?

*By Mr. Ward:*

Q. Mr. Chairman, what is meant by the 8B loan?—A. Rental insurance loan.

Q. And the “free market” rentals, what would that be?—A. Well, under rental insurance loans, a condition of the loan is that during the first three years the builders will not rent the units at more than a ceiling rent set by Central Mortgage. The distinction meant by “free market” is that under a section 8 loan the builder is not under similar limitations.

*By the Chairman:*

Q. In the one there is a fixation of rent for three years. Mr. Mansur, referring to page 4 of your presentation, “the final proven costs,” to what extent, if any, is the builder allowed to include overhead in “final proven costs”?—A. The “final proven costs”, Mr. Chairman, are determined by this technique; before the project gets under way we come to an agreement as to land cost.

We feel that that can be done in the first instance and there is no need to postpone the argument on land cost. Therefore, the proven costs are limited entirely to the costs of construction.

In the case of a builder building on his own account, we make an allowance of approximately 5 per cent for his overhead and builder's profit and that would be an admitted expense should it become necessary to cost account his books to determine whether there should be any cut in the loan which had been approved in the original instance.

*By Mr. Laing:*

Q. Because in this statement there was some reference to defence housing, would Mr. Mansur permit a general question on defence housing?—A. Yes.

Q. How important is availability to work? What detraction comes out of transportation from any distance to a defence plant or a defence station? I am thinking now in terms of Sea Island vs. Vancouver city. There is quite an amount of building there, accommodation, close to the airport and I am thinking also of Ladner where a great deal of building is now going on in a location which, were we to have return to peacetime conditions, I feel housing which has been created there, although it is fine and costly housing, would not be of the same advantage were it at a distance instead of being right up against the property. In the case of Sea Island, there is a greater disadvantage in that I think it is four feet below sea level at high tide and I think you have got a sewage disposal system there, have you not?—A. Yes, we have, and we have had a lot of headaches with it.

Q. How important is this general advantage of putting the housing right up against the defence plant or the defence station rather than a transport of, say, ten or fifteen minutes in some instances or distances greater than that in many cases? In the case of Boundary Bay airport and Sea Island what would have been the result had you put this housing in the little settlement of Ladner where they have probably ten or fifteen minutes to go?—A. Referring only to defence workers and omitting for the moment married quarters for Department of National Defence, it is the policy that the housing for certified defence workers shall be within reasonable access of their work.

I mentioned earlier to the committee that as a working rule it was fifteen minutes by motor transport in hours when they would normally go to and from work within the provincial traffic regulations. That means in an average community something of the order of four or five miles without too much trouble. We do not like to see defence workers' projects erected in the shadow of a plant. In fact, looking at A. V. Roe and Canadair as two examples, we felt that it would be highly desirable for the housing to be removed a comfortable distance from the plant because the new Jet engine is a very noisy business, particularly when they put it on test. So, we have been encouraging the defence workers' projects in areas two, three, four miles away from the plant rather than under the shadow of the plant.

Now, there are different circumstances in different places. In Cartierville, Montreal, we feel that probably the immediate St. Laurent area is suitable because there lies to the southeast of Canadair the town of Mount Royal which is kind of a buffer between what ordinarily would be used for Canadair workers and other localities more distant, but in the case of A. V. Roe we would like to see the housing in circular fashion around the plant reasonably accessible but removed as far as we can get from the noise of that jet testing.

Mr. MACNAUGHTON: I can testify to the steadily increasing tempo of protests from residents in that area adjacent to Canadair both with regard to jets and with regard to flying generally, which would apply to airport locations. There is a steady stream of complaints and there is not anything the company can do about it.

*By Mr. Fulford:*

Q. I would think there would be many considerations in the case of war. A. V. Roe and Canadair would be primary targets and if you destroy the plant you destroy the workers' quarters as well and the whole thing goes.—A. On the noise referred to by Mr. Macnaughton, we sent a technician to Oklahoma City to examine the difficulties on account of jet testing that had been happening there and the steps which had been taken to correct it. We did this at the request of the Department of Defence Production in relation to Roe, Canadair, Downsview and other places. I understand that there is silencing equipment which is most effective and talking to the people in Oklahoma City—I might say that we did not talk to the aircraft company nor to the silencer company but we talked to Mrs. Housewife—the housewives in Oklahoma City said that since the silencer equipment had been introduced they had no complaints at all.

Mr. MACNAUGHTON: I happen to know, Mr. Chairman, that the Canadair company have gone into that very thoroughly, probably with your department too. As the cost of equipment goes I think it would cost \$250,000 to install and so far, I believe, the company are under the impression that it is about 50 per cent operative or effective, which will still leave a very considerable amount of noise and disturbance.

*By Mr. Hellyer:*

Q. I wonder if I could ask a question concerning the relationship of lending value to cost in the case of houses built by or for a limited dividend corporation?—A. Under section 9 where the 90 per cent loan is involved, we are fairly close to estimated cost of construction. I think it should be remembered, Mr. Chairman, that in such applications, particularly when they arise from service clubs, groups sponsored by municipalities and other non-profit organizations, that many of the reasons for watching the level of lending value disappear.

Over the course of the last five years it has been suggested to us on a number of occasions—and I think with justice—that we are providing mortgage funds sufficient for a builder to complete his project without any resources of his own. I think that has occurred on certain occasions and it is certainly not a very desirable condition to maintain. Therefore, we are pretty careful with lending value as it relates to the private entrepreneur, but when you start dealing with a non-profit limited dividend company, the conditions change. That company is not anxious to spend any more money than they have to. The company has made arrangements long before we entered into an agreement with them to find their 10 per cent equity, and there is not the confliction of interest between mortgagee and builder under section 9 that tends to be created in the private enterprise field.

So that I would say that our level of appraisal is about the same but we are willing to even re-negotiate so that the spirit of the straight 90 per cent and 10 per cent arrangement under section 9 will be fulfilled between the corporation and the non-profit-making limited dividend company.

*By the Chairman:*

Q. In saying "the same", Mr. Mansur, do you refer to the same lending value as under 8B?—A. Yes, the lending value in 8B, is right up to our estimated costs of construction.

Q. And isn't there also the feature that there is a little less risk of loss on loans because you are dealing with a loan that has  $3\frac{1}{2}$  per cent interest?—A. Yes, Mr. Chairman, the carrying charges are less and, therefore, the loan is somewhat safer. I think, however, in the case of a limited dividend company it is the quality of the sponsorship who generally are a group of men within

that community seriously interested in promoting the welfare of the community and a group of men who in most cases would dig pretty hard to keep that loan from default should unfavourable conditions take place.

Q. Would you care to comment on amortization periods of loans with a limited dividend company as opposed to the other types?—A. In the case of a limited dividend company the amortization periods are variously thirty, forty and fifty years, depending on the circumstances as well as the quality of construction. That is in sharp contrast to current mortgage practice in respect of the amortization of section 4 and section 8 loans.

One of the areas of greatest difference of opinion between the corporation and the lending institutions is in the matter of amortization. The lending institutions feel very strongly that under present conditions particularly with loans at very high levels that amortization should not be carried beyond twenty years. They have in mind particularly the fact that under a twenty-year amortization 15 per cent of the amount of the mortgage loan has been paid off at the end of five years whereas if the amortization is spread out to thirty years only some 8 per cent has been paid off at the end of the five years. They feel that the original home owner going into the house takes 15 per cent of the bloom off in five years' occupation and that notwithstanding principal repayment on a twenty-year basis, relatively the position of the lending institution is less favourable than it was the day the loan was made. That is the case of the lending institutions.

They refused completely my suggestion that Central Mortgage does not believe that the whole country should be amortized in twenty years. I say that has not really too much to do with it, that it is the amortization during this first five or ten-year period that gauges the over-all amortization.

I believe that it would be a very happy situation for housing generally if amortization periods could be lengthened out to around twenty-five and thirty years. In the case of direct loans made under section 31A, I have already supplied the committee with a memorandum dealing with our policy.

You may notice that in that policy we have no fixed amortization periods other than those which are determined by the statute itself. Where the borrower has ability to pay, we ask for a shorter amortization period. Where the borrower has less income, we spread out the amortization period and make adjustment for the borrower's responsibilities in the matter of number of children and people who are wholly dependent on the borrower. I feel that our policy in that respect is much more flexible and indeed progressive than that of the lending institutions who keep hard and fast to a twenty-year amortization policy.

Q. Have you had any discussions with them or have there been any discussions with the lending institutions regarding an alteration of their views by way of suggesting the five, twenty-five loan? By that I mean heavy reduction during the period of five years in order to acquire a thirty-year amortization?—A. Yes, Mr. Chairman, there have been discussions on that. The problem of the moment, though, is the amortization rate during those first five years because that is what determines the ratio of debt service to income. The lending institutions, I do not think, are too disturbed about the lengthening out of a reduced loan; it is the lengthening out of the original loan that disturbs them particularly.

Q. That comes to the next question I have in mind, if I am not encroaching on other members, if the percentage of the loan is decreased would the insurance companies then go for a thirty-year amortization, that is, if you would reduce the loan from 80 per cent to a 70 per cent loan, would the insurance companies then go for a thirty-year amortization?—A. I think that if they were dealing with 70 per cent loans, they would be more receptive to thirty-year amortiza-

tion but there is a very deep-rooted tradition in the lending institutions—I may say I was brought up in one and I am therefore familiar with it—that the amortization period is the main factor in the loan.

I may say that even when I was in a lending institution I did not share that view completely. I think that the average home-owner loans, where you have a representative group of Canadian people, are such that the amortization period is not too important. I am very interested in seeing the day when we have more defaults on loans and because that will give us an opportunity to prove conclusively that there is no correlation between the amortization period, and the rate of delinquency.

There has been some work done in the United States on that, but there is not too much printed material on it because this business of short amortization is a "holy cow" as far as lending institutions are concerned. They are still not willing to admit that there are other factors involved other than the larger amount of amortization during the first five year period so that their relative position at the end of five years is no worse than it was the day that they made the loan.

*By Mr. Ward:*

Q. Do you find any difficulty in the amortization of taxes? How would you say, in your amortization plan, where your taxes fluctuate—as a rule they do in most communities—how do you determine what would be the fair amortization in advance?—A. Mr. Chairman, in our own loans—perhaps I am putting our own operations up as a criterion of perfection but I do not mean to—we estimate what the annual taxes will be and we have a cushion to take care of what appears to be the upward trend in the tax rate; and, to the extent that the home owner overpays by monthly payments on tax account we either carry a cushion for him or credit it to his mortgage account, thereby accelerating the maturity of that loan. I may say that the practice of Central Mortgage in respect to borrowers' payments is much more flexible than that of the lending institutions. The lending institutions are inclined to wish to have their business in four pockets; the ten year, the fifteen year, the twenty year and the twenty-five year amortization; and any minor adjustments such as you have suggested tends to take it out of a twenty year pocket and put it into a nineteen year six months' pocket. We think the advantages of keeping a high degree of flexibility between ourselves and the borrower more than offset any accounting difficulty we may run into.

*By Mr. Crestohl:*

Q. Mr. Chairman, I was interested in the effect, or the impression I got from your answer a few moments ago on the scale of amortization on the low income class of owners, particularly in respect to the number of children which they have; can you correlate that at all to the degree of write-off for income tax purposes on this type of loan?—A. Mr. Crestohl, you have in mind depreciation allowance?

Q. That is right.—A. Up to about two years ago the Income Tax Department allowance for depreciation was 2½ per cent in the case of a masonry building and 5 per cent in the case of frame construction. There was trouble where the amortization payment exceeded the amount allowed for depreciation because all amounts beyond such allowance were taxable. In some cases the owner had to find money beyond that allowed for depreciation with which to pay the principle re-payments to the mortgage company, but about two years ago the income tax regulations were changed and the amounts allowed are now double what they were and on a reducing balance; so that by this jump from 2½ per cent to 5 per cent for full masonry, and from 5 per cent to 10 per cent

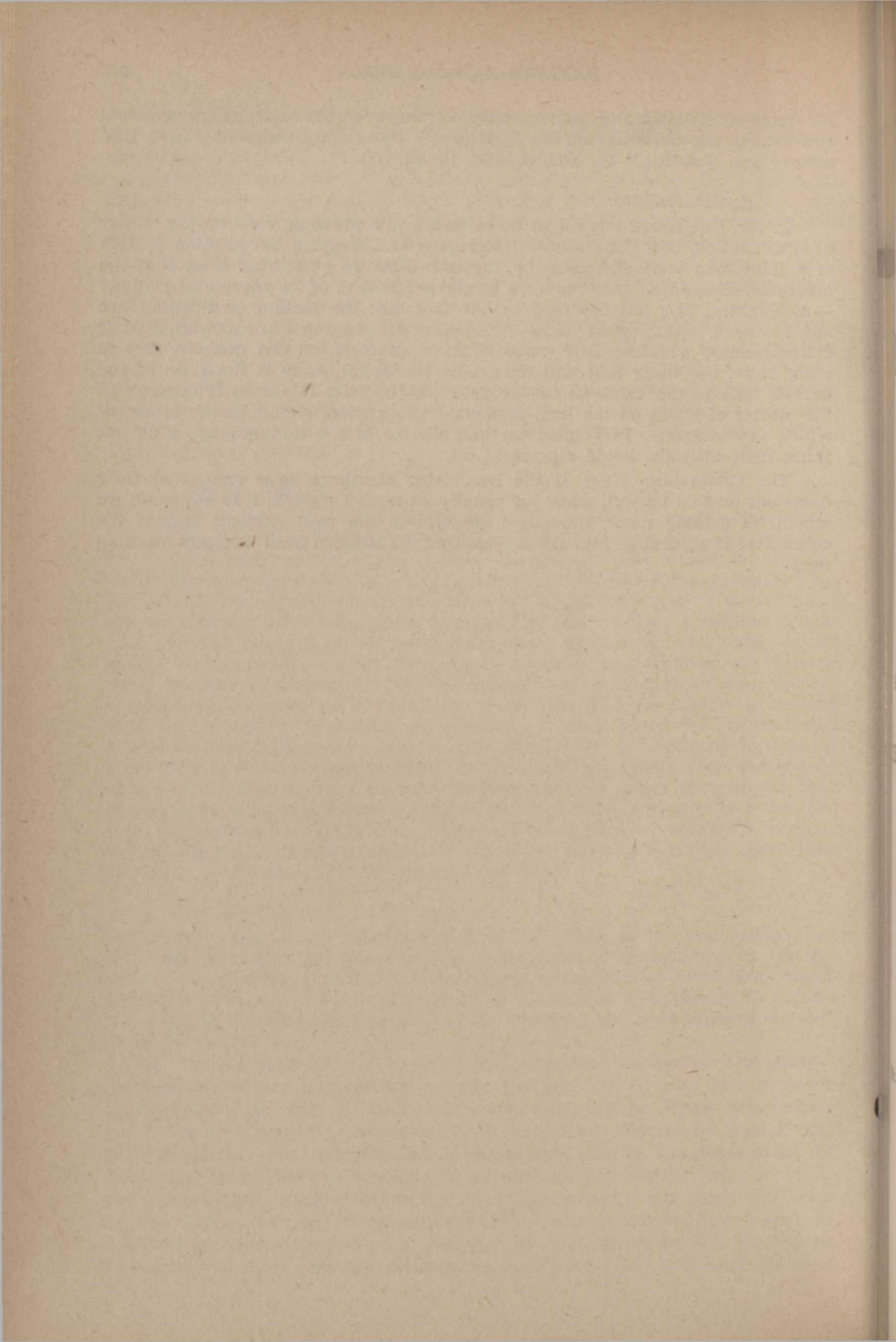


for frame construction, the lack of correlation between the mortgage repayments and income tax depreciation has been pretty thoroughly removed. Does that answer you question?—A. Yes, it does, thank you.

*By Mr. Hellyer:*

Q. Mr. Chairman, this might be referring to a previous view on the matter of amortization, but, if the Central Mortgage and Housing Corporation portion of a joint loan were increased by say one-third do you think then that the insurance companies would favor a larger percentage of 25 year amortization? —A. Slightly, yes; but modified by the fact that the lending institutions are not, I believe, afraid of the loss on the loans quite so much as the wide area of delinquencies; whether their share is three quarters, or one quarter, or any other ratio, the thing that will determine the delinquency is the ratio of the overall loan to the value of the property in the year in which it comes. In the matter of losses on the loan account, I think there would be the tendency which you suggest. In respect to their dislike of the delinquency, I do not think their attitude would change at all.

The CHAIRMAN: Now, if the committee members have exhausted their questions on this subject, while we usually sit until 1 o'clock, I do not think we would be gaining much time by heading into the next subject; and, if the committee is agreeable, I would suggest that we adjourn until Tuesday morning next.



HOUSE OF COMMONS  
Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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WEDNESDAY, MAY 28, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY  
RESEARCH REPORT

NUMBER 1000

BY

ROBERT M. HAYES

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1955

UNIVERSITY OF CHICAGO PRESS

## MINUTES OF PROCEEDINGS

WEDNESDAY, May 28, 1952.

The Standing Committee on Banking and Commerce met at 4 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Cannon, Crestohl, Dumas, Fleming, Fraser, Hees, Hellyer, Henry, Hunter, Jeffery, Leduc, Macnaughton, Noseworthy, Ward, Welbourn, Winters.

*In attendance:* Mr. D. B. Mansur, President of the Central Mortgage and Housing Corporation, and Mr. J. D. Ritchie, Executive Assistant.

The Committee resumed consideration of the Annual Report and Financial Statements of the Central Mortgage and Housing Corporation.

The Hon. Mr. Winters, Minister of Resources and Development, answered questions specifically referred to him.

Mr. Mansur made a statement on the question of serviced land and was questioned thereon.

In answer to questions asked by Mr. Fleming and Mr. Cannon at a previous meeting, and reserved for a written answer, the witness tabled the following documents:

1. "Central Mortgage and Housing Corporation Cost and Selling Price of Houses offered for Sale as at Dec. 31, 1951";
2. "Net Family Formation and Number of Housing Units Completed 1946-1951".

The said documents were ordered to be printed as part of this day's evidence and the Witness was questioned thereon.

At 5.45 o'clock p.m. the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, June 5, 1952.

R. J. GRATRICK,  
*Clerk of the Committee.*

MEMOIRS OF JOHN BISHOP

1700-1780

The Bishop of Exeter, John Bishop, was born in the year 1700, at Exeter, in the County of Devon. He was educated at Exeter College, Oxford, and afterwards at the University of Cambridge. He was ordained in the year 1720, and was appointed to the rectory of St. Andrew's Church, Exeter, in the year 1725. He was promoted to the bishopric of Exeter in the year 1740, and died in the year 1780, at the age of 80 years.

He was a man of great piety and industry, and was distinguished by his talents and his virtues. He was a zealous promoter of the Christian religion, and was particularly distinguished by his labours in the education of the poor. He was also a great lover of the arts and sciences, and was particularly distinguished by his patronage of the University of Exeter.

He was a man of great moderation and peace, and was distinguished by his mild and benevolent temper. He was a great lover of his country, and was particularly distinguished by his labours in the improvement of the poor. He was also a great lover of the arts and sciences, and was particularly distinguished by his patronage of the University of Exeter.

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## EVIDENCE

MAY 28, 1952.

4.00 p.m.

The CHAIRMAN: We have a quorum, gentlemen.

The committee had exhausted its questions on availability of mortgage money and the relationship of lending value to actual cost. On both of these items I was asked that they would stand in the event that opposition members wished to ask questions regarding them, members who were unable to be present at our last meeting. Those members are still absent and I would suggest that we carry on with the third main question indicated by the steering committee; namely, the question of serviced land. Is that agreed?

Agreed.

Mr. HENRY: Mr. Chairman, I had a question which I wanted to discuss with the minister and I wrote him a letter concerning it. There was a report in the *Toronto Globe and Mail* which indicated a subsequent interview between the president of Central Mortgage and Housing Corporation and the minister on the question of section 35 in its application in the Toronto area. It may be that the impression I got was erroneous, but the impression I got from reading the report was that the federal government was unwilling to negotiate with the province under section 35 as to the extension of the Regent Park scheme. As he is present I will ask the minister if he would deal with those questions now; and, for his convenience, I will repeat them.

First, is the Federal Government awaiting an opportunity to negotiate with the Province of Ontario concerning any project for rental housing in the Toronto area, including the extension of the present Regent Park scheme under section 35 of the National Housing Act?

And this is my supplementary question; if the Province of Ontario is satisfied to proceed with the extension of the Regent Park scheme into Regent Park south, then will the Federal Government consider accepting 75 per cent of the financial responsibility under section 35 of the National Housing Act?

The minister being here I would ask if he is willing to discuss these two questions.

Hon. Mr. WINTERS: Well, I shall be very glad to, providing we can deal with it and get on with the topic you have to dispose of today. I think members of the committee know that the government is at all times prepared to discuss with any provincial government any proposals for rental housing projects under section 35 of the National Housing Act. It has not been the practice of the government to initiate proposals with the provincial governments, nor is it our intention to suggest to any province the size, type or location of housing projects they should sponsor under section 35.

The redevelopment project in Toronto known as Regent Park is sponsored by the city of Toronto and operated by a municipally-owned limited-dividend housing company known as the Toronto Housing Authority. The federal government participated in this project by making a grant of \$1,150,000 under section 12 of the National Housing Act to aid the city in acquiring and clearing the property to be developed. I understand that the provincial government has made a capita grant of similar size to the Toronto Housing Authority toward the cost of constructing the new dwellings.

In as much as Regent Park is an undertaking of the city of Toronto, I expect that any proposals for an extension of the project, whether on the same basis as the present project or as a federal-provincial project, would come from the city of Toronto to the government of Ontario. I am not sufficiently familiar with the costs of the present project or with the nature of the proposed extension to express any opinion upon a proposal which may or may not come to us from the government of Ontario.

Mr. HENRY: Thanks very much, Mr. Minister.

Mr. FRASER: Does that mean that it must come from the city of Toronto first?

Hon. Mr. WINTERS: It must come to us from the government of Ontario and presumably will come to them from the city of Toronto.

Mr. FRASER: Toronto has to initiate it.

Mr. CRESTOHL: Are there any specific cases which have come from the city of Toronto, or from the provincial government, that you have not dealt with?

Hon. Mr. WINTERS: None have reached me, Mr. Crestohl.

Mr. FRASER: Have they reached your department.

Hon. Mr. WINTERS: Mr. Mansur can answer that.

The WITNESS: The answer is, no.

Mr. MACNAUGHTON: That is clear.

The CHAIRMAN: Land services:

**Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:**

The WITNESS: Your chairman has asked that I make a statement on the question of serviced land. It will be recalled that immediately after the War many of our municipalities had land already developed upon which residential construction could take place. They also had basic trunk services such as pumping stations, sewage disposal plants and trunk sewers with sufficient capacity to look after some new fringe area developments. The heavy post-war building program has now used up all available developed land and taxed the capacity of trunk services. Although the situation varied as between municipalities, it was generally the case that by 1950 the servicing of fringe area lands was proving onerous upon the municipalities.

Before dealing with the subject in detail, it might be well to indicate the magnitude of the problem. Assuming that 100,000 new residential units is a fair target figure, the development of land for such a program would involve about 22,000 acres a year. It is perfectly true that some of these houses will be built in rural areas and smaller towns where the problem of serviced land is not important. Others will be built in multiple form involving higher densities. On the other hand, proportionately the development has been and is likely to be greater in the urban areas.

Using the metropolitan area of Hamilton as an example, there is presently a stock of about 70,000 residential units. An annual increment of 2,250 units might be what is required and this would involve the development of 500 acres a year. Excluding the raw land cost, expenditures to service this land would be about \$2 millions at today's cost level. This represents \$8.00 per head of population. A rough working rule is that such urban residential development will require an annual servicing of fringe area land of about two acres per thousand of population.

Moving now to the provision of schools, I doubt that I can add much to that which has already been said by Mr. Adamson when speaking on this subject



in the House of Commons. The census figures would indicate that each year until 1962 we might anticipate an increase in the school population of about 125,000 children per annum. Present day costs per room range from about \$15,000 in the smaller fringe area municipalities to \$30,000 a room in the more developed communities. It is probably safe to use about \$25,000 per room as the average cost to the school boards. It would appear that about 4,000 new rooms a year will be needed between now and 1962. This involves a capital expenditure of some \$100 millions per annum, or about \$7.50 per head of population—a figure just about equal to the cost of servicing fringe area land. The operational costs of education is another factor with which I will not deal.

The 1951 census figures show that in the city of Ottawa there are 22,521 children under five years of age. There are 12,561 children of ages ten to fourteen inclusive. This means that over the next five years, when the latter class are leaving school and the former class are entering school, there will be an increase in school population of 9,960 children or approximately 2,000 per annum. At thirty children per room, sixty-six new school rooms a year will be involved, which at current prices will cost \$1,650,000. You will notice that these figures bring a comparable result to that which I have suggested earlier. Honourable members will find that a similar condition exists in practically every community in Canada—in lesser degree in Toronto proper but in greater degree in Edmonton where there are 19,819 children under five years of age and 9,860 of ages ten to fourteen inclusive.

Another aspect of the problem is that in many cases the municipality has grown to its boundaries and the development of further land in that municipality is dependent upon annexation proceedings. Quite often the adjacent rural municipality does not look with favour upon the annexation so necessary to the expansion of the urban municipality. However, as a result of interest by provincial governments this problem of urban municipalities securing additional land is rather less acute than it was two years ago.

During the earlier meetings of this committee a number of difficulties facing development of housing have been discussed. In my opinion the most important limiting factor in the volume of new house building over the years to come will be the shortage of serviced land. Over and above making good accumulated housing needs, I think that my estimates of the amount of serviced land that will be required are conservative. The marriage rate continues at a high level, as does the birth rate. Immigration is continuing and there is a continuing migration by families from central areas to the fringes of the metropolitan areas.

Most cities are built to their boundaries and we find new house construction spilling over into the adjoining municipalities. These adjoining municipalities, which are often rural in character, are suddenly finding themselves urbanised with all the consequential problems. Such dormitory municipalities find that each new small house is another deficit item in municipal financing. With a sense of responsibility to their existing taxpayers they are hesitant to assume the additional financial responsibilities for schools and services. For the dormitory municipalities the problem is not just one of laying water mains and sewers in the project area but also large expenditures are required for basic facilities such as water supply, pumping facilities, sewage disposal plants and trunk lines.

In my mind there is some question whether the municipal financial structure as we know it was designed to look after such rapid development. It is probably the case that some municipalities share this view because under existing conditions the land sub-divider and the small house builder have had to assume greatly increased responsibilities for the installation of services. Many municipalities now insist that the sub-divider or the house builder agree to install all necessary services before building permits are issued. In some

cases the builder is also required to make a contribution towards the expansion of trunk lines to bring services to the edge of the project area. These costs are passed on to the home owner in his purchase price. It is to be remembered that most of the house building in Canada is done by small house builders with limited working capital and the result is that operations are curtailed because of the investment required. At one of our earlier meetings I mentioned the very practical difficulty that efficient servicing of land requires substantial blocks to be developed at one time. This makes it difficult for the small house builder because many of them are not in a position to purchase and service land beyond their immediate requirements.

Our practice of capitalising in lending values expenditures made by the builder for services given to the project area does help to meet this problem. Land assembly operations under Sections 11 and 35 have also helped. But the builder is not helped by these operations, in respect to the expansion of trunk lines and the erection of schools.

For the municipality the problem is relatively new, not because of its nature but because of its size. There is a tendency by some people to blame the municipalities for steps taken by them to curtail or stop house building. I have not too much sympathy with this view because I feel that municipalities can only proceed in accordance with their ability to finance and the ability of the taxpayers within each municipality to meet the ever increasing municipal costs. The problem is two-fold—firstly, the capacity and the willingness of the municipality to make capital expenditures and, secondly, the ability of the property owners within a municipality to meet the annual operating costs.

Although Central Mortgage must carry on its day to day operations in the atmosphere of this problem and assist in every way possible, there is little we can do to remove the fundamental difficulties. The problem is one for the provinces and the municipalities. We are concerned not only on account of new starts but also because the ever mounting level of municipal taxation for educational and other purposes is placing a prior charge against our outstanding mortgages. It is also narrowing the band of families with sufficient income to acquire new housing. The problem is receiving attention by some of the provinces but as yet I have heard no positive suggestions of a manner in which it may be met. I hesitate to make any suggestions because of the complexity of the problem and because it lies without the field in which I operate. I am sure however, that it will be with us for some time. The birth rate, which reached a new plateau in 1946 and 1947, will create need for more schools until about 1962. This will be followed by a very high marriage rate when the classes of 1946 and subsequent years become of marriageable age. We can assume that the problem of assembling serviced land and paying for it is not a temporary one.

*By Mr. Henry:*

Q. In connection with that, in one of your memorandums I recall having seen a reference to a shortage of school accommodation. I believe you referred to the case of one school which was entirely vacant, I think that was a school in the center of Toronto. Have you any particulars of that?—A. I could, Mr. Chairman, supply the committee with a tabulation of the increase in school population in the city of Toronto proper as compared with the dormitory municipalities. It would take a bit of tabulation. It can be done if the committee so wishes.

Q. I am sorry, I really think what would be of more interest would be the vacant school accommodation in respect to the new housing projects in the Toronto area. I was wondering if you have anything along that line?—A. The most recent information I have, which is about six months old, is that approximately 2,000 additional pupils can be accommodated in the elementary schools

in the city of Toronto. That comment came to us from the superintendent of schools. He did not make the point, however, that several schools were at absolute capacity; and I would guess from looking at Toronto that the schools that are at absolute capacity would be those up in ward 9.

*By Mr. Macnaughton:*

Q. Mr. Chairman, if I understand correctly, under the land assembly section of the Act there are provisions for federal-provincial co-operation for the servicing of land. Would you care to explain that angle of it a bit? I believe that in the province of Quebec for example there is no complementary legislation. I am not sure of that.—A. Yes. Under section 35 an operation comparable to that which we have done in Ontario in the assembly of land is contemplated. All of the provinces save Prince Edward Island have passed legislation complementary to section 35. Legislation has been passed in the province of Quebec. We have had no application from the province of Quebec. In Ontario the land assembly operation is a partnership between the province and the federal government; and we are perhaps most active there. We have attempted to meet a number of problems which I have described today in a long list of cities and towns. We have in co-operation with the provincial government acquired raw land. There are about 20 communities in which that has already taken place. And you will remember that when I was speaking about it earlier that I indicated to you that land deals were under way but not yet completed in other places. I would say that in the province of Ontario a very real effort has been made to meet this problem by making financing available from the partnership. I have a feeling that the Ontario experience will be repeated in other provinces when the need becomes as acute in the other provinces as it is in Ontario. I get a general feeling that the Ontario government have no reluctance whatsoever to doing everything in their power to make raw land available for residential use. And, Mr. Chairman, in the early days of the operations under section 35 with the province of Ontario they showed a distinct preference for land assembly for subsequent private development to actual construction of rental units. Today the situation is rather changed, but even with a greater acceptance of the building of construction for rental the province of Ontario have shown no lessening in their desire to assemble very large blocks of land not only for the current years building program, but also for the years to come.

Q. Can you tell us whether or not that would come to us in the province of Quebec?—A. Yes. Mr. Chairman, the land difficulties in Quebec, although they have existed, I do not think are as acute as they are in Ontario. The existence of the metropolitan commission in Montreal is something that has no counterpart in Ontario, and the existence of that metropolitan commission has no doubt avoided a number of problems which are now proving very acute in the Ontario municipalities.

*By Mr. Fraser:*

Q. Well, the province of Ontario, they also offer to help the municipalities to finance their water works by way of a cheap loan. Is that right?—A. Yes. The province of Ontario has a crown corporation which makes moneys available to municipalities to help public works. That is also true of the province of Alberta where they practically duplicated the old federal legislation which was known as the Municipal Improvements Assistance Act 1938. In Alberta the deal is rather more attractive to municipalities than it is in Ontario because the province of Alberta has instituted a flat 2 per cent interest rate whereas the interest rate on credit made available by the Ontario crown corporation has been more comparable to that which the municipalities would pay in the open market if they went out to borrow on their own account.

Mr. HUNTER: Is the economics of the Toronto scheme to sell their debentures to this crown corporation?

The WITNESS: Yes, they give an evidence of indebtedness which is the equivalent of debentures, but I do not think that the Ontario crown corporation contemplates the marketing of these debentures, although I am not quite sure of that, Mr. Hunter, at the moment.

The CHAIRMAN: I can answer that, Mr. Mansur, if I may. The municipalities issue debentures in the form approved by the Ontario authority. These debentures are actually issued and delivered to the Ontario government.

Mr. HUNTER: Is there at the moment any specific project from Toronto, or from the province of Ontario on behalf of Toronto, under section 35?

The WITNESS: No.

*By Mr. Crestohl:*

Q. What about the Metropolitan Commission of Montreal, Mr. Mansur; have they in any shape or form at the present time made any approach to you for assistance on their projects?—A. No.

Q. They have not asked for any assistance of that kind there, is that it?—A. Well, the province of Quebec has not approached us for any project under section 35. Whether any municipalities have approached the province of Quebec, I do not know.

*By the Chairman:*

Q. Mr. Mansur, as to land serviced under section 35 and the land then sold to builders for building homes; is all the cost of the servicing charged in the local improvements rate or does the partnership absorb any of that cost?—A. In each case the partnership sets up a financial arrangement so there will be full recovery to the partnership. There is no element of subsidy contemplated by the partnership.

Q. So that as to the cost of services the only financial benefit then which flows to the ultimate owner of the new home that is built is any benefit which occurs as a result of the financing being done at a lower interest rate than it otherwise would be done.

Mr. HUNTER: You mean no profit.

The WITNESS: No.

The CHAIRMAN: Well, if the municipality does it. It is done at some profit, and the only benefit as I understand it, which flows to the ultimate home owner is that he gets the local improvements done at a lower rate than if the municipality had done it? Is that right?

The WITNESS: I think the point raised by Mr. Hunter is a most important one. When a municipality moves out trunk sewers into a raw land area the raw land immediately takes on a new price of about 10 times its raw land price. Under the federal-provincial scheme, the raw land is purchased in very large blocks before there is any unearned increment in the land value to the lucky land owner on whose land municipal services are placed through the development. The land is bought before he gets an opportunity to take the profit which inevitably results in any area in which the municipality is installing services.

I had expected, and I was completely wrong, that when this difficulty of the municipalities putting in enough services started to arise, that the fringe area, land which had become inflated to a very high figure, would come down in price by reason of the unlikelihood of it being developed in the usual way by the municipality. But after two years of this situation, my guess has proved to be completely wrong. In one city in the province of Ontario there is

some acreage owned in the path of municipal development. It is a city of 40,000 people, the price of raw land, completely unserved, is presently \$5,000 an acre.

Mr. CRESTOHL: Is it possible that your misjudging that situation may have resulted partly from the fact that industrial developments sprang up on this land, that otherwise might have been planned as residential sections?

The WITNESS: I think that is particularly true in the northwest corner of Montreal.

Mr. CRESTOHL: That is exactly what I had in mind.

Mr. MACNAUGHTON: You had better stay in your own constituency, Mr. Crestohl.

Mr. CRESTOHL: Just now I am concerned with every spot in the country.

The WITNESS: But I would believe that in the other areas the same thing has taken place without the benefit of that industrial development. I think particularly of the north end of Toronto in which there is virtually no industrial development, nor is there likely to be a great deal of industrial development. But consider that land around the old St. Andrews golf course. The price of that land has been increasing continuously ever since 1948 notwithstanding the fact that North York is taking the position that it is virtually impossible for them to absorb much in the way of new, small residential units.

Mr. JEFFERY: Has the question of compensation for commercial land as against housing land been eliminated in certain areas by means of zoning?

The WITNESS: Oh, yes, particularly in the province of Ontario where every sub-division at the present time must be cleared with the Department of Planning and Development; and the Department of Planning and Development just will not clear a sub-division unless they have prior knowledge of the area set aside by the municipality for industrial development. But I would think that in residential development tremendous progress had been made in Ontario in the last six years.

The CHAIRMAN: Have you any information as to whether the actual assessed value of land is at all keeping in step with these rather extraordinary prices which are now being asked by the owners?

The WITNESS: I do not think I can answer that question with any assurance, sir.

The CHAIRMAN: A little indirect financial influence there, I think, would improve matters rather substantially.

Mr. NOSEWORTHY: Have the municipalities the authority to expropriate any section of land for sub-division, if they so desire?

The WITNESS: Up to this year, Mr. Noseworthy, no! However, the recent amendment to the Ontario Planning and Development Act has given that authority to the municipality, and, indeed, they have taken it down for the province itself.

Mr. HUNTER: Scarboro has done that.

Mr. MACNAUGHTON: Is not the high cost of financing one of the chief factors for the high selling price of houses today?

The WITNESS: Yes. In 1948 we were thinking in terms of a 50 foot lot, services paid for at about \$700 to \$800. But today we think in terms of \$1,400 to \$1,600. That increment has gone right on to the home owner purchaser and not only the absolute amount, but the builder has his capital involved. Therefore it goes on to the purchaser, subject to a reasonable profit by the builder just as he would get a reasonable profit from the bricks and the mortar which he puts in. So the amount, as far as the purchaser is concerned, is perhaps that differential plus 10 per cent.

Mr. FRASER: In the servicing do you include sidewalks?

The WITNESS: Yes, sir, but it will vary with the municipality. Only the most sophisticated of municipalities are willing to go on without sidewalks. Often the insistence upon sidewalks will vary inversely as the quality of the housing. For instance, in the village of Rockcliffe where there is not too much complaint as to the quality of the housing, there is one sidewalk on one side of one street. That is also true for Wildwood, in Winnipeg. The newer developments are a lot happier with a path than they are with full sidewalks. However, I think it should be remembered that traffic conditions make a tremendous difference; and unless you are virtually at the end of the line, you are practically forced to get into the sidewalk business. Sidewalks run around \$135 for a 50 foot lot.

Mr. FRASER: That would be for a 5 foot sidewalk?

The WITNESS: Yes.

Mr. FRASER: If they did not have a sidewalk, they would get postal delivery.

Mr. HUNTER: Oh, yes. There is no sidewalk on my street, but there is postal delivery.

Mr. FRASER: Then you have got some pull.

Mr. MACNAUGHTON: Not at all. The service is improving daily.

The CHAIRMAN: Are there any further questions on "serviced land"?

Mr. NOSEWORTHY: I note that on page 4 of his memorandum Mr. Mansur says:

I hesitate to make any suggestions because of the complexity of the problem and because it lies without the field in which I operate.

I wonder if the witness would care to put aside his hesitation and give us the benefit of his experience?

The WITNESS: I hesitate to make any suggestion that would in any way suggest that I believe that the existing order of things should be changed. But within the present framework I think there are a number of things that can be done. I believe that if Central Mortgage and Housing Corporation and the provinces really get out and churn and promote section 35, then we can do some very important land assembly which will help this problem along. It is to be remembered, however, that whenever we enter into a partnership with the provinces for the development of land in a new area, we create a problem for one of the partners, not ourselves, in the matter of additional educational costs.

But nevertheless, I think that if we go at it and develop it boldly—and I think there have been very bold steps taken in the city of Peterboro where, in a city of some 40,000 people, we have accumulated 500 acres of land, and we are going to build virtually a new section of Peterboro—I think we can make important progress.

I think that here in Ottawa this 683 lots, the start of the new development the other side of Hurdman's bridge, will develop a new and full tone to that part of the city and it is going to be an important contribution. Assuming I am correct that nationally some 22,000 acres are required per annum, and assuming that Ontario constitutes 40 per cent of the whole, it would look as if Ontario and ourselves might be thinking in terms of something around 8,000 acres a year. I would suggest that if we could get our sights geared to that level, we could probably make a very important contribution. But with respect to the 8,000 acres which might be needed in Ontario—3,200 acres would be the greater Toronto share. I do not have to mention that there are some pretty important problems in the greater Toronto area, problems over which unfortunately we have very little influence. But nevertheless I think that should

not in any way change our determination to try to find from 5,000 to 10,000 acres in the Toronto area, in the belief that the province and ourselves can build something just a little better than has ever been seen in the past in the greater Toronto area.

I believe, as another relief to this problem, that possibly more attention should be paid to re-development. I appreciate the very high cost of re-development at the moment and the fact that every bit of re-development has a re-housing problem attached to it. But nevertheless, I do not think you can convert a city like Toronto into an enormous metropolitan area by merely projecting it out, so that it finally reaches Malton on one side, and Ajax on the other, and Orillia at the top. It just does not add up and make sense, because if we go on with that forever, notwithstanding the new subway which may or may not be in operation next year, we will proceed to meet with highway problems, and the cost of it will be very much greater than re-development in the center of the city. I do not think you can really tackle the Toronto problem without contemplating re-development of some kind. That, Mr. Noseworthy, is the major approach which I think should be made to it. We might interest the lending institutions in becoming active again under section 11. And without being the least bit uncomplimentary to the lending institutions, I think it should be remembered that the development of land and its ensuing problems with the close liaison between the province and the municipality which is required, is a bit out of their line and territory. Other than that, they have done well, but it has taken a tremendous amount of effort, much more effort than a joint undertaking between ourselves and the Department of Planning and Development in Ontario.

After all, we go through these things continuously and we have little hesitation in telling our counterparts in Queens Park: "That is your problem. Will you get the reeves in and get it settled."

It is not within the capacity of the lending institutions to tackle the problem quite so directly; and I do think that our biggest help on this thing is the development of section 35 for a partnership with the province.

*By Mr. Hees:*

On section 35, it is my understanding that the province of Ontario has taken over  $7\frac{1}{2}$  per cent of the cost which was formerly borne by the municipality?—A. Yes.

Q. That being the case, I cannot understand why my own city of Toronto has not started a lot of these housing projects, because I think it would be of the greatest assistance to many ordinary citizens. Can you give any explanation why they have not gone ahead with it, when it does not cost them anything?—A. Yes.

*By Mr. Crestohl:*

Q. If you will pardon, my question is along the same line as that of Mr. Hees, and I wonder if you could give us the answer. I think you said that the provinces and Central Mortgage and Housing Corporation should get together.—A. Yes.

Q. Was that not what you said?—A. Yes.

Q. I understood from the minister and from you that Central Mortgage is ready, and that the government is ready, I mean the federal government is ready and willing at all times to go forward; so it is not a question of your getting together with anybody. But there is the reticence of the province, as Mr. Hees pointed out, that is holding back this development. Therefore I think an answer to Mr. Hees' question would be very interesting. Why are the provinces holding back the development of this splendid opportunity and from their approach to the federal government for this assistance which is available

to them?—A. I wonder if I could deal with Ontario first, Mr. Chairman. I can find absolutely no reluctance of any kind in Queens Park to proceeding with such land assembly as can reasonably be done. Mr. Hees asked the question: "If that is the case, why is this not going on all over the country?" The answer to it is this: That it is neither practical nor possible for the province and their partners, ourselves, to enter into a municipality without a pretty hearty welcome from that municipality.

Now, so far as the development of the 683 acres is concerned—I am sorry, I should have said 683 lots, right here at Hudman's bridge—the municipality thought the need was there, and they gave us every help; and certainly there is no criticism due to the city of Ottawa, because they were most co-operative. But let me go over some of the things that this means to the city of Ottawa. There will be 683 houses built. They will be modest houses, because of today's cost level. In each one of those houses there will be one and one-half children of school age which will mean one thousand children, which will mean 33 school rooms at \$25,000 each; that amounts to \$825,000 of capital expenditure involved in the development of schools which must be added to the financing requirements of the city of Ottawa to the extent that the provincial subsidy does not carry it; and the operating expenses which now are at a high level will be added to the over-all school bill.

You might well counter by saying: "True, you build the houses but you do not create the children; and those children are in Ottawa anyway."

Q. But wait a moment, you get the taxes.—A. The taxes! Let me go on. As to the expenditures, every time one hydrant is loaded on to an already overloaded pumping system, it comes that much closer to the time when the pumping system must be expanded. In addition, there are the items of garbage, fire protection, police, and all the other services. Now, in the city of Ottawa at the present time I would guess that a house upon which there has been less than \$275 a year realized as municipal taxes is a deficit item on the books of the municipality. Now, this new housing which is kept down in size and kept down, perhaps, in quality by reason of the high cost, tends to come in at a lower tax level than the \$275. Therefore the city of Ottawa is faced, I think, in the Hurdman's bridge area with deficit operation. That is one of the reasons the municipalities are not enthusiastic. But I would suggest, Mr. Hees, that there will not be too many municipalities left in Ontario by a year from today where there will not be a very substantial land assembly project by the partnership. And I believe that if section 35 never did anything else than to put the land assembly operation into strong hands for the first time, strong non-grasping hands, such action will have been a very real accomplishment.

Mr. HEES: Would you not say with respect to Toronto that the areas in Toronto which need this kind of housing are the most congested and over-populated areas? You might say: "Where are we going to put these housing projects?" We have the Woodbine race track which is in a congested area. Do you not think that would make an ideal location in which to build a housing project? I think it would.

Mr. CRESTOHL: That is what happened in Montreal.

The WITNESS: I hope I will not be put on the record as to my views on Woodbine. I have never been at a horse race in all my life. Therefore I am not so well informed on Woodbine. I think it becomes rather a doubtful proposition if a recent newspaper story is correct. It certainly would be expensive land, but I think it would provide an excellent area. In fact, there are not so many of them left in Toronto. But I do feel that in looking at Toronto we are inclined to look at the present day size of it and say of the extreme fringe areas "After all, they are too far out."

But if you look at a picture of the city of Toronto as it was 10 years ago, you may have a lead to what it will look like 10 years from now. I do not



think there is anything exclusive about any single method of development. I think there should be substantial land assembly around the whole 180 degrees from Lake Ontario back to Lake Ontario, and with attention paid to the inside areas.

And with respect to the city of Montreal, after all, the province of Quebec is a much older province than Ontario and therefore is much more sophisticated and, perhaps, rational in its attitude towards housing.

Mr. MACNAUGHTON: We intend to keep it to ourselves.

The WITNESS: You can see in Montreal very much better balanced residential areas, with the multiple developments in the center of the city; and I would hope that as we watch Toronto develop, that instead of re-developing in the downtown area with relatively low densities, there be public support for stepping the density of development.

On the question of densities, consider Mann Avenue project in Ottawa. It appears to have lots of space in it, but it carries a density of about 17 families per acre. Now, in the fringe areas of Toronto, you will see small bungalows on 50 foot lots, and you will be looking at a density of about 4 to 4½ per acre.

It is quite obvious that even here in Ottawa, children in Strathcona Heights on Mann Avenue have more amenities than have the children who live on those streets running immediately north from Mann Avenue. I think there is a lot of misunderstanding with respect to the necessity of suburban living. That it is the only place in which you can possibly be brought up in a healthy condition.

*By Mr. Jeffery:*

Q. Can the lots within the re-development under your scheme be turned over to private individuals at an economical cost? No matter what they cost, could they be turned over at an economical cost to a private individual for building?—A. Under the slum clearance provision there is a requirement under section 12 that the land so cleared must be turned over to either a limited dividend company or to a life insurance company. Now, the creation of serviced land under section 35—and I hesitate to go up that alley again as to whether it can or cannot be re-developed under section 35—no such limitation exists. In fact, you may remember that in the Yorkminster sub-division in the northern part of Toronto which was under section 11B every bit of that land was sold to private developers, for individual housing, some stores, and some apartment houses. I believe that the very best use of section 35 might lead to the disposal of land to private developers such as was done at Bathurst-Lawrence, in Toronto.

Q. Do you not believe that it might increase re-development work if it were possible to do that?—A. I think on that, Mr. Chairman, that what you have in mind is something very similar to section 12 being used to underwrite the difference between the acquisition of the land being re-developed and the economic value of the land so developed.

Q. That is what I mean.—A. Under section 12 at the present time, Mr. Jeffery that is not possible.

Q. If there was a distinct rule applied to that end, would it not encourage re-development?—A. I think, Mr. Jeffery, there is one difficulty. I do not know whether it is insurmountable or not. But I think when the state at any level puts in a subsidy, as they would, and disposes of it to an individual who is looking for a capital gain, then you are getting two things that do not mix very well. I do not say that it is insurmountable. It might well be possible.

Q. Restrictions could be put on the land when it was turned over to a private individual as to the way it was to be handled.—A. Yes, Mr. Jeffery; that is, in each case of the price of that re-developed land being turned over

to a limited dividend company or to an insurance company the terms are such that the profit motive is kept out of it.

*By the Chairman:*

Q. On that point, what is the name of that noted New York development?  
—A. Stuyvesant; Peter-Cooper, and Stuyvesant.

Q. Did the Metropolitan Life get any subsidy on that?—A. Yes, a very substantial subsidy by way of tax abatement over a period of 25 years.

*By Mr. Fleming:*

Q. Yes, and there was an earlier property developed by the same company. What is the name of that?—A. Parkchester.

Q. Parkchester, that was the pioneer in the field?—A. Yes.

Q. And the Metropolitan Life were interested in that.—A. Yes. Mr. Chairman one of the very early ones was the development of the Metropolitan Life in Queen's and Astoria in 1922. There is a very long experience, and a good experience in two very large developments by the Metropolitan Life in 1922 when New York state were tackling post war housing problems at the end of the first great war.

Mr. HUNTER: Mr. Chairman, someone raised the suggestion that you might build on race tracks and so on. It seems to me that that might be very dangerous. If you were to build on race tracks why not also take over the base ball stadiums, and then we could go on from that and take over the Canadian National exhibition grounds and things of that nature. I think that in all municipalities they obviously have to have some entertainment facilities; and, even if you did take them over, they would not be a drop in the bucket so far as the housing problem is concerned, I mean the land available from race tracks.

Mr. CRESTOHL: There are those who see no entertainment value in race tracks.

The WITNESS: I can only say that, I have never been at a horse race in my life.

The CHAIRMAN: I think perhaps we have gone as far in answering the point raised as we can. Thank you for giving us the answer.

Mr. MACNAUGHTON: Under section 35, subsection 6, the Governor in Council may make regulations in respect to the project, et cetera. It seems to me there that Central Mortgage and Housing Corporation, once they have it, could stipulate the type of project and bring into play modern planning, town planning, community planning; that, and all the other research the corporation does would be available. In other words, you use your own staff and get away from the element of chance and get more efficiency in what you do.

Mr. HUNTER: That does away with private ownership. Usually buyers in that kind of set-up want to own their own home.

The WITNESS: No, Mr. Chairman, if we could leave the re-development aspect out and go back to Hurdman's Bridge which example I have used four times this afternoon, we do virtually what Mr. Macnaughton suggests, we make this land available through the private builder. Part and parcel of this whole deal on the land is that the house to be built must be under our controlled sales prices; so there is no suggestion, Mr. Macnaughton of enforcement.

Mr. MACNAUGHTON: You are enforcing better conditions, are you not?

The WITNESS: Well, we think we are enforcing better conditions.

*By Mr. Hunter:*

Q. But in the higher density of multiple dwellings, are those a strictly rental scheme? There has never been any suggestion that they buy those apartments, has there?—A. No, because the market for landlords in this country for projects of that size is very limited.

Q. In Vancouver after the war, as I recall it, they were selling apartments in apartment buildings and taking actual ownership Isn't that right?—A. Oh, yes. I am sorry, Mr. Hunter. I misunderstood you. There have been quite a few apartment houses in Canada sold on the co-operative principle. The first one that I know of that was at all successful was an 8 roomed apartment house on Metcalfe street opposite the museum, right at the end of Metcalfe street; 8 units, that was in 1936. It was a co-operative apartment where the shares held were in ratio to the square footage of each unit. There was a company formed, and the company looked after the management of the project. And now it is going on all over the country. There are a number. For instance one of the very finest apartment houses is the Acadia, immediately opposite Ritz Carlton in Montreal; sold completely to some 52 individual tenants of that number of units. There is one in Burlington that has been sold and there is one in Hamilton which has been sold on that basis. I think the procedure has a great deal of merit although it has one very serious disadvantage, the equity of the co-operative owner has absolutely no protection against the mortgagee if a certain percentage of the other owners default.

The CHAIRMAN: Unless the mortgage is a rental insurance mortgage.

The WITNESS: Yes.

Mr. MACNAUGHTON: How about providing co-operative housing for members of parliament?

Mr. FLEMING: We see enough of each other, particularly in the daytime.

*By Mr. Noseworthy:*

Q. Mr. Mansur spoke about the development of the Toronto fringe area being built up mostly of these frame bungalows. What would you suggest you build there instead of the one storey frame building or the 1½ storey? What is preferable?—A. Mr. Noseworthy, I would say that I am not just good enough to change the ideas of the Toronto housewife. But I would like to see a greater mixture of fringe area development in Toronto. Just at the moment there is a project going on in which there are 3 or 4 very nice structures in multiple form in the fringe area of Toronto. I believe one of the greatest advances that could be made in Toronto would be that the people in Toronto accept semi-detached houses. A semi-detached house of course achieves land use in a manner simply impossible by the single house. It cuts down services, it provides more adequate space and has everything to recommend it. But there is no use in talking about semi-detached houses in the city of Toronto, no matter how rational it may be.

*By Mr. Crestohl:*

Q. Do restrictions have anything to do with it?—A. With a semi-detached house, yes.

Q. That is, restrictive to the density of the area?—A. I do not think so, sir, because the density with a semi-detached house would be no more than 6 to the acre.

*By Mr. Hunter:*

Q. But is it not a fact that many municipalities have building by-laws against them?—A. Yes.

*By Mr. Hellyer:*

Q. The other day I asked a question about the probable effect of changing one of the sections of the Act whereby the insurance company is given a guarantee by Central Mortgage on a land development project. What would happen if they were to extend that to ordinary private interests? I have not seen the answer in print. I must confess that I was a little puzzled in my own mind. I was wondering if we could have Mr. Mansur go over some of the reasons again. I am trying to get a little more detail.—A. Mr. Chairman, it might be better for me to repeat my written answer on that. I suggested, Mr. Chairman, that in principle I agreed with the suggestion of Mr. Hellyer. I did say that it might not be as effective as he had hoped. Traditionally, developers of land look for a substantial profit upon such an operation. Risks are relatively high and I do not think that the underwriting of risks under section 11-B would change the attitude of the private developer of land. Even a 5 per cent or 6 per cent guaranteed return—as compared with the 2 per cent guaranteed the lending institutions—would not in my opinion be sufficient to attract the investment of private funds in the development of land.

Because a project under section 11-B is to relieve the municipality of the financing of services and development costs, these costs must be included in the selling price of the lot. This means that the developer must be prepared to make a substantial investment in the project. Furthermore, the developer of the project must also be prepared for a two to three year investment even under the best of circumstances. As an example, a 91 lot project in Ottawa in the years 1948 to 1950 involved an investment of about \$18,000 in land and \$65,000 in development costs. From the time of the signing of the agreement until the last lots were sold, two years and three months elapsed. Under present circumstances the costs would be considerably higher and the prospects for ready disposal rather less. In this project the sponsor was involved in handling the details of buying the land, arranging subdivision plan, calling tenders and awarding contracts for services as well as the selling of lots. Had a return of 5 per cent been available to a private sponsor his return would have been less than \$8,000. I do not believe that many private investors could be found who would be willing to undertake such a transaction for \$90 a lot.

The CHAIRMAN: Might we have your question, Mr. Hellyer?

Mr. HELLYER: Yes, Mr. Chairman. What I was thinking is that there are many small builders in the country interested primarily not in a profit—well, as a matter of fact, they are interested in the profit they obtain from the building of the houses and in building houses—but if it were possible for them to, say, go into partnership with other builders, two or three small builders, to form a company to develop land for this; and, if it were on a guaranteed basis it would have tremendous advantages, and it would have a tendency to develop land so far as serviced land is concerned. These other builders develop the land in advance of their requirements, and also if they were guaranteed a net return they would probably have less difficulty in getting financing through a bank because the bank would look very favourably upon a proposition put forward by a company composed of several reputable firms which had a guaranteed return.

The WITNESS: Well, Mr. Chairman, when I answered Mr. Hellyer's question the other day I suggested to him that while the suggestion he had advanced of making this use of section 11-B was a worthy one, I thought he might agree with me that the development of section 35 with all the facilities the builders had but, without the necessity of having to get private capital for the development of this block of land might be a better way to do it. In Calgary a group of builders got together in a co-operative scheme, just as you suggest, and a company was formed by the large builders. They were extremely careful to

allow the smaller builders to participate in the scheme, although they were not among the original sponsors of the project but they might get some real bigger and better things done under section 35.

*By Mr. Hellyer:*

Q. Mr. Chairman, while it was stated earlier that there is no difficulty in the development program anywhere in the Toronto area; and it was probably arising out of that statement, that it would appear that things are getting rather desperate, that if nobody else is going to do it, if the same facilities are available to private parties as are available to insurance companies, that it might be better to use them as a last resort.—A. Well, Mr. Chairman, when I answered Mr. Hellyer's question the other day I said that the committee might be interested to know that we have been discussing with the officials of the provinces the possibility of land development by the partnership of land owned by private individuals. This has some difficulty but does have the advantage over an enlargement of section 11-B by reason of the partnership providing the funds required to pay for the services. I have an idea that this form of assistance might prove more effective because of the difficulty of the private owner finding sufficient money to meet the very heavy cost of services. I do not believe that this can be done under section 35 in its present form, but it is an adaptation of the suggestion made by Mr. Hellyer, who perhaps would agree with me that if section 11-B or section 35 were to be amended for this purpose, an amendment to the latter would be preferable. Now, I may have gone too far there, Mr. Hellyer; then, again perhaps I have not gone far enough to justify much of what I have said.

Mr. HELLYER: It is a very desirable objective.

Mr. MACNAUGHTON: Is it possible for the corporation to persuade, induce, compel, threaten or just make any insurance or trust company—those which have not realized any social obligation, and I am not sure that there are not many in Canada—enter this field and do something for the public on some of these problems if they have that opportunity?

Mr. HUNTER: Hear, hear.

The WITNESS: I can only say that I do not think that I have enough influence to achieve that end.

Mr. HELLYER: Do you think, Mr. Chairman, that any of the members of the committee would have any influence of any such companies?

Mr. FLEMING: Yes, over anybody.

The WITNESS: Mr. Chairman, I think it should be remembered with respect to the companies I mentioned earlier that this is just not their cup of tea. If they were asked in the public interest to produce a set of mortality tables I am sure they would do it and do it very expertly; but they just haven't anybody in the companies who have been up and down this problem. It is a very exotic performance as far as the life companies are concerned, but I believe that we should do everything we can to encourage them in it where they would like to do some development. I am convinced after four years of experience that we are on the right track in working with the provinces.

The CHAIRMAN: Are there any further questions on land servicing?

Mr. NOSEWORTHY: On page 7 Mr. Mansur says "there is some question whether the municipal financial structure was designed to look after such rapid development. Have you any suggestions as to improvements that could be made in that structure to meet that present day problem?"

Mr. FLEMING: Wasn't that question asked before?

The CHAIRMAN: Oh, yes, it has been asked before.

The WITNESS: Mr. Chairman, I think that probably it is the case that municipalities which had been moving along in a fairly measured step up until 1945 suddenly found the pace accelerated by about 3 or 4 times; they found that the expansion was not only physical but financial, and one that was difficult to digest. I think that certain steps have already been taken—maybe they should be extended and maybe they have gone too far. The Ontario Crown Corporation to buy debentures of municipalities is one of them. An almost nationwide increase in participation by the provinces in educational costs is another. The development of financial assistance under section 35 is another. Now I will admit, Mr. Noseworthy, these perhaps might be described as palliatives. No major change is contemplated that I know of in this. I am not at all sure that a major change would be desirable. I certainly can't say what change would be possible. But I do think that municipalities which are asked to extend services at a rate of more than  $2\frac{1}{2}$  or 3 per cent per annum must because of their very structure have difficulty in absorbing those responsibilities, both physical and financial.

*By Mr. Noseworthy:*

Q. Do you think that the new provisions that are being made are sufficient to enable them to meet these difficulties?—A. I have difficulty in determining in my own mind as to whether the things which I have mentioned can be expanded rapidly enough to assist the municipalities. I must say that I view with some concern the increasing level of taxation as it affects the home owner within the municipality and I think the increase in level of taxation in itself reflect difficulties that these municipalities are up against. Now, I hesitate to say what the future holds, but I do believe that the whole problem of expanding our municipalities so much faster than has been anticipated in the past may prove to be one of the very real problems that face provinces for the next few years to come. I think the figures that I have mentioned today in the educational field, projected until 1962, are an indication that the struggle may be a real one.

Q. You would not say that is a good argument for federal support of education?—A. Mr. Noseworthy, I have no views at all.

The CHAIRMAN: Gentlemen, Mr. Mansur has the answer now to the question asked by Mr. Fleming and a question asked by Mr. Cannon.

The WITNESS: Mr. Chairman, Mr. Fleming asked if I would supply information concerning the cost and selling price of houses offered for sale as at December 31, 1951, together with the selling price of houses built for them by the Corporation. I have this information with me. In my original statement to the committee I used the figure \$109 million. That figure has been revised to \$107 million because since Mr. Fleming asked the question we have made an actual tabulation whereas my original figure of \$109 million was based on averages.

The CHAIRMAN: Shall the answer go into the record at this point?

Agreed.

## CENTRAL MORTGAGE AND HOUSING CORPORATION

Cost and Selling Price of Houses Offered for Sale  
as at Dec. 31, 1951.

Type of Project	Houses Offered for Sale			Houses Sold	
	Number	Cost including Permanent Improvements	Sales Price	Number	Selling Price
Munition Worker.....	11,872	\$ 38,277,024	\$ 35,042,182	11,002	\$ 32,540,000
Veteran Pre-1948.....	17,334	84,093,899	74,226,496	12,511	52,096,000
Veteran 1948-1949.....	30	204,412	169,650	26	147,000
H.E.C.L.....	1,976	15,830,629	13,616,685	1,843	12,695,000
Ex. Integrated.....	342	2,233,185	2,044,705	331	1,981,950
Special Projects.....	1,158	7,753,074	7,642,570	1,150	7,562,000
TOTAL.....	32,712	\$148,392,222	\$132,742,288	26,863	\$107,021,950

Mr. FLEMING: Are questions in order at this point, Mr. Chairman, or is there something else to go in?

The CHAIRMAN: Go ahead with your other questions, if you like.

*By Mr. Fleming:*

Q. Mr. Mansur, I wonder if we could just examine this for a moment to indicate whether theoretically you end up with a profit or a loss. I gather that with respect to the munitions workers' houses you are likely to come close, although there may be some loss there. Is that right?—A. Well, Mr. Chairman, less than I expected. When I spoke of—

Q. The situation looks pretty difficult. What I meant by my question was I am speaking of the difference between the sale price and the cost including improvements?—A. Yes, that is correct.

Q. And respecting the veteran pre-1948: do you think you will come close to breaking even there?—A. No, I think, Mr. Chairman, that the sale price figure is what we would realize if all the houses were sold. I think that it should be remembered, Mr. Chairman, first, in the case of the munition workers' houses, that they were built for a relatively short term. In the case of the munitions workers' houses net rentals have been about \$15 million. They were built on a short term basis, therefore we had to put in permanent improvements; but if we sold all the munition workers' houses it would appear that there would be a difference between the cost, including permanent improvements, and the sale price of \$3 million. In case of the veterans pre-1948, the sale price of these was gauged not so much by the reproduction value of the house as at the date of sale but rather by the price which was in the home ownership field, was equivalent to what the veteran was paying as a renter of that house. I would not like it thought, Mr. Chairman, that the sale price as given was our idea of the free-market value of the house at the time they were sold; rather it was an attempt to give the veteran as a generous deal in the home ownership field as he had already been given by parliament in the rental field.

Q. Now, the H.E.C.L., that would show about a million dollars loss eventually. Special projects would about break even. Actually, altogether you would have a loss of \$26 million.—A. No, Mr. Chairman, the difference between—

Mr. FLEMING: I am sorry.

Mr. HUNTER: No, it would be about \$16 million, would it not?

Mr. FLEMING: I am looking at the total. Let me correct my arithmetic, if I am wrong—yes, it would be about \$16 million if you carry out your sales on the program according to the pattern hitherto in effect.

The WITNESS: Yes, which we will, sir.

Mr. FLEMING: So there is no problem there.

The WITNESS: No problem at all. We may get down to a hard core of houses which we can't sell, but you will notice that of the 32,000 odd that were in a sales position we have sold 27,000. Last month we sold 600 of them. We are selling about 8 per cent per annum of houses available for sale. I would think, Mr. Fleming, it would not be too long, perhaps by the end of this year, of this 32,712, we will have sold pretty close to 30,000.

*By Mr. Fleming:*

Q. By the end of this year?—A. By the end of this year, yes.

Q. Well then, at that rate you probably expect to have them all sold within the next couple of years?—A. Yes. We will run into the hard core in each project. For instance, we will have a widow who does not want to buy a house. She is a widow of a veteran and she is entitled to her husband's points. We are apt to run up against the hard core but we will sell practically every one of them I think because the sale price is the equivalent of the very favourable rental deal which was provided by parliament to the veteran. I would suggest, Mr. Fleming, that if we had been using market value that \$132 million would have been a very different figure. The policy of the government was to attempt to give the veteran the equivalent in home ownership that he already had in the rental field.

Mr. HUNTER: That seems to me to be a very fair policy.

*By Mr. Macnaughton:*

Q. You seem to be doing all right in the sale of these veterans pre-1948 houses, you seem to be getting an almost even break on those. Are there many resales among those?—A. Yes, there are some resales, but not more than we expected. I think the thing has been reasonably successful; and it has also had the very great advantage of reducing the corporation from landlord of 55,000 houses to landlord of about 25,000 units.

*By Mr. Fleming:*

Q. How does that affect the staff of the corporation in administrative expenses?—A. The conversion from a rental position to an agreement for sale position has involved a lesser administrative staff. We have been following very carefully as to whether a saving was possible in lesser administration cost commensurate with our loss on rentals on the other side. We have done pretty well at that, Mr. Fleming. There was a lag to start with. For instance, if you take a project of 400 units and you have sold 20 of them, there is not much prospect of reducing on-site expenses, but when we have sold 350 of them we pretty well have our on-site administrative expenses down to the same ratio, subject only to the fact that the remaining 50 cannot be handled as economically as the whole 400. I am quite happy with our performance in our administration expenditures in the conversion that has taken place, one to the other.

The CHAIRMAN: You have an answer to Mr. Cannon's question?



The WITNESS: Yes, I think you have it, Mr. Chairman. Mr. Chairman at one of our earlier meetings Mr. Cannon asked if I would provide some figures showing the net family formation and the number of housing units completed in a cumulative form for the years 1946 to 1951 inclusive. I have that information with me.

The CHAIRMAN: Shall it go on the record?

Agreed.

Net Family Formation and Number of Housing Units Completed 1946-1951.

Years	Net family formation	New housing units completed
1946 .....	107,500	67,194 (-40,306)
1947 .....	75,400	79,231 ( 3,831)
1948 .....	83,000	81,243 (- 1,757)
1949 .....	77,100	91,655 ( 14,555)
1950 .....	73,500	91,754 ( 18,254)
1951 .....	96,500	84,810 (-11,690)
	513,000	495,887 (-17,113)

Mr. HUNTER: These figures are surprisingly close.

Mr. CANNON: 1946 was the first year that Central Mortgage and Housing Corporation was in operation. Is that correct?

The WITNESS: Yes. 1946 was chosen as the first year because it was the year of our formation, and these figures for 1946, I think, are reasonably good. But it took us part of 1946 before we had established the technique of producing figures in which we had much reliance.

*By Mr. Hunter:*

Q. How do you calculate these net family formations? Is that done through the Bureau of Vital Statistics?—A. It is done by our economic research department, by taking the number of marriages, and adding the immigration; and for that purpose we used the immigration of married women as the closest criterion of families coming into the country, and from that we subtract the emigration which took place from the country. And we took an estimate of the breaking up of household groups by reason of death.

Q. How could you estimate that, because death does not necessarily mean that a household group is broken up?—A. That is a very slippery figure and I do not think we have too much faith in it. I have received a great deal of advice from most competent statisticians in Ottawa. But the one thing we really do not know what to do about is divorces. One school of thought believes you should add one for each divorce. While another school of thought believes you should subtract one for each divorce. So as a compromise, we do neither.

*By Mr. Cannon:*

Q. I have a few more questions following the answer to the question I asked. In 1947 the first year after Central Mortgage and Housing Corporation was organized you caught up on the new family formations; you have about 3,000 of an excess, while in 1948 you had a small deficit which was due, I suppose, to the fact that the net family formation had increased considerably. Then in 1949 and 1950 you have good balances, and in 1951 you have a deficit which, I suppose, was due to the priority given to defence

construction.—A. I think that the very substantial deficits in the years 1946 and 1951 are due to the fact that in 1946 we had a heavy repatriation of war brides, which made an extraordinarily high figure under family formations; and in 1951 we had an extraordinarily high immigration figure of married women, which also tended to move the family formation from 73,000 to 96,000, an increase of 23,000. More married women entered this country in 1951 than in the year before.

Q. I see that the total of new housing units decreased from 91,000 in 1950 to 84,000 in 1951.—A. That is right.

Q. And I take it that was caused by the fact that in 1951 there was priority given to defence construction?—A. Yes, I think that is one reason; and another was a turn-down, in effective demand. It has been stated by some people that possibly lesser mortgage financing was the cause.

Mr. HUNTER: It was due to the lack of serviced land.

The WITNESS: Yes, lack of serviced land was another reason for a trend which is likely to continue into 1952 in the matter of completions.

Mr. CANNON: I think the committee will agree that these figures show that Central Mortgage has done an excellent job since it has been organized.

Mr. FLEMING: I do not think that these figures are all the result of Central Mortgage. These are total figures of all the houses built through the efforts of all Canadians, as well as the total family formation's efforts of all Canadians, so far as statistics are available.

The CHAIRMAN: We shall have a meeting of our agenda committee tomorrow morning at 10:30 and I would urge every member of that committee to attend. I believe we are getting to the end of our task. I notice there is a very heavy list of committee meetings set for tomorrow morning. So how does the committee feel about it? Shall we have a meeting tomorrow morning, or would you rather have a meeting on Friday?

Mr. FLEMING: How long do you think it would take, Mr. Chairman?

The CHAIRMAN: I think one more meeting would wind up our work.

Mr. FLEMING: You are speaking of a meeting of the whole committee?

The CHAIRMAN: Yes.

Mr. MACNAUGHTON: Do not forget the trip to Halifax which begins on Thursday night.

The CHAIRMAN: When will they get back?

Mr. MACNAUGHTON: They leave here on Thursday night and they come back on Tuesday.

The CHAIRMAN: In that event it would look to me as if we would make more haste by going slowly. So we will have a meeting of the agenda committee at 10:30 tomorrow morning and a meeting of the main committee on Tuesday or Thursday, on the day they get back.

Mr. MACNAUGHTON: They get back at 11:00 o'clock on Tuesday.

The CHAIRMAN: No. We had better wait. We will meet at 11:00 next Thursday week.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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THURSDAY, JUNE 5, 1952

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WITNESSES:

The Hon. Mr. R. H. Winters, Minister of Resources and Development,  
Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

ORDER OF REFERENCE

THURSDAY, May 29, 1952.

*Ordered*,—That Votes Nos. 420, 421 and 557 of the Main Estimates 1952-53, be withdrawn from the Committee of Supply and referred to the said Committee, saving always the powers of the Committee of Supply in relation to the voting of public moneys.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*

## MINUTES OF PROCEEDINGS

THURSDAY, June 5, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Cannon, Crestohl, Dumas, Fleming, Gingras, Hellyer, Henry, Hunter, Jeffery, Leduc, Macnaughton, Noseworthy, Smith (*Moose Mountain*), Viau, Welbourn, Winters.

*In attendance:* Mr. D. B. Mansur, President, Mr. P. S. Secord, Vice-President, and Mr. J. D. Ritchie, Executive Assistant, all of the Central Mortgage and Housing Corporation.

The Committee resumed consideration of the Annual Report and Financial Statements of the Central Mortgage and Housing Corporation.

The Honourable Mr. Winters, Minister of Resources and Development, answered questions on policy raised during the course of the examination of Mr. Mansur, and was further questioned on matters of Government policy.

Mr. Mansur answered questions specifically referred to him.

After discussion it was agreed that at the next meeting the Committee would consider Votes Nos. 420, 421 and 557 of the Main Estimates for 1952-53 referred to the Committee on Thursday, May 29, 1952.

Thereupon the Committee adjourned to meet again at 11.00 o'clock a.m., Tuesday, June 10, 1952.

R. J. GRATRIX,  
*Clerk of the Committee.*

MINUTE OF PROCEEDINGS

Faint, illegible text, likely the main body of the minutes, containing details of a meeting or assembly.

Attest: \_\_\_\_\_  
Secretary

## EVIDENCE

JUNE 5, 1952.  
11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

The committee will be pleased to know the vice-president of the corporation, Mr. Secord, is with us this morning. He has been absent from our meetings on account of attendance at hospital.

Mr. Mansur, have you a prepared statement, or would you rather just answer questions?

Mr. MANSUR: I think the minister has a statement he would like to make, sir.

The CHAIRMAN: Excuse me. The minister is in attendance and he might wish to make a statement.

Hon. Mr. WINTERS: I have here prepared answers to questions asked at earlier meetings that I noticed in going through the proceedings. I would be glad to give you the answers, and then to answer any other questions that may develop, if that is satisfactory.

The CHAIRMAN: If you will do that, please.

Hon. Mr. WINTERS: There seem to be five questions within the field of government policy; at least, they were considered by the committee to be within the field of the government policy. I thought perhaps it might be well to answer those five questions as they appear to be outstanding on the record.

The first one had to do with section 9 and co-operative housing.

While the committee was dealing with the heading "Loans to limited-dividend companies", Mr. Macnaughton asked if there was any reason why the interest rate under section 9 could not be extended to co-operative organizations which want to build, own and manage their own properties on a co-operative basis. Section 9 is the limited-dividend section. The rate of interest under it at present is 3½ per cent and the loan period may be extended to 50 years.

Mr. Macnaughton's question is one that has been put to us from time to time. We have had groups come forward who wish to form a co-operative for the purpose of providing themselves with housing. They have asked if they could not incorporate and qualify as a limited-dividend company for the low interest rate and long period amortization.

The government's view—and I think it is the only view that can be taken—is that loans under section 9 are not available to home ownership co-operatives. The purpose and intent of section 9 is to encourage the provision of low rental housing for people within a certain economic band. Under the section the occupants must be people of low income. The management must be free and independent and the low rental character of the housing project must be maintained throughout the term of the loan. These three fundamental principles would be violated by a co-operative operation under section 9. In the first place the members of the co-operative are in fact providing themselves with home ownership housing through group effort. While this is most laudable, it does not fit the provisions of section 9. In the second place, the independent management required by the statutes would be absent. A committee of members of a co-operative forms its management. In other words, they would be the managers, occupiers and owners of the project. The third point that I mentioned, namely, the need for the maintenance of the low rental character of the

project, would be violated, in that tenant-members of a co-operative might be unwilling to move in the event that their incomes exceeded the limits of income established for the particular project.

In brief, Mr. Chairman, section 9 is designed for rental housing and cannot be adapted to a form of home ownership such as that produced by a co-operative housing group which Mr. Macnaughton had in mind.

The second point, Mr. Chairman, was the proposal of the National Retail Lumbermen's Council which was raised by Mr. Thatcher who enquired about the conversations which have been taking place between the National Retail Lumbermen's Council of Canada and the government. There has been an exchange of correspondence between me and the manager of that organization. The retail lumbermen are anxious to establish a company that would be in a position to provide credit for the financing of houses. The proposal is that a public company be established to raise \$100,000,000 through the sale of 25-year bonds carrying 4 per cent interest. In order to effect the sale of bonds at this rate they suggest that the federal government give a form of guarantee to the company.

The proposed technique is that the credit company might, at the request of a prospective home owner, purchase from a builder a house and sell it to the prospective home owner. The down payment would be 20 per cent of the sale price and the balance would be secured by a first mortgage from the prospective home owner to the credit company. The government guarantee would be against the loss of capital and interest on the mortgage account until it is amortized down to 60 per cent of the value of the house.

In the first instance the retail lumbermen proposed that there be an income tax exemption on  $3\frac{1}{2}$  per cent bonds which they might be allowed to issue. This had certain evident undesirable features; the most offensive being that it violates the democratic principle of tax burden distribution, in that it enables people wealthy enough to buy the bonds to avoid their full share of income tax. The current proposal is, as I have indicated, that there be a government guarantee on the loans made by the credit company until they are paid down from the original 80 per cent to 60 per cent.

The proposal of the National Retail Lumbermen's Council is under consideration. I have doubts as to the propriety of such guarantees but in any event the proposed guarantees are rather high and it would be difficult for the government to extend guarantees to one organization and deny the same privilege to others.

The third point, Mr. Chairman, was Mr. Fleming's point on Fraserview.

Mr. Mansur was asked a number of questions regarding the decision arrived at in January, 1951, to defer construction of the balance of the Fraser-view project for the time being. You will recall that towards the end of 1950 the government was concerned about the great volume of construction that was going on and the rise in construction costs. It was felt that we were trying to do too many things in too short a space of time. Public works at all levels were being postponed and the government urged private investment to defer as far as possible the commencement of new construction. This was the atmosphere prevailing at the time of receiving bids for further housing units in the Fraser-view project in January, 1951.

Mr. Mansur was questioned at some length about the fact that when it was decided to resume construction in Fraserview cost prices had gone up considerably from what they were in January, 1951. There is no doubt about it—any construction that was postponed during 1951 cost more when it was later commenced. This is true whether it was private construction, municipal construction, provincial construction or federal construction. It must be remembered, however, that there was an overall gain. The peak of pressures in the construction industry was diverted, and from the middle of 1951 on the



rate of increase of cost of construction was less than it would have been had the postponed construction of all kinds proceeded. Construction under way was able to be completed and I do believe that the industry as a whole today benefits from the removal of the pressures that were building up during the early part of 1951. I believe Vancouver citizens generally—and certainly the construction industry—are pleased to have this project under way now rather than a year ago.

Mr. FLEMING: Does that statement apply to the past?

Hon. Mr. WINTERS: That they are pleased to have it under way now?

Mr. FLEMING: To the time a year ago when construction was interrupted. Perhaps, Mr. Chairman, you would prefer that I do not interrupt the minister.

The CHAIRMAN: Yes, I think perhaps it might be as well to let the minister finish his statement.

Hon. Mr. WINTERS: A number of questions were asked relating to the possibility of combining sections 12—the slum clearance section—and 35—the federal-provincial public housing section, for the development of housing projects. It was pointed out by Mr. Mansur that there is a certain amount of incompatibility between section 12 and section 35. I do not believe that they can be operated together with the present wording of section 12. As you know, it is a condition of the grant under section 12 that the municipality sell the land to a limited-dividend company or to a life insurance company for the development of a housing project under the National Housing Act. In the case of projects undertaken by the federal government and a provincial government, ownership of the project remains in the partnership. The Act in its present form does not contemplate acquiring and clearing land under section 12 and thereafter turning it over to the federal-provincial partnership for a housing project.

In anticipation of this question, I was looking at *Hansard* during the latter part of 1949 when section 35 was introduced, and I must confess that Mr. Fleming has a legitimate point to make, in that the language I used indicated that sections 12 and 35 might be combined. It was, and is my view that they should be, but a fuller review of the language of the Act indicates that they are not. Section 12 might be extended by an amendment to permit the sale of the land by the municipality, after its acquisition and clearance, to the federal-provincial partnership for a joint development under section 35.

Another point is that at the present time the legislation calls for the development of a housing project on the area acquired and cleared under section 12. It might be that an area should be cleared out and a housing project built in a more appropriate location. Thus a downtown dilapidated residential area might be acquired and cleared and subsequently used for commercial development, while the people whose houses have been demolished could be rehoused in a project situated in a different location.

To the best of my knowledge no housing projects have been held up because of those particular features of the legislation, and I am sure that at the appropriate time parliament would be prepared to take whatever action is required to remove any such obstacles that may be in the way of housing developments.

Now, with respect to section 31A, Mr. Chairman; Mr. Noseworthy asked Mr. Mansur if he thought it would be a good idea to extend the operations of Central Mortgage and Housing Corporation under section 31A to communities having a population in excess of 5,000 people. Section 31A, as members of the committee know, is the section which enables the corporation to make direct loans. As was stated by Mr. Mansur the policy of the corporation is to make loans on direct account only in communities with a population of 5,000 or less.

It may be that the question asked by Mr. Noseworthy is because in certain communities of over 5,000 population there is not at present sufficient mortgage financing under the National Housing Act. Generally the lending institutions have been operating in communities of over 5,000 in population, although they do lend in some communities of smaller size as well. Until recently the situation has been relatively satisfactory. It may be that the lending institutions will resume these operations. By reason of loans not being available in some communities, and in view of the existence of section 31A, a case may be made that where the lending institutions either do not operate or do not operate in sufficient volume, then the use of the direct loan technique under 31A is desirable. On the other hand there are good reasons for limiting the direct loan technique to municipalities of less than 5,000 in population, and they are the basis of the present government policy being followed by Central Mortgage.

The policy of the government is directed towards the maximum use of the joint loan technique. The making of direct loans in communities of over 5,000 would not only discourage but might eliminate joint lending by the lending institutions in such communities. We hesitate to take steps, however desirable they may appear in the short-term, which would have the effect of reducing joint lending in this way.

I believe that every effort should be made to avoid a competitive position between joint and direct lending in towns where lending institutions are operating but not meeting the full demand. We rely upon the lending institutions for selection of risks, as to type of security, location, suitability of owner and other factors involved in mortgage underwriting. Were direct and joint lending to run side by side in towns of insufficient credit, it would be almost inevitable that the less desirable risks would be on direct account. The introduction of direct lending would tend to drive joint lending out of such towns. I need not dwell upon the undesirability of an agency of the federal government becoming a direct creditor in the degree that would result from the widening of the operations under Section 31A.

In towns where presently National Housing Act loans are not being made the same arguments against direct lending are applicable. There is reason to hope that the lending institutions will resume their activities in such towns and the introduction of direct lending at this time would probably mean that there never would be joint lending in these towns again. I do not think we can look upon direct lending as a temporary expedient which could easily be withdrawn at a later date. It is a step which would be difficult to retrace.

I do not suggest that the choice between present government policy and the course suggested by Mr. Noseworthy is an easy one. Nevertheless, in the long run I believe that our present policy will have proven to be prudent, especially when viewed in the light of the fact that in many municipalities over 5,000 population there are now direct loans available for defence workers; direct loans for limited-dividend housing as well as operations under section 35 of the Act. It seems logical, therefore, to limit the government's direct lending to individual home owners in the smaller municipalities where the other sections of the Act and other forms of mortgage lending are not so likely to be available or taken advantage of.

The CHAIRMAN: Thank you, Mr. Winters.

Now, is it the wish of the committee that we should take up these subjects one at a time? If so, Mr. Macnaughton, have you any questions as to section 9, which relates to co-operative housing?

Mr. MACNAUGHTON: No, Mr. Chairman, except to thank the minister for his statement.

The CHAIRMAN: Mr. Thatcher is not here. Is there anyone who would like to ask any questions on the retail lumbermen's recommendation? Mr. Fleming, have you any questions on Fraserview?

Mr. FLEMING: I have, Mr. Chairman, but there are some general questions I would like to start off with before we come to that and the next one.

The CHAIRMAN: Mr. Henry, have you any questions on the answer of the minister in regard to sections 12 and 35?

Mr. HENRY: Yes. Thank you, Mr. Chairman. My first question is this: I understand that the minister since our meeting last week had a letter from and an interview with Mayor Lamport of the city of Toronto, that Mayor Lamport has been here, that he had a conference with the minister and that later, according to the press reports, the question of assisted housing under sections 12 and 35 was discussed, and I would ask the minister to report to the committee the results of any interview he may have had with Mayor Lamport.

Hon. Mr. WINTERS: Well, Mr. Chairman, I think there may be some question of propriety in Mr. Henry's suggestion that I report to the committee because I have not consulted Mayor Lamport; but since there has been a considerable amount in the public press about it I do not think that he would feel that I would be breaching any confidence to say that he did write me after I was before the committee the last time stating, in effect, "that you may consider this as an application for housing under section 35". He then did visit me in my office in Ottawa and spoke in the same vein, without anything being definite of course; and that is because of the fact that any application from the city of Toronto must come through the provincial government. I told him that and he understood it, and he seemed satisfied to pursue that course.

The CHAIRMAN: Mr. Noseworthy, have you any questions in regard to direct loans to municipalities over 5,000?

Mr. NOSEWORTHY: Mr. Chairman, before you leave section 12, is it the suggestion of the minister that section 12 is in answer to that?

Hon. Mr. WINTERS: Well, as I said in my statement, I would not want section 12 as it is now to stand in the way of genuine re-housing or the subsequent development in section 35. It may be that the committee will wish to make a recommendation with respect to this point I mentioned or, failing that, I would be very glad at the appropriate time—perhaps not this session because it is so far advanced, and I do not know of anything that will be held up by failure to take action on this section at this session—but at the appropriate time I will be prepared to ask parliament to make the changes to which I refer.

Mr. HENRY: Mr. Minister, on this subject may I say that in the course of an interview I had in the parliament buildings, Premier Frost himself stated that he was very anxious to co-operate with Mayor Lamport of the city of Toronto in this matter; and the more I have listened to the presentation made before this committee by Mr. Mansur, the more I realize how hard he has worked for co-operation between Toronto and Queen's Park. I am going to suggest that this matter be left to the good offices of Mr. Mansur with a view to his working with Mayor Lamport and the provincial government and getting them together, and I would ask him to go back and continue his efforts, which have already been tremendous, to bring this about.

Hon. Mr. WINTERS: I do not want you to get the impression that has not been the case. We have—Mr. Mansur particularly, and myself to a lesser extent—made frequent visits to Queen's Park on the subject of housing, and we have been able to help them in a great many ways in formulating their approaches to the problem. We are most anxious to co-operate; and I think Mr. Mansur said, if I recall it correctly, that there has been no disposition on

the part of Queen's Park not to come to grips with this problem. There are a great many difficulties in the way of housing and more difficulties in the way of re-housing; but I can assure honourable members of the committee that there is every intention here to take what reasonable steps are necessary to remove what obstacles there are in the way of housing.

Mr. MACNAUGHTON: I wonder if the same remarks would apply to the province of Quebec.

Hon. Mr. WINTERS: Except that the operation of section 35 has not developed to the same stage in the province of Quebec that it has in Ontario.

Mr. MACNAUGHTON: Yes, but federally speaking, we are ready to do it.

Hon. Mr. WINTERS: Federally speaking, it is available when they are ready to use it.

The CHAIRMAN: Section 31A, Mr. Noseworthy.

Mr. NOSEWORTHY: I am not sure that the government is not fairly adamant in the attitude it takes in regard to lending to municipalities.

Hon. Mr. WINTERS: You mean under section 31A.

Mr. NOSEWORTHY: Yes.

Hon. Mr. WINTERS: We certainly are not adamant in making loans under the other sections in 31.

Mr. NOSEWORTHY: What I referred to particularly was loans to builders who are building for sale.

Hon. Mr. WINTERS: Well, as I pointed out there are of course the defence housing regulations under which we make direct loans up to 90 per cent, and many of these defence industries are in municipalities over 5,000. There is a very good field in itself. Then, section 35 is available in municipalities over 5,000, that is the public housing section; the limited dividend provisions, are available; so there is no indisposition to do those things which are necessary to see housing go forward in municipalities over 5,000.

Mr. NOSEWORTHY: The point I think is that there is still in some municipalities serviced land available.

Hon. Mr. WINTERS: Yes.

Mr. NOSEWORTHY: And to me it seems that is very material. People are ready to buy houses. They just can't get mortgages on them—of that there is no question. I know one builder in the vicinity of Toronto who had to return deposits amounting to \$1,000 each to a large group of prospective home owners because he could not get mortgages for this project. Also, I know of a builder here in Ottawa who has at the present time serviced land available for houses, and that is land he bought from the Department of Veterans Affairs; every convenience is there; and the whole project is held up because he can't get mortgage money assistance.

Hon. Mr. WINTERS: Yes, we know several projects like that; but, as I said, we do not want to take those steps for a short term increase in the number of shorts, to the detriment of the long term housing program and we don't want to drive joint loans off the market.

Mr. NOSEWORTHY: Don't you think that if the government were to be a little tougher, and a little less considerate of the loan companies, that the very action of the government standing ready to make some of these loans would stir the loan companies to get back into that field?

Hon. Mr. WINTERS: Well, I pointed out before, there are evidences that the loan companies are coming back and we are hopeful that they will re-enter these fields. As a matter of fact, I think that Mr. Mansur already informed the committee that these loans for the month of May this year are up as compared to May of a year ago. The figures are that during May of a year ago there were

2,324 joint loans, for 2,646 units, whereas in May of this year there were 2,431 loans for a total of 3,090 units; and the starts for the months of March and April of this year were up as compared to the starts for the same months a year ago.

Mr. NOSEWORTHY: Mr. Chairman, in connection with the joint loans we discussed the possibility of the government putting a larger share in, stepping up their share from 25 per cent to 30 per cent, in order to make more money available. I mean, in that way the amount of money the lending companies have could be used to provide more housing.

Hon. Mr. WINTERS: There is no doubt about that and that approach has been considered, as well as a number of other such possibilities; but throughout the past year there have been so many other more attractive opportunities available for lending institutions to lend money that I think it is not too far wide of the mark to say that many of them are operating in the joint loan field because they feel they have some moral responsibility to Canadians in making loans through that channel, but they can get more attractive loans elsewhere. In these circumstances, it seemed that if we increase our participation it might have had the effect not only of disturbing the situation but of driving a corresponding amount of lending institution money out of the joint loan field with no overall gain; and that is why it has not been done.

Mr. NOSEWORTHY: In other words, you doubt whether as a result there will be any more mortgage money available?

Hon. Mr. WINTERS: I do not think the net result would be nearly as great as it might appear just from a superficial examination.

The CHAIRMAN: Were you through, Mr. Noseworthy? I did not think that we should interrupt you.

Mr. NOSEWORTHY: Well, my comment there again, is that my own point of view is that the government is rather too considerate of the private loan companies.

Hon. Mr. WINTERS: We are considerate of all Canadian citizens.

Mr. NOSEWORTHY: Here, for example. Housing is suffering, through not getting lending institution mortgage funds. The government is in a position to remedy that, but because of its desire to play ball with the lending institutions we leave ourselves without houses.

Hon. Mr. WINTERS: I do not think that is quite a true presentation; the government wants to play ball with everybody—if it is just a matter of playing ball, but if we felt that in the long run it would achieve any real good; that would be one matter. But we felt that if by doing something just for the short term we were going to have Canadians suffer over the long term, then I think it is better to take the long term approach and achieve more.

Mr. NOSEWORTHY: Then we would all suffer in the long term.

Hon. Mr. WINTERS: If the provisions of the joint loan are made ineffective or discontinued then your position under the joint loan section is going to be that Canadians will suffer in the long haul.

Mr. NOSEWORTHY: Would not the government be in a position to make loans at a very low rate of interest now the same as the insurance companies?

Hon. Mr. WINTERS: I am not clear as to what the hon. member has in mind but I do not think his suggestion would be in the interest of Canadians generally.

Mr. NOSEWORTHY: It would be of benefit to all Canadian citizens.

Hon. Mr. WINTERS: I do not think so.

Mr. JEFFERY: Mr. Chairman, might I have a supplementary question there? I take it from your remarks, Mr. Minister, that you are in some degree depending on the experience of some of the loan companies as to what is effective demand?

Hon. Mr. WINTERS: Yes.

Mr. JEFFERY: And following the process of the effect of effective demand as a part of it, and it is a matter of judgment as to what we may accept, and you are paying some attention to that?

Hon. Mr. WINTERS: That is right.

Mr. JEFFERY: There will be some argument as to what effective demand there is. I think Mr. Mansur in his answer indicated in some of his figures what effective demand was, and we can check them up.

Hon. Mr. WINTERS: The lending institutions, Mr. Noseworthy, know our views in this matter, and I think they are very anxious to co-operate to the fullest extent they can. Of course, they have to have regard to the policy holders too.

Mr. NOSEWORTHY: Well, the effect of the general housing fund in Canada is not a matter of concern to the lending institutions, it is their job to make a profit on their operations.

Hon. Mr. WINTERS: They have co-operated very closely with us, I am very glad to say, and they have played a very useful role in the field of housing. I think we want to keep them in that useful role; anything else would not be in the interest of Canadians generally.

Mr. NOSEWORTHY: There is one other question in connection with section 35. Has the minister any suggestions as to how relief can be provided for municipalities anxious to build rental projects under section 35 who find the cost of education and other costs more than they can carry? Is that a purely provincial-municipal matter or is there anything the federal government can be of assistance on?

Hon. Mr. WINTERS: Those are problems within the jurisdiction of municipalities and the provincial governments and I would not want to give the impression that I can suggest answers to them.

The CHAIRMAN: Mr. Henry, I interrupted you.

Mr. HENRY: I think I will pass, Mr. Chairman.

Mr. DUMAS: Mr. Minister, in the case of a town over 5,000 where the lending institution does not want to make any loans at all it is hard to explain to the people why Central Mortgage will make a loan under section 9A. It is very, very hard. I do not know the answer. Maybe you could give us some explanation in regard to matters like that where the lending institutions will not make any loan. Can you explain that?

Hon. Mr. WINTERS: You say under section 9A; you meant the limited dividend section?

Mr. DUMAS: No, 9A, joint companies.

Hon. Mr. WINTERS: Oh, yes, yes.

Mr. DUMAS: Like in Royalton—lending institutions don't want to go there at all.

The CHAIRMAN: Will you speak up a little louder, Mr. Dumas, so the reporter will get your question?

Mr. DUMAS: I said, it is very hard for us to explain to people living in these towns that Central Mortgage don't want to go there and loan money to individuals, but will lend under 9A.

Hon. Mr. WINTERS: Well, 9A is the section that is intended to encourage primary industries to house people for that purpose. I think that it is a justifiable field of operation which has not been taken advantage of too much. Section 31A provides for loans to home owner, people who want to build on land they own. In Quebec, which you are concerned about primarily, there is the added difficulty of subsidization of interest rate.

The CHAIRMAN: Now, shall we have general questions to the minister?

Mr. FLEMING: If I might, I would like to preface these questions. I would like to express our appreciation of the minister having come before the committee to answer questions concerning matters of government policy. I would like to ask first, Mr. Winters, apart from what you said this morning in regard to possible revision of section 12 in relation to a re-development project under section 35; does the government propose any change in existing legislation or regulations or financial provision with respect to housing?

Hon. Mr. WINTERS: I do not think the committee would expect me to state what the government proposals are likely to be. I cannot disclose what the government might have in mind by way of legislation, even if I knew.

Mr. FLEMING: Well, what about the regulations?

Hon. Mr. WINTERS: No, I do not think that is a question I should deal with. Even if there were changes in regulations required it would perhaps be detrimental to the progress of housing if we were to discuss them. I do not think it is desirable.

Mr. FLEMING: Well then, may I ask the minister if, surveying the present situation, the government feels—I am not speaking now of government policy—that its present legislation is satisfactory and is meeting the purpose for which it was designed?

Hon. Mr. WINTERS: You are asking me if I think it was satisfactory?

Mr. FLEMING: If it is.

Hon. Mr. WINTERS: With the exceptions I have noted—referring to the incompatibility of sections 12 and 35—I think it is meeting the purpose. And then, in this case, as I said, I know of no housing that has been held up because of the particular features in the Act now.

Mr. FLEMING: Are you satisfied in general with the way in which the Act is being administered and used for those purposes that you have indicated?

Hon. Mr. WINTERS: I am certainly satisfied with the way the Act is being administered. I think that it is being administered very well, and I believe members of the committee have gained that impression too. As far as the second part of that question goes, as to whether or not it has been taken full advantage of, I certainly would like to see more use being made of some sections of the Act.

Mr. FLEMING: Looking at the present rate of construction, particularly the rate of construction of houses, particularly in the light of what you have said about the reasons that impelled the government to start construction at Fraser-view early in 1951, are you satisfied with the present rate of home construction in Canada in relation to the need and in relation to our national home buying pattern, thinking now of the number of categories—materials having gone up substantially and so on—

Hon. Mr. WINTERS: I would like to see more housing being started than there is at the present time.

Mr. FLEMING: How in the view of the government can that be done?

Hon. Mr. WINTERS: Well, if the government were the only operator in the field that would be a relatively easy question to answer. I think you gain from Mr. Mansur's evidence here that there are many problems in the field that are beyond the scope of the operations of the federal government. I think it can be done only if everybody who is concerned with housing at all will really come to grips with the problem and show an all out determination to do something about it; and I do not mean to imply criticism of anybody by that statement because the problems are substantial ones.

Mr. FLEMING: I think we all agree with that statement, Mr. Minister. Looking at the need in the housing field today what in the view of the govern-

ment are the areas of principal need? I am speaking not of geographical areas but rather as to types of housing projects; such as owner occupied housing, defence workers housing, rental housing, low rental housing, and the various other kinds that provision is made for: what in the view of the government is the priority of need in the various fields under present conditions?

Hon. Mr. WINTERS: Well, it would be difficult to assign a priority to any of those categories Mr. Fleming mentioned, Mr. Chairman. I think the broad approach to the housing problem as I see it is this: that if we build "X" number of houses we have added "X" number of units to our whole housing stock and have accommodated "X" number of families. Now, in the long run, these, or an equivalent number of houses, get into the hands of the people who need them most; our main object is to add to the housing stock of this country.

Mr. FLEMING: Would it be fair to describe the policy that the government is following in that respect as quantitative rather than qualitative?

Hon. Mr. WINTERS: Well, I think in broad principle the problem has got to be quantitative but as you know the Act was written in such a way that it can be qualitative as well as quantitative. Section 35 is the public housing section—which we have hoped would stress quantity as well as quality of houses.

Mr. FLEMING: I was wondering if there was anything more you could tell us for information—I am simply asking for information—as to whether the efforts the federal government are making are within the scope of federal legislation and the provision of money is directed now to meeting the housing problem in its various aspects?

Hon. Mr. WINTERS: Mr. Fleming, the National Housing Act is quite a long act. It has a great many sections in it. It covers the whole field of housing activity. And I think the government is anxious to see that it is used by all Canadians who wish to avail themselves of its various provisions.

Mr. FLEMING: Well, to put it colloquially then, there is no one particular aspect of housing that the government feel disposed to push at the moment any more vigorously than any other?

Hon. Mr. WINTERS: We are disposed to push those sections which are likely to produce the most houses at the present time.

Mr. FLEMING: Which are those?

Hon. Mr. WINTERS: Well, that depends largely on the area. To meet the needs of the people in areas such as—well, without mentioning any, I would say areas that are beset by metropolitan problems. I think we ought to do as we are doing now, emphasize section 35. If the areas are such that each individual family group can contemplate getting their own house, then I would say that we should push the joint loan section. If there are communities where it is felt by any group of public minded citizens that they wish to do something to provide housing for their fellow citizens then I think they can take a lesson from the chairman of this committee and do something under section 9. There is a variety of sections in the National Housing Act. I could go on reciting the various sections, dealing with them under various categories in relation to the housing requirement all across the country.

Mr. FLEMING: I think we appreciate the force of what you have just said. I was just wondering in your sizing of the problem according to need if you came across some particular aspect of the problem which stands out nationally in such a way that the government might say: this is the principal need in the housing field and we will attack it most vigorously. I gathered from what you have said that the conditions differ so widely that you are not prepared to single out any one aspect above all others for vigorous attention?



Hon. Mr. WINTERS: That is right. We have ten provinces here which vary widely. Prince Edward Island, for instance, has no particular housing problem, Ontario has one of considerable magnitude. Then, too, the pattern of housing across Canada differs. Quebec has a pattern of housing all its own which has been a very good one; the emphasis has been on rental housing. In Ontario the emphasis has been more on home ownership. It all depends on the temperament of the people, how they live, and the pattern that has developed over the years.

The CHAIRMAN: Mr. Noseworthy would like to get the floor, Mr. Fleming, if you don't mind.

Mr. NOSEWORTHY: Mr. Winters, what are the present prospects of making wider use of section 35? Are there any immediate prospects of the provincial government and the municipalities taking full advantage of section 35?

Hon. Mr. WINTERS: Yes, I think so, Mr. Noseworthy. It is a new approach to housing in this country and it has taken some time for all levels of government concerned to familiarize themselves with the complexity of it. Ontario has done most on it, and a lot of it has been in the field land assembly, which is the best possible place to start from. Newfoundland has done the best job of actually providing houses under that section of the Act, in the public housing field. They have done quite well. New Brunswick have done quite well with a low rental subsidized project of some 88 units, and I understand they are interested in going further. Recently there has been one in Saskatchewan, at Moose Jaw. They are interested in a project now in Regina, and I have reason to believe that their interests will be broadened. Alberta has recently passed legislation to enable them to operate under the section and they are interested in a number of projects. British Columbia has shown interest from the start and there have been both land assembly projects and construction of houses under the present Act. I think interest is broadening.

Mr. NOSEWORTHY: Is Newfoundland the only province that is actually providing subsidies?

Hon. Mr. WINTERS: No, New Brunswick is.

Mr. NOSEWORTHY: New Brunswick is?

Hon. Mr. WINTERS: Yes.

Mr. NOSEWORTHY: Are there any prospects of any movement on the part of any of the other provinces to do that?

Hon. Mr. WINTERS: Yes, there are prospects, and there are movements under way.

Mr. NOSEWORTHY: In Ontario?

Hon. Mr. WINTERS: Yes. I think it is safe to say there are prospects of movement on foot in Ontario.

Mr. NOSEWORTHY: In any particular locality in Ontario?

Hon. Mr. WINTERS: I think that perhaps Mr. Mansur has a closer picture than I have, and perhaps he would care to comment on that.

**Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:**

The WITNESS: I presume that is exclusive of Regent Park. Last summer, or take last fall, the Ontario government announced that they were prepared to participate in rent reduction where circumstances seemed to be appropriate; in other words, the Ontario government stated that they were prepared to build rental housing for rental groups which would come within the income provision. There are a number of proposals under way. I would guess that we might find that subsidized rental housing in motion throughout communities in

Ontario before too long a period has elapsed. I would think, Mr. Chairman, there is one thing to be remembered, however, that in some communities there is a very deep seated belief that subsidized rental housing is not good for a community. I think there has been a general acceptance that low rental housing is a way out of one aspect of this problem. I would just like to remind the committee, Mr. Chairman, that there are a number of people represented by municipal councils who do not share that view, and I believe that a number of localities in which you would expect to find subsidized low rental housing will not be in the list because the municipal councils do not think that is the way to meet their local housing situation.

The CHAIRMAN: Mr. Fleming.

Mr. FLEMING: Were you through there, Mr. Noseworthy?

Mr. NOSEWORTHY: Is it not true that the prospective home owner must have an income of \$3,300 at the present time to purchase the cheapest houses that are being built under this joint loan scheme?

The WITNESS: Joint housing—that varies as between communities, depending on the tax problem.

Mr. NOSEWORTHY: But in metropolitan areas there are still a large number of people who do not come in that \$3,300 income group?

The WITNESS: That is correct.

Mr. NOSEWORTHY: Would you say that subsidized rental housing is a solution so far as they are concerned.

The WITNESS: I would say, Mr. Noseworthy, that subsidized rental housing was the only way to put these people into new accommodation. As to whether new accommodation should be provided for them or not, I express no views.

Mr. NOSEWORTHY: That would be a matter of government policy.

Hon. Mr. WINTERS: Well, the position of the government in the past I think is best expressed by what was said when we had this section 35 before the House of Commons where it was fully reviewed. If you refer to the record you will see that we faced the problem in that legislation.

The CHAIRMAN: I know that Mr. Noseworthy has not forgotten the fact that we are living in a very trying period, in an inflationary period, and while we are there now we can all hope it will not be a permanent period.

Mr. NOSEWORTHY: I would like the government to adopt some positive point of view regarding doing something to solve that difficulty the municipalities face in respect to the large number of houses. I do not think it is good enough for the government to simply say that it is a matter for provincial-municipal solution and let it go at that.

Hon. Mr. WINTERS: I think, Mr. Noseworthy our approach to the provinces has been pretty positive; we have acquainted them with the fact that we have this legislation on the statute books. We contacted all the provincial governments throughout the country acquainting them with the provisions of the Housing Act, and most of them were quite co-operative in facing up to the importance of the problem and what they might be able to do about it. I think, also, that the approach was pretty well received. The approach has been very direct.

Mr. NOSEWORTHY: In other words, the federal government is the senior partner in this business and it is doing something more than just putting legislation on the statute books?

Hon. Mr. WINTERS: Yes.

Mr. NOSEWORTHY: You are taking some initiative, using some leadership, and trying to get these provinces and municipalities to come to grips with this problem?

Hon. Mr. WINTERS: We are doing the best we can, Mr. Noseworthy.

The CHAIRMAN: Mr. Fleming.

Mr. FLEMING: Mr. Winters, what, in the view of the government, is the size of the housing problem in Canada?

Hon. Mr. WINTERS: Would you be a little more specific than that?

Mr. FLEMING: All right. I would like you to indicate, if you will, the views the government take as to the shortage of housing, the extent to which this present shortage compares with the shortage that has existed at different times in this post-war period. I mean, in the view of the government are we making headway on this problem, and how big a problem is it as it stands today?

Hon. Mr. WINTERS: I think there are two broad ways to approach that. You can relate the outstanding problem to demand, or you can relate it to need. In other words, you can take family formations and say that each family should be adequately housed, and then you will have solved the problem. Or, you can say that each family group that has an effective demand for housing, must be housed, and then the problem will be substantially met. If you are looking at it in the former way, the need is substantial. If you are looking at it in the latter way, then the outstanding effective demand for housing is not so great.

Mr. FLEMING: What is the view the government takes of it?

Hon. Mr. WINTERS: The view the government takes gives consideration to both aspects. The Act is drawn up in such a way that the effective demand can be met by those people who can afford to take the steps to provide houses that it demands. On the other hand, for those who need housing accommodation and cannot meet it by their own individual efforts, we have provided facilities chiefly through the medium of section 35.

Mr. FLEMING: Do you regard the housing problem in Canada as one of great and serious proportions, or is it a problem that is receding in national importance?

Hon. Mr. WINTERS: I think it has receded in national importance since 1945. At the time when the veterans were returning, and there was a great dislocation in the economy anyhow, and its return to peacetime conditions, the problem was greatly accentuated. Those elements of the problem have gone largely, although some of it was regenerated by this new defence effort which required people to concentrate in defence areas. For that reason we formulated this defence housing program which has not been used as widely as one might have expected, but which nevertheless had taken the edge off the problem in some of the important defence areas. I think it can be said that the problem, although certainly an important one nationally—nobody would say it is not—is not as critical a problem as it was just after the last war.

Mr. FLEMING: How would you compare it with, say, 1949, before the present defence effort became active?

Hon. Mr. WINTERS: I would say it is about the same.

Mr. FLEMING: I was going to ask the minister for his comments—and I think I know what they will be now: There was a recent statement made by Miss Phyllis Burns, Secretary of the Canadian Welfare Council's Family Welfare Division, at a meeting here in Ottawa of the Welfare Council on May 14th, in which she said, "A lack of housing has become Canada's most acute social problem affecting family life. More cases of family quarrelling, desertions and juvenile delinquency have been traced to the housing scarcity than to any other cause. Her estimate was based on field reports by Cana-

dian welfare agencies. The housing problem already has been brought to the attention of the federal government, but so far little has been done about it."

Now, I am not asking you to comment on the conclusion she has drawn there in the last sentence, but I am trying to get it as close as I can—and probably you have nothing to add to your previous answer—as to the government's estimate of the size and urgency of the problem as it exists today.

Hon. Mr. WINTERS: I must say I have never attached a great deal of weight to these blown-up figures of housing need in this country. I have seen them range all the way from a couple of hundred thousand up to an astronomical figure. I think it is much more realistic to relate starts to effective demand, and effective demand in this country today is not nearly as pressing as it was at the end of 1945.

Mr. FLEMING: When you say "effective demand", I take it you are referring largely to the special discussion earlier this morning, that effective demand is interpreted by the lending institutions, which naturally is a demand on the part of those who can afford to build houses under Part I of the National Housing Act. Is not there a little broader interpretation to be given the demand in addition to that so-called "effective demand"?

Hon. Mr. WINTERS: I do not want to quibble on words. I think that the essential difference in the two philosophical points of view can be summed up with the words "need" on one hand and "demand" on the other. As far as I am concerned the government's legislation has been drafted having in mind both aspects of the problem. The facilities are there for people who feel there is the genuine need to house others who cannot provide accommodation on their own initiative and also there are provisions in the Act, and outside the Act through other fields, for people who wish to provide their own houses.

Mr. JEFFERY: Mr. Chairman, I have a question which I think would fit in here. Is it the aim of the government to provide a new house to everybody, or is it to provide housing of adequate grade including the old housing for everybody?

Hon. Mr. WINTERS: I think the best answer to that is that if we keep in mind that the government is just representing the people of Canada, and then ask yourselves if the citizens of Canada want to provide a new house for everybody who needs one.

Mr. HENRY: Is it not a fact the housing problem in Canada still is only second to national defence?

Hon. Mr. WINTERS: Well, the government attaches a weight and importance to it which means that we emphasize it—we have said so—second only to the defence construction program.

The CHAIRMAN: It is now twelve fifteen and the minister would like, if this committee could to clear the votes so as to get them back to the House.

Mr. FLEMING: Mr. Chairman, I don't think that is an urgent matter.

The CHAIRMAN: I thought perhaps you were almost through on the general questioning.

Mr. FLEMING: No, I have a few more. As far as those are concerned, I thought it would be better to take those up at another meeting.

Mr. Winters, I am not suggesting for a moment that the views expressed at a recent meeting of mayors and reeves in Ottawa last week is uniform by any means, but you no doubt have followed the discussions at that conference in regard to what were viewed as the shortcomings in the present legislation

and administration of them. It has been summarized in one newspaper this way, and I am reading from the *Globe and Mail* of May 31 reporting on the discussions of the meeting of mayors and reeves:

If the acute housing shortage is to be overcome, the federal government will have to be more practical in its National Housing Act regulations, Ontario mayors and reeves decided here today. Calling for less stringent regulations, the municipal heads in convention here bluntly told Ottawa authorities to be more realistic. Instead of trying to promote homes of a Utopian nature, the government should be granting assistance to people of low incomes who want a place to live without any of the frills.

Then there is a statement from Mayor Lloyd Jackson of Hamilton in which he says:

The tendency of the N.H.A. is to set standards too high. Families with five and six children are forced to live in revolting conditions because they can't possibly meet the high down payments to buy or pay the high rents required for the type of housing insisted upon by the N.H.A.

Then, Mayor Wilfrid Spooner of Timmins suggests:

The N.H.A. should be amended to permit the building of homes with a minimum of four rooms, semi-finished, without basement or central heating. The government hadn't hesitated to build this type of housing during wartime and it served the purpose, if it wasn't permitted under N.H.A.

Mayor Jackson of Hamilton is quoted again as saying:

We should be able to provide simple, convenient, sanitary homes at a price people can afford.

and so on.

I am sure the minister is familiar with those. I wonder if the minister would care to make any comment on criticisms of that kind of the present legislation.

The CHAIRMAN: Are you suggesting N.H.A. standards should be lowered?

Mr. FLEMING: No, I am suggesting these are statements that have been made by some of the mayors, and I would like to get the minister's answer too.

Hon. Mr. WINTERS: Well, I might comment on that—

Mr. FLEMING: If I may say, bearing in mind, as the minister has said earlier, it is going to require effective co-operation on the part of all levels of the government to lick this problem.

Hon. Mr. WINTERS: One of the tasks assigned to Central Mortgage and Housing Corporation by parliament was the responsibility for doing something about the standard of housing in Canada. I think in the over-all—in retrospect, all mayors and reeves would feel that the standard of housing sponsored by Central Mortgage and Housing Corporation has progressed in the right direction. It is a fact that the general class of housing has improved. I think it would be a mistake for a government agency, operating with the taxpayers' money, to lower the standard of housing to the point where houses built under its terms would not be a credit either to the municipalities or the people living in them. That does not mean to say a small house does not do credit to the municipality or the people who live in it. In general, the kind of houses Central Mortgage are trying to sponsor are the kind that, in the long term, will stand up as being the type of house which is a credit to municipalities, rather than the reverse.

Mr. FLEMING: I gather your view is that the criticisms I read were not justified in the long term, and that there is no change of policy contemplated in this regard?

Hon. Mr. WINTERS: Well, as I say, I make my usual reservations about saying what might or might not be government policy and I don't want to say the mayors are not speaking in a very sincere and honest way. I know the difficulties they are up against in trying to house their people under present day conditions, but I think the procedure followed and the pattern being developed by Central Mortgage is the right one.

Mr. HELLYER: Some of the municipal building codes are not too realistic.

Mr. NOSEWORTHY: Were not some of the municipalities very reluctant in the war years to take on the type of houses these people want?

Hon. Mr. WINTERS: There is a very good example, as I understand, and Mr. Mansur will give you the details if you wish in Peterborough at the present time.

The CHAIRMAN: I think I heard Mr. Fleming make comments of that nature too.

Mr. FLEMING: In Toronto during the war I was a member of the council and the feeling was that wartime housing units located in certain areas where they were being located were having the effect of lowering, rather than raising, the standard in the area.

Mr. NOSEWORTHY: Those were the very type of house these mayors are now recommending.

Mr. FLEMING: Well, some of them were. It was only one aspect of the criticism. The other—and this is the thing I was particularly anxious the minister should comment on—was the general or broad criticism that in the administration of the National Housing Act there has been apparently a too rigorous insistence on standards and lack of realism.

Hon. Mr. WINTERS: I don't think that is true.

Mr. MACNAUGHTON: They would not be passing the buck, would they?

Hon. Mr. WINTERS: Who do you mean by "they"?

Mr. FLEMING: Again having regard to what you said a while ago about the reasons which led the federal government to curtail housing construction early in 1951, may I ask if it is the view of the government today that conditions are such that the country can devote more of its productive and financial resources to the building of houses than it is doing at the moment without giving rise to more inflation?

Hon. Mr. WINTERS: I think the same pressures are not with us today to the same extent as they were a year ago. Mr. Mansur's study indicates that materials are in pretty adequate supply. On the financial side of it I would think that more houses could be built without upsetting the financial picture too badly; that would mean that money going into some other forms of construction now would have to be redirected to houses.

Mr. NOSEWORTHY: Would the minister agree that somewhere in the realm of 100,000 a year is needed to catch up with the backlog and meet the housing situation?

Hon. Mr. WINTERS: We would like to see houses, being provided at the present time of 100,000 a year, but there are a great many circumstances which prevent Canadians from doing that.

Mr. NOSEWORTHY: Would you say that is a desirable objective?

Hon. Mr. WINTERS: I would say so.

Mr. FLEMING: Coming back to my point which concerns a slightly different aspect of the problem, is it the view of the government that 100,000 houses could be built annually in Canada under present conditions without giving rise to conditions of more inflation?

Hon. Mr. WINTERS: No. I think under present conditions it would certainly create a considerable amount of inflationary pressure.

The CHAIRMAN: Are you prepared to indicate just where the government thinks the breaking point would come? In other words, up to what number can we hope to construct houses in Canada per year without giving rise to more inflation or intensifying these inflationary pressures?

Hon. Mr. WINTERS: That, of course, is a pretty difficult question to answer. I don't know exactly how many houses we will build this year. It appears to be more buoyant now than the indications were a few months ago. What is your estimate on that, Mr. Mansur?

Mr. MANSUR: I think that the completions will be something of the order of 73,000, and the starts will be of the order of 55,000 to 60,000, notwithstanding the fact that the March and April starts would indicate a rather larger number of starts than the 55,000 or 60,000 figure I suggest.

Mr. NOSEWORTHY: Is it consideration of inflationary pressures that is keeping the number of starts down to 55,000 or 60,000?

Hon. Mr. WINTERS: Not with the government.

Mr. FLEMING: Well, with that information, is the minister prepared to indicate just where he thinks the breaking point comes as to the amount of construction that could be carried on without intensifying inflationary pressures?

Hon. Mr. WINTERS: I think Mr. Fleming's guess is as good as mine, but if you take the 60,000 Mr. Mansur has just mentioned as the likely number of starts this year, I think you can probably add another 10,000 to that without damaging the inflationary picture too much. I think if you try to go much beyond that you would create quite a serious inflationary problem.

Mr. FLEMING: I well recall the importance the government attached to the dangers of inflation when they made certain changes in policy early in 1951 in respect to house construction.

Hon. Mr. WINTERS: Our fear then was more that there would be many houses started that could not be completed, and we didn't want to see many Canadians going without roofs over their heads in the form of unfinished houses.

Mr. FLEMING: There was also the question of productive capacity and inflationary pressures. I think that is a fair statement—

The CHAIRMAN: And availability of material?

Mr. FLEMING: Well, I was including that in the first point, that of productive capacity. Is it the intention in government policy to consider either of those factors, or is it the government's opinion that the point has been reached now where regard can be set aside of factors of that kind in shaping our housing efforts?

Hon. Mr. WINTERS: I don't think you can set aside the regard, but at the present day they are not factors in the government's approach to the housing problem.

Mr. FLEMING: Do you mind turning your thoughts back now to the condition in February 1951 when the government abandoned the 1/6th additional loan that had been introduced in the fall of 1949. You are aware of the precipitate drop in the housing starts after that decision.

Hon. Mr. WINTERS: No, there was no precipitate drop in starts after that decision. There was a substantial drop in starts before that decision was taken. The drop came before.

Mr. FLEMING: I think you will agree there was a precipitate drop continued, let us say, after that decision?

Hon. Mr. WINTERS: The drop continued after that decision, but I don't think there was any sharp break in the trend at the time the decision was made.

Mr. FLEMING: I suppose the figures will speak for themselves, but I thought I recalled a very precipitate drop in the summer compared with the previous year.

Hon. Mr. WINTERS: If there was it was more by force of other circumstances. The supply of mortgage money just about dried up at that time.

Mr. FLEMING: Is the government proposing to restore that provision, or is it going to stand simply on the changes introduced last fall in regard to defence workers' houses?

Hon. Mr. WINTERS: We have substantially restored the provision in a manner that permits of better administration by changing the approach to the manner in which the loan is granted and making it 80 per cent of the agreed sales price of the house. That restores the situation to just about what it was with the 1/6th.

Mr. FLEMING: You have no intention of going back and putting that 1949 amendment of section 4 into operation again?

Hon. Mr. WINTERS: Mr. Chairman, that is one of those things about which I could say, "that is a matter of government policy and it will be announced in due course".

Mr. HELLYER: The statement was just made that the new regulations in effect restored the position, or substantially the position that was in existence prior to February 1951 and I wonder if the minister has the figures with him as to the proportion of the total loan that is put up by Central Mortgage and Housing Corporation now as compared to the previous February.

Hon. Mr. WINTERS: I think Mr. Mansur could give you the figures on that.

Mr. MANSUR: When the 1/6th technique was being operated, the Central Mortgage share of the loan was approximately 36 per cent. Under the present arrangement it is 25 per cent.

Mr. HELLYER: Then, in effect, the situation has been substantially restored as far as an individual loan is concerned with the exception of one-half of 1 per cent in the interest rate, but there is still a discrepancy of 11 per cent as far as the share of the financial responsibility is concerned, and would you say that in 1950 the fact that the Central Mortgage and Housing Corporation share was 36 per cent tended to drive the insurance companies from the joint loan field?

Hon. Mr. WINTERS: I don't think it did. Then conditions were quite different, and they were happy in those early stages to lend through the facilities of the joint loan section, but with more attractive investment opportunities presenting themselves elsewhere, the position changed.

Mr. HELLYER: Don't you think it would be reasonable to assume that if the government's share were now restored to approximately that same level they would still, through those moral obligations they have accepted, put approximately the same amount of money into the stream, and the additional source would allow that to be spread out further to a greater number of units?



Hon. Mr. WINTERS: We have done a considerable amount of thinking about that, as you can quite well imagine, and we have not come to that conclusion.

Mr. HELLYER: It seems that the extra 10,000 units that we are talking about require an additional \$100 million from somewhere, and that that extra share might just about make up the difference in making possible an extra 10,000 starts.

Hon. Mr. WINTERS: If it worked that way. Would you like to comment on that, Mr. Mansur?

Mr. MANSUR: Only one thing, and that is this: The lending institutions are of mixed minds on that subject. In some degree they prefer to have Central Mortgage in for a 36 per cent share. On the other hand some companies have preferences for the 25 per cent share, because it leaves a larger proportion of the loan against which they may apply their expenses and thereby tends to reduce their expense ratio. In other words, their expense ratio will be lower where for a like amount of money they are participating in 64 as against 75 loans, if I make myself clear.

Mr. HELLYER: Their expense ratio is lower, and proportionate risk higher?

Mr. MANSUR: Yes. So they are of mixed minds as to which they like the better of the two.

Mr. NOSEWORTHY: The minister, in his reply to me earlier on this, said the lending institutions are staying in the field because of a sense of moral responsibility, and he was afraid by increasing the government's share that sense of moral responsibility might become diminished. I think that was the minister's position.

Hon. Mr. WINTERS: I would not want to say they have varying degrees of moral responsibility, but I do say that at the same time they are pretty practical men or they would not be in the business they are, and with more attractive investment opportunities offering elsewhere, you can imagine what you might do, Mr. Noseworthy, if faced with the same decision.

Mr. NOSEWORTHY: The argument on the other side is, if that holds true, that they are practical and looking for returns, what leads you to think they will continue to put their money into mortgages under Central Mortgage and Housing?

Hon. Mr. WINTERS: They have got quite a stake in mortgages in this country. They have got their organizations set up, and they seem to be ready and willing to do what they can as far as they feel it is in the interests of their policyholders to help solve the housing problem and help Canadians get houses.

Mr. NOSEWORTHY: Are you not being unfair in suggesting that if the government takes more responsibility these companies would take less?

Hon. Mr. WINTERS: I will leave it to the committee to judge.

The CHAIRMAN: I think there is a little feature of effective demand included in that.

Mr. JEFFERY: Is this the last appearance the minister will make before us?

Hon. Mr. WINTERS: I will be available when the committee wants me.

Mr. JEFFERY: I have one general question I would like to ask. From some figures Mr. Mansur supplied earlier, I think I am correct in saying that the housing construction in this country—and if I am wrong I should be corrected—has kept pace within 17,000 units, in round figures, with the net increase in family formation. I am wondering if you have any figures or could tell us how this country stands compared to other countries, having those figures in mind.

Hon. Mr. WINTERS: I don't have any figures before me this morning.

Mr. JEFFERY: I am talking about since 1945.

Hon. Mr. WINTERS: I think that Canada's effort in the field of housing has been at least as good as any other country for which we have figures. If you take it on a per capita basis, or on a gross national product basis, or on income basis, or on any other basis which is normally considered to be a yardstick, I think our effort is as good or better as that of any other country. For example, in the United States this year they set a target of 600,000 units. That may have been revised, but that was the target they set. If you consider our population to be about one-twelfth—and the disparity is even greater if you consider it in terms of gross national product—then we would aim at something like 50,000 units. Well, we will build substantially more than that in this country this year.

Mr. HENRY: Have the lending institutions ever said that they have found it inexpedient to sell bonds and take on N.H.A. mortgages because of the bonds selling at a discount?

Mr. MANSUR: Mr. Chairman, earlier in my testimony I think I expressed the opinion that apart from two or three companies the reduction in bond account had reached a point where it was not likely that the companies within their ideas of prudent management would wish to take it further. I believe that there will probably be more enthusiasm for selling Dominion of Canada's at 105 than at 95. I would also make the other comment, Mr. Chairman, that the position is none too clear in respect to the trust and loan companies; I refer to the trust companies in the mortgage business. They have, as you know, a fairly substantial liquid position in Dominion of Canada's. Whether they are as anxious to increase mortgage account on expensive bond account with prices of Dominion of Canada's at 95 as against 105 three or four years ago, I would guess the answer is that they are not as enthusiastic. So I do believe the point raised is a very valid one and is certainly not conducive to a switch from bond to mortgage account at the present time.

Mr. HENRY: Have you any monetary measure to suggest it might help by way of assistance to the—

Mr. MANSUR: I was employed in the Bank of Canada for six and a half years but certainly not for my capacity as a central banker.

The CHAIRMAN: Are there any further questions?

Mr. CANNON: Is it not a fact that lending institutions also have to take into consideration the percentage of their assets that they can invest in investments that are not easily liquidated, such as mortgages. They have to keep a certain investment in investments which are easily liquidated?

Mr. MANSUR: Yes, that is particularly true in the case of trust companies who have liabilities in the form demand deposits and short term debentures. However, the position in life companies may be different, in that if a life company continues to grow—and there has not been a time in my lifetime when they have not continued to grow—their assets are always increasing and their necessity for net liquidity is very much less than the other type of company.

Mr. JEFFERY: But would it not be true to say this: As compared to prior to N.H.A. their liquid position for mortgages would be approximately five years, whereas for all practical purposes under the N.H.A. the liquid position is 20 years?

Mr. HUNTER: Mr. Chairman, I suggest that is not quite fair. Even a five year mortgage is not usually paid off.

Mr. MANSUR: We all recall the years 1930-35 when the maturity date of five year mortgages had very little relationship to liquidity.

Mr. MACNAUGHTON: The moratorium years.

Mr. JEFFERY: Except they have the moral tie-up under the N.H.A.

Mr. MANSUR: Yes, but I think the tie-up under N.H.A. is more in respect to interest rates than it is to liquidity, and that is the reason why companies who borrow short are rather reluctant to lend long.

Mr. HELLYER: Mr. Chairman, isn't it true that all this has already been gone over in this committee?

The CHAIRMAN: Yes, and I don't think it is fair to take the time of the committee, and I think the committee are cheating themselves.

Mr. HELLYER: Yes, but I would like to make this one further observation. Isn't it true that it was also pointed out that the proceeds of the current income of the lending institutions is such that without this additional source of funds which was previously available from selling bonds that they cannot and should not be expected to put sufficient funds into the mortgage stream to maintain the number of starts which have been experienced in the last five years; that there just is not that type of money available from that source, and consequently some new source has to be found to augment it? Is not that pretty well a summary of what was brought out, Mr. Mansur?

Mr. MANSUR: Yes, Mr. Chairman, I think it was. I think my statement on availability of mortgage funds indicated a gap of mortgage financing as against continuance of a program of 100,000 units a year at present prices.

The CHAIRMAN: Are there any further questions?

Mr. FLEMING: Mr. Winters, when you said earlier about the policy of the government being to make effective use of the provisions of the National Housing Act, I take it you were making an exception of those provisions in section 4 which relates to the 1/6th additional loan.

Hon. Mr. WINTERS: We have restored the position in another way, which, in effect, meets the terms of that section to which you refer.

Mr. FLEMING: Well, you are speaking now of regulations in regard to defence workers' homes?

Hon. Mr. WINTERS: No, not defence workers' homes, but the 80 per cent related to the agreed sales price.

Mr. FLEMING: That is your answer on that?

Hon. Mr. WINTERS: Yes.

Mr. FLEMING: On defence workers' homes you recall a point has been raised before about the regulations, the one requiring that the house be located not more than fifteen minutes time by ordinary transportation from his place of work; have you considered that situation in the light of experience to see how that is working out, particularly in the metropolitan areas where the factory may be miles and miles from the only place where that type of construction can be built today?

Hon. Mr. WINTERS: Yes. I think it is working out all right. I think one of the striking features of the defence worker program is the fact—to my knowledge, unless it has changed recently, and Mr. Mansur can say whether that is the case—that there has been no application for a defence worker's loan to an individual prospective home owner. They were all built on the project basis by builders.

Mr. FLEMING: Isn't there some need for change in at least that one regulation in regard to defence workers?

Hon. Mr. WINTERS: I quoted that to illustrate that it seems to be working all right as it is.

Mr. FLEMING: Well, we will leave it at that. A word now about interest rates: I am not going to go back over the ground we have covered in the

House last spring, but are interest rates in the view of the government a factor now in the rate of construction—the extent to which the rate of construction is not measuring up to our full production capacity in Canada?

Hon. Mr. WINTERS: Would you amplify that as to whether you mean too high or too low.

Mr. FLEMING: I am just asking you the facts, that the view expressed by the government last year, implemented by legislation, was at that time they were too low. What is the view of the government today as to the effect that the existing interest rates are having in relation to the total national housing building capacity?

The CHAIRMAN: Does your question relate to the money for mortgage investment, or does it relate to the consumer demand for houses?

Mr. FLEMING: Either one. The minister can put it on either ground, and deal with it separately, as he wishes.

The CHAIRMAN: I think the question should be clarified.

Mr. FLEMING: Well, the minister heard the question.

Hon. Mr. WINTERS: From the standpoint of the mortgage lender the interest rate is too low.

Mr. FLEMING: Still?

Hon. Mr. WINTERS: Yes. From the standpoint of the person who has to service his debt the interest rate, of course, is too high.

Mr. FLEMING: I suppose that is always the case.

Hon. Mr. WINTERS: That is always the case no matter what the interest rate is, and it is a matter of deciding when you are in the middle of those two extremes.

Mr. FLEMING: What is the view of the government as to the point we have reached now?

Hon. Mr. WINTERS: The point of view of the government is that the present interest rate is satisfactory.

Mr. NOSEWORTHY: I have just one more question. The minister has admitted that 100,000 houses a year would be a desirable objective. Mr. Mansur has told us that to build 100,000 houses a year we are going to need new sources of mortgage funds. The minister tells us that if the government puts more money into the mortgage pool it will only result in the companies withdrawing theirs. So, what is the answer to that problem.

Hon. Mr. WINTERS: Well, one big answer to the problem is that the facilities provided by the government account for less than half of all the houses started in Canada, and there is a great deal of mortgage money and other forms of financing provided outside the channels of the National Housing Act. Another answer to it is that the supply of mortgage money seems now to be improving and we are hopeful that it will continue to improve. Another answer to it is that we are watching it very closely to see what the situation is, to see how it develops, and to see what action, if any, must be taken in the light of developments.

Mr. NOSEWORTHY: The net result will probably be that we won't get houses.

Hon. Mr. WINTERS: The net result is that we are not doing too badly right now.

Mr. FLEMING: Mr. Winters, we had a statement from Mr. Mansur that up to the moment it has not been the policy of the government to approve the sale of houses built for tenant occupancy in the years 1948 and 1949?

Hon. Mr. WINTERS: For veterans?

Mr. FLEMING: Yes. May I ask what the basis of that policy is, and if it is going to be continued?

Hon. Mr. WINTERS: The basis of the present policy is that those houses were built under the authority of a vote by parliament and in accordance with the wishes of parliament to provide rental accommodation for veterans, and at the present time with a certain amount of fluidity in the situation, especially as it respects veterans of the Korean war and the European situation, it seems to me pretty good policy to have some rental housing; particularly these more recent projects which are either just completed or still in the process of being built as rental projects.

Mr. FLEMING: Do you think the considerations which led the government to adopt a policy of selling to occupants the houses built prior to this 1948-49 group do not apply to those built in this period?

Hon. Mr. WINTERS: Well, the same considerations are there, but in arriving at any decisions there are always a great many factors, and the factors in favour of keeping that vintage of house available for rental to veterans seems to be dominant enough to have that decision made.

Mr. FLEMING: Just a word about Fraserview: Now that the houses are being constructed which would have been constructed if the government had decided at the beginning of 1951 not to stop construction, does the minister not think it would have been very much better to have let construction proceed at that time?

Hon. Mr. WINTERS: No.

Mr. FLEMING: Well, I would not expect the minister to admit the government had made a mistake. I would not be so facetious as that.

Hon. Mr. WINTERS: I would admit a mistake if it were a mistake. I have intimated in my statement this morning that there are things which might have been done differently, but I don't think there was a mistake made on that.

Mr. FLEMING: If you were faced with that same situation today under the same circumstances, and knowing what has happened since, you would still stop construction as of the beginning of 1951?

Hon. Mr. WINTERS: Yes, I think it would have been a mistake to put that size project into construction in the conditions prevailing in Vancouver at that time, especially with prices as they were then on that high level related to the cost of the building index which indicated very clearly there were great inflationary pressures active in Vancouver at that time.

Mr. FLEMING: A word about section 35: I think all members have followed with a great deal of interest what was said this morning about the possible revision of section 12 to tie in with section 35. What is the view of the government in regard to the use of section 35 as applied to redevelopment at all stages, commencing with the acquisition and clearing of the land?

Hon. Mr. WINTERS: The view of the government is that it is not such a good deal as if you take section 12, because section 12 is based on outright grants, and once the land is cleared you start without that capital cost against the project.

Mr. FLEMING: I take it you have indicated the government is willing to sponsor amendments to section 12 to make its more favourable terms available in redevelopment projects with a view to giving further encouragement to the undertaking of these redevelopment projects.

The CHAIRMAN: Do you not think the minister has gone quite as far as he should be called upon to go in forecasting government policy?

Mr. FLEMING: I think the minister is able to take care of himself.

The CHAIRMAN: No, I think there is a point we finally reach where it is not fair to put that question.

Mr. FLEMING: There were some questions put to the minister at the outset which he was not willing to answer—and this may be one also—but I think the minister should have the opportunity of answering the question.

Hon. Mr. WINTERS: I would have simply said to that that I cannot very well add to what I said in my earlier remarks, which I think were a pretty clear indication of my attitude towards the two sections as they stand now, and I suggest that if the committee wishes to make any recommendations with respect to them I would be glad to have them.

Mr. MACNAUGHTON: Mr. Chairman, we are not paid for overtime.

The CHAIRMAN: Are we through with the minister? He cannot be here on Tuesday, and time is getting on. Shall we sit for a few minutes longer? Well, as long as I see a quorum we will sit.

Mr. FLEMING: I have one further question about section 35: In view of the difficulties and costs of land acquisition, and assembly and clearing for redevelopment projects, particularly in large urban areas, isn't it apparent that section 35 is not adequate today to meet the needs of a situation of that kind?

Hon. Mr. WINTERS: No, I don't think that is apparent.

Mr. FLEMING: You don't go that far?

Hon. Mr. WINTERS: No.

Mr. FLEMING: Is it policy on the part of the federal government in any respect to enlarge the area of federal responsibility in respect of housing?

Hon. Mr. WINTERS: Perhaps you will read the British North America Act again.

Mr. FLEMING: Well, what is the policy of the government in regard to enlarging the federal sphere of responsibility in regard to meeting the problem of our housing in Canada?

Mr. CRESTOHL: Does it require enlarging? I don't think, Mr. Chairman, it requires enlarging. We should set some premise that it requires enlarging.

The CHAIRMAN: Well, this being the last question I think we might have an answer.

Mr. CRESTOHL: We should set a premise first of all that it requires enlarging and then, if it does, ask the minister does the government plan to enlarge it?

Hon. Mr. WINTERS: I was going to ask a counter question as to whether or not Mr. Fleming does not think we have gone pretty far already by way of enabling Canadian citizens to do something to provide housing, that being in the field that is normally assigned to provincial governments by the British North America Act?

Mr. FLEMING: You have come along in certain respects by stages, and I think there have been those in the House who have done something in this respect and have correctly expressed the view that the conditions that have faced this country are largely the creation of federal policy, and in the second place can only be effectively coped with by federal action. Now, you have come along in different stages towards the assumption of a greater degree of federal responsibility, not in every year, but we will say by stages in this post war period. My question is, in sizing up the present situation, taking account of the fact you have come as far as you have, surveying the whole national picture, is it the policy of the government to assume any greater proportion or share of the responsibility in meeting housing conditions than it assumes at the present time.

Hon. Mr. WINTERS: If and when such policy decision is taken it will be announced.

The CHAIRMAN: Shall we take up again at 4 o'clock this afternoon, gentlemen?

Mr. FLEMING: No, I submit not. The minister is going to be in the House on his estimates this afternoon, and these will have to be carefully considered. There is a meeting of another committee at four o'clock this afternoon, and, in any event, the best reason I know of why those estimates should not be rushed now and reported back to the House is that there is going to be a debate on housing whenever these estimates come into the House. We had some intimation of that from a couple of members the other day when the minister's estimates were up, and I would suggest this committee ought to make a report on its full review of the Central Mortgage and Housing Corporation and get that to the House along with its report on these items, so that when the debate arises it will be a debate that can be carried on with full knowledge of the very useful and extensive inquiry that has been carried on in the committee.

The CHAIRMAN: I understand the reason these votes were referred to the committee was so that the committee could question Mr. Mansur direct in regard to these votes, and to facilitate the passing of the votes by the House. Those estimates are now before the House that is why I thought it was wise to get them back to the House as quickly as possible. If I am wrong, put me right.

Mr. FLEMING: I would submit we would be losing time in the end by rushing them back. The minister is going to have his estimates on the floor this afternoon. These are not coming back in time to be dealt with his other estimates today, and the position in the House is that there is going to be a discussion on housing anyway, and here is this committee which has spent some time on a very useful review of the whole housing situation.

The CHAIRMAN: I agree we should have our general report—

Mr. FLEMING: —report back to the House before these estimates are dealt with in the House.

The CHAIRMAN: Yes. Well, are we not practically at the end of our inquiry on the report?

Mr. FLEMING: I thought there was one more meeting with Mr. Mansur?

The CHAIRMAN: Yes.

Mr. FLEMING: And then you have a report on these other people.

The CHAIRMAN: Yes, that is what I hoped we could do this afternoon, and then we would finish with Mr. Mansur this afternoon, and our agenda committee would meet tomorrow morning and consider the replies which I have had. I don't want to rush the matter, but it is the sixth of June already.

Mr. FLEMING: There is willingness on the part of the committee to expedite the work, but I have another meeting to go to this afternoon, one which I should attend. We have had one meeting of this committee today.

The CHAIRMAN: The only meetings of committees that I have for this afternoon are External Affairs—

Mr. FLEMING: Yes, that is the one.

The CHAIRMAN: Well, it has always been the policy of this committee to try and meet the convenience of members.

Mr. HUNTER: I think the time and convenience of every member here should not be adjusted to Mr. Fleming's convenience.

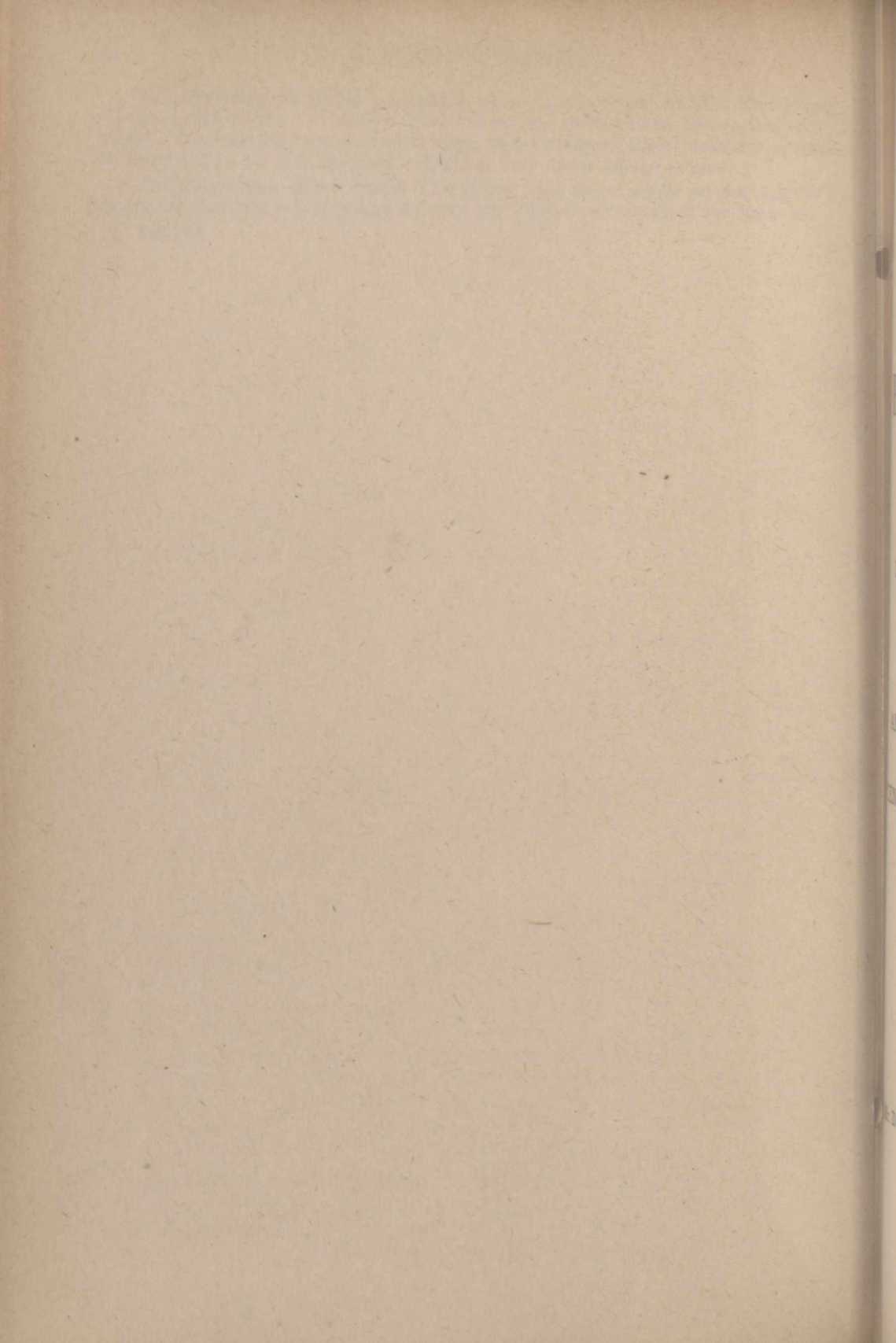
Mr. FLEMING: It is not a question of my convenience at all. You know I have never tried to bring the question of my convenience before the committee. I cannot be here this afternoon, and I suppose other members cannot be here, either, at this meeting called on only three hours' notice.

The CHAIRMAN: How would it be if we tried to set aside all our engagements for Tuesday morning and we will sit Tuesday afternoon if we have to.

Agreed.







HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951

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TUESDAY, JUNE 10, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

## REPORT TO THE HOUSE

TUESDAY, June 10, 1952.

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

### FIFTH REPORT

Your Committee has considered the following items of the Estimates for the year ending March 31, 1953, referred to it on May 29, 1952, and recommends their approval, namely:

Vote 420—Emergency Shelter Administration;

Vote 421—To provide for the expenses incurred by Central Mortgage and Housing Corporation in constructing and supervising construction of married quarters, schools and related services on behalf of the Department of National Defence;

Vote 557—To provide for advances to Central Mortgage and Housing Corporation for the purpose of subsection one of section 34 of the National Housing Act, 1944, in respect of housing projects for veterans, housing projects at Deep River, Ontario, for sale to Atomic Energy of Canada, Limited, and housing projects at Gander, Newfoundland, for sale or rental.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

## MINUTES OF PROCEEDINGS

TUESDAY, June 10, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Balcom, Crestohl, Fleming, Fraser, Fulford, Gingras, Gour (*Russell*), Macnaughton, Noseworthy, Riley, Sinclair, Thatcher, Ward, Welbourn.

*In attendance:* Mr. D. B. Mansur, President, and Mr. J. D. Ritchie, Executive Assistant, Central Mortgage and Housing Corporation.

The Committee considered votes Nos. 420, 421 and 557 of the Main Estimates 1952-53, referred to the Committee on Thursday, May 29, 1952, and the Witness questioned thereon.

The said votes were adopted.

The Committee resumed consideration of the Annual Report and Financial Statements of the Central Mortgage and Housing Corporation, and the Witness further questioned thereon.

The Annual Report and Financial Statements were adopted.

At 12.45 o'clock p.m., the Committee adjourned to meet again at 11.00 o'clock a.m., Thursday, June 12, 1952.

R. J. GRATRIX,  
*Clerk of the Committee.*

MINUTE OF THE PROCEEDINGS

Faint, illegible text, likely the minutes of a meeting, covering the majority of the page.

## EVIDENCE

MAY 10, 1952.  
11.00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

**Mr. D. B. Mansur, President, Central Mortgage and Housing Corporation, called:**

The CHAIRMAN: Vote 420, emergency shelter administration.

Mr. FLEMING: Anything to finish up first, Mr. Chairman, before we commence?

The WITNESS: Mr. Chairman, at an earlier meeting I was asked whether I would put some figures on the record in respect to the decrease in the staff directly engaged on the rental housing program in relation to the reduction which has taken place in our rental housing account.

In the year 1950 our rental housing account decreased by 2,692 units or 6.5 per cent. In the same period our staff engaged on the rental housing operation was reduced by 5.2 per cent. In 1951 the reduction in our rental housing account was 35.9 per cent and the reduction in our staff directly engaged on rental housing operation was 29.4 per cent.

These figures are not in direct correlation one with the other, but do reflect a lag that takes place in that when the project reduces in size, we still have to retain our administrator whether the project is 500 or 200 units.

The CHAIRMAN: Any questions on the answer which Mr. Mansur has tabled?

*By Mr. Fleming:*

Q. Does that complete everything outstanding?—A. Mr. Chairman, I know of nothing else outstanding on the record.

The CHAIRMAN: Vote 420, emergency shelter administration—\$100,000 last year, \$250,000—a reduction of \$150,000.

Mr. FRASER: Why the reduction?

*By Mr. Fleming:*

Q. Is there a general statement that Mr. Mansur could make on the item? I was going to ask for a breakdown giving details, as page 471 does not really give any details at all and simply reads:

To provide for administration costs and operating deficits in connection with emergency shelter projects operated by Central Mortgage and Housing Corporation, to also provide for outstanding commitments on account of emergency shelter projects and to meet restoration costs in connection with closing out emergency shelter projects on leased land.

Could we have a statement indicating the breakdown of this?—A. Mr. Chairman, I would be glad to make a statement on the emergency shelter operation.

The activities of emergency shelter administration are now limited to administrative work in connection with the federal government's interest in the emergency shelter projects which are still operating. These activities are largely connected with the maintenance of Crown-owned buildings and the closing of shelter projects.

In the years 1946 to 1948 the federal government through the emergency shelter administration, made available to municipalities and universities surplus Crown-owned buildings which were suitable for conversion to emergency dwellings. Capital grants were made toward the cost of conversion; grants to municipalities were for 50 per cent of the cost (maximum \$500 per unit) and to universities 100 per cent of the cost (maximum \$1,000 per unit). For some of the last municipal projects when less suitable buildings were being converted and building costs were higher, the ceiling grant was increased to \$750 and \$1,000 per unit. Emergency shelter projects were administered by the municipality or the university. On university projects the net revenue was remitted to the government.

In Montreal and Vancouver, Central Mortgage operated emergency shelter projects on its own account. In the case of those two municipalities they were unwilling to enter into a joint arrangement with the federal government with the result that in Montreal we operated the Place Viger Hotel, some buildings on St. Helen's Island, St. Paul l'Ermite, Cartierville; in Vancouver the Vancouver Hotel, the Dunsmuir Hotel, the Seaforth Armories and some buildings on Sea Island. All those projects have now been closed.

In Montreal we had a total of 681 units and in Vancouver 879 units.

Since 1946 the corporation participated in 246 shelter projects; 208 municipal projects containing 8,703 units (including Montreal and Vancouver) toward which we made capital grants of \$4,061,000, and 38 projects at twelve universities totalling 1,609 units toward which we made capital grants of \$1,190,000.

At the end of 1951 there were still in operation in Crown-owned buildings 20 municipal projects in eleven cities involving 1590 units and six university projects involving 313 units. The gross recovery from university projects to date is \$318,414.63.

The amount of money voted by parliament for emergency shelter administration in the past two years has been much higher than the actual expenditures. The emergency shelter estimates are contingency estimates which provide for the worst possible combination of events and circumstances that we can foresee. The possible expenses are of three main types:

- (a) administrative expenses which we can forecast with reasonable accuracy;
- (b) expenses that may be incurred in settling leases and restoring sites where emergency shelter projects operated in Crown-owned buildings erected on leased lands;
- (c) expenditures on maintenance of buildings or services required for emergency shelter projects where the repairs are of a major structural nature that is not the responsibility of the tenant municipality or university.

An example of type (b) is the Little Mountain project in Vancouver which is operated by the University of British Columbia. This project is located in buildings built by the Department of National Defence on land leased from the C.P.R. We took over the Department of National Defence lease with the C.P.R. and leased the buildings to the university. For the past two years the C.P.R. has been a cooperative but unwilling landlord as they are anxious to sell their Little Mountain holdings as residential building lots. As the university project has decreased in size buildings vacated have been sold by Crown Assets Disposal Corporation for removal. Central Mortgage has removed foundations, roads, parade grounds sewer, water and electrical services and returned the restored land to the C.P.R. Our expenditures on this work to date have been over \$5,000. Work is now under way which we estimate will



cost another \$5,000 and we have a contingent liability of something of the order of \$10,000 or \$12,000 to restore the remainder of the camp area when the project is finally closed. We have had similar expenses on other projects. There was one at Lulu Island, Vancouver, where instead of carrying out restoration we made a cash payment of \$850 to the owner. In this case we had estimated that if the owner insisted on our removing all the concrete works such as gun emplacements, underground magazines, etc., we would have been faced with an expenditure of well over \$2,000. Some leases where we thought we might be involved in expenses of this nature have been settled at no expense. I can think of one project in Ontario that is now being closed where we had thought we might be involved in restoration expenses of up to \$12,000, but in the course of negotiations on the lease settlement the owner—which in this case happened to be the Roman Catholic Archdiocese of Kingston—agreed to accept the land with the roads and services installed and we avoided the expense of removing these items when restoring the ground to its natural contour.

Type (c) expenses are of the nature of one in the city of Toronto where we spent \$16,200 to replace decayed joists and beams in the three staff houses under lease to the city of Toronto, or a grant of \$700 to the city of Ottawa representing 50 per cent of the cost of installing new floors in two shower rooms at Uplands. Some emergency shelter projects are operated at air fields and where, as in the case of Rockcliffe and Uplands, the R.C.A.F. have been increasing their activities at the airport we may be required to provide new access roads. We have already made a contribution of \$500 to the city of Ottawa to meet half the cost of opening a new road to serve the shelter project at Rockcliffe. On another occasion we had to replace a wood stave water main serving the North Camp at Malton airport, at a cost of \$5,250.

Expenditures against the 1951-52 vote of \$250,000 amounted to \$50,253.84. These expenses were made up of:

Administration .....	\$ 10,101.46
Restoration and lease settlement .....	1,292.11
Operation and closing of projects operated by Central Mortgage .....	33,860.27
	<hr/>
	\$ 50,253.84

In the public accounts this expenditure will be shown on a cash basis and will be reduced by recoveries of net revenue of the university projects which total \$44,763.87. The net expenditure will be \$5,489.97.

Now, in our estimate, Mr. Chairman, for this year we have suggested that the administration expenses might run \$10,000, the lease settlements and restorations might run \$30,000 and the structural repairs might run \$60,000. But as I mentioned earlier, Mr. Chairman, that first item is quite firm and the next two items have a pretty large degree of contingency in them.

*By the Chairman:*

Q. Quite large, I would say, judging by your experience in the past.—A. If we are successful in negotiating, as we were in Kingston, we save money in not having to rip up roads and restore land. These leases which were originally made with the Department of National Defence all contained a restoration clause and our contractual obligation is very clear. However, sometimes by the "jaw-bone" method, we are able to get out of our contractual obligations.

*By Mr. Fleming:*

Q. It is quite clear, Mr. Mansur, when you do enter into a lease here, as you are seeking to do, these cease for all times to have any connection with emergency shelters. When you enter into your lease, as you are seeking to do, these cease for all times to have anything to do with emergency shelters?—A. Perhaps I have not made myself clear, Mr. Chairman. The leases on these parcels of land owned by other people upon which buildings owned by the Crown are situated, were all entered into by the Department of National Defence. We fell heir to them by way of assignment for emergency shelter purposes and our interest is to bring those leases to a termination and not enter into any new leases.

*By Mr. Macnaughton:*

Q. You are obligated by the terms of the lease which you acquire?—A. Yes.

*By Mr. Crestohl:*

Q. Have you got your own staff who assess the nature of the repairs or do you rely on other reports?—A. Our own staff, Mr. Chairman. We try to keep to repairs of a temporary nature and keep the cost of repairs to an absolute minimum. But there does come a point, such as in the three staff houses in Malton, where the buildings became unsafe for human habitation and something has to be done.

*By Mr. Sinclair:*

Q. Mr. Mansur, this Little Mountain project, how long will it be before that is closed out? Are there still student veterans living there?—A. Yes, the arrangement, Mr. Sinclair, is that the Canadian Pacific Railway, the cooperative but unwilling landlord which I mentioned, has entered into an agreement with ourselves and the University of British Columbia that 64 veteran families will remain over the next academic year at Little Mountain with total clearance of the project and return of the land to the Canadian Pacific Railway as at June 1953.

Q. That will clear out the last of the student veterans?—A. Yes.

*By Mr. Fleming:*

Q. Out of the \$250,000 provided last year, what was the actual expenditure?—A. \$50,253.84.

Q. So that you are asking this year for twice as much as you actually spent last year?

*By the Chairman:*

Q. And the only firm item is the \$10,000-odd for administration?—A. Yes, the administration expenses are quite firm; the others are our best guess.

Q. Under the worst circumstances?—A. Under the worst circumstances.

*By Mr. Fleming:*

Q. What was the breakdown of the \$50,253 in these three categories?

The CHAIRMAN: It is already on the record.

The WITNESS: Administration \$10,101, restoration and lease settlement \$1,292 and operation and closing of projects \$38,860.

*By Mr. Macnaughton:*

Q. Has the Cartierville staff house been closed up?—A. Yes, it has been sold, sir.

*By Mr. Fraser:*

Q. Mr. Chairman, on these Little Mountain houses that you sell, you say that goes back to the treasury; it does not go back to your department?—A. No, sir.

Q. You do not use that money?—A. We declare buildings as surplus to Crown Assets Disposal and the proceeds of their sale is an income item as far as Crown Assets are concerned.

Q. And they would go back to the government and your department could not use them?—A. No.

Q. What is the average sale on the houses in Little Mountain? They are similar in type, I understand.

Mr. SINCLAIR: They are not houses—just old barracks.

*By Mr. Fraser:*

Q. You have the same type of hut in that place?—A. Yes, they are sold for removal from site and my information is—and I think it is correct—that the general price which Crown Assets receives is something of the order of one cent a cubic foot—salvage value.

Q. That would not be very much?—A. No, only \$500 or \$600 per hut.

*By Mr. Fleming:*

Q. Don't you think if you got as much money this year as you spent last year that ought to be quite enough to cover all your needs on this item?—A. Mr. Chairman, I cannot tell. The restoration expenses as you get closer to the end tend to increase. We have listed all the projects, assumed some success in our efforts in closing them and taken into consideration unfavourable circumstances and possible inability to make a satisfactory deal with the owners of the land; these are the figures which result. I believe we will not exceed \$100,000.

*By The Chairman:*

Q. But your difficulty is that if all the unfavourable circumstances arise which may arise, you would need the \$100,000, and if it is not voted you are behind the eight-ball?—A. Yes.

*By Mr. Fleming:*

Q. Going back to my first question, looking at the final winding up, as you get rid of your leases your area of responsibility is shrinking, do you expect that within another year you will have the rest of these properties all disposed of in this way, that the total task is likely to end by the end of this fiscal year?—A. No, I do not think it will.

Q. How long do you think it will run?—A. I think it may taper on for two or three years yet. For instance, I will be very interested to see where the people go from some of these projects. I can think of no better example than the 200 families that are presently located in Rockcliffe air station. You all know the reasons why it should be closed, but I think there is very great difficulty in so doing. I would be very surprised to see Rockcliffe air station closed during the current fiscal year.

*By Mr. Sinclair:*

Q. That is completely closed. As you move them out you remove the structure or turn it over to the air force, do you?—A. That is the usual course, Mr. Sinclair, but in Rockcliffe air station there is a little different situation in that we are closing Uplands where there were over 300 families, and in closing Uplands we are placing great pressure upon Rockcliffe.

The CHAIRMAN: Are there any other questions on 420? If not, vote 421—1950-51 the vote was \$800,000, the present vote is \$900,000 an increase of \$100,000.

The WITNESS: Mr. Chairman, it will be recalled that the operations of Central Mortgage for and on behalf of the Department of National Defence fall into two main categories. We are responsible to the Minister of Resources and Development for married quarters and schools. Military construction of other kinds is handled by the Minister of Defence Production through Defence Construction Limited with whom we have a management contract.

This vote of \$900,000 relates only to housing and schools. A comparable vote is contained in the estimates of the Department of Defence Production but this vote of \$900,000 is to meet the expenses of Central Mortgage in managing and supervising some \$30 million of construction during the current fiscal year on account of married quarters and schools.

Mr. Chairman, in the last fiscal year ending March 31, 1952, the construction expenditure was \$28,726,646. The fees paid to Central Mortgage for supervision and inspection were \$849,172 or 2.9 per cent. The estimate for the current fiscal year, that is vote 421, is 3 per cent of \$30 million or \$900,000.

Mr. Chairman, the members of the committee might be interested in the manner in which the fees paid to Central Mortgage are calculated. In doing this work for the Department of National Defence both through the Minister of Resources and Development and the Minister of Defence Production we make every effort to avoid an expensive cost accounting system. It was felt that there was not a great deal of useful purpose to be served in trying to keep every item separate and run three cost accounting systems, that is, our own accounts, agency accounts for Minister of Resources and Development, and agency accounts for Minister of Defence Production.

We examined our accounts rather carefully with the Comptroller of the Treasury and we found that our operations are such that our administrative expenses are about one-third of our total expenses and our salaries are about two-thirds of our total expenses. So in order to avoid the cost accounting system in those three phases I have mentioned, the Comptroller of the Treasury and the ministers concerned agreed that our monthly billings would take the form of our out-of-pocket salaries loaded by 50 per cent representing our administrative charges such as rent, transportation, telephone and telegraph, advertising of tenders, which is a heavy item, the shipping of plans. Incidentally, the plans which we have to ship to our five regions when we are going out to tender amount to about one ton for every \$2 million worth of work. Heavy expense is incurred in the distribution of these plans.

*By the Chairman:*

Q. But I understand, Mr. Mansur, that you bill for these services?—A. Yes, once a month we bill the two ministers and this vote is the vote relating to the Minister of Resources and Development. We take our actual out-of-pocket salaries and load 50 per cent to meet the administrative overhead expenses.

Q. Well, if you bill another department for this service and get paid for that, why do you require a vote for the same amount?

*By Mr. Fleming:*

Q. Well, this is in the estimates of the Department of Resources and Development. As I understand it, it is the minister's estimate of what he requires to pay you?—A. Yes, that is correct.

*By Mr. Fraser:*

Q. And that reflects also from Defence Production?—A. Yes. In the original instance it was suggested that our service be made available as a percentage of the total expenditures as a capital charge in the case of work for the Department of National Defence. The Auditor General found that unsatisfactory and the feeling was that any administrative expenses should be voted by parliament as such and should not be contained as a capital item. That is why the vote is before you.

The CHAIRMAN: Are there any further questions?

*By Mr. Fleming:*

Q. In other words, the figure or rate of 3 per cent has been agreed upon for this present fiscal year, and it has been estimated that there will be \$30 million of construction on which the 3 per cent rate will be applied?—A. No. I hope I have not created that impression because the reverse is true. Actual salaries incurred by Central Mortgage and Housing Corporation each month loaded by 50 per cent are presented to the Minister of Resources and Development as our expenditures for the month. It so happens that in the year 1951 it did work out to 2.9 per cent of the total construction expenditures; and using that, as experience, we suggest a vote this year of 3 per cent of approximately \$30 million of construction. But we will not be dealing with a straight percentage of construction expenditures.

Q. Then I misunderstood you. I thought you were working on that same basis.

The CHAIRMAN: Mr. Noseworthy.

*By Mr. Noseworthy:*

Q. I take it then that this \$900,000 is actually money that was spent on behalf of the Department of National Defence?—A. That is correct.

Q. But charged to what?—A. Charged to the expenses of the Minister of Resources and Development.

Q. In other words, it is taking another \$900,000 in order to carry on the defence program?—A. That is correct.

Q. But it does not show in the defence program.—A. I have seen some compilations, although I cannot tell you where, wherein these two items, this one for the Minister of Resources and Development and the comparable vote of about three times this size for the Minister of Defence Production, have been brought forward into the total defence expenditures, although they do not show that way in the estimates.

*By Mr. Sinclair:*

Q. And also the Department of Transport with respect to their airports?—A. Yes, sir.

Q. It is also included in the same figure which you are talking about.

The CHAIRMAN: Are there any further questions on vote 421?

*By Mr. Fraser:*

Q. That 3 per cent of these expenditures, or 1/10th over your actual cost for last year, will that be enough to cover your expenses this year?—A. I think it will, sir. You will remember that we ran 2.9 per cent last year, and 3 per cent this year. I think that our expenses will be about the same. We are trying to introduce a few economies that would tend to offset any of the increases that take place. I cannot really vouch for the figure, quite, but I think it is in the general area. It certainly does not contain a great deal of cushion one way or another.

Q. One tenth of one per cent is not much of a cushion today.—A. Our experience last year was 2.9 per cent and we are suggesting 3 per cent this year; it is a 3 per cent increase.

The CHAIRMAN: Are there any further questions?

*By Mr. Fleming:*

Q. Do you expect any increase in administrative costs this year? Have you had any increases in your scale of salaries or anything like that over the last year or so?—A. Yes; our annual budget is something which causes us great concern. In the work for the Department of National Defence we have about 700 people engaged in that phase of our activities, something just over one-third of the total staff of the corporation. They are not permanent employees. Their jobs last as long as the construction program for National Defence lasts. They are made up of engineers, inspectors, men with experience in the building trades; and we are in direct competition with construction companies and with general contractors.

I might say that when we get a good man, they are absolutely merciless with us; they will steal that good man just as quick as they can hire him. We must meet the scale being offered by the large contractors, and where we find that we have a good man who is being tampered with by the general contractors who are doing work for us, it is an occasion when we must take the necessary steps to retain the services of that man.

Mr. FRASER: Why did you say "tampered"? Would not tempted be a better word to use?

The WITNESS: I cannot over emphasize the difficulty which we had in putting together, in a period of two months, a staff of some 700 people not only because of quantity but quality. We are concerned with the quality of our inspection staff; and likewise the contractors are concerned with the quality of their supervisory staff. The only comforting factor in this situation is that I think that in many areas our supervisory staff, our inspection staff, measure up to the supervisory staff of the contractors. But with men in such short supply, it is a very difficult business to maintain a satisfactory organization and to maintain at the same time reason, and order in the salary scale.

Mr. FLEMING: And uniformity too.

The WITNESS: Yes, it is very difficult. And I do not think we are at all satisfied with it. We are short of engineers. Engineers of experience are just about unobtainable at the moment and we are devising every possible means we can to secure competent on-the-site construction engineers. We are willing to meet the market in order to find them because, if we have \$9 million of work, let us say, at Petawawa, we can well afford to have a first class construction inspector or engineer at Petawawa.

Mr. FRASER: It would save you money.

The WITNESS: Yes, and I could not think of anything that would cost the Crown more money than a poor supervisory staff on our account. But the thing that is so frustrating is that with the full knowledge of that, we still cannot lay hands on them, and when we do, our good friends, the contractors, do a job of purloining them.

Mr. FULFORD: Your "good friends"?

The WITNESS: Yes. They are still our good friends.

The CHAIRMAN: Vote 557.

Mr. JEFFERY: Who checks the qualifications of the inspectors and the supervisory staff? How many of the qualifications do you check personally?

The WITNESS: Our system is this: In Ottawa we have a chief engineer and a couple of assistant chief engineers; and in each of the five regions, there is a regional engineer and he has a group of assistants. There is a continuous weeding out process which goes on in this construction staff which we employ.

(At this point discussion continued off the record.)

Mr. NOSEWORTHY: Do you have occasion to fire many of your inspectors?

The WITNESS: Indeed we do, sir. In the organization as a whole we have a turn-over of about 20 per cent per annum; in other words, in our whole organization there is about 400 a year of turn-over; and of the 400, we initiate separation in about one-quarter of the cases, or in about 100 cases a year. The turn-over initiated by the employer is about 5 per cent, and the turn-over initiated by the employee is about 15 per cent.

*By Mr. Crestohl:*

Q. Do you find there is difficulty because of the likelihood of the engineers going to the United States, or because there is a shortage of engineers in Canada?—A. I think the shortage of engineers in Canada is extremely acute. We do not see a great deal of migration except in the highly specialized types, such as chemical engineering, and in some highly trained electrical engineers going to the United States. In the civil engineering field I do not think that is a particularly great problem. But the amount of construction in the country involving civil engineering is such that there just are not enough engineers to go around. There are a great number of qualified engineers who do not do engineering work. They have graduated into executive and administrative work. In our experience, almost from coast to coast, and in our troubles with our contractors, we find that 90 per cent of the difficulty lies in incompetent supervision on-site.

Q. Have you ever addressed yourself to the Department of Immigration to request them to encourage the immigration to Canada of competent engineers?—A. Yes, we have that going on at the moment. We try to keep track of all of them who come to this country and we have had some success. I think we probably have 70 to 80 of all ranks who have come to this country.

Q. Do you know if there is a restriction against engineers taking up the practice of their profession before they acquire Canadian citizenship, such as there is in the case of dentistry, and medicine?

Mr. SINCLAIR: I can answer that question, Mr. Chairman. It only applies to people practising professionally by themselves. Any company can hire any number of engineers as long as the top engineer is a professional engineer and he is the one who signs the plans.

*By Mr. Crestohl:*

Q. I think there are many engineers who are afraid to apply for jobs because they suffer under the delusion that they cannot be permitted to practise until they become citizens. Therefore I think what you have said should be publicized a little more, whereupon I think you will find applications coming into your department for jobs.—A. I think that the Engineering Institute has been most generous, or let us say, far from restrictive as to the admission of qualified men into Canada. We hear of cases wherein some of the professions take a rather dim view of their ranks being invaded by immigrants. But I do not think anybody could have much criticism to level at the Engineering Institute of Canada on that score. I think their attitude towards it is everything that could be asked for.

Q. I think there should be a little more publicity.

The CHAIRMAN: We have members of the press with us this morning and word will go out.

Mr. JEFFERY: Have you heard much criticism of crown corporations having foreigners dealing with the public, I mean people speaking a foreign language?

The WITNESS: We have had very little of that kind of trouble. We try to be cautious on it. But generally speaking I find that not only in our organization but also among the contractors, there is a genuine desire to help people who have just come to this country. I am amazed at the consideration which some of our non-Canadian born technical staff receive from on-site contractors. They seem anxious to show them and teach them; and I believe that as far as we are concerned, the situation on that score is entirely healthy.

Mr. FULFORD: Mr. Mansur does not get the complaints that members do, that you have to be foreign speaking in order to get a job; and that if you are Canadian born, you will be left holding the bag.

Mr. SINCLAIR: I think that is simply defensive mechanism used by Canadians who just cannot hold a job.

Mr. FULFORD: I have not got a single instance where they were able to prove it.

Mr. JEFFERY: That would not apply to engineers.

Mr. FULFORD: Do you have this difficulty with lots of foreigners coming to Canada, that once they learn the English language, they leave the job and go to something else?

The WITNESS: That has been particularly true in the case of labour which has been acquired by the contractors. There has been a big turn-over, when the non-Anglo-Saxon has got used to the customs, ways and language of this country. But our turn-over has been extremely low. Of course, I would like to think that our turn-over would be lower than that of most organizations; and we do everything in our power to see that it is lower than most organizations. We try to maintain a certain degree of morale, and we insist that our people behave themselves vis-à-vis these people who come in. I like to believe that they like to work in our place, and I think they do. But I do not think that the technical people, sir, are as quick to change as are tradesmen and unskilled labour, because the engineers that we have in our organization, be they Yugoslavs, Czechs, or Austrians, have a long way to go. They have only been with us a year or two, and "acclimatized" in their eyes is a lot further off than "acclimatized" in the eyes of the, let us say, plasterer who got his first job, let us say, in Edmonton.

Mr. CRESTOHL: Would you care to make a statement with respect to whether or not, if these people become civil servants, they have to write a civil service examination? How do they get on your staff?

The WITNESS: Under section 14 of the Corporation's Act, employees of the corporation are designated as not being servants of Her Majesty. We have a personnel department in exactly the same way as any private corporation has a personnel department, and our staff recruitment follows, I hope, rather better lines than the average private corporation in Canada.

*By Mr. Fraser:*

Q. Is it not true that industry goes over to the United Kingdom and scouts around for men over there?—A. That is right.

Q. Do you ever get any of those men?—A. Yes.

Q. Because I understand they are bringing them over all the time.—A. We are on a scouting business of our own at the moment. We have some plans in mind, and I admit quite frankly that we are 40 or 50 engineers short of a job that I would be proud of, and something simply has to be done about it, even if we have to bring them in from Zululand.



Q. And what about draftsmen?—A. It is not so general there because the drafting profession is probably the best barometer of things to come in the way of construction; and with the sharp turn-down that has taken place in commercial and industrial development, where very heavy drafting requirements are present, the draftsman has ceased to be the aristocrat that he was two years ago.

Q. He certainly was two years ago.

*By Mr. Macnaughton:*

Q. In the Montreal district, your inspection staff would be, in practice, totally subject to the regional engineer?—A. Yes, sir.

Q. Who is in charge of that district?—A. Yes. We are all strictly decentralized and we are composed of five regions, with a regional engineer being responsible for the inspection staff within his region.

Q. Could you tell me his name, in Montreal?—A. His name is McAndrew, and at the present time we have a man called Kerr with him. They are associates. McAndrew does not happen to have his full engineering degree, although he is a very able man. Therefore his associate is a fully qualified engineer. I do not like to say that the engineer is the senior one of the two. We do not do it that way; we call them associates.

Mr. ASHBOURNE: Mr. Chairman, I have not been able to attend the meetings of the committee in the way I would like to. I have just come from a meeting of the Marine and Fisheries committee which has just concluded its session and I would like to direct a question to the witness regarding the dearth of competent engineers. What is the general reason there is such a dearth? Is it because they are migrating to the United States, or is it because there is not enough qualified men from the universities to do the work?

The CHAIRMAN: The answer is already on the record, Mr. Ashbourne, but Mr. Mansur will answer you briefly.

Mr. ASHBOURNE: I think something should be done in the way of providing additional scholarships or some other inducement to young university men to go into the field of engineering.

The CHAIRMAN: Will you answer Mr. Ashbourne briefly, please.

The WITNESS: The reason for the shortage of engineers in my opinion is that this country is doing a great many things in a very short period of time. And whereas our engineering colleges have been producing engineers at a very high rate since the end of the war, even that rate of production has been insufficient at various times to keep up with the terrific volume of construction that is taking place. It is acute at the moment; and I think another reason might be that if you look at the component parts of our total construction program and compare it with last year and the year before, you will find an ever increasing proportion of engineering work with a lesser proportion of industrial, commercial and residential work; and as that engineering work increases, the requirements for qualified engineers continues to rise. The chairman asked a question as to whether or not enough engineers are coming out of the universities. I think the universities are to be praised for producing as many engineers as they do. But we are not particularly interested at the moment in the engineer who is immediately graduating. We will take him and we are very happy to do so, but we will not go into competition with the big companies who are looking at the graduating classes of the universities. We would rather have a man who has had four or five years experience because, in our job, it makes a difference to us. If we take on a chap we may want to send him to, let us say, Penhold,<sup>8</sup> or Cold Lake, or even to the Arctic Circle or somewhere where he has to be on his own. Therefore it is more satisfactory

for us to secure engineers who have had some experience. And moreover, the salary rates seem to be completely disproportionate. You can hire an experienced engineer for less per production dollar, in my opinion, than you can hire a man who is fresh out of college.

*By Mr. Fraser:*

Q. Are you advertising at the present time for engineers?—A. No sir.

Q. Did you not say that you were scouting?—A. We are looking in the United Kingdom and we have had some success by using what might be called the chain letter system. We have 120 engineers and we turn those 120 engineers into lieutenants for our personnel recruitment. We find that the best way to get a man is to have someone in our organization who knows him, tell him a good story, and tell them about how good our organization is as a place to work.

Mr. FLEMING: You have been speaking about engineers for some time now. I take it that it is civil engineers only in which you are interested, or are you taking on mechanical and electrical engineers as well?

The CHAIRMAN: Vote 557.

*By Mr. Noseworthy:*

Q. I would like to get back to the inspectors. Who is responsible for supervising your inspectors, your district supervisor?—A. Our regional engineers. We have five regional engineers operating under the chief engineer at Ottawa; and under the regional engineer, depending on the size of the region—for instance Ontario. We have ten area engineers.

Q. Do you ever run into difficulty with contractors with respect to those whose work the inspector is supposed to inspect, in the way of their offering them an inducement to turn a blind eye?—A. Yes, Mr. Chairman; that is an ever present difficulty in the construction industry; and I think that anybody who is in the construction industry, in the position of an owner or even a contractor, who does not recognize that difficulty has his eyes closed. It is a most difficult thing to check. You get allegations and you get suspicions, and one thing which we do as a matter of security is to move men at pretty regular intervals. We think that a man should not be too long in one spot, and particularly in the case of the on-site inspector, where a contractor is bidding on a new job. We think it is a good idea to keep these boys on the move.

Mr. JEFFERY: Your 20 per cent turn-over should help too.

The WITNESS: We have had cases of dishonesty but it comes in degree. Just what is dishonest is sometimes a little difficult to determine. We get rid of them pretty regularly for that reason; but what really disturbs me is that although we get rid of some of them regularly for that reason, how many more of them are there that we should get rid of for that reason?

*By Mr. Noseworthy:*

Q. What is the procedure when you run into the situation where an inspector claims that he has been fired because he insisted upon the corporation's rules and regulations being lived up to?—A. Well, Mr. Chairman, discharged employees are disgruntled employees and an allegation against somebody in the organization comes just like bacon and eggs—they go right together. We have about three people who are continuously engaged on investigating this very thing. We have had the most extraordinary allegations made that we just can't believe nor can we substantiate. There is one thing that always interests me about the allegations of a disgruntled employee; these allegations quite often take the form of suggestions that somebody has been dishonest

and that irregularities have taken place. It always seems amazing to me that they have to be leaving our employ before they bring the dishonesty to our attention. I would like to believe that all disgruntled employees who make allegations are doing it for purely vexatious reasons. I am afraid I cannot do that. Most of the allegations must be looked at very carefully, remembering the rights not only of the disgruntled employee but also the rights of the individual against whom the allegations are being made and cannot be substantiated.

Q. There is one other question that I wanted to ask, Mr. Chairman, I do not know whether this is the place for it. Can anything be done to protect the purchaser of houses built under the supervision of Central Mortgage and Housing Corporation against contractors who do not follow the regulations as laid down by the Corporation; that is, the purchasers who find themselves buying something that is much inferior to the standards they thought they were buying and which are laid down by the Corporation?—A. Mr. Chairman, the question is a difficult one. The home owner and the builder have a contractual relationship between themselves completely covered by the statutes of the province in which they live. Our position and that of the lending institution is that of a mortgagee with no privity to the contract between the owner and the builder. There is the belief that our inspections are in the nature of a guarantee that every covenant of the builder will be fulfilled as far as the purchaser is concerned. That is not the case, but sometimes it is pretty hard to convince people that Central Mortgage should not be in that position.

The CHAIRMAN: There is a warning in the builder's loan sale form.

The WITNESS: There is a statement that we are not providing full architectural services. There is a definite statement that we do not underwrite the contractual relationship between the builder and the owner; but where we do get cases we try to become the mediator between the two of them.

Now, as to actually protecting the owner, I don't know what we can do about it. The builder has sold the house. The owner has given the builder full acceptance of the house and the deal is closed. But where we find flagrant cases of this we apply sanctions against that builder by not wanting to do business with him any more, and our big weapon—maybe you will say it is used unfairly if you like—our big weapon is that if a builder does not behave himself with respect to home owners he is not going to get any more loans under the National Housing Act unless we are instructed to make them.

*By Mr. Macnaughton:*

Q. Isn't that the answer to the whole thing?—A. I would think so.

Q. There is no doubt most of the purchasers believe that the houses are being built in accordance with these specifications which you have put out. After all, he doesn't know much about it and he depends on you to see that he gets a good house. Surely there is some obligation to see that that is done, and that is the one defence that many people buying buildings have to rely on. Then, also, you have your inspection service on which the purchaser relies. I mean, most home buyers are quite ignorant, and they have enough trouble to worry about. Then, there are the cases where houses have been taken back by your corporation and the subsequent purchaser has found that the building was not built in accordance with what it should be.

Mr. FULFORD: What is that expression you lawyers use, caveat emptor?

Mr. JEFFREY: If I might make a remark here, most people feel when they buy a new building that it should be exactly in accordance with specifications. We all know as a matter of common practice that it does not work out that way. Having built a number of houses for myself at considerable cost I think I may say that we all expect too much of a new house. In saying that I am

not trying to excuse the defalcations of contractors, but I think it should be pointed out that most purchasers expect a perfect house and we all know that no house is perfect.

Mr. MACNAUGHTON: Yes, but where you have a house with the bricks falling down, and all these other things that we have heard about which would be shown basically by inspection, there is a feeling that these purchasers have not got what the corporation lead them to expect.

Mr. NOSEWORTHY: Reference was made to these inspections, and I made these remarks.

The WITNESS: I would like to remark, however, that the basic inspections are the responsibility of the lending institutions and not of the corporation. We maintain a certain amount of policing upon the activities of the lending institutions. The other remark I would like to make, Mr. Chairman, is that this subject is one which has been under discussion for some time, and there is a school of thought that we ought to adopt the United States practice under the F.H.A. to inspect every house upon which they make a mortgage commitment. Now the F.H.A. attitude towards this problem raised by Mr. Noseworthy is identical to our own, they do their best to supervise it, but they do not guarantee.

*By Mr. Fraser:*

Q. Is it not true that on some of these houses you built for veterans that you did repair them afterwards, fixed them up. These were the flat-roofed houses where the roof was leaking and you had to fix those roofs?—A. Oh yes.

Q. You got them fixed?—A. Oh yes.

Q. And there were chimneys that had a tile at the bottom and a tile at the top, a lot of things like that?—A. Yes.

Q. And you had to put in a metal—

The CHAIRMAN: Lining.

Mr. FRASER: —lining in there to get rid of them?

The WITNESS: Oh yes, we have had a lot of trouble. I do think this conversation up to this point would indicate that there was a great deal of trouble between builders and owners of this kind. That is true. But there has not been much talking yet this morning about the 75 or 80 per cent of the builders who go back to the home owner and say: "is everything all right, do you want me to re-hang this door for you, and so on"? In fact there are a number of builders I know of who virtually put on a one-year guarantee and go back every three months to talk to the housewife to see if there is anything he can do. We don't hear much about them. I am of the opinion, Mr. Chairman, that as far as Central Mortgage is concerned the only definite method of looking after this problem is to apply sanctions to builders who do not adhere to these standards.

Mr. NOSEWORTHY: That does not protect all of them.

Mr. FRASER: Somebody has to do something about it.

The WITNESS: Mr. Chairman, there are some builders who do not do what might be considered the proper things; and, equally, there are some owners who are terribly unreasonable and some of their complaints are absolutely fantastic.

Mr. GOUR: We get people in our district whose buildings are all wrong. I think we have just about as many complaints in our district as you get from any other.

Mr. FULFORD: Does it not all resolve itself into what our legal friends refer to as the principle of caveat emptor?

Mr. MACNAUGHTON: No, I think it is hardly that simple where you are putting public money up for this sort of thing.

The CHAIRMAN: I think this subject has been well discussed.

Vote 557:

Mr. ASHBOURNE: Mr. Chairman, I do not know whether I am in order at this time to bring up this matter but I would appreciate it if I might have the opportunity at some time before this committee closes of asking Mr. Mansur if he would briefly review the operations of the corporation in Newfoundland. As I said before, I am sorry that I have not been able to attend frequently at these meetings, but I would like to have some information on that.

The CHAIRMAN: I would suggest, Mr. Ashbourne, our records are printed, excepting the last one; if you read them you will find considerable reference to Newfoundland, particularly in regard to section 35. If you read the record and will send a written request as to any point that has not been covered I am sure that Mr. Mansur will be glad to answer you.

Mr. ASHBOURNE: Well, if that is your—

The CHAIRMAN: If you will read over the records of the committee and then indicate any point that has not been covered.

Vote 557:

*By Mr. Fleming:*

Q. Could we have a statement on that?—A. Mr. Chairman, it will be recalled that under the National Housing Act the power of the corporation to do direct construction is limited by the amount of money voted by parliament for such purposes. That is vote 557, which is indeed an authorization by parliament for the construction activities of Central Mortgage during the current fiscal year. This vote is a loan and investment rather than an expenditure. We borrow this money from the government and give them our debentures representing our obligations to the government. The buildings as they are built move into the asset side of our balance sheet and there is a corresponding interest bearing liability in the form of debentures owing to the government on the other side. The vote, Mr. Chairman, is for \$8,300,000 and is made up of the following items. Under the veterans program there are two items; there is completion of Fraserview of \$4,600,000; and there is completion of sundry projects under the veterans program of \$330,000. The sundry of \$330,000 is made up of two main items; landscaping not yet done although the projects were finished early in 1951, but in many cases the landscaping is not done because we have not wanted it done until the project reaches a certain degree of maturity; and the balance of the item of \$330,000 is made up of the holdbacks against contractors who have given us insufficient or improper work; so the veterans program, Mr. Chairman, is made up of these two items, in total \$4,930,000.

The second item deals with the remaining amount of war workers' houses. You will recall that we still have a number of houses where the permanent chimneys and the running foundation are yet to be installed; and we hope that during this fiscal year we will be able to finish the improvements on the war workers houses. That item is \$1,300,000.

The next item, Mr. Chairman, deals with Deep River, the arrangement at Deep River is that Central Mortgage acts as the construction agency for atomic energy of Canada Limited. The vote, as loans and investments under vote 557, is made available to Central Mortgage. When the buildings are completed to the satisfaction of Atomic Energy of Canada Limited they pay us for the buildings so delivered to them and we in turn pay off the debentures which the

government holds representing this \$1,070,000. The item at Deep River are landscaping some houses that went in in the 1950 program amounting to \$17,000. There is also in the annex to the staff hotel, \$200,000 and there is \$853,000 for 100 new houses. Those are the three items making up that item of \$1,070,000 for the National Research Council. The Atomic Energy of Canada Limited, will, of course, provide the expenditure items required to pay off this investment.

Now, the fourth item, Mr. Chairman, is Gander. It will be recalled that Gander has almost 5,000 people in it. The residential buildings available today in Gander are limited almost to the "H" huts and other military type buildings, both on American and Canadian side. There are quite a number of families with insufficient accommodation and a number of married men who have been unable to take their families to Gander. An arrangement was entered into, subject to this vote, with the Department of Transport, under which Central Mortgage in cooperation with the Department of Transport is putting in a town-site development in Gander on which we hope there will be some 150 houses under construction this year. The vote contemplates about 100 houses being owned by the federal government. The land assembly operation will provide lots for private owners who will be financed under the terms of the National Housing Act and will provide lots for the air lines, such as Royal Dutch, Pan America; and the oil companies who have employees in Gander. We expect these oil companies and the air line companies will be building rental housing for the use of their employees who happen to be posted to Gander. Mr. Chairman, the object of the exercise is to put more housing into Gander of a permanent character and to give Gander some of the amenities which it does not enjoy at the present time. Those are the four main parts of the estimate, Mr. Chairman.

Mr. FLEMING: And they total \$8,000,000?

The WITNESS: Which total \$8,300,000.

*By Mr. Fraser:*

Q. On the Gander project, those will have to be rental housing will they not?—A. The houses which will be built under this vote, Mr. Chairman, will be rental housing, with the possibility that they will be sold to home owners. In the land assembly operation we expect that there will be some home owners who will be building in the area. There have been some veteran home owners who have built in the area already. I must say, Mr. Chairman, that I do believe that Gander is probably the most likely place for rental housing that I have ever seen because I cannot imagine a home owner buying a house in Gander having regard to its use in his old age; I cannot think of Gander as being the place where many people would want to retire.

Q. What type of house are you building there now?—A. The frame type, one story and story and a half.

Q. That would need special insulating, would it not? I mean, on account of the weather?—A. Well, Mr. Fraser, the temperature is rather milder than it is here in Ottawa.

Q. It is milder, but then it is open to severe winds in the winter time, is it not?—A. The big difficulty is in masonry. In Gander, and indeed anywhere in the Maritimes, in the winter time they have severe horizontal rains driving in at about 60 miles an hour and then freezing. These houses will be frame, using Newfoundland lumber; and the plan at the moment is to do some individual units and to do some row housing, and to do some multiple units. The original 100 buildings under the sponsorship of the Department of Transport, owned and operated by Central Mortgage, I regret to say, will take the form of about 40 individual units, about 40 multiple units and about 20 row housing units.

Q. Will they have basements in them?—A. Yes, they will all have basements. I believe in that country a basement is absolutely essential for storage purposes. I think that one should look pretty carefully at the slab treatment in an environment like that. I think that the slab ranch type bungalows are all right for the carriage trade, but that carriage trade has to be very real before they are all right.

*By Mr. Fleming:*

Q. Are you experimenting with central heating at all?—A. In the multiple units we would have a single heating system, but a central heating system for the area as a whole would be a bit too expensive.

Q. This item in general I thought is one that is very much below what it was last year; for example, it is below what it was for the previous year.—

A. Yes.

Q. It is not so high as it was last year, is it?—A. No.

Q. These are groups of individual projects, changing year by year?—A. That is right. At one time it was as high as \$85 million.

Q. Just as a matter of curiosity, how much of last year's appropriation of \$12,500,000 was actually spent?—A. The actual expenditures were \$6,379,000.

Q. That is about one-half of the appropriation?—A. That is right.

Q. What is the reason, was it Fraserview?—A. Fraserview? That was a major reason.

*By Mr. Macnaughton:*

Q. Will the corporation build these houses, or will it be done by a sub-contract at Gander?—A. No. We will bring a contractor in, I hope.

Q. Will your research community planning bureau take hold of that project?—A. Yes, I can assure you that the layout and design of this townsite being developed will be one of the best. It will be extremely well done and I think everybody will be proud of it when it is finished.

*By Mr. Sinclair:*

Q. With respect to the \$4,600,000, this will complete how many houses? How many are left to be completed at Fraserview?—A. 411, I think.

Q. 411. Will that be the total project?—A. We have more services to put in; there are roads, and sewers.

Q. What is the total project then?—A. The total project will be about \$11 million.

Q. No, no. I am thinking in terms of units, houses?—A. 1,110.

Q. You say 1,110.

The CHAIRMAN: Mr. Noseworthy.

*By Mr. Noseworthy:*

Q. The votes which have been before us this morning cover, I think, roughly about \$10 million.—A. Yes.

Q. Are there other votes for Central Mortgage and Housing Corporation, or is this the total?—A. The only other votes are statutory votes contained in the National Housing Act; but they do not come forward each year in the estimates. There is a vote for part I, and a vote for part II and a vote for section 35.

Q. Where is provision made for the 75 per cent that the Central Mortgage and Housing Corporation contributes towards these joint projects, for securing land and so on?—A. Under section 35, there is a statutory vote of a revolving character of \$50 million. The statute provides that in the next succeeding year parliament shall deal with a vote sufficient to restore the revolving fund to \$50

million. Because it is impossible to tell the exact figure until March 31 the item will come forward in the supplementary estimates rather than in the main estimates.

The CHAIRMAN: Mr. Ashbourne.

Mr. NOSEWORTHY: Mr. Chairman, I wanted to make sure that you have some money for it.

*By Mr. Ashbourne:*

Q. Mr. Chairman, as I have the honour to represent Gander in my riding, I can vouch for the fact that additional accommodation is very badly needed there. And I notice that Mr. Mansur said that he was going to build 150 houses; and then he mentioned 100. What about the other 50?—A. It is hoped, or it is thought and hoped that Royal Dutch and some of the oil companies and some private individuals who seem very anxious to proceed on their own account, will account for the difference between the 100 I have mentioned and the 150 total.

Q. The 100 will just be on the federal account?—A. The government account.

Q. Can you give us an idea when they will be concluded?—A. I hope that construction will be under way by the middle of the summer. There was trouble getting water up.

Q. You mean water from Gander lake?—A. Water right on to the pumping system; there are 9,000 feet of 9" line to be laid there. I will be happy if we can have most of those houses framed before the snow flies.

Q. The houses will be insulated?—A. Oh yes, they will be well insulated.

*By Mr. MacNaughton:*

Q. You could not build a new terminal while you are at it, could you?—A. I do not object to the Gander terminal.

Q. I think it is terrible. I think it is the worst advertisement that this country has.

Mr. ASHBOURNE: Yes; Certainly some additional accommodation at the terminal itself is badly needed.

The WITNESS: I could think of other things I would rather do in this country.

The CHAIRMAN: I shall go right around the table. First, Mr. Jeffery.

*By Mr. Jeffery:*

Q. I would like to know one thing: What interest rate do you pay on your debentures?—A. In the case of the veterans program, it will be recalled that the rent structure was based upon federal money at 2 per cent. In view of the fact that all the corporation gets out of its investment is the rent level established by the federal government, it is not possible for us to pay the federal government more than the interest rate content contained in the rent structure, which is 2 per cent. Therefore \$4,930,000 will be at 2 per cent debentures.

The permanent improvement to war workers houses used to be on a 2 per cent basis. But unfortunately the rate is now 3 3/4 per cent. The Department of Finance takes a rather dim view of a continuation of the 2 per cent rate. However, when we sell these houses, the agreement for sale will provide for rather more than 3 3/4 per cent. Deep River at 3 3/4 per cent is a very short term investment because as soon as the buildings are up they are sold with the result that the interest rate there is not a matter of much contention between ourselves and the Department of Finance. In the case of Gander we will pay 3 3/4 per cent.



Mr. JEFFERY: I hope the mistake will not be made that was made when these war workers houses were put up, in respect to dry rot. If the timbers are treated with copper naphthalate, there would not be trouble of that kind.

The WITNESS: Yes. We are trying to be very careful with ventilation; that is one of the things that caused the difficulty.

Mr. JEFFERY: Copper naphthalate would provide the complete answer.

The WITNESS: Yes. I would like to have a look at it because we have plenty of dry rot.

Mr. FULFORD: Do you paint it on?

Mr. JEFFERY: Yes. You can use it on boats.

*By Mr. Fraser:*

Q. With respect to your landscaping, is that all done by separate tender now?—A. It is all done by tender in varying quality; but we are starting a list of landscapers in the same order as we listed the contractors. We have on our staff three graduates of O.A.C. whose job it is to look after landscaping, both when it is done in the original situation and to see that it is maintained. Our organization spends a lot of money on landscaping; and after we took over the Wartime Housing, we decided that we needed men who understood it more thoroughly, so we hired three graduates.

Q. Your first landscaping was done in the city of Peterboro and it was used as a model by the rest of the country.

Mr. SINCLAIR: You mean it was used as a model by the rest of Peterboro.

Mr. FRASER: No, the rest of the country.

The CHAIRMAN: We have reached vote 557. Are there any general questions in regard to the annual report? I believe we have covered it in detail. Are there any general questions?

Mr. NOSEWORTHY: Do we make any recommendations to the House based upon our study of the report?

The CHAIRMAN: We have little precedent to guide us in this regard, Mr. Noseworthy; but my plan was to ask the agenda committee to meet tomorrow morning at 10:30. I hope it will be possible. The minister is absent from Ottawa today and I cannot be sure whether he can be with us tomorrow. However, I shall call the meeting for 10:30 anyway, even if we have to adjourn it. Your agenda committee will bring in a report to the main committee for the record.

Mr. NOSEWORTHY: And the recommendations will be discussed?

The CHAIRMAN: Yes.

Mr. FLEMING: Would you report to us on the result of your communications with those other organizations?

The CHAIRMAN: My intention is to do that.

Mr. FLEMING: Could you not do so now?

The CHAIRMAN: I think it preferable to report to the agenda committee, which is a smaller committee. Let us canvass the whole subject and then come back to the main committee with our full report.

*By Mr. Fleming:*

Q. I have a question, Mr. Chairman. It may be that it cannot be answered at the moment. It is in connection with these various sections which are scattered throughout the National Housing Act in regard to the provision of money. I am looking for instance at section 12 of the Act, of which subsection 4 reads as follows:

"The grant under this section shall be paid out of any unappropriated moneys in the Consolidated Revenue Fund, but the aggregate amount thereof shall not exceed twenty million dollars."

I wonder if we could be told what is the expenditure of the appropriation against this amount in each section, such as the one I have just mentioned? If I remember correctly, there are, in the Housing Act, a dozen of them scattered throughout the Act. Some of them are on this revolving fund of which you spoke a few minutes ago.—A. Under section 12 the amount committed against that \$20 million is \$1,150,000. Now, in the case of part I of the National Housing Act, section 7 provides for \$300 million out of unappropriated moneys. My recollection is that there are \$88 million as from the start of this fiscal year, available under that section which was considered enough to carry us into the fiscal year 1953-54, before the government would have to give it consideration.

Q. You have got \$100 million in March last?—A. Yes; the amendment moved this from \$200 million to \$300 million, if I remember correctly.

Q. The \$100 million came to you out of the surplus as it was set up; and the March \$100 million was added to the sum provided for under section 7.—A. Yes, I believe so. But are we talking about the same thing, Mr. Fleming? We are talking about the statutory appropriation under this section.

Q. Yes.—A. Rather than the moneys advanced to us.

Q. I would like to cover both subjects as we go along, just to complete the picture.—A. I think I would have to file those figures, Mr. Chairman. My recollection is that at March 31, 1952, under section 7 there was still \$88 million of the \$300 million left which was considered sufficient to carry us through another year before consideration would have to be given.

The CHAIRMAN: Would you care to file a written answer?

The WITNESS: Yes.

The CHAIRMAN: Then I shall see that it goes in the evidence when it is laid before the committee.

*By Mr. Fleming:*

Q. And that will cover the sections under which there may be unappropriated money still available?—A. Yes.

Q. And it will also cover the other subjects of advances?—A. As to that which has been advanced.

Q. You are speaking of advances, the kind of thing we have under section 14?—A. Oh yes. And there is one under section 15, and one under Part V. There are about six of them.

Q. Your statement will cover them, so that we may have a bird's eye picture of those funds which are not voted year by year, or are the subject of special votes year by year?—A. Yes.

Mr. FRASER: Will you show where the money has gone?

The CHAIRMAN: Are there any further questions on the report and the financial statements? If not, carried.

Mr. NOSEWORTHY: Do you want any suggestions for the agenda committee?

Mr. ASHBOURNE: When shall we meet again?

The CHAIRMAN: If we bring in our report today and the report is carried, I would hope, Mr. Ashbourne, that we might meet on Thursday and complete our work.

HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
of the  
CENTRAL MORTGAGE AND HOUSING CORPORATION  
1951  
AND REPORT TO THE HOUSE THEREON

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THURSDAY, JUNE 12, 1952

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WITNESS:

Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation.

ORDER OF REFERENCE

THURSDAY, June 12, 1952.

*Ordered*,—That the name of Mr. Coldwell be substituted for that of Mr. Thatcher on the said Committee.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*

## REPORT TO THE HOUSE

THURSDAY, June 12, 1952.

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

### SIXTH REPORT

Pursuant to the Orders of Reference of the House of March 24, 1952, this Committee had before it for consideration the Annual Report and the Financial Statements of the Central Mortgage and Housing Corporation for the year ended December 31, 1951.

Your Committee held 13 meetings during which the above-named matters were considered and evidence adduced thereon.

The Annual Report of Central Mortgage and Housing Corporation shows that the credit balance in the Reserve Fund of the Corporation as at December 31, 1950 was \$5,000,000.00. During the year 1951 the Corporation earned an operating income of \$3,144,037.02, as compared with \$2,861,998.88 in 1950. The Report also discloses the fact that sales of properties realized \$9,843,062.96, making a total net income of \$12,987,099.98 which has been transferred to the credit of the Receiver General of Canada, leaving a credit balance of \$5,000,000.00 in the Reserve Fund of Central Mortgage and Housing Corporation as at December 31, 1951.

Your Committee recommends that Section 12, which now provides that the land acquired and cleared under the powers contained in that section shall be sold by the municipality to a limited dividend housing corporation or a life insurance company which has agreed to construct thereon a rental housing project under the provisions of Section 9 or Section 11 of The National Housing Act, should be amended to permit the sale of the said land also to the joint housing partnership Federal-Provincial, authorized by Section 35 of The National Housing Act.

Your Committee further recommends that Section 12 be amended to permit the land cleared of buildings under the provisions of this section to be used for commercial or other purposes, providing the municipality makes available to a limited dividend company or a life insurance company which has agreed to construct thereon a rental housing project under the provisions of Section 9 or Section 11 of The National Housing Act, or the federal-provincial partnership Section 35, an area of land sufficient for the construction of a housing project containing at least the same number housing units as those demolished.

The task of your Committee was greatly facilitated by the valuable assistance of Mr. D. B. Mansur, President of the Corporation, and his staff.

A copy of the Evidence adduced in respect of the matters referred is appended hereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*



## MINUTES OF PROCEEDINGS

THURSDAY, June 12, 1952.

The Standing Committee on Banking and Commerce met at 11.00 o'clock a.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamsón, Balcom, Bennett, Fleming, Fraser, Fulford, Gingras, Gour (*Russell*), Henry, Hunter, Jeffery, Leduc, Noseworthy, Sinclair, Thatcher, Ward.

*In attendance:* Mr. D. B. Mansur, President, and J. D. Ritchie, Central Mortgage and Housing Corporation.

In answer to questions asked by Mr. Fleming at the previous meeting, Mr. Mansur tabled the following documents:

1. "Central Mortgage and Housing Corporation Statutory Appropriations as at March 31, 1952";
2. "Central Mortgage and Housing Corporation Special Account created by Section 35 of The National Housing Act, 1944 as at March 31, 1952".

The said documents were ordered to be printed as part of this day's evidence and the Witness questioned thereon.

The Chairman laid before the Committee letters received by him from the following Associations:

1. The National House Builders Association Inc.;
2. Canadian Construction Association;
3. The Dominion Mortgage and Investments Association.

The said letters were taken as read and ordered to be printed as part of this day's evidence.

Mr. Mansur was requested to comment on each of the said letters, did so, and was questioned thereon.

The examination of Mr. Mansur having been completed he was retired.

The Chairman expressed to Mr. Mansur and his staff the appreciation of the Committee for their valuable assistance in the completion of the task before the Committee.

The Committee then commenced consideration of its report to the House.

The Chairman laid before the Committee a draft report.

Mr. Thatcher moved in amendment:

That the draft report be amended by adding thereto the following:

Your Committee further recommends that where joint loans are not available in municipalities of any size to fully meet the loan applications of builders then in all such cases Central Mortgage and Housing Corporation should have authority to make such loans.

After discussion and the question having been put, the said amendment was negatived.

Thereupon Mr. Noseworthy moved in amendment:

That the draft report be amended by adding thereto the following:

Your Committee further recommends that a study be made of the possibility of including the provision of school accommodation as a part of the over-all cost of servicing land under Section 35 of the National Housing Act.

And the question being raised as to whether the proposed amendment was in order, the Chairman ruled the said amendment out of order on the ground that under the British North America Act the jurisdiction in regard to Education is exclusively in the provincial field.

And after further discussion, on the motion of Mr. Fleming, seconded by Mr. Noseworthy, the said draft report was adopted.

At 12.55 o'clock p.m. the Committee adjourned to meet again at the call of the Chair.

R. J. GRATRIX,  
*Clerk of the Committee.*



## EVIDENCE

JUNE 12, 1952.

11:00 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

At our last meeting Mr. Mansur undertook to supply a written answer to Mr. Fleming's question in regard to the statutory appropriations as of March 31, 1952, and the extent to which they had been used. I received the written answer yesterday and it will be printed in today's evidence.

### CENTRAL MORTGAGE AND HOUSING CORPORATION

*Special Account created by Section 35 of the National Housing Act, 1944 as at March 31, 1952.*

Revolving Fund established by Section 35 (4) .....	\$ 50,000,000.00
Advances from the Revolving Fund evidenced by the debentures of Central Mortgage and Housing Corporation	
Fiscal Year 1950-51 .....	\$ 1,500,000.00
"      "      1951-52 .....	1,500,000.00
	<hr/>
	\$ 3,000,000.00

*Note:* 1950-51 advances have been reimbursed to the Special Account. 1951-52 advances are provided for in Supplementary Estimates for 1952-53.

The CHAIRMAN: Mr. Fleming, have you a copy of this?

Mr. FLEMING: Yes, I have. Thank you.

The CHAIRMAN: Are there any questions arising out of that answer, Mr. Fleming?

**Mr. D. B. Mansur, President of Central Mortgage and Housing Corporation, called:**

*By Mr. Fleming:*

Q. I think, Mr. Chairman, the point was pretty clearly set out in the table. There is an uncommitted balance in the appropriation under the relevant sections of \$146,482,891; and Mr. Mansur has indicated he thinks that would be quite ample for the needs of the present fiscal year.—A. That is correct.

Q. And each of the five individual amounts is adequate for the purpose under the respective sections of the Act for the present fiscal year.—A. Yes sir, I believe that is the case. I might make one comment on item number 4 which is the vote for experimental plumbing and heating equipment. It will be recalled that the plumbing and heating industry of recent months has

## CENTRAL MORTGAGE AND HOUSING CORPORATION

STATUTORY APPROPRIATIONS AS AT MARCH 31ST, 1952

Act	Section	Original Appropriation	Additional Appropriation	Total Appropriation	Commitments against Appropriation	Uncommitted balance in Appropriation	
The National Housing Act, 1944..	7	Home-owner Loans.....	\$ 100,000,000.00	\$ 200,000,000.00	\$ 300,000,000.00	\$ 232,055,678.00	\$ 67,944,322.00
The National Housing Act, 1944..	12	Slum Clearance.....	20,000,000.00	Nil	20,000,000.00	1,150,000.00	18,850,000.00
The National Housing Act, 1944..	13	Loans for Rental Housing.	150,000,000.00	Nil	150,000,000.00	98,696,683.00	51,393,317.00
The National Housing Act, 1944..	16	Experimental Plumbing and Heating Equipment	5,000,000.00	Nil	5,000,000.00	Nil	5,000,000.00
The National Housing Act, 1944..	27A	Housing Research and Community Planning...	5,000,000.00	Nil	5,000,000.00	1,704,748.00	3,295,252.00
			\$ 280,000,000.00	\$ 200,000,000.00	\$ 480,000,000.00	\$ 333,517,109.00	\$ 146,482,891.00

been busily engaged trying to keep up with the demands to meet new construction. That situation has changed rather, and we have started conversations and negotiations with the industry for ways and means of implementing the intent contained in section 15 of the National Housing Act. Mr. Chairman, I believe it is a case that until fairly recently it was just impractical to ask the heating and plumbing people to do other than direct their attention to the production of material for new construction.

The CHAIRMAN: Then, gentlemen, I promised that after our last meeting your agenda committee would meet and bring in a report with regard to communications which we have received. At the previous meeting of the committee I was instructed to write the National House Builders Association Incorporated, and the Canadian Construction Association Incorporated; and I will now read into the record one letter which I wrote to the Canadian Construction Association:

Dear Sirs:

The annual report of Central Mortgage & Housing Corporation was referred by the House of Commons to its Banking & Commerce Committee, and this Committee has been holding meetings considering the report. While the reference to this Committee is simply the annual report of Central Mortgage & Housing Corporation, some of our members believe that your organization might like to send in a written brief containing suggestions on housing.

I have been instructed to write you advising you that should you wish to do so the material should be mailed to the Committee Clerk, or to myself, by not later than Thursday of next week, June 5.

My letter was dated May 30.

Please do not consider this as a request, but rather as a warning that our work will soon be completed, and if you are planning to supply any material it should be in the hands of the Committee in the near future.

I have received—and copies have been made and are now in the hands of the committee—I have received letters from the National House Builders Association Incorporated, the Canadian Construction Association Incorporated, and also I received this morning a letter from the Dominion Mortgage and Investments Association. While all of these letters in my opinion do at least in part go beyond the scope of the reference to this committee and perhaps should be ruled out by the chair, yet after considering the matter very carefully I would be inclined if the committee approves that they would be read into our record and that Mr. Mansur would be asked to make any comments which he thinks are appropriate in regard to the contents of any or all three of the letters; and then, as to questions, I hope that members of the committee would under the circumstances confine their questions to reasonable proportions, having in mind the fact that some part of these letters are outside the scope of our reference.

Are we agreed?

Agreed.

The CHAIRMAN: Will we take the letters as read? You have them in front of you, or shall I read them into the record.

Hon. MEMBER: Take them as read.

The CHAIRMAN: Is that agreed?

Agreed.

They will go into the record.

## THE NATIONAL HOUSE BUILDERS ASSOCIATION INC.

EMBASSY BUILDING,  
82 Bloor Street West,  
Toronto 5, Ontario.

JUNE 4, 1952.

Hughes Cleaver, M.P.,  
House of Commons,  
Ottawa, Canada.

Dear Mr. Cleaver:—

Thank you for your letter of May 30 advising us that our wire of May 19, 1952 will be added to the Banking and Commerce Committee records. In compliance with your suggestion, we are enlarging on the different matters referred to in the wire in the hope that our remarks will assist you and your committee in giving consideration to the serious housing problems ahead of us.

*Loan Commitments*

At the April 1952 convention of the National House Builders Association, Incorporated, held in Winnipeg, one of the greatest causes for concern on the part of builders was the attitude of lending institutions operating under the N.H.A. In general, mortgage money has been more difficult to obtain and companies are being much more selective. We cannot criticize a lending company's right to let experience dictate the operation of the various mortgage offices and indeed where sales have indicated caution it would be foolish to ask for unlimited commitments. However, there are many areas where industry is expanding rapidly and where the housing shortage is growing steadily worse.

In such areas, homes can be built under the 20% down payment provisions only if they are done in the most economic manner. For such building, advance planning and buying is an absolute essential and if modern production techniques promoting savings in both materials and labour costs are to be used, project builders must be able to start units in blocks of a suggested minimum of fifty and preferably one hundred. Most builders reporting through our Association are now finding it is very difficult to get loan commitments in blocks of twenty-five even where sales are going well. There would appear to be two steps which could be taken.

1. Direct loan commitments, to be resold to lending institutions after completed sales as was done with some of the direct loans under the Rental Insurance plan.

2. A reintroduction of the buy-back clause similar to the old Integrated scheme and the Defence Loan plan now in operation. This would encourage lending institutions to make commitments in larger blocks and incidentally banks would be more inclined to make construction loans to provide adequate working capital.

3. Introduction of 100% mortgage insurance as provided for in the U.S.A. under Title 2 F.H.A. Mortgage insurance would permit the entry of many other types of institutions in the mortgage lending field under the N.H.A.

It might be mentioned here that while the present N.H.A. provides for twenty-five and thirty year amortization there are few if any lending institutions granting loans other than on a 5/15 year or 20 year basis. We can see no reason for such a lack of confidence in the future of our housing and the paying ability of home owners. If lending institutions cannot be forced or persuaded to grant twenty-five and thirty year amortizations then perhaps the guarantees to the lending institutions should be reviewed or direct loans should be granted.

### *Serviced Land*

Serviced land constitutes a major problem in most of the cities which have experienced rapid growth. Many of the municipalities are forcing subdividers to install all services such as water, sewer, sidewalk, pavement and curbs, and street lighting. This constitutes a serious problem in view of the large initial expenditure necessary and the consequent reduction of working capital. The project builder working under the N.H.A., is generally best qualified to undertake subdivision work as this is really only part of the long range planning necessary if costs are to be kept down. Our suggestion therefore is that assistance should be given to the subdivider or builder—subdivider in installing the necessary services such as is now given municipalities under section No. 35. It is possible that if the services were paid for by the Federal Government alone or in conjunction with the Provincial Government, the municipalities could arrange to collect taxes in the form of locals to retire the loan covering the services and this should of course be done on a long term basis. We can see no reason why municipalities or other levels of government should get into the land business unless of course private enterprise has shown insufficient interest.

May we mention here an example of an apparent injustice which has been brought to our attention recently. A speculative builder operating in St. Catharines under the ceiling selling price was using land where sewer and water, etc., had been installed under the local improvement act. An extension of this successful project involves development of raw land, and incidentally an increased price per acre, with the builder paying for all improvements. Existing N.H.A. regulations appear to provide for no increase in the selling price or mortgage which in effect means a reduction of the builder's already narrow profit margin. It is our understanding that this subject is now under discussion at high levels but no final decision has been made. Whether or not the N.H.A. can be amended to assist the subdivider in installing improvements, the establishment of ceiling selling prices should take into consideration actual costs whether they be for labour, materials or land improvements so long as the various items and amounts in question are reasonable and in keeping with the nature and price range of the housing required.

It might be well for your committee to review the method of establishing ceiling selling prices as we feel that often not enough discretion is allowed branch managers to meet local conditions. We agree that if our industry is to help combat inflation and produce housing within the reach of our people, we must keep costs down and also work on a reasonable profit margin. However, only successful builders, which mean builders operating at a profit, can cope with our housing needs and ceiling selling prices must be constantly reviewed in the light of existing conditions.

### *Rental Housing*

A great deal of attention has been focused on the need for rental housing particularly for the low income groups. Actually the rental housing under the Rental Insurance Plan and now under section No. 35 does not appear to be catering to the low income family but to the middle bracket. Actually, we are in agreement with the need for rental housing but we do not agree that rental housing being produced under section No. 35 is in the best interests of the nation. It is our belief that private enterprise can do a quicker and better job for the income class provided for under section No. 35 and we suggest the following action.

1. Vigorous promotion of Rental Insurance Plan with direct 90% loans bearing interest at  $4\frac{1}{2}\%$  or lower. Lending institutions previously showed a lack of interest on this plan in view of the high percentage mortgage and low interest rate and direct loans based on realistic

valuations would appear to be the only answer. Consideration should also be given to relaxation of some of the standards which produced expensive and often accommodation larger than necessary. We realize the loans on a 40 year amortization basis can be made only on buildings well constructed, but a compromise will have to be made of building standards and space requirements. Our Association would be pleased to appoint a committee to sit in Ottawa and attempt to work out in detail a revised and workable Rental Insurance Plan.

2. We believe that section No. 9 of the N.H.A. providing for direct loans to Limited Dividend Corporations should be promoted. Experience in Hamilton and elsewhere would indicate that housing can be produced by private builders renting for amounts comparing favourably with those announced to date under section No. 35. Private enterprise would be even more willing to operate under this section if Rental Insurance were provided in conjunction with the other provisions of the section No. 9 and Rental Insurance on a proper basis does not involve uneconomic financing or Government participation in housing management which is bound to be cumbersome and generally undesirable.

Our Association is pleased that the housing picture is being reviewed and offer any assistance possible to the various committees appointed to investigate and improve the situation. One of our main criticisms is the time lag between the recognition of a crisis in the supply of housing and the remedial steps. Our industry built up to its present efficient and sound basis under the N.H.A. cannot survive too many peaks and valleys such as occurred in pre-War years and in particular in the last eighteen months. We sincerely hope that legislation will keep pace with the changing conditions and that shelter, a basic commodity, particularly in a growing country will not suffer.

Yours truly,

THE NATIONAL HOUSE BUILDERS ASSOCIATION, INC.

(Signed). W. H. Grisenthwaite  
*President.*

THE DOMINION MORTGAGE AND INVESTMENTS ASSOCIATION

OFFICES—302 BAY ST.  
Toronto 1, Canada.

Jules E. Fortin,  
Secretary-Treasurer

JUNE 11, 1952.

Dear Sir:

We have noted the proceedings of the Committee on its examination of the Annual Report of the Central Mortgage and Housing Corporation, and believe it would be helpful to the Committee to have before it information on the position which our member companies occupy in the mortgage lending field.

The Dominion Mortgage and Investments Association is a voluntary association of insurance, loan and trust companies. Its membership is made up of 26 insurances, 7 loan and 16 trust companies. Their assets in Canada at the end of 1951 were \$4,314 millions and their mortgage investments in Canada were \$1,281 millions.

These companies are a major source of long-term credit in Canada. They invest in bonds and other securities of Canada, its provinces, its municipalities and school districts. They finance public utilities, industrial and commercial

enterprises in their long-term capital requirements. They provide a large amount of the funds required for the purchase and construction of housing. The funds at the disposal of these companies are entrusted to them by the public of Canada through the sale of life insurance, the deposit of moneys with loan and trust companies and the sale by these companies of their debentures and savings certificates. The investment of these funds must be such as to enable the companies to return in due course the moneys entrusted to them with interest to policy holders, depositors and holders of debentures and other securities. It follows that in the employment of these funds the companies must follow a policy of careful selection and wide diversification.

In the mortgage field, the life insurance, trust and loan companies invested more money in new mortgages in 1951 than in any previous year. We estimate that money invested by them in mortgages during the year amounted to about \$385 millions which was an increase of \$10 millions over 1950. Mortgages on properties in Canada held by these companies now amount to almost \$1,500 millions as compared with only \$532 millions at the end of 1945.

The gross loan approvals of these companies in 1951 totalled about \$423 millions. Although this was a decrease of 17 per cent from 1950, it was still the second highest yearly volume on record being 11 per cent above the 1949 level. Some 82 per cent of these loan approvals were in respect of housing.

Loan approvals for the construction of new houses declined about 25 per cent to around \$230 millions. It was this classification of loans which rose sharply from 1949 to the extraordinarily high level of 1950—the increase being of the order of 46 per cent. The cutback from 1950 to 1951 was much less than the increase from 1949 to 1950. It is apparent that the curtailment in mortgage lending was not nearly as drastic as has been pictured.

A contraction at some point in mortgage loan approvals was bound to occur. Throughout the post-war period the lending institutions invested large sums in mortgages, particularly housing mortgages. Their cash disbursements on new mortgages in the past five years have exceeded \$1,500 millions. A good deal of this money came not from new funds coming into the hands of mortgages but from the sale of government bonds. Thus the imbalance in their investment portfolios which was evident at the end of the war was being corrected. The channelling of funds into mortgages at the 1950 rate could not continue for long without the companies finding themselves with a high proportion of their assets in mortgages. In 1950 the increase in Canadian mortgage portfolios of member companies was equivalent to more than 80 per cent of the increase in their admitted assets in Canada and in 1951 the proportion was 65 per cent. It will be recognized that this is indeed a substantial proportion.

It is to be noted that by the end of 1950 the pre-war relation between mortgage investments and assets had been restored. At the end of 1951 member companies as a group had a higher proportion of their assets in Canada invested in mortgages than in 1939. At the end of 1951 this ratio was 31 per cent while at the end of 1939 it was only 24.4 per cent. For life insurance companies the proportion is 28 per cent, for loan companies 70.7 per cent and for trust companies 33.9 per cent. It will be apparent that the lending institutions have continued to be very much in the field of mortgage lending.

The amount of funds which the companies have for investment is, of course, limited by the volume of money placed in their hands by the public through the payment of insurance premiums, deposits and otherwise entrusted to them plus interest earnings less the return of moneys to policy holders, depositors, etc. and the expense involved in doing business. To this net is added moneys arising from the repayment of existing loans and maturing securities plus the proceeds of the sale of existing securities. With the drop in bond prices in March 1951, the sale of existing bond investments, such as government bonds, may only be made at a loss which results in curtailing the amount of funds available for new investment in comparison with, say, 1950.

There is great competition for this available money. Provincial governments, municipalities, school districts, hospitals, public utilities, industrial and commercial enterprises, and the individual who wants housing, all have important and pressing requirements. In the allocation for investment of the funds available to them member companies must have constantly before them the best interests of those whose money it is and thus they must follow a course of investment and diversification in keeping with that duty. They believe that they have recognized that duty in their investment policy and that this policy has been on all counts to the advantage of Canada and its citizens.

Yours very truly,

(Sgd.) J. E. FORTIN,  
Secretary-Treasurer.

Mr. HUGHES CLEAVER,  
Chairman,  
The Standing Committee on Banking  
and Commerce,  
House of Commons,  
Ottawa, Ontario.

R. G. JOHNSON,  
General Manager.

CANADIAN CONSTRUCTION ASSOCIATION  
384 Bank Street, Ottawa, Canada,  
Phone 3-1797.

JUNE 4, 1952.

Hughes Cleaver, Esq., M.P.,  
Chairman,  
Banking and Commerce Committee,  
House of Commons,  
Ottawa.

Dear Mr. Cleaver:

Thank you for your letter of May 30 advising that your Committee would be prepared to receive by June 5 written representations concerning housing in connection with its present review of the 1951 Annual Report of Central Mortgage & Housing Corporation.

We were given to understand, when your Committee commenced its current study, that the latter was to be of a "private" nature with C.M.H.C. and Government personnel only being called upon to testify. While this Association is vitally interested in residential construction and has made representations concerning housing on a number of occasions in the past, our President does not feel that the four days' notice given is sufficient to prepare a suitable brief.

It should be added, however, that the Association's Housing Committee, under the Chairmanship of Mr. Hubert Bird of Winnipeg, is actively preparing a report containing recommendations designed to supplement in detail the policy statement and resolution on housing adopted at our 1952 Annual Meeting. (A copy of the Proceedings of this convention is enclosed and I would refer you to Pages 6, 7, 13 and 14 in this regard). These recommendations, upon being studied and approved by our Management Committee, will of course be submitted to the Federal Government without delay.

Yours sincerely,

(Sgd.) S. D. C. CHUTTER,  
Assistant Manager.

SDCC/J  
Encl.



The CHAIRMAN: Then, Mr. Mansur, will you please refer to the letters one at a time and comment of them?

The WITNESS: Mr. Chairman, in the letter received from the National House Builders Association a number of points are made. Most of them have already been covered in my evidence. However, it will be noticed that the letter from the National House Builders Association deals with loan commitments. Point number one suggests that there should be direct loan commitments to be re-sold to the lending institutions after completed sales as was done with some of the direct loans under the rental insurance plan. Mr. Chairman, the direct loan commitment is, of course, the equivalent of Central Mortgage making a direct loan because if the lending institutions do not pick up the commitment then Central Mortgage, having made the commitment, will be the owner of the mortgage. The Minister of Resources and Development dealt with that matter at some length and stated that it was the present policy of the government not to make direct loans in municipalities of over 5,000 population. I believe that direct loan commitments are the equivalent of direct loans and I do not think I have a great deal to add to what the minister has already said. On the other hand, I would agree fully with the representation made for the National House Builders in that I believe that the lack of commitments is one of the greatest detriments to house building on a large scale. After all, it is these large builders who under present circumstances can produce houses on the most economical basis; and, as I mentioned in my evidence if they can not get a forward mortgage commitment to cover mortgages on houses which they wish to place upon the land we are developing, the land is not going to be developed.

Mr. THATCHER: Mr. Mansur, would you just amplify that last remark?

The CHAIRMAN: Mr. Thatcher, if you don't mind just making a note of any questions you want to ask and ask them when Mr. Mansur is through—

Mr. THATCHER: O.K., Mr. Chairman.

The WITNESS: Mr. Chairman, I agree with the representation contained in the letter, but for the reasons I have stated I am not at all sure that any steps can be taken. The second point raised concerns the buy-back clause. It will be recalled that this was a part of the integrated scheme and the buy-back provision is included in the present defence workers plan with a major change having been introduced. The major change is that instead of the buy-back being free as it was in the old integrated plan there is a charge, a premium charge is made for the buy-back in the amount of  $\frac{1}{3}$  of 1 per cent of the buy-back price. I think that the introduction of the buy-back would not have much effect in changing the attitude of the lending institutions but would have all the effects suggested in this letter in making greater facilities from the chartered banks more readily available to the builder. I am not at all sure that the proposal if adopted would have the effect of greatly increasing the number of starts. I think some would result, but I do not think that it would be a major instrument towards building back to old levels.

The third point raised by the National House Builders in the introduction of 100 per cent mortgage insurance, similar to that which is in force under the F.H.A. in the United States. When speaking to the committee the Minister of Resources and Development dealt very fully with the governments' attitude towards mortgage insurance in contrast to the joint loan technique being followed and I do not think I have much to add. I believe that the present pool of guarantees made available to the lending institutions are in themselves a 100 per cent guarantee. I think the strongest case that can be made for the suggestions contained in this letter is that we are now providing a 100 per cent guarantee without getting the full benefits of so doing; but, as I mentioned earlier, that is strictly a matter of government policy and the minister has already dealt with it.

The letter goes on to deal with the terms of amortization. Mr. Chairman, I think that I dealt with that very fully at one of our earlier sessions and I do not think I have any more to say.

The letter then goes on to deal with the possibility and indeed the desirability of the builder receiving assistance perhaps under section 35 in the matter of land assembly. I dealt with that on May 20 when answering Mr. Hellyer's question about the possible extension of section 11(b). I said at that time that we had been discussing with the officials of the provinces the possibilities of land development by the partnership of land owned by private individuals. That is the point which the house builders have in mind, and in principle Central Mortgage will support it; but, in order to make it effective, we must have the concurrence of the provinces that they also will support such a suggestion.

The next point raised in the letter deals with really a complaint by the home builders about our capitalization of services installed in a sub-division. I do not think there will be any useful purpose served in going into that in detail except to say that in principle we agree with the builders.

Mr. Chairman, I regret one phrase in here which reads, "which in effect means a reduction of the builders' already narrow profit margin." I regret that the National Housing Builders did not give us some little more definite idea as to what they meant by the "narrow profit margin". I think that the house builders as a group have, like everybody in the country been doing extremely well over the last few years and their ideas of "narrow profit margin" may not coincide completely with our ideas and particularly the ideas of the average purchaser. I just do not believe that the house builders who have been operating over the last few years have been on the thin edge and not getting enough money to get by on.

Mr. GOUR: If you will ask me, they are getting too much.

The WITNESS: The house builders go on to suggest that, "your committee might review the matter of establishing ceiling selling prices as we feel that often not enough discretion is allowed branch managers to meet local conditions". Mr. Chairman, after the experience which a lot of us have had in the last 10 years in the matter of price ceilings I am quite sure not too many members on this committee will be sympathetic towards an arrangement whereby we would have 31 branch managers autonomous in setting their price ceilings for their own areas. I think in my earlier evidence I mentioned to the committee that this maximum selling price was a difficult thing to establish, we tried to do it to the best of our ability. I certainly would be very disappointed if we ever came to the point where the National House Builders as an association agreed completely with our technique or with the maximum sale price which we established; but I think that one of the most encouraging things in this letter which we received from the National House Builders is that they do not like it too well.

Then the National House Builders go on to rental housing for low income groups. They say that "section 35 at the moment does not appear to be catering to the low income family but the middle bracket". I am sure that the committee will be interested in that remark, but I would like to remind the committee that although the share of Central Mortgage in section 35 is a majority share we do have another partner and the wishes of that other partner must be met before a deal can be made.

Now the attitude of Central Mortgage and Housing, reflecting government policy in that respect, is shown in Newfoundland where public housing is directed towards the lowest income families in St. John's. My understanding of government policy is that if the province of Ontario wishes to duplicate the St. John's public housing rentals project in Toronto or Hamilton there would

be no objection from the federal government in joining with the province of Ontario to do it. I think that the complaint of the builders in respect to the income level being looked after by housing under section 35 might more properly be directed to the provincial government because as far as Central Mortgage is concerned, representing the federal government, the policy is as clear as crystal.

The builders go on to say on this subject, "it is our belief that private enterprise can do a quicker and better job for the income class provided for under section 35". I can only say that I wish I also believed that.

Mr. HUNTER: Why do they say that? What do they mean by that?

The WITNESS: I think what they mean is, if there were landlords in the provinces—if there was a landlord class in the provinces other than the province of Quebec, and if that landlord class were willing to build housing in the present market, and if that landlord class wished to direct its efforts towards the low income class which, like their narrow margin of profit, is rather indistinguishable in this letter, then the job could be done better by them than by ourselves on joint account with the provinces. I think that is what they mean. But quite obviously in Ontario, and indeed all the other English speaking provinces, there is an insufficient supply of new rental housing and there is no immediate prospect of that situation being rectified through the efforts of private enterprise.

*By Mr. Fleming:*

Q. Why do you make an exception of the province of Quebec?—A. Because in the province of Quebec approximately 80 to 85 per cent of the new housing presently being produced is rental housing.

Q. That is the over-all, the total?—A. Yes—80 to 85 per cent of the total new housing in the province of Quebec will be rental housing.

Q. What would be the proportion of privately owned housing; if the figures you have given us are a fair amount—have you any figures on that?—A. For—?

Q. That does not include any of your direct construction, that percentage does not?—A. No. It includes private construction inclusive of residences financed under the National Housing Act—

Q. Under part 1?—A. Part 1 and part 2; and I say part 1 because part 1 falls into two categories: there is individual housing unit which is home ownership under part 1, and we also have duplexes which are 50 per cent home ownership. As a matter of fact, in the province of Quebec that is the most economical house of a rental character that I have seen. It is produced under section 4 of the Housing Act and is called a home owner duplex although there is included on-site landlord ownership.

*By the Chairman:*

Q. What assistance does the province of Quebec give on housing?—A. The province of Quebec within prescribed limits as to the quality and size are prepared to subsidize the interest rate down to 2 per cent. If the mortgage interest rate in the National Housing Act loan is 5 per cent, as it is today on application to the Farm Credit Bureau in the province of Quebec the owner may secure a subsidy so that his total interest rate is on a 2 per cent basis. I may say, Mr. Chairman, this applies to loans made by lending institutions in the province of Quebec and it does not apply to loans when secured directly from Central Mortgage.

*By Mr. Sinclair:*

Q. How does it happen to be the Farm Credit Bureau who handles that? I thought they dealt with farm loans only.—A. Mr. Chairman, the housing legislation in the province of Quebec for some time past has been administered

by the Farm Credit Bureau which for years previously have been doing a similar type of interest subsidy in the farm field. The Farm Credit Bureau have a housing division.

The CHAIRMAN: Which now extends over the entire province.

The WITNESS: The next item is, "Vigorous promotion of rental insurance plan with direct 90 per cent loans bearing interest at 4-1/2 per cent or lower".

I am sure such an arrangement would be most acceptable to builders who are anxious to put together fully insured rental projects without much investment of their own; however, if we are looking to the prudent use of public funds, I must say that I could give much support to the suggestion which they make.

The final point of the house builders is that section 9 should be promoted.

*By Mr. Fleming:*

Q. Are you going to comment on the period of amortization?—A. The period of amortization of 40 years is not far off the present arrangement under the rental insurance plan where we have straight line amortization at 2.5 per cent per annum with the mortgage falling due at the end of 20 years. Amortization under the present plan is on a 40 year basis on a straight line method. I haven't too much sympathy with the compromise which it is suggested should be made on building standards and space requirements. The National Housing Act indicates one of its purposes is to improve the standard of housing. I think there is a lot of pressure on the lowering of standards and space. I believe that considerable care should be exercised before we do so. You may recall that during one of the earlier sessions of this committee we heard that the mayor of Hamilton made some similar comment. Mr. Grisenthwaite who signed this letter which is before you this morning, is also from Hamilton and he makes some comment on the lowering of standards. This thing seems to come largely from the city of Hamilton which seems to be the hotbed of it; and it is a quite interesting thing that it should be the hotbed of it. The mayor of Hamilton and his council were definite in refusing to allow Central Mortgage to sell some 900 war workers units in Hamilton, notwithstanding that new foundations and chimneys would bring them to a better state, by the way, than the mayor of Hamilton now suggests is desirable. And then Mr. Grisenthwaite of Hamilton now suggests that the National housing standard be lowered too. It is interesting to me that whereas we have the suggestion that these lowered standards should be adopted we have the city of Hamilton imposing a standard of construction for roads into the new federal-provincial project which, while it would be very suitable for 42nd street and Fifth Avenue in New York city, is not suitable for a housing development. I do not know why all this pressure for lowering of standards comes from Hamilton, because it would appear to be the last place in the world, by their day to day attitude toward things that you would expect to find it.

Mr. SINCLAIR: What is going to happen to those 900 houses?

The WITNESS: The 900 houses have been put in good condition and under an agreement with the city of Hamilton the 900 houses may be rented until 1955 and at the end of that time the city of Hamilton re-assumes its right to demand that we remove the houses within a period of six months.

The next item, Mr. Chairman, deals with section 9 of the National Housing Act. This letter suggests that direct loans to the limited dividend corporations should be promoted. It goes on to say, "private enterprise will be even more willing to operate under this section if rental insurance were provided in conjunction with the other provisions of section 9, and rental

insurance on a proper basis does not involve uneconomic financing or government participation in housing management which is bound to be cumbersome and generally undesirable." Mr. Chairman, I have no comment.

*By Mr. Noseworthy:*

Q. Will you explain what they mean by, "rental insurance" that it should be provided in conjunction with the other provision with respect to housing there?—A. Well, Mr. Noseworthy, I will try to tell you what I think they mean. Section 9 provides for a 90 per cent loan with a safe-guard to provide low rental to families of suitable income. A limited dividend company is a 10 per cent equity position. If for economic or other reasons a project should go into default through vacancies or inability to pay rent, then the owners of the limited dividend company would be in a position of losing their equity should the mortgagees decide to foreclose. Now, what I think that National House Builders have in mind—and it is an amazing position for such individuals as they are to take—is that we, by rental insurance, guarantee that the rentals will never drop to a point where their 10 per cent equity investment will be in jeopardy. That is what I think they mean.

I may say that their proposal is not unlike the arrangement which was entered into late in 1945 with Housing Enterprises of Canada Limited. You will notice in the statute that there is a wedding between sections 11 and 9; the life companies invest 10 per cent and, indeed, they were guaranteed against loss on their 10 per cent investment both with respect to principal and interest. That is what I think that National House Builders mean.

Generally speaking, I think the letter brings up most of the points which are worrying the house builders, and that it has some good suggestions in it.

The next letter is from the Dominion Mortgage and Investments Association. In reading it over I do not think I have much to say. It pretty well covers the same territory that I covered in my earlier evidence.

The CHAIRMAN: Yes.

The WITNESS: They mention that there is great competition for available money. We have discussed that subject at some length; and they make the point that member companies must have constantly before them the best interests of those whose money it is, and in fact, to quote from their letter, they say:

In the allocation for investment of the funds available to them member companies must have constantly before them the best interests of those whose money it is and thus they must follow a course of investment and diversification in keeping with that duty.

I think I mentioned at one of the earlier meetings that there were occasions when what appeared to be in the national interest in respect to financing housing might not completely coincide with the investment policy which the companies feel is prudent in respect to their policy holders. I mentioned, I think, that that was one of the disadvantages of the joint loan technique which must be accepted with some of its many advantages.

Mr. FLEMING: Yes. It is a reasonable exposition of the advantages of many of the lending institutions under part I.

The WITNESS: The next letter is from the Canadian Construction Association and I do not think it requires comment. They suggest that the notice given to them was not sufficient to permit them to prepare a suitable brief. I might say that the membership of the Canadian Construction Association does not contain many builders who are in the small house building field. There are some exceptions to that, in the case of some of the medium and large sized contractors who are building directly for Central Mortgage on a firm bid basis;

but in what we have been talking about, namely, the speculative house building field, I do not think there are more than one or two members of the Canadian Construction Association who have a direct interest in that field.

The CHAIRMAN: Thank you. Now, Mr. Thatcher, I shall give you the floor first, because I interrupted you before.

Mr. THATCHER: Mr. Mansur, in his statement, very early in his remarks, stated, I think, that the chief reason houses were not being built was the lack of commitments. I wonder if he would amplify that statement? Would he mean by that, that there is not sufficient mortgage money available for the builders?

The CHAIRMAN: I think it was in regard to forward commitments.

The WITNESS: Under present circumstances, Mr. Thatcher, builders operating on any reasonably large scale must develop their own land. The municipalities simply have not a stock of serviced land which builders can get. Therefore the builder goes out and gets, let us say, 50 acres of raw land, and he makes arrangements, apart from the municipality under which he will service the land, thereby creating, let us say, 225 lots. The servicing of this land will cost him something in the order of \$1,200 a lot, and he will have an investment of some \$275,000 before he even starts to build a house. But to justify that investment he must know that he will recover that investment. The builder wants to be sure that he can build those 225 houses, and he is not sure that he can build them until he has commitments from some lending institution, that as he builds the houses, loans under the National Housing Act will be available.

With very volatile interest rates, and with certain tightness in the availability of moneys for investment, the lending institution is likely to say to that builder: "We won't give you a commitment for 225, but we will give you a commitment for 25 or 50; and when you have got those finished, or when you have got them under way, you can come back and see us, and maybe we will give you some more."

For the development of 50 acres, which involves a capital investment of some \$275,000, he just does not feel that he can go ahead unless he knows that he will have the mortgage financing to complete the project. I think that is the point, Mr. Thatcher.

*By Mr. Hunter:*

Q. In connection with the municipalities which are under 5,000 in population, and in connection with direct loans, are such municipalities ever split up for your purposes?—A. When we are talking about a municipality, we are talking about a prime municipality and the immediately adjacent municipality or municipalities. For instance, in the case of Fort William or Port Arthur, we look upon them as an over-all municipality.

Q. I am thinking of some large towns in which there may well be over 5,000 of a density at one end, while at the other end they are comparatively vacant, or they have a low density. Would you consider a direct loan in such a case? Would you consider a loan in the non-dense part of it?—A. Oh yes. Take the case of Oshawa, for instance. We would not make a direct loan in Oshawa, but we would make a direct loan at the four corners, twelve miles north of Oshawa.

Q. Oshawa is a separate municipality, and I was thinking of township municipalities.—A. We would make a loan, let us say, 12 miles north of the township hall in Scarboro.

Q. So actually it is not municipalities of over 5,000, but rather areas.—A. Really communities of 5,000, yes.

Mr. NOSEWORTHY: May we revert to the situation which Mr. Mansur described for Mr. Thatcher a while ago, the case where you have a builder

prepared to service 50 acres of land, and he is held up because the lending institution will not grant him a loan on more than 25 houses at a time; would not a situation of that kind be improved if at that point Central Mortgage had authority to make a direct loan, when the lending companies positively refuse to do so? Here are two or three hundred houses which are needed to be built, and the only thing holding them up is the insurance companies. So why should not Central Mortgage have the authority to step into a situation of that kind and relieve it in the interests of the common good?

The WITNESS: The reason which immediately comes to my mind, Mr. Noseworthy, is the statement which was made before this committee by the Minister of Resources and Development the other day. I think I have already indicated that this is one of the hurdles, and I do not think there is any difference of opinion between you and me on that; but I really have not much comment to make, and I do not think I should make any comment on what was said the other day.

Mr. JEFFERY: May I ask one question, Mr. Chairman, in regard to the same problem; would the solution be for Central Mortgage and Housing, either with new powers, or under some which they may already have, to go in and help him finance this land, if they think that this housing is necessary in that area, and thus relieve him of the risk involved.

The CHAIRMAN: You mean to finance him under section 35?

The WITNESS: If the province agrees, there is the power to do that financing under section 35 in partnership with the province. I do not think that even our lawyer could find authority within the statute for us to do it directly, other than under section 35.

\* Mr. JEFFERY: But there is a possibility of doing it that way?

The WITNESS: Yes.

*By Mr. Fleming:*

Q. In connection with the comments you were making on rental housing under section 35, with respect to page 3 of the letter of the National House Builders' Association, and in regard to the group, having regard to family income or classification, who are now receiving financing under section 35, would you care to enlarge on the subject of the tests of income, as set up in any agreements which have been approved under section 35, and if they have been uniform all the way through, or not, and would you indicate what the various bases have been in the approved schemes?—A. In rental housing, in which we are prepared to join with the province in a Rent Reduction Fund, the rents are geared to family income. Family income is described as being income of all members of the household who live in the unit, and it includes family allowances, and it excludes 'ex minimus' earnings such as the boy with the newspaper route.

The gross income of the family is established by that method, and the rentals are determined from a formula known as the Carver-Hopwood formula, which is used in Regent's Park, in Saint John, New Brunswick, and in St. John's, Newfoundland, and I think will be used pretty generally throughout Canada. The Carver-Hopwood formula was the Canadian adaptation of the six or seven best formulae in use in all parts of the world. The formula starts with a base of approximately 20 per cent of the family income for shelter purposes where the family has two children; where there is a man, wife, and more than two children, the percentage drops.

Q. And it depends, too, on the number of dependent children?—A. Yes, dependent children, with a certain amount of latitude given to the local housing authority as to what a dependent child is. For instance, an incapacitated child, or a grandmother would be taken as a dependent; in other words, a

certain amount of social consciousness is exercised by the authority in determining the equity in respect to dependents.

But we operate on a base of, roughly, 20 per cent for the man, wife, and two children; and if the man and wife have one child, the percentage is about 21 per cent; and if the man and wife have three children, then the percentage is about 19 per cent. It spreads in a pretty logical fashion from this base, where a man and a wife have two children, and the percentage is 20 per cent.

There is also another variant in the formula, in that the percentage is somewhat higher at the upper income level than at the lower income level. In other words, whereas I say it is a base of 20 per cent for a man and wife and two children, if they had \$3,000, it would probably be 18; or 19 per cent, if they had \$2,000; and it may be 21 per cent if they have \$3,300. There is a variation on that score.

In our arrangements, in adapting this formula, we have consulted with the housing authorities in the United States and we found that one of the most difficult tasks has been to make arrangements for a family to vacate when their family income has gone to a point beyond which new tenants would be admitted to the project. So we have done an adaptation of the usual family scales of rent geared to income by putting in a pretty heavy tilt at about 80 per cent of the breaking point.

Let us assume for the sake of argument that the recovery rent, that is, the rent which is sufficient to recover the investment in the partnership, works out on an income scale so that a family which has \$3,300 is just paying this economic rent; in the formula we start tilting at about \$3,000, so that when the family does reach \$3,300, they are paying rather more than the scale calls for.

The CHAIRMAN: More than the economic rent?

The WITNESS: More than the economic rent; and when it gets to \$3,600, or \$3,700, they are paying considerably more; roughly, the formula in such cases as I have described is 20 per cent for this typical family who has \$3,000, and it would be increased by 40 per cent of their income in excess of \$3,000. The reason we are doing that is that—and I made sure that it has the support of the people in Washington, because this has been one of their big problems, and they think it is a good idea—when we get families up to an income level beyond which they can be admitted to this public housing, they will be paying a fairly handsome price for the privilege of staying in public housing. We feel that when the rent really starts to mount very sharply, it will be of some assistance to us in getting rid of the families.

*By Mr. Fleming:*

Q. You did not arbitrarily set a figure on family income as a condition of admission to public housing?—A. Yes. In the province of Ontario our arrangement with them is: That if the economic rent corresponds with the family income of \$3,300, we will not admit a family to that project whose income is in excess of \$3,000.

The CHAIRMAN: They must have a lower income than that?

The WITNESS: Yes.

*By Mr. Fraser:*

Q. In your agreement, when you rent, do you have something to that effect, if their income goes up?—A. Yes, in the agreement it would be provided that if the income went beyond an economic level, they shall vacate. But just having that in the agreement and getting the family out are two



different matters; and that is why we suggest the tilt at the \$3,300 level, so there will be a few economic forces at work.

Q. And do they know that?—A. Oh yes.

Q. They are told that when they go in?—A. Yes.

Q. They are told that if their income rises above a certain level?—

A. Yes.

Q. Then they are to vacate?—A. Yes.

*By Mr. Fleming:*

Q. Returning now to my original question, is this a uniform method established for rental housing projects in all parts of Canada, or is this going to be something to be determined in each province?—A. The principle is the same for all parts of Canada. But adaptation must be made to meet local conditions. I might use Toronto and St. John's, Newfoundland, as examples. The income level in respect to the two communities is very different. I believe it is appropriate for St. John's, Newfoundland, to allow families there to enter into a public housing project if their incomes are over \$1,000 a year and not in excess of, let us say, \$2,400 a year; but I do not think those figures would be at all suitable in the case of the city of Toronto. I think that comparable figures for the city of Toronto might be a minimum of \$1,500 and a maximum of \$3,000; and I suggest that although it appears to be a difference in those two treatments, yet in reality it is the only way in which you can apply the same principle to St. John's, Newfoundland, and to Toronto.

Q. In working out this method I suggest there is still a lot of room for play in allocating applications for accommodation of that kind?—A. Yes.

Q. I remember that in the United States, when they started, they placed a limit on family income for persons admitted to so-called public housing, let us say, of \$1,200 a year; but with rising incomes, it went up to \$1,400; and I do not know what their limit is now; but I believe with brackets such as \$3,000 or \$3,300 of family income, you are getting into a kind of income group for which public housing, so-called, was never intended. I appreciate the economic factors, and that you are endeavouring to discourage people of that income group from occupying housing that was constructed on the basis of it benefitting people of low income, but I wonder if too much room for play was put in the methods in vogue now?—A. Mr. Chairman, this point has been under discussion with the provinces, and the viewpoint expressed by Mr. Fleming is the viewpoint of the province of Newfoundland and the province of New Brunswick. But in the province of Ontario we are inclined to be on Mr. Fleming's side, and the province of Ontario feels that the band should be somewhat higher than we think it should be.

In Ontario, if I had my way—and by the way I haven't, I would have an income entry band in Ontario of about \$1,800 to \$2,700—the province of Ontario, and this may be right, feel that this upper limit either is too low, that it should be nearer \$3,000. The province of Ontario is looking for an average income within the project as a whole of about \$2,400 to \$2,500; and the province of Ontario points out to us, with some justice, that if you put too low a maximum limit, you either narrow the band of families which you can take care of, or you increase the rent reduction fund. Even with a range of \$1,800 to \$3,000, the subsidy will still be a very substantial amount of money each year, so this is a matter which must be worked out, having regard to the wishes of the province and having regard to local conditions as we find them.

Q. I take it that these methods you have indicated are guiding principles, and that they yield in respect to specific projects in different provinces according

to agreements and the wish of the provinces, and having regard to a policy, to some extent, formulated in consultation with municipal opinion?—A. That is correct.

*By Mr. Jeffery:*

Q. There must be terrific difficulty in administering the scheme, in the way of ascertaining what the income is.—A. Mr. Chairman, Regent Park is one example, and our project in St. John's is another example. I think Mr. Jeffery is unduly pessimistic about the amount of cheating which you get from the average Canadian citizen. One of the very brightest spots in Regent Park is the lack of trouble which they have had on this score.

Q. I mentioned selecting and management and so on being a nuisance as it relates to the income position.—A. Well, on the administration point that relates directly to the income of the tenant; it is a requirement, that he make a statement and make available confirmation of his income and general financial position. That is part of the deal, and if he does not like that nuisance then he does not take a unit. But I might say that I shared Mr. Jeffery's view until I saw it in practice; and it certainly confirmed my faith, and it no doubt confirms that of many others in the integrity of the average Canadian citizen.

Mr. JEFFERY: I think that you put an unfair construction on the remark I made. I did not question their integrity.

*By Mr. Fraser:*

Q. Besides checking on a man's income, do you not also contact the credit unions to see that his credit is good?—A. Yes, Mr. Chairman, we search out the local credit bureau to find out whether he is in arrears of rent, whether he owes every merchant in the town; and the local authority will not take an uncredit-worthy person. In exactly the same way and for exactly the same reasons, a minimum has been placed on entry income in the field of public housing, so that a public housing project does not become a social welfare center to relieve the municipality or the province of some of their responsibility.

The CHAIRMAN: How many houses have you in Regent Park, Mr. Mansur.

The WITNESS: Well, Mr. Chairman, we haven't any houses in Regent Park—there are 380, I am informed by Mr. Hunter.

Mr. HUNTER: I think it is about that.

The CHAIRMAN: Have you any figures as to the amount of subsidy involved?

The WITNESS: I believe that in Regent Park, if I remember correctly, the average rent is \$55 per month. The rent reduction fund—I don't know, because I don't know the basis upon which the city of Toronto is calculating.

The CHAIRMAN: No.

The WITNESS: But I would guess in that area the rent reduction fund was something of the order of \$10 to \$12 per month—maybe \$10 to \$15 per month. You will remember that they had families there with substantial incomes and we ourselves agreed to the minimum economic rental at \$85.

*By Mr. Fleming:*

Q. Coming back to this subject of income I would like to ask you, Mr. Mansur, a little more about the low limits; that is, if there is a lot of emphasis put upon raising the family income level with a view to reducing the demand for a rent reduction fund or subsidy it strikes me it is going to result inevitably in the exclusion of families of low income?—A. Yes.

Q. Now, what steps are being taken to guard against that result?—A. Well, Mr. Chairman, we share that view; but, after all, the provinces are partners too and I think the case for the province is that firstly any good government must

look to the amount of subsidy that they are spending; secondly, the case is that if in Ontario a man of less than \$3,300 income cannot finance a new house under home ownership, then such a project should go to the very limit of families who are unable to look after themselves.

Now, the argument, of course, against that was brought forward in the United States Senate committee by Senator Taft in 1949. The 20 per cent gap suggested by Senator Taft was to make absolutely sure that public housing activity would in no way overlap with private enterprise in the supplying of new houses. He had written into the Act—and it was accepted by the administration—this 20 per cent gap that separates subsidized houses from the private enterprise field. I believe that the 20 per cent gap theory as enunciated by Senator Taft has been over-done. I am rather more of the opinion of Ontario that if they are doing public housing then the ban should be as wide as possible, provided the ban does not cut into the economic field and provided also that it does not load projects by public housing authorities caring for indigent cases which should be looked after in another fashion. I believe though, Mr. Fleming, that when these projects come into operation that the range of income limits which are in the terms of reference of the authority will be used in the best interests of local circumstances; and I do not think that even the best laid plan of ourselves and the province will determine the final level of average incomes within the project.

The CHAIRMAN: May I interrupt? You must have had something else in mind when you asked the question. What else do you think could be done, other than sharply tilting the rent as Mr. Mansur has indicated?

Mr. FLEMING: I am thinking of the selection of the tenants. In the first place, there must be many applications for accommodations of this kind, and there has to be some type of selection applied to the choice of tenants. I assume, at least I understand, that you have in every one of these projects probably many times—

The WITNESS: Yes.

Mr. FLEMING: —the number of applicants you have accommodation for. Where are you going to put your emphasis at that point? I should gather, Mr. Mansur, that every one of these projects, these development projects, being public housing projects, would be the basis of something in the nature of separate agreements, and that in entering into that agreement your views as representing the federal authority will be made known and you are not overlooking the needs of the low income groups?

The WITNESS: No, Mr. Chairman. I think that with the possible exception of Newfoundland we lean to the bottom of the scale rather more than does our partner, the province.

Mr. FLEMING: That is interesting.

The CHAIRMAN: Is it not the practice of the local housing authority to take care of those in the eligible lowest incomes first?

The WITNESS: No, Mr. Chairman. The theory of public housing allocations is that you establish your range; the bottom third, the middle third and the top third; and you try to get a distribution within that range.

The CHAIRMAN: Yes.

The WITNESS: Rather than giving priority to families in inverse ratio to their income.

The CHAIRMAN: I see.

*By Mr. Fraser:*

Q. Mr. Chairman, this question has brought out a question I would like to ask. You take a soldier's wife, she is only getting an allowance perhaps of

\$135 a month. Now, where does she come in? She can't get in under this?—A. Well, if she has two children—and I do not think she should be in a public housing project unless she has two children—her allowance might be rather larger than you suggest and it will be supplemented by the family allowance which would have the effect of increasing the net income further.

Q. The family allowance in that case would be about \$12 a month?—A. \$12 a month, \$144 a year. I think it would fall in the border line group; but the purpose, Mr. Chairman, of this minimum income range is not to exclude the type of case which is mentioned but rather to make sure that the municipality does not use the public housing project as a welfare organization. There is one other fact that has to be looked at fairly carefully in respect to this lower limit on income: whether we like it or not, there are certain social implications that go with the gathering of a large number of families. We have had it in our emergency shelter, although I don't like to admit it; we have tried to be realistic in grouping families of like class together to avoid the difficulties which might occur if we did not do so. It seems to me that the lower level of income for admittance to a public housing project has certain of these factors also.

Mr. FRASER: There is no doubt of that.

The CHAIRMAN: Are there any further questions?

Mr. FLEMING: Mr. Mansur, you touched on what I thought was a very interesting point in your remark this morning in speaking about the difference in attitude of the province of Quebec as compared with other provinces from the point of view of investment in rental housing and you mentioned as a factor in that respect provincial legislation which subsidizes land—was it that—

The CHAIRMAN: No, the interest rate.

*By Mr. Fleming:*

Q. The interest rate, so that it becomes an interest rate of 2 per cent. Is there anything more than that to account for the difference in attitude as between that province and other provinces in respect to private investment in low rental housing?—A. You will remember that in the urban municipalities in the province of Quebec the pattern is that 90 per cent of the housing is rental and about 10 per cent is home ownership. People of French extraction in Canada have over the last few centuries, and even today, a much greater interest in real property as a form of investment than their English speaking counterparts. The local notary for generations has been the investment counsel of the people living in his community and they think in terms of property. I think that one of the most significant things along that line is in the city of Montréal where you see duplexes and triplexes built in envelopes of 4, 6 and 8 buildings on a speculative basis. Every one who can buys one of these duplexes or triplexes in the belief that it will be a very profitable investment because they can get rent from the other floor or the upper two floors. The whole atmosphere is completely different in the province of Quebec with respect to the ownership of property. In the case of the English speaking Canadian, his wife wants a cottage all her own with a picket fence around it. The French speaking Canadian housewife prefers to live in a multiple form of building. I think it is largely a matter of custom. Certainly as a matter of economics it is beyond argument as to which is the better system. But I think, underneath that, Mr. Fleming, is the preference of the French speaking Canadian for real estate as a form of investment to any other form; and I might say that in the province of Quebec the landlord class is a very large one. A man the other day was talking to my wife and I about some property and he said "of course, we are not really large landlords because we have only 2,150 units". Then there is one other very important landlord class in the

province of Quebec and that is the groups like Estate Masson and Estate Valiquette. These estates have their assets in rental property, they trade in real estate in just exactly the way the English speaking estate would hold securities and trade in them.

Q. I presume this subsidy which has the effect of reducing the interest rate has been of assistance in that respect, and has contributed to the attraction of money to investment in rental housing—A. No, Mr. Chairman, the interest rate subsidy is limited entirely to home owners.

Q. Oh!—A. And, if anything, I believe that with respect to the interest rate subsidy the provincial government has been encouraging a trend away from the very thing which I have just described.

Q. Well, I imagine it is limited to the case of home ownership, the purely resident owner?—A. Except in one case, Mr. Fleming; in exactly the same way as we include a duplex in part one as being home ownership—the owner occupies one unit and rents the second unit—the province of Quebec provides the interest rate subsidy for duplexes. As I have already indicated, I think the duplex is the finest type of housing we have in the Dominion of Canada; we get very definitely home ownership; we get all the advantages of home ownership and of rental housing in the most economical fashion that could possibly be put together.

*By Mr. Henry:*

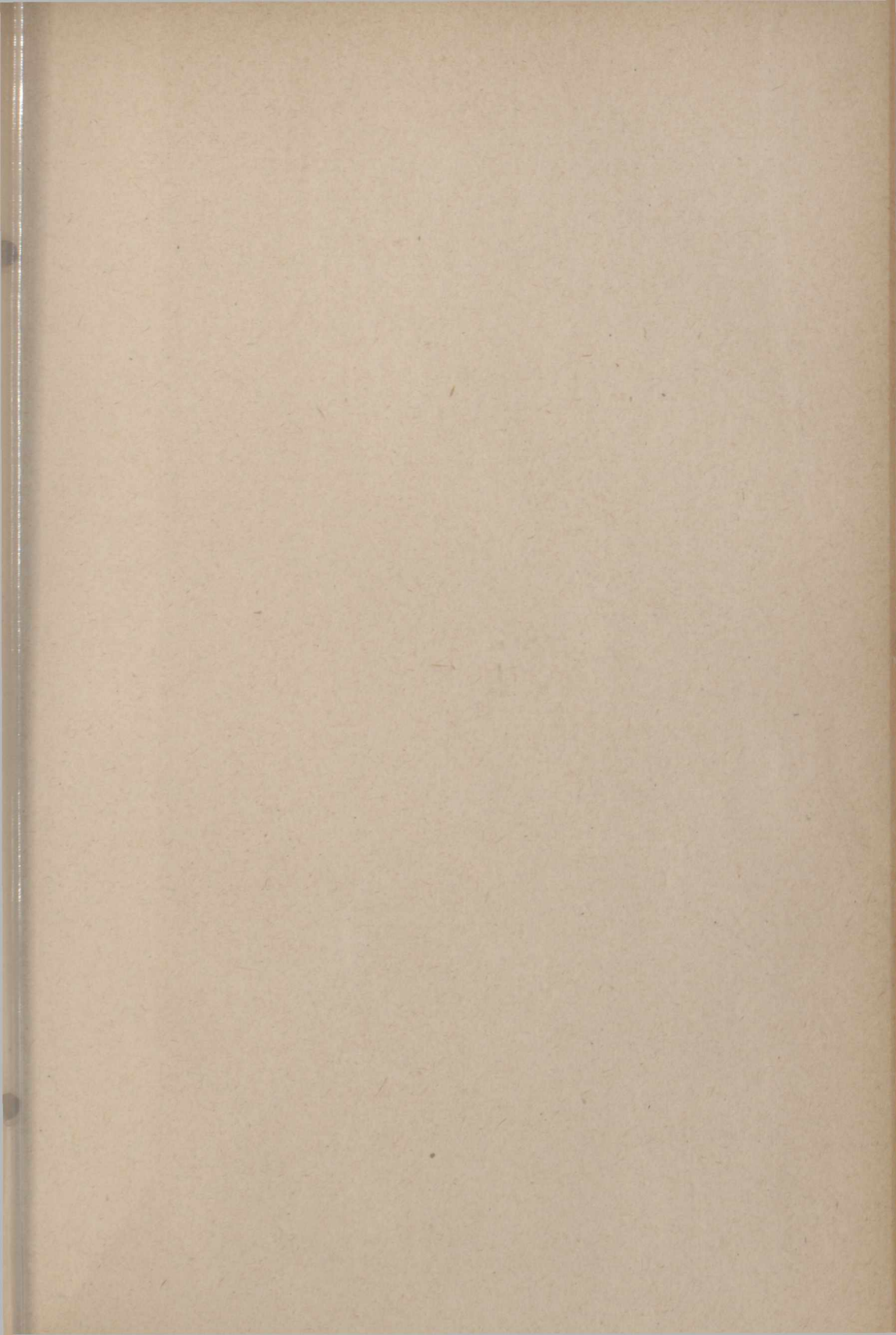
Q. Mr. Mansur, if there were a subsidy on duplexes, as you indicate, in Ontario do you think it would have the effect of increasing the production of duplexes in Ontario?—A. No, I do not think the English Canadian housewife would live in a duplex unless she had to; just exactly like the Hamilton housewife who is not happy unless there is a fence around her house. In Quebec City the housewife will not live in a house—it would be unthinkable, unless it has a milk door at the kitchen. There is no good marketability in a house in the city of Quebec unless there is a milk door; and it is difficult to sell a house in Hamilton without a fence around it.

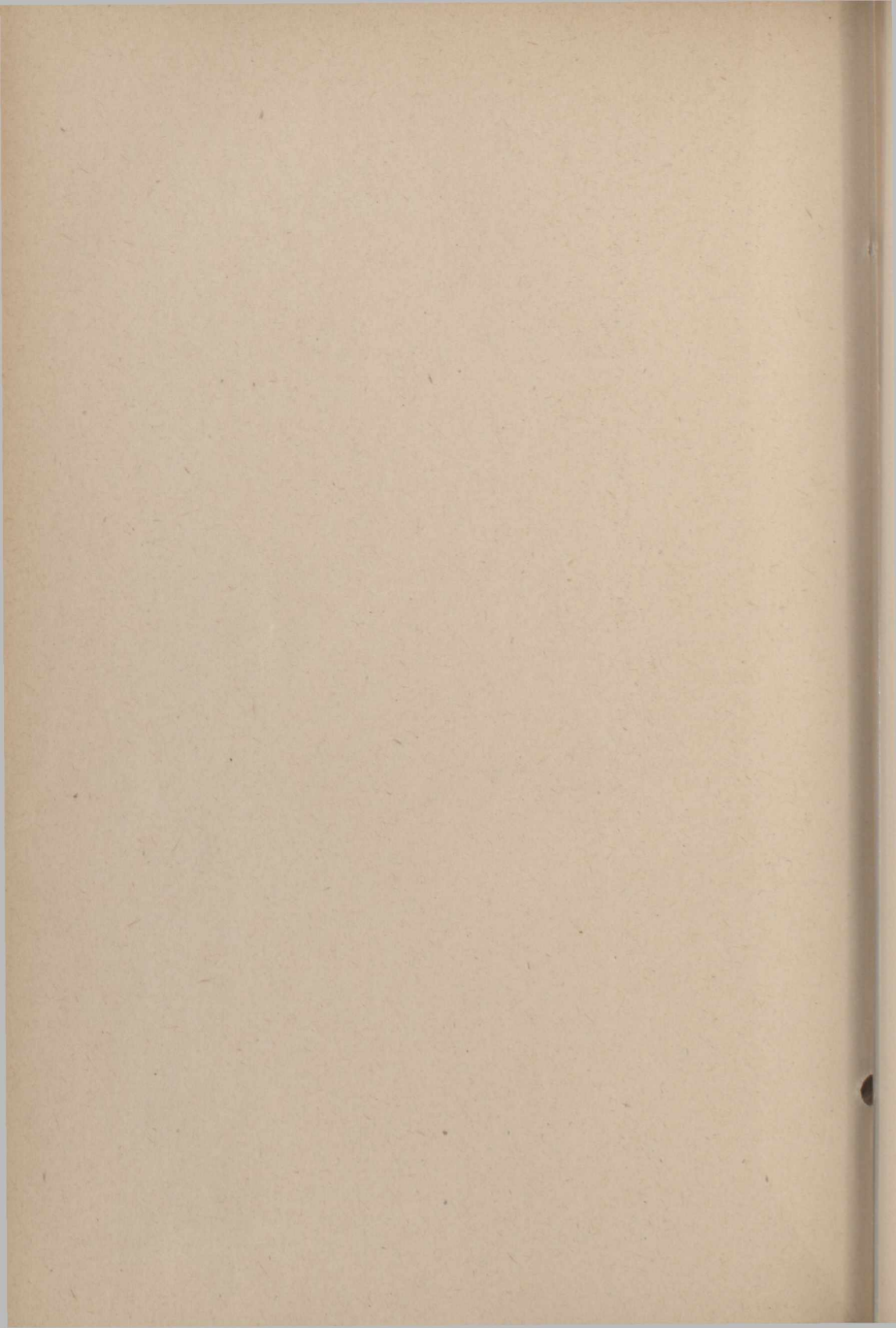
The CHAIRMAN: Gentlemen, we have our report to consider. It is now 12:15; so, if there are no further questions—before Mr. Mansur leaves, I know it would be the wish of this committee that I should express to you, Mr. Mansur, and to your staff, our deep appreciation for the assistance which you have given us in our work.

The WITNESS: I would like to thank the Chairman and the members of the committee for the many courtesies shown to me while I have been a witness. I can only say that it has been a very happy experience.

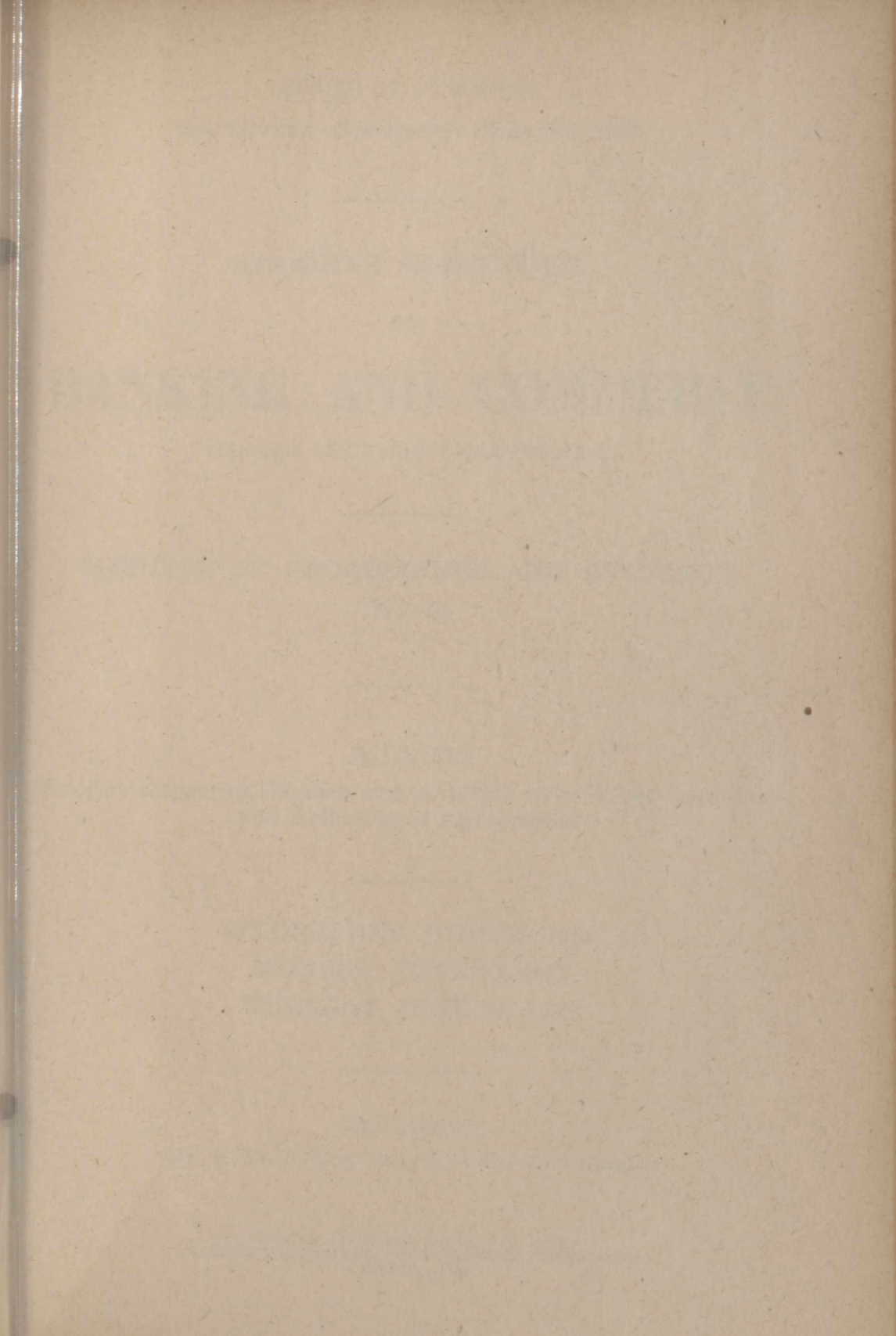
The first part of the book is devoted to a general history of the United States from its discovery by Columbus in 1492 to the present time. It covers the early years of settlement, the struggle for independence, and the formation of the Constitution. The second part of the book is devoted to a detailed history of the United States from 1789 to the present time. It covers the early years of the Republic, the struggle for the abolition of slavery, and the Civil War. The third part of the book is devoted to a detailed history of the United States from 1865 to the present time. It covers the Reconstruction period, the Gilded Age, and the Progressive Era.

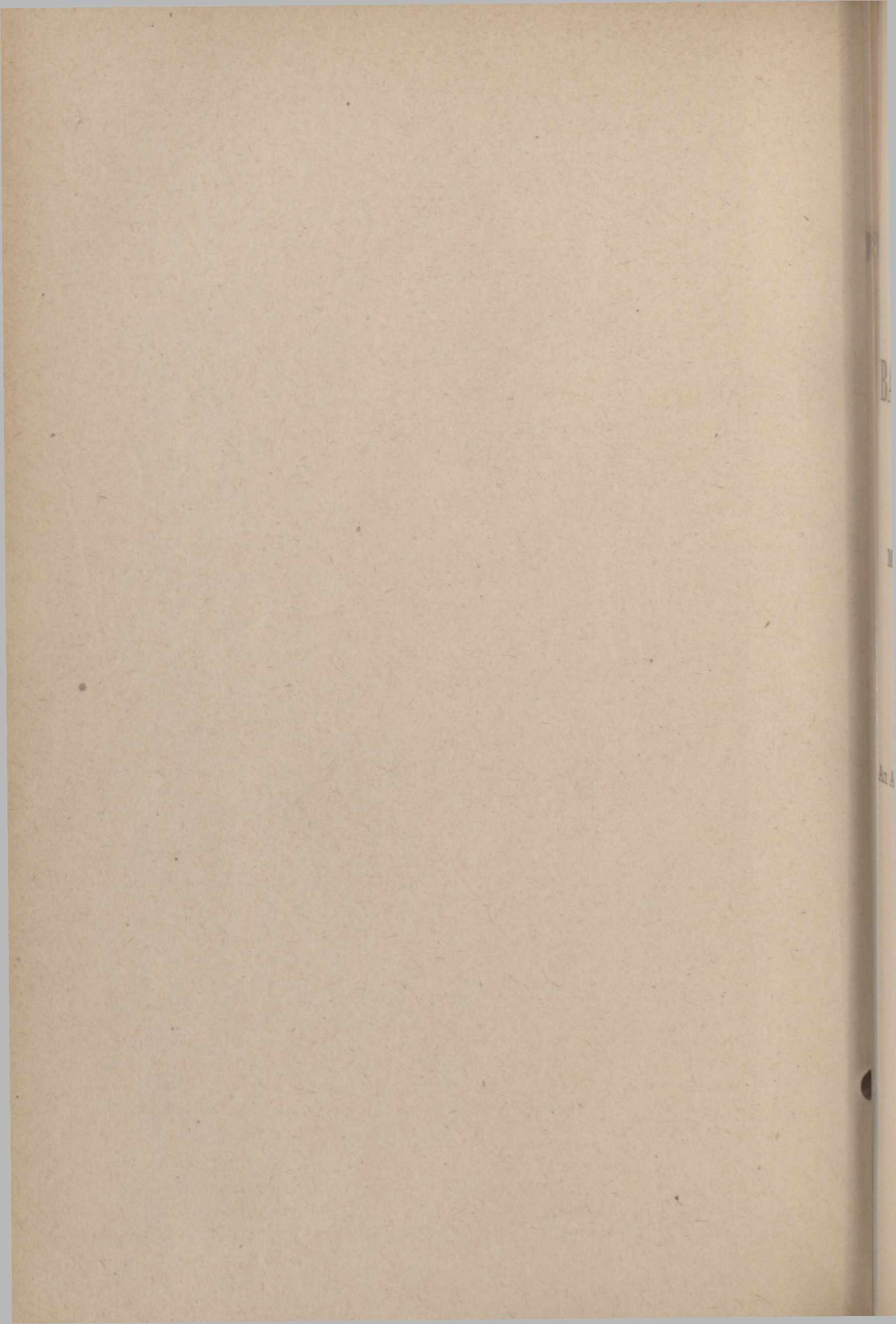
The book is written in a clear and concise style, and is suitable for use in schools and colleges. It is a valuable source of information for anyone interested in the history of the United States. The book is divided into three parts, each of which covers a different period of American history. The first part covers the early years of settlement and the struggle for independence. The second part covers the early years of the Republic and the struggle for the abolition of slavery. The third part covers the Reconstruction period and the Gilded Age.











HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, *Esq.*

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

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BILL 336

An Act respecting Marine and Aviation War Risks Insurance  
and Reinsurance Agreements

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WEDNESDAY, JUNE 18, 1952

MONDAY, JUNE 23, 1952

TUESDAY, JUNE 24, 1952

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WITNESS:

Mr. K. W. Taylor, Deputy Minister of Finance.

ORDERS OF REFERENCE

TUESDAY, June 17, 1952.

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

Bill No. 336, An Act respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements.

FRIDAY, June 20, 1952.

*Ordered*,—That the name of Mr. Carroll be substituted for that of Mr. Winters on the said Committee.

*Attest.*

LEON J. RAYMOND,  
Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, June 24, 1952.

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

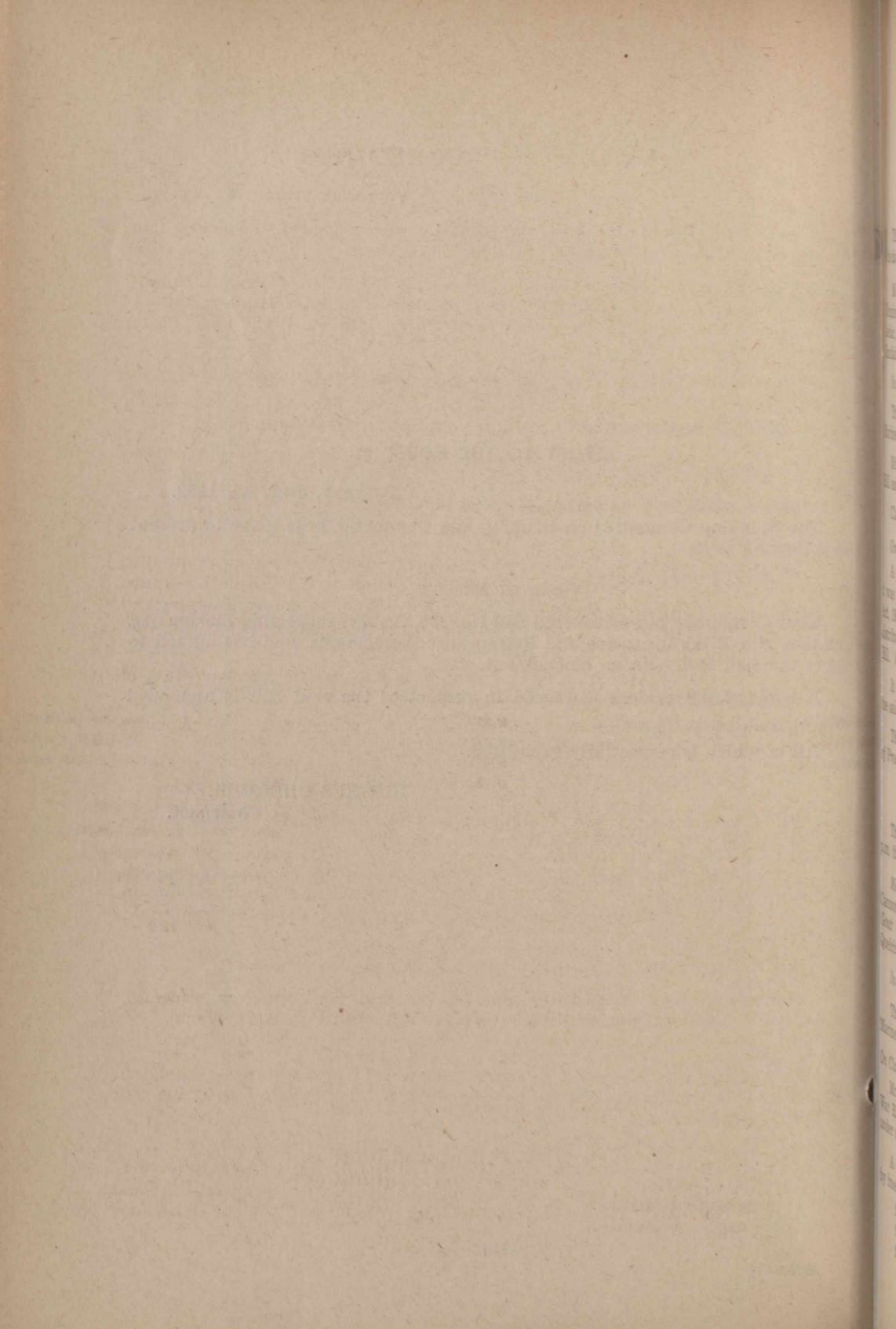
SEVENTH REPORT

Your Committee has considered Bill No. 336, An Act respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements, and has agreed to report the said Bill with an amendment.

A copy of the evidence adduced in respect of the said Bill is appended hereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, June 18, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Balcom, Coldwell, Dumas, Fleming, Fraser, Gingras, Gour (*Russell*), Harkness, Hellyer, Hunter, Jeffery, Leduc, Low, Macdonnell (*Greenwood*), McCusker, Richard (*Ottawa East*), Sinclair, Ward, Welbourn.

*In attendance:* Mr. K. W. Taylor, Deputy Minister of Finance.

The Committee commenced consideration of Bill 336, An Act Respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements.

Mr. Taylor was called, answered questions on certain aspects of the Bill and was questioned thereon.

Clauses 1 and 2 were considered and adopted.

*On Clause 3:*

A discussion arising as to the most appropriate way to study the said Bill, it was agreed that such sections of the United Kingdom War Risks Insurance Act, 1939, as were relative to the Bill under discussion, be mimeographed and distributed to members of the Committee before proceeding further with the Bill. (*See Appendix "A".*)

It was further agreed that the Committee would resume consideration of the said Bill at 4.00 o'clock p.m., Monday, June 23, 1952.

Thereupon the Committee considered other matters referred. (*See Minutes of Proceedings and Evidence No. 14*)

MONDAY, June 23, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Argue, Ashbourne, Balcom, Blackmore, Cannon, Carroll, Coldwell, Crestohl, Dumas, Fleming, Fraser, Fulford, Fulton, Gour (*Russell*), Harkness, Henry, Laing, Low, Macdonnell (*Greenwood*), Quelch, Sinclair.

*In attendance:* Mr. K. W. Taylor, Deputy Minister of Finance.

The Committee resumed consideration of Bill 336, An Act respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements.

*On Clause 3:*

Mr. Taylor was requested to make a statement on the United Kingdom War Risks Insurance Act, 1939, *See Appendix A*, as compared with the Bill under consideration.

A discussion then took place on the advisability of amending Clause 3 by inserting after the word "Minister", in the first line thereof, the following:  
for the purpose of securing that ships and aircraft are not laid up and that commerce is not interrupted by reason of lack of insurance facilities.

The Chairman suggested that the Clause stand until he had sought the advice of the Law Officers of the Crown, and it was so agreed.

Clause 4 to 7 inclusive were severally considered and adopted.

*On Clause 8:*

A discussion arising as to the advisability of amending Clause 8 to bring it in line with Section 2 (5) of the Emergency Powers Act, Chapter 5, it was allowed to stand until the advice of the Law Officers of the Crown could be obtained.

The Committee adjourned further consideration of the said Bill until the next meeting, and proceeded with other matters referred. (*See Minutes of Proceedings and Evidence No. 14*).

TUESDAY, June 24, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Argue, Cannon, Carroll, Cleaver, Coldwell, Dumas, Fraser, Fulford, Fulton, Gingras, Gour (*Russell*), Hellyer, Helme, Henry, Jeffery, Leduc, Low, Macdonnell (*Greenwood*), Macnaughton, Quelch, Richard (*Ottawa East*), Riley, Sinclair.

*In attendance:* The Hon. Douglas Abbott, Minister of Finance.

The Committee resumed consideration of Bill 336, An Act respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements.

Clauses 3 and 8, allowed to stand at the previous meeting, were called.

*On Clause 3:*

The Chairman informed the Committee that the suggested amendment, proposed by Mr. Fleming at the last meeting, was acceptable to Justice.

Mr. Macdonnell (*Greenwood*), for Mr. Fleming, moved that Clause 3 be amended by inserting after the word "Minister", in the first line thereof, the following:

for the purpose of securing that ships and aircraft are not laid up and that commerce is not interrupted by reason of lack of insurance facilities.

The proposed amendment was adopted.

After discussion the said Clause, as amended, was adopted.

*On Clause 8:*

The Chairman informed the Committee that the suggested amendment of Mr. Fleming, to bring the said Clause in line with Section 2 (5) of the Emergency Powers Act 1951, Chapter 5, was not satisfactory to Justice.

Mr. Abbott was called and made a statement on Clause 8.

After discussion, Mr. Macdonnell (*Greenwood*), moved that Clause 8 be amended by deleting all the words in the said Clause and substituting therefor the following:

If the Senate and House of Commons within a period of forty days, beginning with the day on which any regulation is laid before Parliament in accordance with subsection four and excluding any time during which Parliament is dissolved or prorogued or during which both the Senate and House of Commons are adjourned for more than four days, resolve that it be annulled, it shall cease to have effect.



After discussion, and a question having been put, the said amendment was negatived.

Clause 8, and the Title were considered and adopted and the Chairman ordered to report the said Bill to the House with an amendment.

Thereupon the Committee proceeded with other matters referred. (*See Minutes of Proceedings and Evidence No. 14*).

R. J. GRATRICK,  
Clerk of the Committee.

The first part of the paper is devoted to a general discussion of the problem. It is shown that the problem is equivalent to the problem of finding a function  $f(x)$  which satisfies the conditions

$f(x) = 0$  for  $x < 0$  and  $f(x) = 1$  for  $x > 0$ .

The second part of the paper is devoted to the construction of a function  $f(x)$  which satisfies the conditions

$f(x) = 0$  for  $x < 0$  and  $f(x) = 1$  for  $x > 0$ .

UNIVERSITY OF TORONTO  
 DEPARTMENT OF MATHEMATICS

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## EVIDENCE

JUNE 18, 1952.

4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum—Bill 336 an Act respecting marine and aviation war risks insurance and re-insurance agreements.

Mr. Taylor is here and will answer any questions any members like to ask. I will call the preamble and have general questions on that or shall we go on with individual sections of the bill?

Mr. FRASER: I think we ought to have a word or two from the witness first.

The CHAIRMAN: Well, he has expressed a preference to answer questions. I think the minister has made a general statement.

Mr. MACDONNELL: Maybe I should say one word. I can describe my feelings by saying that this does not seem to me legislation at all. It is just really an Act by the House of Commons to allow the government to put through such legislation as they want. In other words, if I may go to clauses 3 and 4, it seems to me that all they do is just hand everything over to the Governor in Council.

Now, I have not had time to make any exhaustive study but on looking at the corresponding bill in England, they spell out a good deal of the legislation. Now, my own feeling is this; I am not attempting to suggest the legislation that should be approved this afternoon. The only suggestion I can make is to say that as far as I am concerned I think that this is not legislation at all and to ask those responsible for framing the legislation to spell out the facts. Let me read out some of the things which I have in mind in Sections 4 and 5.

The CHAIRMAN: Shall I formalize your comments?

Section 1?

Carried.

Section 2?

Carried.

We are now on section 3.

Mr. MACDONNELL: "3. The Minister may enter into an agreement, in such form and containing such terms and conditions as are prescribed by the regulations or otherwise approved by the Governor in Council, with any person or association of persons for the insurance or reinsurance. . . ." and then

"4. The Governor in Council may make regulations for carrying the purpose and provisions of this Act. . ." Now, there are all the operative provisions of the Act. Those are the only provisions having any effect.

Mr. SINCLAIR: Since this is a matter of government policy perhaps I should say a few words such as the minister said last night. This bill is a very different bill than the ordinary government bill. The ordinary government bill when passed has immediate and compulsory effect on the public, the individual citizen of Canada and obviously should be spelled out.

This is a bill which will apply only to shipowners and those shipping cargoes who have looked ahead and realized that they should have some provision in case war breaks out and their private insurance companies would not cover them for war risks.

In the last war they had such coverage under British pools with U.K. Government reinsurance, but now our shipowners would prefer to come under a Canadian plan, for fairly obvious reasons. In the last war some Canadian shipowners had difficulty in settlement for ship losses because of the difference between British and Canadian valuations of shipping. That difference is still greater today. The second point is that the U.K. pool will be run on a sterling basis, but our shipowners will expect and need settlement in dollars. The third point is that our shipowners would like the management, here in Canada, close to their own head offices. The same thing is true of the marine insurance companies.

This is not a government bill in the usual sense that it is an expression of government policy affecting the whole nation. It is rather an accommodation requested by one special group in the country, and is more like a private bill. It will cost the taxpayers nothing out of public funds, if the experience of the British scheme in the last war is any indication. It will provide a public service, in that it will assure continuation of ships, cargo and aircraft movement in case private insurance is suspended because of hostilities, or even apprehended hostilities.

Mr. Macdonnell believes that the legislation is too general—that too much is left to regulations to be approved by the Governor in Council. A moment's thought will show why this is necessary. It is obviously very difficult, if not impossible, to spell out exactly now in legislation provisions to cover completely exigencies which may develop in hostilities five or ten years from now. Our regulations are obviously going to have to conform very closely to those of Britain and the United States. One would have to be the seventh son of a seventh son to draw up legislation today, spelling out everything in the statute, to cover all future possibilities, to conform closely with regulations still to be framed by Britain and the United States, and to be ready for instant application if war broke out.

This applies even more so to the aircraft field. Our shipowners have experience with war risk insurance from two wars. The aircraft industry, however, has no such experience. Moreover, there may be need for the Government to provide not re-insurance but direct insurance to commercial aircraft. While we have sufficient shipping to form a pool in which the risk can be spread, it is obvious that in Canada, with only two international airlines, we have not sufficient aircraft to spread the risk so broadly. Neither Britain nor the States have worked out a complete plan as far as aircraft are concerned, which is another reason why we cannot spell out the details in the present bill. It is further reason why authority has to be given to the Governor in Council to draw up regulations which will conform with the regulations which will be drawn up by the British and Americans.

All this really is stand-by legislation so that if such a condition should happen in the years ahead we will be able to provide an immediate coverage which will enable our merchant marine and our aircraft to continue in operation.

Mr. FLEMING: Mr. Chairman, I suppose this is a question of whether Mr. Macdonnell and Mr. Sinclair are on precisely the same point, whether the defence Mr. Sinclair is making to the bill is pertinent to the fundamental question raised by Mr. Macdonnell.

Now, an examination of that British statute indicates this, that it is a statute some sixteen pages in length.

The CHAIRMAN: Has anyone a copy of that?

Mr. FLEMING: And while I am not suggesting that all features of the British bill are necessarily relevant to the subject matter before us, nevertheless, there is plenty in the terms of that British statute to support my view that a great deal more could be written into the bill now before us than appears here.

Some of us have a strong feeling against simply handing over legislative power to the Governor in Council.

Now, on the argument of the emergency so we won't be caught unawares, I think we can assure Mr. Sinclair he does not need to argue that point. We are all at one on that. We want to have arrangements made in anticipation of emergencies arising, but that does not carry with it the conclusion that the only method by which you can achieve that condition of preparation is by handing over all the legislative powers in this respect to the Governor in Council.

In the face of that particular precedent before us in that British statute it seems to me it would not be at all difficult for the draftsman of this bill to embody in it some quite extensive provisions which will have the effect that parliament will be doing the legislating, there won't be any hampering of any effective effort that needs to be made now in anticipation of an emergency suddenly arising, and that parliament will be doing the legislating and not the Governor in Council.

That is the one point at issue here, it seems to me, Mr. Chairman. There is no room for argument about the underlying purpose of the bill. We are all at one on that, but it is a question of whether this legislation is the type of legislation that can be supported even where the ultimate object is supported by us all.

The CHAIRMAN: Well, it does seem to me that the House of Commons referred this bill to the Banking and Commerce Committee, in order that the point which has been raised would be considered by the Committee. There is only one copy of the British Act available to members of the Committee and it is not a long one.

Mr. TAYLOR: Sixteen pages.

The CHAIRMAN: Would it be the wish of the Committee that I should have it mimeographed and in the hands of the Committee and that we should adjourn until tomorrow?

Mr. SINCLAIR: I would like to speak to this point again. Let us look at it from the viewpoint of the shipowners, who are the ones primarily interested and who have asked for this protection.

The real interest of the taxpayers of Canada is to see that the rates are adequate to cover losses, so there will be no charge on the Treasury. Obviously, we cannot forecast these rates in this bill, but the Government will see to it, if the time does come when such coverage has to be given, that the rates set are adequate. On the other hand, the national interest obviously demands that our ships and aircraft have the protection which will allow them to continue in operation in the event of hostilities. With these points covered, the public interest will be protected.

As I said, from all other points this is almost a private bill, in that it legislates for one special group—the owners of ships and aircraft—at their request, with the approval of the Maritime Commission and principal marine underwriters in Canada. As long as the public interest is protected, and the bill meets with the approval of those who have requested it, I cannot see room for objections.

I agree that if this bill were one of general application to all the people of Canada, applicable immediately, and of a compulsory nature, then it would be most important that everything possible be spelled and in detail in the bill. However, this bill is not of general application, it is not compulsory, it is not immediately applicable, in that it is intended to cover events some time in the future—what events and how far in the future, it is impossible to say—and it is approved in its present form by those who will come under it. Therefore, of necessity, it has to be flexible, which cannot be achieved by rigid definition

in the bill. The Government's only part in this activity is re-insurance, which will involve no net charge on the Treasury. The shipowners' pool will provide the necessary skilled administration.

I was glad the member for Greenwood asked for the British figures when the bill was before the House, for they certainly showed that no public money need be spent—on the contrary, a handsome profit was realized for the public treasury.

Mr. MACDONNELL: I think your suggestion is a very sensible one, but I would like to say this in answer to Mr. Sinclair. I would think that everything he said was probably applicable under the British situation, in other words I would not think that there was any difference between their situation and ours and yet they take the trouble to spell theirs out.

Mr. Sinclair says it is practically a private bill between shipowners and so on. I suggest a whole lot of other people might eventually be concerned. There would be all sorts of people—e.g.,—the shippers and I would have thought that what Mr. Sinclair says about this bill you can apply to a whole lot of legislation and that you could make quite a specious or even cogent argument about it; but when the war comes and this goes into operation you have got to read the British statute to realize they thought there were other people concerned and, as Mr. Fleming says, there is no difference between us on the desirability of that. I have no question regarding it. I think it sensible to do it ourselves, but I have the strongest feeling, first of all, that there is not a real difference between us that Mr. Sinclair suggests and among others, secondly, that this bill I submit is not legislation at all; it is just stating to the government, "Go ahead and do anything you like."

Mr. FLEMING: Mr. Chairman, it is probably worth observing that that statute was passed in 1939.

Mr. SINCLAIR: War was certainly apprehended then, yet even at that moment they took the trouble to pass—

The CHAIRMAN: Mr. Taylor has drawn my attention to the fact that a quick glance at the British Act discloses the fact that only a very, very small part of that Act refers to the type of insurance which our bill covers.

Now, in view of the fact that the point has been raised and that it has been referred by the House to the Banking and Commerce Committee for study, I do not think members can adequately study it until they have a copy of the British legislation before them.

Mr. MACDONNELL: I have done my best to find in the limited time at my disposal what amendments there have been to that British legislation. So far as I can find out it still stands substantially, and I say that I still think there is a substantial body of legislation. Mr. Taylor is quite correct in saying that not all of that can be applied to marine risk, but there is still a very substantial attempt to spell out certain important things.

Mr. TAYLOR: May I make one observation? The first six clauses in the first five pages of this British Act do deal with marine risks to shipping and the next eight pages deal with insurance of goods in the United Kingdom warehouse stocks and that sort of thing and the other observation I might make is that this was a compulsory insurance—you were compelled to insure.

Mr. MACDONNELL: Well, I won't argue about that. I think they will virtually be compelled here. Otherwise a shipowner can be all dressed up and no place left to go.

Mr. SINCLAIR: Well, he can go to either an American or British pool.

The CHAIRMAN: Well, under the present exchange conditions I do not think he has much choice.

Mr. SINCLAIR: I think the important difference is this is not compulsory. Actually if this pool had decided to carry the insurance themselves, we would not have the bill here at all.

One of the main reasons they are not carrying the risk as straight insurance in their pool is this, that the premium rate would disclose shipping losses, for it has to be an actuarially sound pool. The interesting thing on this bill is the reference to the way the Auditor General will report on the standing of the fund in certain circumstances, such as heavy shipping losses in some periods.

Mr. MACDONNELL: You say this is not compulsory. If you are shipping in one of those ships are they going to come along and ask you if you are going to insure? As far as people who ship goods in that ship they are not going to have any option—it will be the shipowners.

Mr. SINCLAIR: They certainly will have an option. If they do not like the cargo rates which are afforded by a Canadian ship they will go by Norwegian or Dutch or some other country's ships that are covered under the other pools. There is an option and very much so in times of war when everything is by convoy.

There is no compulsion in this. This is a bill at the request of the ship owners and the shippers themselves. They could run the whole show themselves as a direct insurance plan, and their private bill over in the Senate would be enough authority. The only reason the government intrudes is on the matter of reinsurance and secrecy. Apart from that, the British have found that a pool with government reinsurance is the satisfactory way to run it. It is fairly obvious that the regulations that the Governor in Council is going to approve are the ones which these insurance companies and ship owners and shippers who are experts on the matter are going to draw up for their pool, and they will be matched as closely as possible to the British and American schemes for the very obvious reason that this affects their cargo rates.

Mr. MACDONNELL: I come back to what I said about the situation being the same as in Britain. Nevertheless they do take the trouble to spell it out. I can understand how nice it is to have left all to regulation. I would probably be advocating it just as you are.

Mr. SINCLAIR: When you say "just as you like" all we ask is authority to cover the issue of reinsurance. We are not in here to make money, or to lose money. We are providing accommodation for the ship owners of Canada.

Mr. MACDONNELL: I am not talking about money; I am talking about this legislation which merely says "go ahead and do what you like".

Mr. SINCLAIR: I tried to point out how different this bill is from any other government bill we have had before us. It is so like the ordinary private bill that so far as the regulations are concerned what we have to spell out in the bill are actually the British and American regulations because those are the regulations we are going to have to conform to whether we like it or not because those are the regulations that are going to have an effect on freight rates.

Mr. MACDONNELL: You can convince me about the purpose but I am perfectly unconvinced about the necessity of not spelling out everything in the Act.

Mr. ASHBOURNE: This has received second reading but I would like to know whether or not this is a new principle, I mean whether the government is going to do this as a new venture and whether or not, of course, during the last war as far as Canada was concerned the government had a pool and it was done through the British or the Americans as the case may be.

Mr. TAYLOR: In the last war there was no Canadian group or Canadian pool. All Canadian ships belonged to one or another of the British clubs and were insured through the London headquarters of each club.

Mr. JEFFERY: Mr. Chairman, I would like to point out with regard to this bill that there is nothing in this bill indicative of the principle this bill is operating on. It just says they can do certain things and there is no principle there. I would like to see the English Act and see whether there can be some principle set forth in this. It says "they can reinsure" and there is no talk about—it is just to bolster this company or firm and so on. There is nothing.

Mr. TAYLOR: If I may say, our bill covers some eight clauses of the British bill which are the only clauses that deal with ships and cargoes.

Mr. JEFFERY: There is nothing here showing on what principle we are going to reinsure or anything else.

Mr. SINCLAIR: I think the only principle is that ordinary private insurance companies will not cover war risks such as shipping on the high seas. Therefore, something else has to be done about it. In the last war these companies formed these pools which were administered by experts from shipping and insurance companies. Out of the premiums paid they took a small part for that administration and the rest of the risk was carried by the Crown and in carrying it by the Crown the rate which was set quarterly was to cover the rate shipping losses of that period.

The main reason for the intrusion of the Crown into it is the fact that these losses are not ordinary losses which are matters of public knowledge. In the last war the Germans were most anxious to know how much were our losses. Jumping the premiums from 3 per cent to 10 per cent would show immediately that their submarine warfare was succeeding. At times the top British rate of 7 per cent was actually below cost. It might again be necessary to mask the real rate. The Crown could do that with the fund being part of the consolidated revenue fund, a separate account it is true, and with only the Auditor General reporting on it under those circumstances.

Mr. JEFFERY: I can agree with your explanation but I cannot see anything in the bill which indicates that that is the intention in it. It just leaves it wide open. They can do anything.

The CHAIRMAN: I do not want to attempt to inflict my views on the committee but it does seem to me that if the committee members have an opportunity for studying the bill in the light of the discussion which has taken place, and studying the British Act then when we come to our next meeting we will know a lot more about the subject than we do now and it might well be that the present objection to Bill 336 will be withdrawn if the matter is studied or it may be that we will find ourselves then in real conflict, honest conflict of opinion that will have to be resolved by the majority but I do not feel like calling any more sections of this bill until members have a chance to study what we are discussing.

Mr. MACDONNELL: Will you consider whether you need copy only the marine sections of that bill?

The CHAIRMAN: All right, I think that is a good suggestion. I hesitated to make that myself.

Mr. MACDONNELL: I have not looked at the rest of it very carefully.

The CHAIRMAN: Then, shall we meet tomorrow afternoon at 4 o'clock? I will undertake to have the mimeographed copies in the hands of the committee sometime today and we will meet on this Bill at 4 tomorrow.

Mr. FLEMING: May I suggest 2 o'clock tomorrow, Mr. Chairman.



The CHAIRMAN: I am in the hands of the committee.

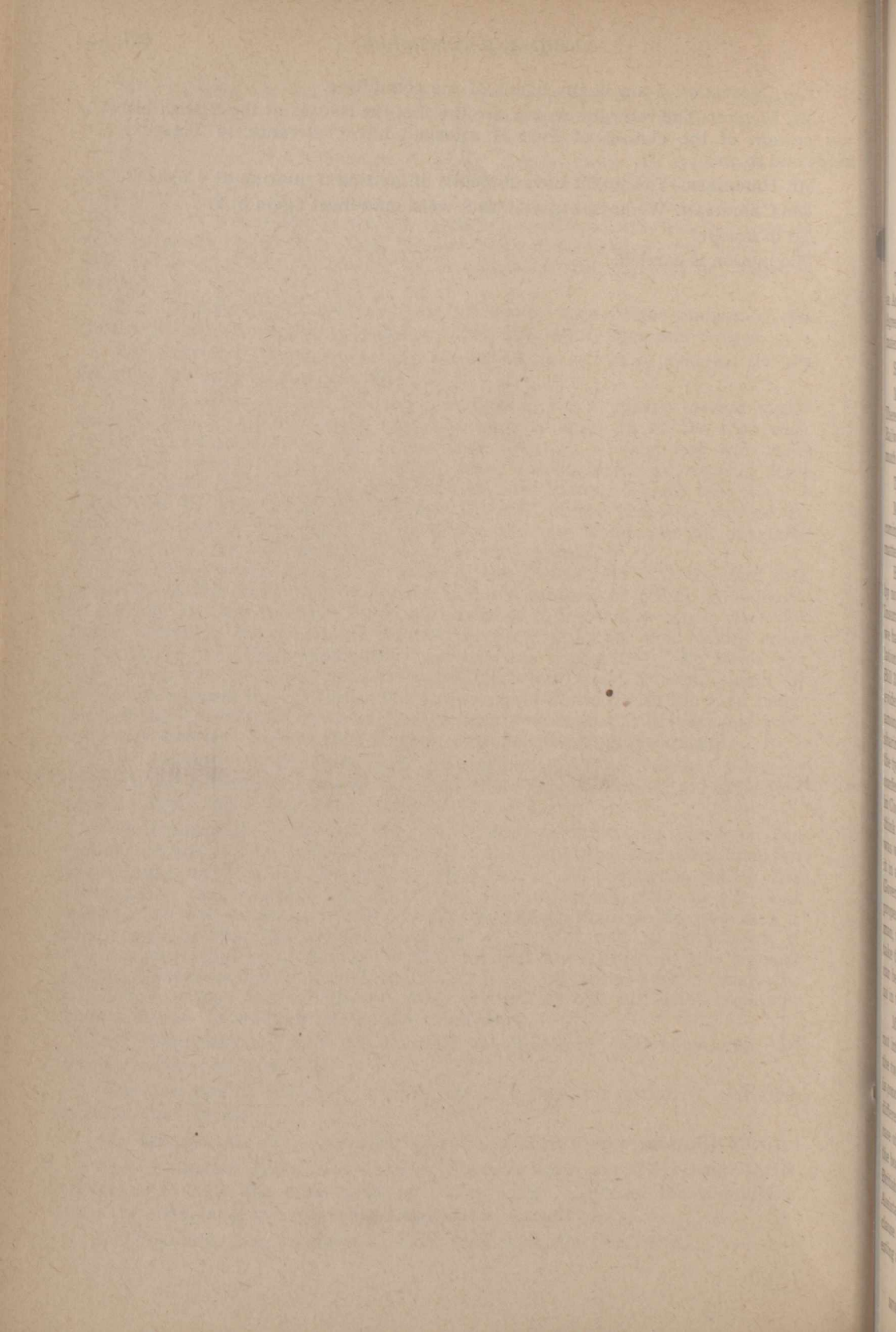
Mr. TAYLOR: The relevant clauses are the first six clauses of the British bill and certain of the clauses of Part II attached have reference to Treasury funds and so on.

Mr. HARKNESS: You might have difficulty in getting a quorum at 4 o'clock.

The CHAIRMAN: We have a motion that we should meet again at 2.

All in favour?

The motion is carried.



## EVIDENCE

JUNE 23, 1952.

4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. We will consider Bill 336, an Act respecting Marine and Aviation War Risks Insurance and Reinsurance Agreements. Members of the Committee have had before them copies of the material which I promised to have mimeographed and supplied.

Shall section 3 carry?

Mr. FLEMING: Mr. Chairman, Mr. Macdonnell is detained in the House. There is a bill before the House at the moment respecting the Canadian National Railways' finances on which he must be in the House, and I know he would very much like to be here at this meeting.

The CHAIRMAN: Shall we let this bill stand and go on to our other business?

Mr. FLEMING: I think the same thing applies to the other bill which is coming before the committee. I would like to make this observation on the matter.

Hon. members since our last meeting on Thursday have had an opportunity by now to make a comparison of Bill 336 with the United Kingdom War Risks Insurance Act, 1939, chapter 57, which was mimeographed for our use. I think we have had an opportunity now of seeing how much more extensive that legislation is in its provisions; I think it shows up the imperfections of this present Bill 336 before us. I do not need to repeat, Mr. Chairman, I am sure, what was evident, both in the House and at the last meeting, that there is no difference among us as to the ultimate objective, the making of provision for undertaking, sharing insurance risks of the kind contemplated here, but that is not to condone the type of legislation that we see in this bill. It is simply a scanty provision for conferring powers in very wide terms, and not too well defined, on the Governor in Council. It is obviously unnecessary to legislate in such a loose form and I think it is quite clear, Mr. Chairman, that we can achieve the objective that was widely endorsed in the House in the discussion in this committee, and do it in a way that will not mean that parliament is simply handing over to the Governor in Council power to legislate, and I suggest, Mr. Chairman, that the proper course for this committee to follow is to call upon the proper draughtsman, whether of the Department of Justice or the Law Clerk of the House, to take this bill in hand and recast it. It will mean an extensive revision, but it can be brought back to us in a form comparable with that which we see before us in the United Kingdom War Risks Insurance Act of 1939.

Mr. SINCLAIR: Mr. Chairman, I would like to say a few words on this. I do not intend to repeat the remarks I made the last time about the differences in the two measures. As far as my study of the British War Risks Insurance Act is concerned I have come to the very opposite opinion of Mr. Fleming. The real difference is that whereas in our bill the regulations are to be drawn up in the case of hostilities by the Governor in Council here under sections 1 and 2, it is the board of trade and the treasury who are to draw up regulations under the British Act. However, to show you an exact comparison, Mr. Taylor, the Assistant Deputy Minister of Finance, has gone through these two measures clause by clause, and has a comparison here which I think will be most interesting as far as authority is concerned.

**Mr. K. W. Taylor, Assistant Deputy Minister of Finance, called:**

The WITNESS: Mr. Chairman, the British bill in clause 1 deals with direct insurance by the board of trade. Clause 2 deals with reinsurance. In Bill 336 the two are dealt with together as being essentially and same thing.

In section 1 (2) is just the publication of the order, the tabling of the agreement. We do it in four of five lines. For some reason, the British take about half a page. They make all the provisions for when parliament is not sitting, holidays and adjournment dates, and so on.

Mr. FLEMING: Yes, and also for annulling any of these contracts by address of the Houses.

The WITNESS: It is a matter of tabling the orders, and it explains how you count the 14 days. I think that is all it does. Section 1 (2) provides that the agreements, of course, can be made null and void if the House so decides.

The CHAIRMAN: Have you any complaint, Mr. Fleming, as to the tabling under section 8?

Mr. FLEMING: Well, no, Mr. Chairman, the tabling—that is not the main provision. There is more in the British legislation than in this section. There is a provision there comparable to what we have introduced in—I have forgotten which bill it was now, it was about a year and a half ago—nullifying the effect of an order by address of the House, and an undertaking at that time by the Prime Minister that at any time a private member wished to have such a motion introduced, the government would facilitate it. There is legislation of that kind in the British bill which has no counterpart here, but that is not the main problem.

The CHAIRMAN: Well, what is the main problem that you see? You have spoken in general terms, but if you would point to some one clause in the British Act that you think should be in this Act, why we would be getting our teeth into the problem. I heard you the first time, Mr. Fleming, I heard all that. Now if you will kindly disclose to the committee anything you detect in this British Act which you cannot find in this bill, we will be going places.

Mr. FLEMING: I will, when Mr. Taylor finishes.

The WITNESS: Clause 1 (3) of the British Act just defines vessels and corresponds to our section 2 (f).

1 (4) makes it 15 months retroactive, which of course is not in this bill.

Mr. SINCLAIR: There is no need for it.

The WITNESS: No, there it is made retroactive to February, 1939. I am not sure of the reason for that.

Section 2 just covers the same ground as section 1 pretty much, it just makes it deal with direct insurance by the board of trade, which we do not contemplate doing.

Then in section 3 there is a long section providing for a 7-day transitional period in which losses that occur within that 7 days can still be covered under the Act, even if there is no agreement.

No. 4 is a long section and provides for what happens in the case of the bankruptcy of the insured, the insuring company. I understand that is not necessary under our law.

No. 5 was repealed in 1948.

No. 6—(1) (a) is the same as our 2 (g). That is the definition of war risks. 6—(1) (b) defines King's enemy risks. Our Act does not use that phrase.

Mr. ADAMSON: What is the new phrase?

The WITNESS: War risks.

Mr. ADAMSON: Just "war risks"?

The WITNESS: Yes. We leave out the phrase "King's enemy risks". Section 6—(2) merely empowers the board of trade to revoke or vary earlier orders. I think that is also covered by our Interpretation Act.

6 (3) corresponds to our 2 (d).

The whole of Part II, section 7 to section 15, inclusive, is the whole commodity section which is not covered by this bill at all.

We come to section 16, which deals with the establishment of funds for purposes of the Act. That is covered by our sections 5 and 7.

Section 17 is the provision for raising money and making up deficiencies. That is covered by our section 6.

Section 18, a long section, deals with exemption from the stamp duties, which does not apply in Canada.

Section 19 is the expenses of administration. That is covered by our section 5 (2). Section 20 merely says that anything that may be done by the board of trade may be done by the secretary, the under-secretary, and so on, which is covered by the Interpretation Act here.

Section 21 applies the Act to Scotland, Northern Ireland and the Isle of Man.

Section 22 is the short title.

Mr. SINCLAIR: My study of this Act convinces me that this bill comes very close to the provisions of the United Kingdom Act, the British Act, leaving out these parts dealing with commodities. The power to make regulations is given to the Governor in Council in our bill and in the British Act it is the president of the board of trade and treasury, corresponding to our Minister of Trade and Commerce or the Minister of Finance. However, we put that power in the whole cabinet in this bill.

*By Mr. Adamson:*

Q. There was never any scheme in the British bill whereby losses need not be replaced in terms of money, but could be replaced in terms of tonnage?—A. I am not familiar with how the whole British scheme works. That detail is not covered in the bill. The British Act provided for certain replacements of British tonnage and provided for the pooling of ships.

Q. There was a provision, I could not see it in the bill either but it was a clause in the British bill that if a shipping company in Great Britain lost a ship, it made the insurer replace the ship. That is, a 10,000-ton ship would be replaced by another 10,000-ton ship, which would be advantageous inasmuch as the cost of shipping has gone up tremendously.

The CHAIRMAN: You have Mr. Taylor's answer, Mr. Adamson, as far as he knows. I am afraid you will have to take that.

Mr. ADAMSON: I think Mr. Taylor was just about to give some information.

The WITNESS: No, I have a general idea of how it works, but I would not like to state specifically how it works out.

Mr. SINCLAIR: In the last war, replacements were made out of enemy shipping that had been seized.

Mr. FLEMING: Mr. Chairman, of course as we said at the last meeting, there are provisions in the British bill which have no counterpart in the legislation here.

The CHAIRMAN: Where?

Mr. FLEMING: Well, let me make my own statement. There are things in this British Act, that are not found in the present bill. Let me give you a specific example before we go any further, to meet any impatience. There is no definition in Bill 336 as to the purpose within which agreements may

be entered into. We simply have a bald provision in clause 3 that the minister may enter into an agreement wherever it suits him in respect of war risks of (a) aircraft; (b) vessels; or (c) cargo.

The CHAIRMAN: Now will you refer, so as to clarify your statement, to the recital in paragraph 1 of the British bill, which reads:

In the event of war and in other circumstances, to undertake the insurance of ships and other goods.

Mr. FLEMING: Mr. Chairman, I am just coming to that. Is it not possible for one to make a statement without interruption? Clause 1 of the British bill sets out a statement of the circumstances under which the board of trade is to be authorized to enter into an agreement, if they are of the opinion that it is expedient so to do for the purpose of securing that ships are not laid up and that commerce is not interrupted by reason of lack of insurance facilities, and may, with the approval of the treasury, enter into an agreement with any persons, and it lists paragraphs (a), (b) and so on. We have no counterpart of that in this bill at all. There is not a word in this bill to define the purposes that these agreements of reinsurance are to serve or the limits within which the bill is intended to operate. You have simply got a blank conferral of power on the minister to enter into agreement. Now, Mr. Jeffery pointed out at the last meeting there is no limitation whatever in section 3. There is no statement of purpose in paragraph 3. You simply have a bald statement that the minister may enter into agreements, in such form and containing such terms and conditions as are prescribed by the regulations or otherwise approved by the Governor in Council, with any person or association of persons for the insurance or reinsurance by him against any or all war risks of (a) aircraft; (b) vessels; or (c) cargo.

Mr. SINCLAIR: Just read the last two lines there again, "with any person or association of persons for the insurance or reinsurance by him against any or all war risks. . ."

Mr. FLEMING: Yes, but you have no definition of the purpose there.

Mr. SINCLAIR: When the British cast their Act it was a new Act and so they probably needed that. Now we know what is meant by war risks.

Mr. FLEMING: There is no statement of the purpose. You have simply got a blanket power conferred upon the Governor in Council.

Mr. CRESTOHL: I think Mr. Fleming's suggestion would tend to restrict the powers of the minister. I think that clause 3 of Bill 336 is far wider than clause 1 of the British bill, because the British bill simply confines the two objects entering into this agreement. I think it would be unwise to restrict the minister to entering into agreements based only on these two limitations. Clause 3 of Bill 336 allows the minister greater latitude to enter into this agreement, and I think it is in the interest of what we are trying to do to give the minister that latitude and not simply tie his hands on what to consider war risks or not.

Mr. FLEMING: Would it not be correct to say "gives an unlimited latitude"? We want to see some definition in the bill.

Mr. CRESTOHL: You restrict him by that definition, you tie his hands and you are defeating the objects of the entire measure.

Mr. FLEMING: The British managed to get through a war of survival without amending this bill, and in the meantime they have not touched that section, so I do not think they could have suffered unduly by reason of any severe limitation in it, and surely parliament wants to know what it is doing, and not just hand over unlimited powers to the Governor in Council. Surely that is not our business as a parliament.

The CHAIRMAN: I know, but we as a committee are interested in the intent of what we are actually doing, and what I am debating in my mind is whether the Governor in Council would act under this bill for any other purpose than security, and I am reading now from the British Act:

The board of trade, if they are of opinion that it is expedient so to do for the purpose of securing that ships are not laid up and that commerce is not interrupted by reason of lack of insurance facilities...

Now, does any member of this committee think that under the bill before us the Governor in Council is going to exercise his powers other than for that very reason? If that recital should go in I do not see any reason against it.

Mr. FLEMING: I think you have answered any possible objection there can be to a definition of power, Mr. Chairman. If the purpose to be served by the bill is so clear and the area within which the Governor in Council exercises that power under the bill is so clear, then there surely cannot be any objection to defining that area in the bill, and that is what I am arguing for. We are in agreement on the ultimate objectives. What I am contending for is to put that in a way that just does not involve abdication by parliament in favour of the Governor in Council of these powers of legislation. Let us have some definition here.

Mr. SINCLAIR: I have just secured a copy of the new British Act, and also a statement printed in the British insurance magazine, the Post Magazine & Insurance Monitor of March 1, 1952. It is of such interest that I think I should put a couple of paragraphs of the statement on the record.

The text was issued last week of the Marine and Aviation Insurance (War Risk) bill . . . .

The title is exactly the same as our own.

Mr. FLEMING: Is that a British bill?

Mr. SINCLAIR: Yes, it is a British bill.

Mr. FLEMING: And it is a British publication you are reading from?

Mr. SINCLAIR: Yes.

. . . which seeks to make permanent various powers for the Minister of Transport in regard to the insurance of ships, aircraft and certain goods against war risks.

An explanatory memorandum states that this bill seeks to repeal Part I and the relevant provisions of Part III of the War Risks Insurance Act, 1939, and to re-enact these provisions with comparatively minor amendments and additions. The 1939 Act conferred powers on the Board of Trade in relation to the insurance of ships and cargoes which were subsequently transferred by Orders in Council first to the Minister of Shipping, then to the Minister of War Transport and later to the Minister of Transport. The powers were supplemented during the late war by means of defence regulations which are subject to renewal annually by Orders in Council under the emergency laws (miscellaneous provisions) Act, 1947; and as these powers would be required in circumstances contemplated by the bill it is sought to incorporate them in permanent legislation.

The additional powers sought under the bill comprise:

- (a) Power to conclude in peace-time agreements for the reinsurance of foreign ships in wartime; such agreements cannot under the 1939 Act be concluded until an outbreak of hostilities has occurred;
- (b) Power to insure or reinsure British and foreign aircraft against war risks; and

- (c) Power to insure, in wartime, goods in transit between ship and warehouse (or vice versa) overseas; the present Act authorizes such insurance in the case of goods in transit in the United Kingdom only.

We, or course, did not cover that in our bill.

The first section of the new bill is:

1.—(1) The Minister of Transport (hereafter in this Act referred to as 'the minister') may, with the approval of the Treasury, enter into agreements with any authorities or persons—

(a) for the re-insurance by him of any war risks against which a ship or aircraft is for the time being insured; and

(b) for the re-insurance by him of any war risks against which the cargo carried in a ship or aircraft is for the time being insured:

And then go on. This is fundamentally in the same form as the bill we now have before us.

Mr. ADAMSON: Did I understand you to say that the power is new?

Mr. SINCLAIR: That was not in the 1949 bill. Norway was an example of where the British had to take over foreign merchant ships, and we had a similar clause in case that eventuality should develop.

The CHAIRMAN: How would it be, Mr. Sinclair, if the committee should leave that point over and refer it to Justice, as to whether there would be any objection at all to adding these three lines:

For the purpose of securing that ships and aircraft are not laid up, and that commerce is not interrupted by lack of insurance facilities, the Governor in Council may, or the minister may . . . " and so on.

Mr. SINCLAIR: It sounds all right to me.

The CHAIRMAN: Obviously they won't act unless this arises, and I cannot see any objection to that going in. Now, Mr. Fleming, what is the next point?

Mr. FLEMING: The principal objection to the bill relates to this section three which, if I may say so, is the nub of the bill, for it is the one which conveys the power to pass regulations for the carrying out of the purposes largely to section 3.

The CHAIRMAN: Yes.

Mr. FLEMING: I cannot see that it presents great difficulty to the draftsman. I think that section three should define the conditions within which the minister may enter into that kind of agreement.

The CHAIRMAN: I think we are a lot closer together than we thought we were.

Mr. SINCLAIR: You want to incorporate that as the first three lines of section 1 subsection (1) of the British Bill?

The CHAIRMAN: No, I would start right off by saying:

For the purpose of securing that ships and aircraft are not laid up and that commerce is not interrupted by lack of insurance facilities, the Governor in Council may, or the minister may enter into an agreement.

But should that not be submitted to Justice?

Mr. FLEMING: I would rather see it worded "that the minister may enter into an agreement for the purpose of securing, etc".

The CHAIRMAN: All right.



Mr. FLEMING: And apply these words to the definition of the purpose, and then the agreement must adhere clearly to the terms of that provision.

The CHAIRMAN: Does section 4 carry?

Carried.

Does section 5 carry?

Carried.

Does section 6 carry?

Carried.

Does section 7 carry?

*Audit.*

7. (1) An audit of the Account and of the transactions in connection therewith shall, at such times and in such manner as he thinks proper, be made by the Auditor General, with a view to ascertaining whether or not such transactions have been carried out in accordance with this Act and whether or not the records of the Account clearly show the state of the Account.

*Report to Parliament.*

(2) The Auditor General shall, in such detail as he thinks proper having regard to the public interest and the security of Canada, submit to Parliament, within three months after the completion of each audit or, if Parliament is not then in session, within thirty days after the commencement of the next ensuing session thereof, a report of his findings on the audit and his recommendations, if any, arising therefrom.

Mr. FLEMING: I do not know whether there is any point in raising the question which I mentioned earlier when Mr. Taylor was speaking, but in section 7 subsection (2) you have a provision for the submission of the report. I am sorry, no, it is section 8.

Mr. CANNON: I wonder if we are to restrict the powers of the minister as suggested by Mr. Fleming?

The CHAIRMAN: Yes, but is it a restriction?

Mr. CANNON: I wonder; if we are going to put in the first amendment, if we put it that way, should we not have the same mention of aircraft to ensure that they will not be laid up?

The CHAIRMAN: I read that into it. Section 8?

*Tabling of agreements*

8. The Minister shall lay copies of reinsurance agreements before Parliament within thirty days after they have been made or, if Parliament is not then in session, within thirty days after the commencement of the next ensuing session thereof.

Mr. FLEMING: On section 8 I mentioned the point earlier about this report to parliament or, laying copies of the agreement before parliament. In the British bill there was additional provision to be found in clauses (1) and (2) of part I:

. . . and if either House, within the period of fourteen days beginning with the day on which a copy of such an agreement is laid before it, resolves that the agreement be annulled, the agreement shall thereupon become void except in so far as it confers right or imposes obligations in respect of things previously done or omitted to be done, without prejudice, however, to the making of a new agreement.

I think those are useful words in extending parliamentary control over the agreement to be entered into by the Governor in Council under the provisions of this bill.

We had the counterpart of that legislation in the example to which I referred earlier, though I think that the Prime Minister would have to give such an undertaking as he did at that time. The Prime Minister indicated that if any member of the House indicated a wish that some order in council in the case referred to should be annulled, that the government would facilitate the introduction of a resolution for that purpose, so that the resolution of a private member would not simply stay on the order paper.

The CHAIRMAN: Would you be good enough to give us a reference, when you refer to this bill, which is a difficult subject, and with respect to the points raised in regard to sections 3 and 8 so that in the meantime we may clear them with Justice?

Mr. ADAMSON: One last question on this bill; there has never been, in any war risk bill, insurance against loss of revenue. But I have got an answer to my question.

The CHAIRMAN: Now may we turn to our other reference, the pension plan for members of parliament after long service. I shall now call Mr. Bryce.

## EVIDENCE

JUNE 24, 1952,  
4.00 p.m.

The CHAIRMAN: Gentlemen, we have a quorum. Bill 336 is before us. The committee will recall that this bill was carried except for sections 3 and 8, which were reserved. Mr. Macdonnell moves for Mr. Fleming that the following words be added after the word "Minister" in the first line of section 3:

for the purpose of securing that ships and aircraft are not laid up and that commerce is not interrupted by reason of lack of insurance facilities. . . .

Mr. Fleming suggested that amendment at our last meeting and I asked that it should stand till I had an opportunity of consulting Justice. I have consulted them and in the opinion of Justice the amendment is satisfactory.

Mr. MACDONNELL: I am surprised at the moderation and dispatch!

The CHAIRMAN: All those in favour of the amendment to section 3 please signify. Opposed?

Carried.

Shall section 3 as amended carry?

Carried.

Section 8 was also asked to stand, and Mr. Fleming asked that an amendment be made to this section to bring it in line with section 2 (5) of the Emergency Powers Act 1951, chapter 5, and I asked also that that should stand so that I might consult Justice. It is not satisfactory to Justice. Perhaps the minister would indicate why it is not satisfactory.

Hon. DOUGLAS ABBOTT (*Minister of Finance*): This subsection is one which is contained in the Emergency Powers Act and provides in substance that where a regulation is made under that Act and tabled in the House of Commons, if a motion is made by both Houses and carried that it be annulled, it shall cease to have effect. That is a most exceptional provision. It is contained in no other Act that I know of where regulatory powers conferred on the executive are subject to revocation. It is contrary, of course, to the generally accepted principles of parliamentary government and responsible government and I do not think it should be inserted in an Act of this kind. This bill is an enabling bill to permit contractual relationships to be entered into and I think a section of that kind would be quite improper and so, for that reason, I would not be prepared to consent to its inclusion in the bill.

The CHAIRMAN: Any further discussion?

Mr. MACDONNELL: Have you got the text of that section before you?

The CHAIRMAN: Yes.

Mr. FRASER: Did not Mr. Fleming base his amendment on the English Act?

The CHAIRMAN: I asked him for the reference of what he had in mind and he gave me this.

Hon. Mr. ABBOTT: That is not contained in the English Act. I do not think a provision of that kind is contained in any Act. It is contrary to all accepted principles of responsible government.

The CHAIRMAN: It is rather a monstrous thing to think that a reinsurance contract could be annulled.

Mr. MACDONNELL: Well, it is the regulation, is it not?

Hon. Mr. ABBOTT: No, it is the conditional character of the regulation that anyone may initiate a motion in the House of Commons that the regulation be annulled, and if that is carried by the Commons and by the Senate, then the regulation is annulled.

Mr. FULTON: Is that not usual in the case of these Acts which confer powers to make regulations, and require that it be laid on the table of parliament? Does it not follow, even without saying, that if parliament then presents an address praying that the regulation be repealed it must be repealed?

Hon. Mr. ABBOTT: In so far as I am aware, I think you would have to introduce legislation in the House to do that. I think you would have to introduce what would be in effect a motion of non-confidence, but I do not know enough about the general methods of procedure to talk on that.

Mr. FULTON: I understand it would be by way of motion praying that an address be presented to His Excellency requesting the annulment of the order in council. If that carried, it would be equivalent to a non-confidence motion. It seems to me it is open for a member of parliament to introduce a motion of this kind under any regulation made and tabled. I personally remember the Prime Minister's assurance—there was something in the Act in the case of these rather sweeping emergency powers—that he would undertake to facilitate dealing with such a motion if a member wanted to introduce it.

Hon. Mr. ABBOTT: That, I think, is my recollection of the reasons he gave for putting such a provision in an Act of Parliament.

The CHAIRMAN: I would call to the attention of members that section 8 of the bill we are dealing with is a section in regard to the tabling of reinsurance agreements, not the tabling of orders in council and regulations, but the tabling of reinsurance agreements, and it would appear to me that the section in the Emergency Powers Act is not comparable at all.

Mr. MACDONNELL: I do not think that is what Mr. Fleming was suggesting. It was to have a separate clause standing on its own feet and referring to regulations. I see your point about the reinsurance agreements.

Hon. Mr. ABBOTT: That is my understanding of what Mr. Fleming suggested. As I understand it, Mr. Fleming suggested that there should be a section put in analogous to the section in the Emergency Powers Act, which would in effect provide that a motion could be introduced in both Houses to annul the regulation, and if it were done and passed the regulation would cease to have effect. My point on that is that it is a most exceptional provision to put in an Act. I know of no other Act in which it has been inserted, either in our parliament or the British parliament, and I think it is quite inappropriate to put it in an Act of this kind. I think the government in bringing forward this measure must take responsibility for the measure and for taking regulation-making powers and for enacting regulations as an executive act of government. I think that is the basis on which I must put the point that I am making. Those are very exceptional powers in the Emergency Powers Act; they cut right through the legislative function of the federal parliament.

Mr. MACDONNELL: I suppose they are exceptional.

Hon. Mr. ABBOTT: It is not that it is exceptional; this has been standard practice in the United Kingdom all through the last war. It is only exceptional here in that we propose to set up our own scheme of war risk insurance. The United States may do it that way too.

Mr. MACDONNELL: I thought we were satisfied in this committee the other day on examining the British statute that it was not as wide open as this by any means, that there were certain broad statements of intent which would to some extent offset the provisions in this bill.

Hon. Mr. ABBOTT: I do not know; I was not here.

The CHAIRMAN: He indicated that he wanted section 8 of our bill to stand and I asked him for particulars of the way in which he thought section 8 should be amended, and he said that in his opinion it should be amended along the lines of the section in the Emergency Powers Act to which I have referred, and after turning up the Act I phoned Mr. Fleming to make sure that I had the right section and he said that was the section he had in mind.

Hon. Mr. ABBOTT: I doubt if he gave full consideration to it—it is one of those bright ideas that one gets in committee. Perhaps he may not have given it the usual mature consideration he gives to questions of this kind.

Mr. MACDONNELL: I move this amendment.

The CHAIRMAN: All those in favour of Mr. Macdonnell's amendment? Opposed?

The amendment is lost.

Shall section 8 carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill?

Agreed.

Thank you very much, Mr. Minister.

We will now take up consideration of the draft bill. When the committee adjourned last evening we were on section 3 of the draft bill.

## Appendix "A"

## WAR RISKS INSURANCE ACT, 1939

## CHAPTER 57

*Ch. 57, 2 and 3 Geo. 6.*

An Act to make provision for authorizing the Board of Trade, in the event of war and in other circumstances, to undertake the insurance of ships and other goods; for the payment by the Board of Trade, in time of war, of compensation in respect of goods lost or damaged in transit; for requiring persons to insure goods against certain risks in time of war; and for purposes connected with the matters aforesaid.

(4th August 1939.)

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

*Agreements for re-insurance by Board of Trade of certain risks in respect of ships and cargoes.*

## PART I.

## INSURANCE OF SHIPS AND CARGOES.

1. (1) The Board of Trade, if they are of opinion that it is expedient so to do for the purpose of securing that ships are not laid up and that commerce is not interrupted by reason of lack of insurance facilities, may, with the approval of the Treasury, enter into agreements with any persons—

- (a) for the re-insurance by the Board of any King's enemy risks against which a British ship is for the time being insured; and
- (b) for the re-insurance by the Board of any King's enemy risks against which the cargo carried in a ship or aircraft is for the time being insured.

In relation to any period during which His Majesty is at war, the preceding provisions of this subsection shall have effect as if for any reference therein to King's enemy risks there were substituted a reference to war risks.

(2) A copy of every agreement made in pursuance of this section shall, as soon as may be after the agreement is made, be laid before each House of Parliament; and if either House, within the period of fourteen days beginning with the day on which a copy of such an agreement is laid before it, resolves that the agreement be annulled, the agreement shall thereupon become void except in so far as it confers rights or imposes obligations in respect of things previously done or omitted to be done, without prejudice, however, to the making of a new agreement.

In reckoning for the purposes of this subsection any such period of fourteen days as aforesaid, no account shall be taken of any time during which Parliament is dissolved or prorogued, or during which both Houses are adjourned for more than four days.

(3) Any reference in this section to a British ship shall be construed as including a reference to any machinery, tackle, or furniture of a British ship, and to any goods on board or a British ship, not being cargo carried therein; and in this section the expressions "King's enemy risks" and "war risks" mean, in relation to any agreement, King's enemy risks and war risks respectively as defined for the purposes of that agreement.

(4) This section shall be deemed to have come into operation on the twentieth day of February nineteen hundred and thirty-nine.

*Insurance by Board of Trade of Ships and Cargoes.*

2. (1) The Board of Trade may, with the approval of the Treasury, carry on business for all or any of the following purposes, that is to say:

- (a) the insurance of British ships by the Board against war risks or King's enemy risks, at any time when it appears to the Board that reasonable and adequate facilities for the insurance of British ships against such risks are not available;
- (b) the insurance by the Board, during the continuance of any war in which His Majesty may be engaged, of British ships and of foreign ships not being ships used in the service of a Power at war with His Majesty;
- (c) the insurance by the Board of cargoes carried in ships or aircraft against war risks or King's enemy risks, at any time when it appears to the Board that reasonable and adequate facilities for the insurance of such cargoes against such risks are not available;
- (d) the insurance by the Board, during the continuance of any such war, of cargoes carried in ships or aircraft not being ships or aircraft used in the service of a Power at war with His Majesty; and.
- (e) the insurance by the Board, during the continuance of any such war,—

(i) of goods consigned for carriage by sea or by air from a place outside any one of the countries to which this paragraph applies to a place in that country, while the goods are in transit between the ship or aircraft and their destination; and

(ii) of goods consigned for carriage by sea or by air from a place in any one of the countries to which this paragraph applies to a place outside that country, while the goods are in transit between the premises from which they are consigned and the ship or aircraft.

The countries to which paragraph (e) of this subsection applies are the United Kingdom, the Isle of Man and any of the Channel Islands.

(2) Any reference in paragraphs (a) and (b) of subsection (1) of this section to British ships or foreign ships shall be construed as including a reference to any machinery, tackle or furniture of such ships, and to any goods on board of such ships, not being cargo carried therein; and in paragraph (e) of that subsection the expression "the ship or aircraft", in relation to goods consigned for carriage by sea or by air to or from a country to which that paragraph applies, does not include any vessel into which the goods are discharged at any port or place in that country for the purpose of being landed at that port or place, or place, or from which the goods are discharged for the purpose of being carried by sea or by air from that country, as the case may be.

3. (1) Where any person proves with respect to any goods—

*Transitional provision for compensation in respect of goods in transit after discharge or before shipment.*

- (a) that the goods have been lost or damaged in consequence of King's enemy risks; and

- (b) that the goods, having been consigned for carriage by sea or by air from a place outside any one of the countries to which this paragraph applies to a place in that country,—
- (i) were discharged in that country from the ship or aircraft before the expiration of the period of seven days beginning with such day as the Board of Trade may declare to be the day as from which they will carry on business for the purpose mentioned in paragraph (e) of subsection (1) of the last preceding section, and
  - (ii) were so lost or damaged as aforesaid within the appropriate period, while in transit between the ship or aircraft and their destination.
- or, having been consigned for carriage by sea or by air from a place in any one of the countries to which this paragraph applies to a place outside that country before the expiration of the said period of seven days, were so lost or damaged as aforesaid while in transit between the premises from which they were consigned and the ship or aircraft; and
- (c) that he and his agents exercised all due diligence for securing that no delay occurred while the goods were in such transit as aforesaid; and
  - (d) that at the time when the loss or damage occurred the property in the goods was vested in him;

the Board of Trade shall pay to him, by way of compensation for that loss or damage, an amount equal to the value of the goods ascertained in accordance with such rules as may be made by the Board of Trade, or, as the case may be, the amount by which the value of the goods so ascertained was diminished by reason of the damage.

(2) Where, at the time when the loss or damage for which compensation in respect of any goods has become payable under this section occurred, the goods were subject to any mortgage, charge or other similar obligation, the amount of the compensation shall be deemed to be comprised in that mortgage, charge or other obligation.

(3) The countries to which paragraph (b) of subsection (1) of this section applies are the United Kingdom, the Isle of Man and any of the Channel Islands.

(4) In this section—

(a) the expression “the ship or aircraft”, in relation to goods consigned for carriage by sea or by air to or from a country to which paragraph (b) of subsection (1) of this section applies, does not include any vessel into which the goods are discharged at any port or place in that country for the purpose of being landed at that port or place, or from which the goods are discharged for the purpose of being carried by sea or by air from that country, as the case may be; and

(b) the expression “the appropriate period” means—

(i) in a case where the destination of the goods is within the port or place at which they were discharged from the ship or aircraft, the period of fifteen days beginning with the day on which they were so discharged; or



- (ii) in a case where the destination of the goods is outside the said port or place, the period of thirty days beginning with the day on which they were so discharged.

*Liabilities of reinsurer in the event of insurer's insolvency*

4. Where any sum becomes payable to any person (hereafter in this section referred to as "the insurer") in respect of any loss or damage arising from a risk against which the insurer has, either originally or by way of re-insurance, insured another person (hereafter in this section referred to as "the assured") and either—

- (a) the sum has become payable by the Board of Trade by virtue of an agreement made under section one of this Act, or
- (b) the sum has become payable under a contract of insurance by some person other than the Board (hereafter in this section referred to as "the intermediate insurer") and the risk has been re-insured under such an agreement as aforesaid,

then if, before payment of that sum is made by the Board of Trade or the intermediate insurer, the insurer becomes bankrupt or, in a case where the insurer is a company, the company commences to be wound up, or a receiver is appointed on behalf of the holders of any debentures of the company secured by a floating charge or possession is taken by or on behalf of the holders of such debentures of any property comprised in or subject to the charge, that sum shall cease to be payable to the insurer and the amount thereof shall be paid to the assured by the Board or the intermediate insurer, as the case may be, and the right of the assured to receive payment in respect of the loss or damage from the insurer shall, to the extent to which the risk has been re-insured by the Board, be extinguished.

*Exemption of certain bodies from s. 357 of Companies Act, 1929. 19 and 20 Geo. 5, c. 23.*

5. (1) Section three hundred and fifty-seven of the Companies Act, 1929 (which prohibits, subject to certain conditions, the formation of companies, associations or partnerships consisting of more than twenty persons for the purpose of carrying on any business for gain) shall not apply in relation to any body of persons for the time being approved for the purposes of this Part of this Act by the Board of Trade, being a body the objects of which are or include the carrying on of business by way of the re-insurance of risks which may be re-insured under any agreement for the purpose mentioned in paragraph (b) of subsection (1) of section one of this Act.

(2) This section shall be deemed to have come into operation on the twentieth day of February, nineteen hundred and thirty-nine.

*Interpretation of Part I.*

6. (1) In the provisions of this Part of this Act other than section one of this Act—

- (a) the expression "war risks" means risks arising from any of the following events, that is to say, hostilities (including action taken in repelling an imagined attack), rebellion, revolution and civil war, or from civil strife consequent upon the happening of any of those events, as the Board of Trade may by order define for the purposes of this Part of this Act, having regard to the meaning assigned to that expression by any agreement under section one of this Act, and includes piracy; and
- (b) the expression "King's enemy risks" means such risks arising from action taken by an enemy, or from action taken in combating an

enemy or in repelling an imagined attack by an enemy, as the Board may by order define for the purposes of this Part of this Act, having regard to the meaning assigned to that expression by any such agreement as aforesaid.

(2) Any order under the preceding subsection may be varied or revoked by a subsequent order may by the Board of Trade.

(3) In this part of this Act the expression "goods" includes currency and any securities payable to bearer not being either bills of exchange or promissory notes.

### PART III.

#### GENERAL AND SUPPLEMENTARY PROVISIONS

##### *Establishment of funds for purposes of Act.*

16. (1) There shall be established under the control of the Board of Trade—

- (a) a fund for the purposes of Part I of this Act, to be called the "war risks (marine) insurance fund", into which shall be paid all sums received by the Board by virtue of that Part of this Act, and out of which shall be paid all sums required for the fulfilment by the Board of any of their obligations under that Part of this Act; and
- (b) a fund for the purposes of Part II of this Act, to be called the "war risks (commodities) insurance fund", into which shall be paid all sums received by the Board of virtue of that Part of this Act, and out of which shall be paid all sums required for the fulfilment by the Board of any of their obligations under that Part of this Act or for the payment by the Board of the remuneration and expenses of agents employed for any of the purposes of that Part of this Act.

(2) If, at any time when a payment falls to be made out of either of the said funds, the sum standing to the credit of that fund is less than the sum required for the making of that payment, an amount equal to the deficiency shall be paid into that fund out of moneys provided by Parliament, but, if and so far as that amount is not paid out of such moneys, it shall be charged on and issued out of the Consolidated Fund of the United Kingdom or the growing produce thereof (hereinafter referred to as "the Consolidated Fund").

(3) If, at any time, the amount standing to the credit of either of the said funds exceeds the sum which, in the opinion of the Board of Trade and the Treasury is likely to be required for the making of payments out of that fund, the excess shall be paid into the Exchequer; and the amount of any sum so paid into the Exchequer shall, at such times as the Treasury may direct, be issued out of the Consolidated Fund and applied in redeeming or paying off debt of such description as the Treasury thinks fit.

(4) In relation to each of the said funds, the Board of Trade shall prepare, in such form and manner as the Treasury may direct, an account of the sums received into and paid out of that fund in each financial year, and shall, on or before the thirtieth day of November in each year, transmit the said account to the Comptroller and Auditor General, who shall examine and certify the account and lay copies thereof, together with copies of his report thereon, before both Houses of Parliament.

*Provisions as to raising of money to make good deficiencies in funds,  
9 and 10 Geo. 5, c. 37*

17. For the purpose of providing for the issue of sums out of the Consolidated Fund under subsection (2) of the last preceding section or any part of such sums, or for the replacement of all or any part of sums so issued, the Treasury may from time to time raise money in any manner in which they are authorised to raise money under and for the purposes of subsection (I) of section one of the War Loan Act, 1919; and any securities created and issued to raise money under this section shall be deemed for all purposes to have been created and issued under subsection (1) of section one of that Act.

*Exemption of certain agreements from provisions of Stamp Act, 1891, and Marine Insurance Act, 1906, 54 and 55, Vict. c. 39. 6 Edw. 7 c. 41.*

18. (1) No agreement to which this section applies shall be invalid by reason only that it does not comply with the requirements of the Stamp Act, 1891, with respect to contracts for or policies of sea insurance, or be inadmissible in evidence by reason only that it is not embodied in a marine policy in accordance with the Marine Insurance Act, 1906.

(2) Stamp duty shall not be chargeable in respect of any such agreement.

(3) No person shall be liable to a fine under section ninety-seven of the Stamp Act, 1891, by reason of having, contrary to the said section, entered into or done or omitted to do anything in relation to, or for the purposes of, any such agreement, or be liable under the said section to any disability in relation to any such agreement.

(4) This section applies to—

- (a) any agreement for re-insurance made, in pursuance of Part I of this Act, between the Board of Trade and any other person, and any policy of re-insurance issued by the Board in pursuance of such an agreement;
- (b) any agreement entered into by any body to which this paragraph applies, being an agreement for the re-insurance of any risk insured by another person which may be again re-insured by the Board, and any policy issued in pursuance of such an agreement, being a policy for the re-insurance only of such a risk as aforesaid; and
- (c) every policy of insurance issued in pursuance of the commodity insurance scheme.

Paragraph (b) of this subsection applies to any body of persons for the time being approved for the purposes of Part I of this Act by the Board of Trade, being a body the objects of which are or include the carrying on of business by way of the re-insurance of risks which may be re-insured under any agreement for the purpose mentioned in paragraph (b) of subsection (1) of section one of this Act.

#### *Expenses of Board of Trade*

19. The expenses incurred for the purposes of this Act by the Board of Trade shall, except in so far as they are required to be defrayed out of a fund established under this Act, be defrayed out of moneys provided by Parliament.

#### *Exercise of powers of Board of Trade*

20. Anything required or authorised by or under this Act to be done by, to or before the Board of Trade, may be done by, to or before the President of

the Board of Trade, any secretary, under-secretary or assistant secretary of the Board, or any person authorised in that behalf by the President.

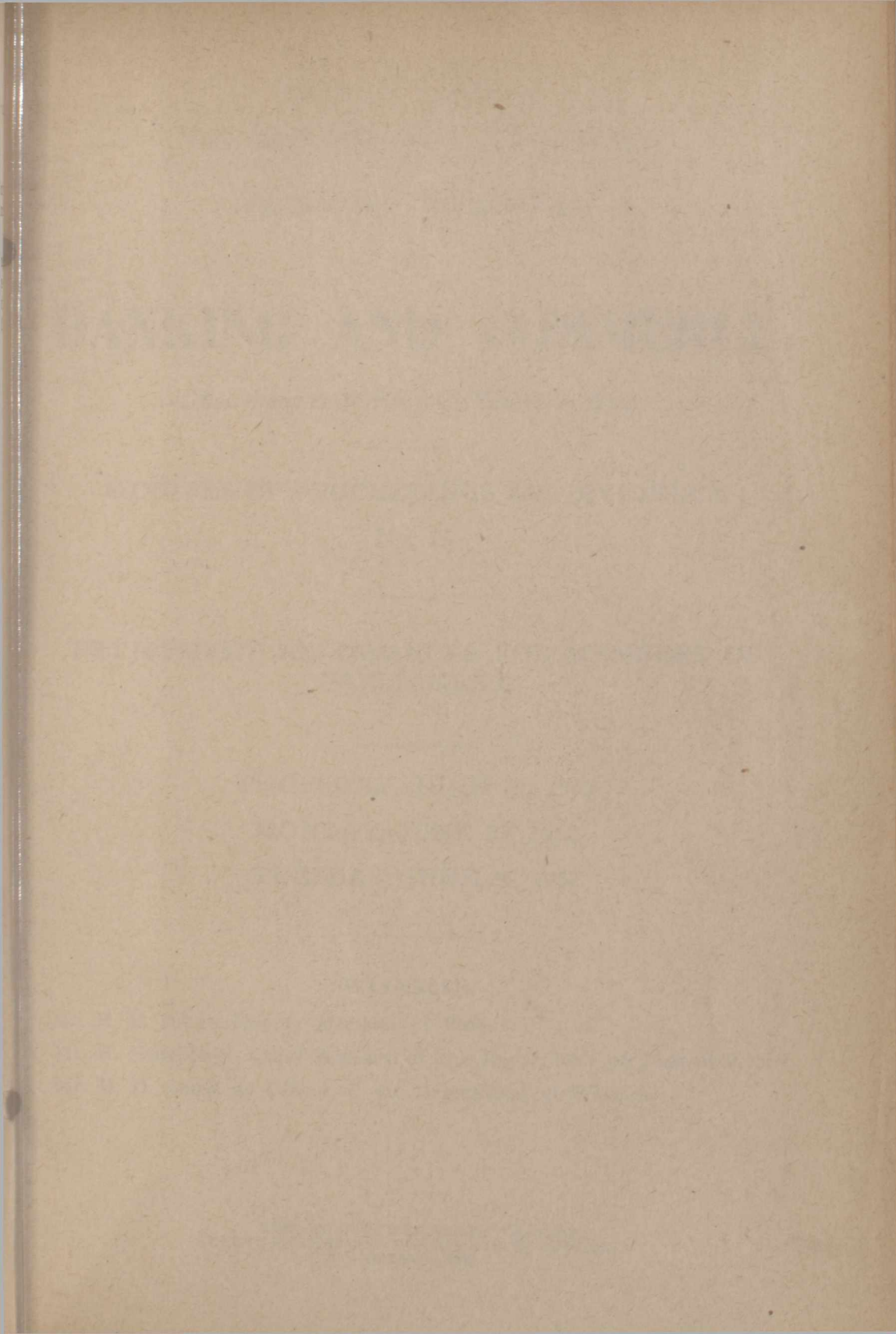
*Application to Scotland and Northern Ireland, 14 and 15 Vict., c. 93*

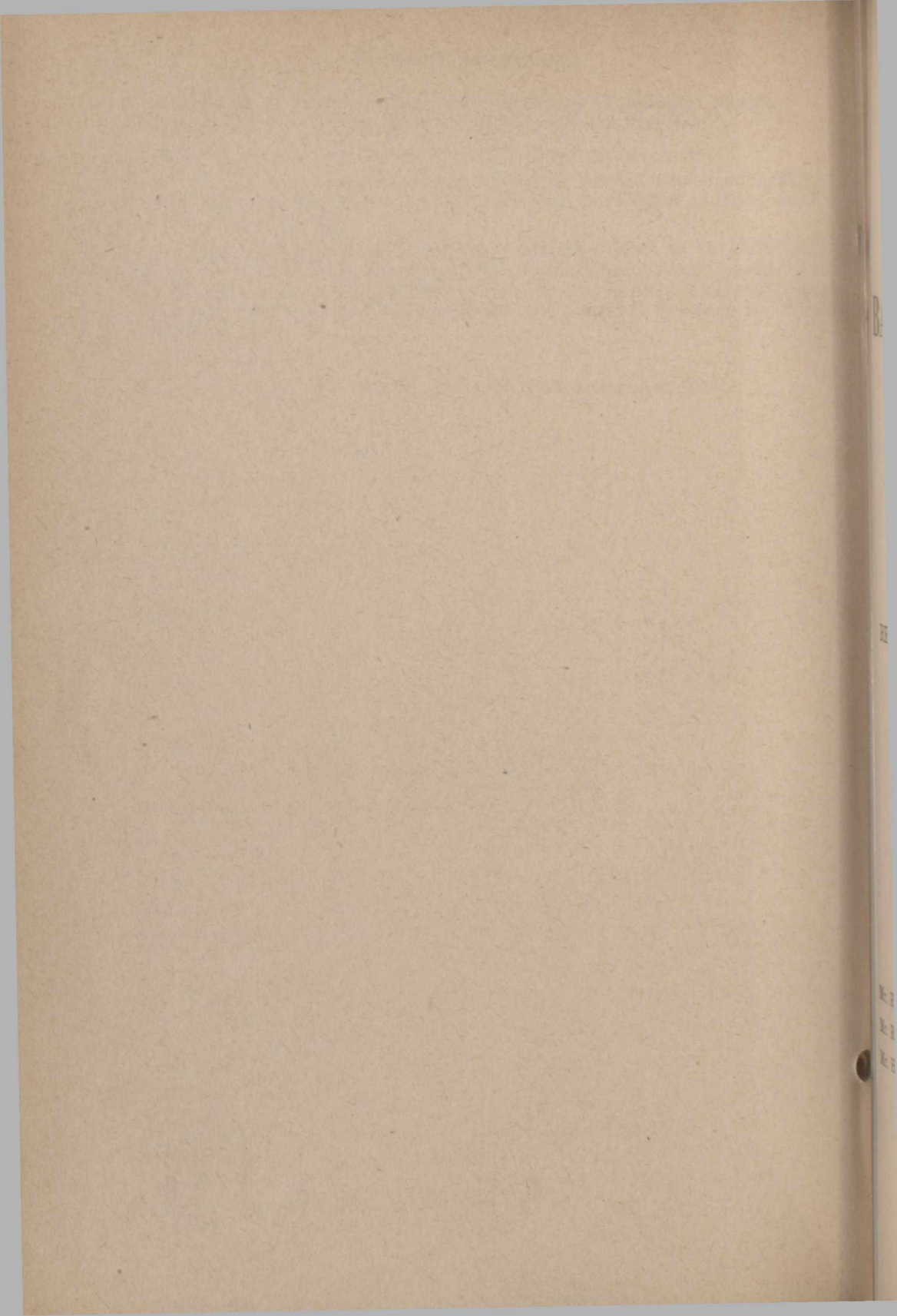
21. (1) This Act apply to Scotland subject to the following modification, that is to say, subsection (4) of section eight shall have effect as if the word "summarily" were omitted.

(2) This Act shall apply to Northern Ireland subject to the following modification, that is to say, the expression "summary conviction" means conviction subject to, and in accordance with, the Petty Sessions (Ireland) Act, 1851, and any Act (including any Act of the Parliament of Northern Ireland) amending that Act.

*Short title*

22. This Act may be cited as the War Risks Insurance Act, 1939.





HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

STANDING COMMITTEE

ON

# BANKING AND COMMERCE

*Chairman:* HUGHES CLEAVER, ESQ.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

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RETIREMENT ALLOWANCES FOR MEMBERS OF  
PARLIAMENT

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THURSDAY, JUNE 19, 1952

MONDAY, JUNE 23, 1952

TUESDAY, JUNE 24, 1952

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WITNESSES:

Mr. R. B. Bryce, Deputy Minister of Finance;

Mr. R. Humphrys, Chief Actuary of the Department of Insurance, and

Mr. H. D. Clark, an Officer of the Department of Finance.

STANDING COMMITTEE

WORKING AND GOVERNANCE

MEMBERS OF THE COMMITTEE

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ORDERS OF REFERENCE

THURSDAY, June 19, 1952.

*Ordered*,—That the subject of a pension plan for Members of Parliament after long service based on contributions by all Members be referred to the said Committee.

FRIDAY, June 20, 1952.

*Ordered*,—That the name of Mr. Carroll be substituted for that of Mr. Winters on the said Committee.

*Attest.*

LEON J. RAYMOND,  
*Clerk of the House.*

## REPORT TO THE HOUSE

TUESDAY, June 24, 1952.

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

## EIGHT REPORT

Pursuant to the Order of Reference of the House of June 19, 1952, your Committee had before it for consideration the subject of a pension plan for Members of Parliament after long service based on contributions by all Members.

Your Committee held five meetings during which the above-named matter was considered, together with comparable legislation in other countries.

Your Committee has considered and approved of the draft bill annexed hereto and recommends that it be introduced to the House.

Your Committee was ably assisted in its task by Dr. R. B. Bryce, Assistant Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance, and Mr. H. D. Clark, an Officer of the Department of Finance.

A copy of the Evidence adduced in respect of the above matter referred is appended hereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

## DRAFT BILL

An Act to provide Retiring Allowances, on a contributory basis, to persons who have served as Members of the House of Commons of Canada.

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

### SHORT TITLE

1. This Act may be cited as *The Members of Parliament Retiring Allowances Act*.

### INTERPRETATION

2. (1) In this Act,

- (a) "Account" means the Members of Parliament Retiring Allowances Account established by this Act;
- (b) "member" means a member of the House of Commons;
- (c) "session" means a session of the Parliament of Canada;
- (d) "sessional indemnity" means the allowance that is payable to a member pursuant to sections thirty-three to forty of the *Senate and House of Commons Act* in respect of his attendance at a session.

(2) A House of Commons that is not dissolved before the expiration of the period fixed for its duration shall, for the purposes of this Act, be deemed to be dissolved on the expiration of that period.

### MEMBERS OF PARLIAMENT RETIRING ALLOWANCE FUND

3. (1) There shall be established in the Consolidated Revenue Fund an account to be known as the Members of Parliament Retiring Allowances Account to which shall be credited

- (a) the contributions paid pursuant to sections six and eight;
- (b) interest paid in accordance with section eight; and
- (c) the amounts specified in section four.

(2) All allowances payable under this Act shall be paid out of the Consolidated Revenue Fund and charged to the Members of Parliament Retiring Allowances Account.

4. The Minister of Finance shall, in accordance with the regulations, credit to the Account, in each fiscal year,

- (a) an amount equal to the contributions paid in that fiscal year pursuant to section six;
- (b) an amount equal to the total of the amounts that have become payable in that fiscal year pursuant to subsection one of section eight; and
- (c) an amount representing interest on the balance that is, from time to time, to the credit of the Account.

5. An account shall be kept in respect of each member, in which shall be shown all payments made by him or to him or his legal representatives under this Act.

## CONTRIBUTIONS

6. A member shall, by reservation from his sessional indemnity, contribute to the Consolidated Revenue Fund six per cent of all amounts that are payable to him by way of sessional indemnity.

7. (1) A member may, as prescribed by this section, elect, within one year from the commencement of this Act or from the day on which the House of Commons first is in session after he becomes a member, whichever is the later, to contribute under this Act in respect of any previous session during which he was a member.

(2) Where, after the coming into force of this Act, a member ceases to be a member and subsequently again becomes a member, he may elect to contribute under this Act in respect of a previous session only if

(a) he previously contributed or elected to contribute under this Act in respect of that session and a withdrawal allowance equal to the amount of the contributions that he paid in respect of that session became payable to him under section twelve, or

(b) he was eligible to make an election in respect of that session but did not so elect and the time for making the election had not expired when he ceased to be a member.

(3) A member who, immediately prior to becoming a member was entitled to an annual allowance under section eleven, may make an election under this section in respect of a prior session only if, when he was previously entitled to elect to contribute in respect of that prior session, he did not do so and the time for doing so had not expired when he previously ceased to be a member.

(4) An election pursuant to this section shall be made to the Minister of Finance in a form prescribed by the regulations and is deemed to be made on the day on which the form, duly signed by the member, is placed in course of delivery to the Minister.

8. (1). Where a member elects, pursuant to section seven, to contribute in respect of a previous session, he shall pay into the Consolidated Revenue Fund, in a lump sum or otherwise, at the option of the member,

(a) a contribution equal to six per cent of the amount received by the member by way of sessional indemnity in respect of that session, and

(b) except in respect of the portion of that contribution specified in paragraph (c), interest on that contribution at the rate of four per cent per annum, compounded annually, from the day on which the final payment by way of sessional indemnity was made to the member in respect of that session to the day on which he makes his election.

(c) in respect of the portion of that contribution equal to an amount that the member has previously paid as a contribution in respect of that session and that has been taken into account in the payment to him of a withdrawal allowance under this Act, interest on that portion at the rate of four per cent per annum, compounded annually, from the date of payment to the day on which he makes his election.

(2) Interest at the rate of four per cent per annum is payable by a person to the Consolidated Revenue Fund on the balance unpaid from time to time of the amount payable by him under subsection one and if the interest is not paid it may be recovered as a debt due to Her Majesty.

(3) The interest payable by a person under subsection two shall, while he is a member, be paid by reservation from his sessional indemnity.

(4) Where a person becomes entitled to an allowance under section eleven and any part of the amount payable by him under subsection one remains unpaid, he shall pay the balance thereof, together with the interest prescribed by subsection two, by reservation of the full amount of his allowance until the whole is paid, or the balance may otherwise be recovered as a debt due to Her Majesty.

(5) Where a withdrawal allowance becomes payable to or in respect of a person under this Act and the person has not paid in full the amount payable by him under subsection one, the unpaid amount need not be paid; but interest payable under subsection two shall be paid and may be deducted from the withdrawal allowance.

(6) A person may, at any time while he is not a member, revoke his election under this section with respect to the contributions then owing by him under subsection one by giving to the Minister of Finance a notice of revocation, in a form prescribed by the regulations, and thereupon

(a) he is not required to pay the amount owing under subsection one to which the revocation applies, but interest is payable on that amount under subsection two to the date of revocation;

(b) for the purpose of computing an allowance under section eleven, he shall be deemed not to have elected to contribute the amount of the contributions to which the revocation applies and if the allowance has been calculated, it shall be recalculated accordingly; and

(c) he may not again at any time elect to make those contributions.

9. (1) Notwithstanding anything in this Act no contribution shall be paid under this Act by a member

(a) unless, at the time when the contribution is to be paid, the total amount of the contributions that have been or elected to be paid by him is less than the amount that, at that time, is payable by way of sessional indemnity to a member who attends all the sittings of the House of Commons at a session that extends over a period of sixty-five days or more; or

(b) in respect of any session in the course of which he was expelled from the House of Commons.

(2) In computing the total amount of the contributions that a member has paid or elected to pay under this Act, there shall not be included

(a) any contributions in respect of which a withdrawal allowance has been paid under this Act;

(b) any contributions in respect of which his election has been revoked under subsection six of section eight; or

(c) any amount paid by him by way of interest.

(3) Where a person makes a payment on account of the amount payable by him under subsection one of section eight, the part thereof that is the same proportion of the whole payment as the contribution specified in paragraph (a) of that subsection is of the aggregate of the amounts specified in paragraphs (a), (b) and (c) of that subsection is deemed to be paid in respect of the contribution specified in the said paragraph (a).

## ALLOWANCES.

10. (1) An allowance shall be paid in accordance with this Act to or in respect of a person who, being a member, ceases to be a member or dies.

(2) For the purposes of this Act,

(a) a person does not cease to be a member by reason only of the dissolution of the House of Commons, and

(b) a person who, immediately before a dissolution of the House of Commons, was a member, ceases to be a member if he is not elected as a member at the general election next following the dissolution, and he is deemed to have ceased to be a member on the day on which that general election was held.

11. (1) Subject to section fifteen, where a person, at the time he ceases to be a member, has contributed or elected to contribute under this Act in respect of sessions in more than two Parliaments, there shall be paid to him annually, during his lifetime, an allowance equal to seventy-five per cent of the total amount of the contributions that he has paid and elected to pay under this Act.

(2) An Allowance payable under this section shall be paid monthly in arrears in approximately equal instalments.

12. Where a person, at the time he ceases to be a member, has not contributed or elected to contribute under this Act in respect of sessions in more than two Parliaments, there shall be paid to him, in a lump sum, a withdrawal allowance equal to the total amount of the contributions that he has paid under this Act.

13. Where a member is expelled from the House of Commons there shall be paid to him, in a lump sum, a withdrawal allowance equal to the total amount of the contributions that he has paid under this Act.

14. Where a member or a person who has ceased to be a member dies, there shall be paid to his legal representatives, in a lump sum, a withdrawal allowance equal to the remainder after subtracting.

(a) the total of any amounts of allowance that have been paid or have become payable to him under this Act prior to his death,

from

(b) the total amount of the contributions that have been paid by him under this Act.

15. (1) An allowance payable to a person under section eleven shall be discontinued while that person

(a) is a Senator or a member,

(b) is employed in the public service of Canada, or

(c) renders services the remuneration for which is paid out of the Consolidated Revenue Fund or by an agent of Her Majesty in right of Canada,

and where that person is a Senator or member, or is so employed or renders service at any time during a month, the whole amount payable on account of the allowance in that month shall be withheld.

(2) For the purposes of this section a person is deemed to be employed in the public service of Canada who

(a) is eligible to receive a pension under the *Old Age Security Act*, the

(b) holds any office or employment under Her Majesty in right of Canada, or

(c) is an officer, member or employee of a corporation, board of commission that is an agent of Her Majesty in right of Canada.

16. Where a person who is entitled to be paid an allowance under section eleven

- (a) is eligible to receive a pension under the *Old Age Security Act*, the amount of the allowance that would otherwise be payable to him in any month under section eleven shall be reduced by the amount of the pension that is payable to him in that month under the *Old Age Security Act* or would be so payable if he applied for it; or
- (b) is in receipt of an annuity, pension, or allowance payable out of the Consolidated Revenue Fund or by an agent of Her Majesty pursuant to a retirement pension scheme to which persons who may benefit therefrom are not required to contribute and the amount of which, except for determining eligibility to receive benefits, is not related to length of service, the amount of the allowance that would otherwise be payable to him in any month under section eleven shall be reduced by the amount of the annuity, pension or allowance that is payable to him in that month under the pension scheme, or, if it is not paid monthly, the amount that the Treasury Board deems to be payable in respect of that month.

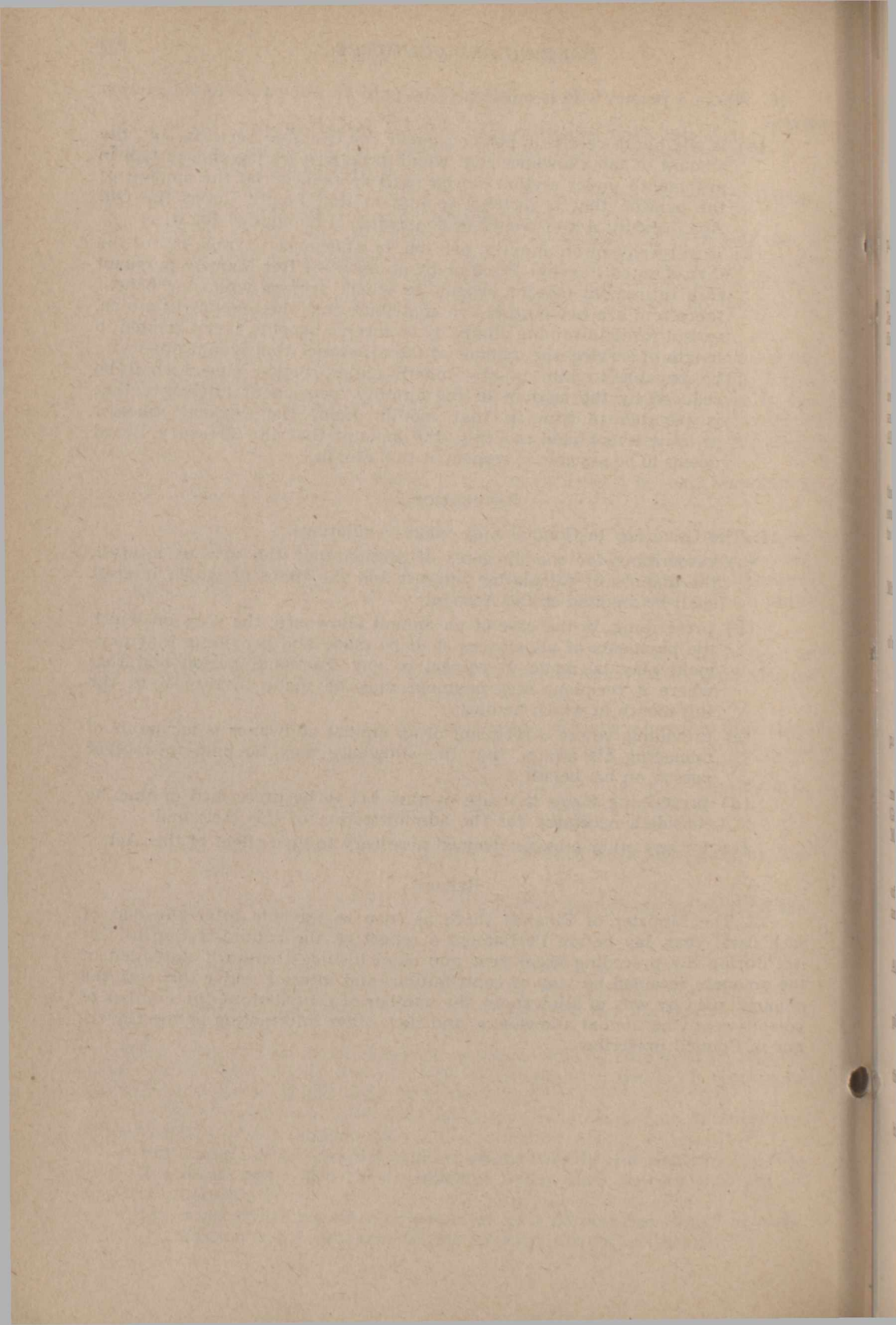
#### REGULATIONS.

17. The Governor in Council may make regulations

- (a) prescribing for the purposes of section four the rate of interest, the manner of calculating interest and the times at which interest shall be credited to the Account;
- (b) prescribing, in the case of an annual allowance, the days on which the payments of allowances shall be made and providing that payment may be made in respect of any fractional period and that where a recipient dies payment may be made in respect of the full month in which he dies;
- (c) providing, where a recipient of an annual allowance is incapable of managing his affairs, that the allowance may be paid to another person on his behalf;
- (d) prescribing forms that are by this Act to be prescribed or that he considers necessary for the administration of this Act; and
- (e) for any other purpose deemed necessary to give effect of this Act.

#### REPORT

18. The Minister of Finance shall, as soon as possible after the end of each fiscal year, lay before Parliament a report on the administration of this Act during the preceding fiscal year and shall include therein a statement of the amounts received by way of contributions and interest under this Act, the amounts paid by way of allowances, the number of contributors, the number of persons receiving annual allowances, and such other information as the Governor in Council prescribes.





## MINUTES OF PROCEEDINGS

WEDNESDAY, June 18, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day, Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Balcom, Coldwell Dumas, Fleming, Fraser, Gingras, Gour (*Russell*), Harkness, Hellyer, Hunter, Jeffery, Leduc, Low, Macdonnell (*Greenwood*), McCusker, Richard (*Ottawa East*), Sinclair, Ward, Welbourn.

Having disposed of other matters before it, (*See Minutes of Proceeding and Evidence No. 14*), the Committee considered the procedure to be followed, and Witnesses to be called, when it commenced consideration of Retirement Allowances to Members of Parliament.

It was agreed that the first witnesses to be called and heard should be those who had studied and brought forward such a plan on an actuarially sound basis, and the Chairman was instructed to call the following witnesses to appear before the Committee at the next meeting:

Mr. B. Arsenault, M.P., Mr. R. B. Bryce, Deputy Minister of Finance and Mr. R. Humphrys, Chief Actuary, Department of Insurance.

At 5.30 o'clock p.m. the Committee adjourned to meet again at 2.00 o'clock p.m., Thursday, June 19, 1952.

THURSDAY, June 19, 1952.

The Standing Committee on Banking and Commerce met at 2.00 o'clock p.m. this day, Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Argue, Arsenault, Balcom, Blackmore, Coldwell, Crestohl, Dumas, Fleming, Fraser, Fulford, Fulton, Gingras, Gour (*Russell*), Harkness, Hellyer, Hunter, Jeffery, Low, Macdonnell, McCusker, Sinclair, Ward.

*In attendance:* Mr. B. Arsenault, M.P.; Mr. R. B. Bryce, Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance, and Mr. H. D. Clark, an Officer of the Department of Finance.

The Committee commenced consideration of the question of Retirement Allowances to Members of Parliament.

Mr. Bryce was called, made a statement in explanation of the proposed plan, and was questioned thereon.

Mr. Humphreys was called, made a statement on the actuarial aspects of the question before the Committee and was questioned thereon.

Mr. Clark was called, and answered questions specifically referred to him.

Mr. Bryce tabled the following documents:

1. Summary of Parliamentary Retiring Allowances plan, and
2. Draft of Bill which would be required if memorandum for Retirement Allowances to Members of Parliament is to be implemented.

The said documents were ordered to be mimeographed and distributed to all members of the Committee.

At 3.30 o'clock p.m. the Committee adjourned to meet again at 4.00 o'clock p.m., Monday, June 23, 1952.

MONDAY, June 23, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m., this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Argue, Ashbourne, Balcom, Blackmore, Cannon, Carroll, Coldwell, Crestohl, Dumas, Fleming, Fraser, Fulford, Fulton, Gour (*Russell*), Harkness, Henry, Laing, Low, Macdonnell (*Greenwood*), Quelch, Sinclair.

*In attendance:* Mr. R. B. Bryce, Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance and Mr. H. D. Clark, an Officer of the Department of Finance.

The Committee resumed consideration of the question of Retirement Allowances to Members of Parliament.

The following documents were tabled and distributed to members of the Committee:

1. Summary of Parliamentary Retiring Allowances Plan (*Appendix A*),
2. Draft Bill (*Appendix B*)
3. Outline of Members of Parliament Pension Plan of the United Kingdom. (*Appendix C*)
4. Outline of Members of Parliament Pension Plan in New Zealand. (*Appendix D*)
5. Outline of Members of Parliament Pension Plan in Australia. (*Appendix E*)
6. Outline of Congressional Retirement Plan of the United States. (*Appendix F*)
7. Basic provisions of Members' Pension Plans. (*Appendix G*)
8. Statistics relating to 17th-20th Parliaments, Tables I to VI. (*Appendix H*)
9. Parliamentary Service and ages of Members in the First Session of each of the 17th, 18th, 19th, 20th and 21st Parliaments. (*Appendix I*)

The said documents were ordered to be printed as Appendices to today's Minutes of Proceedings and Evidence.

The Committee then proceeded with detailed study of the statistics contained in the said documents.

Mr. Humphrys commenced a statement on Statistics relating to 17th and 20th Parliaments, (*see Appendix H*), and Parliamentary Service and Ages of Members, (*see Appendix I*), and was questioned thereon.

At 6.05 o'clock p.m., the questioning of the witness continuing, the Committee adjourned to meet again at 8.00 o'clock p.m., this day.

## EVENING SITTING

The Committee resumed at 8.00 o'clock p.m. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Carroll, Coldwell, Crestohl, Dumas, Fraser, Fulford, Fulton, Gour (*Russell*), Harkness, Henry, Jeffery, Low, Macdonnell (*Greenwood*), Macnaughton, Quelch, Richard (*Ottawa East*), Sinclair.

*In attendance:* Mr. R. B. Bryce, Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance, Mr. H. D. Clark, an Officer of the Department of Finance and Mr. K. R. MacGregor, Associate Superintendent of the Insurance Department.

Mr. Humphrys continued the statement commenced at the afternoon sitting and was further questioned thereon.

Mr. Humphrys then made a statement on Pension Plans in effect in other countries, (*see Appendices C, D, E, F*) and was questioned thereon.

Messrs. Bryce, Clark and MacGregor answered questions specifically referred to them.

The Committee then commenced consideration of the draft bill. (*see Appendix B*)

At 9.40 o'clock p.m., it was agreed that, in order to give Members of the Committee an opportunity to further study the various documents tabled, and the statistics contained therein, the Committee would adjourn until 4.00 o'clock P.M., Tuesday, June 24.

TUESDAY, June 24, 1952.

The Standing Committee on Banking and Commerce met at 4.00 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Argue, Cannon, Carroll, Coldwell, Dumas, Fraser, Fulford, Fulton, Gingras, Gour (*Russell*), Hellyer, Helme, Henry, Hunter, Jeffery, Leduc, Low, Macdonnell (*Greenwood*), Macnaughton, Quelch, Richard (*Ottawa East*), Riley, Sinclair.

*In attendance:* Mr. R. B. Bryce, Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance, Mr. H. D. Clark, an Officer of the Department of Finance, and Mr. K. R. MacGregor, Associate Superintendent of the Insurance Department.

Having disposed of other matters before it, (*See Minutes of Proceedings and Evidence No. 13*), the Committee resumed consideration of the question of Retirement Allowances for Members of Parliament.

A Clause by Clause consideration of the draft bill before the Committee was continued.

Messrs. Bryce, Humphrys and Clark answered questions specifically directed to them on the various aspects of the said draft bill.

After discussion, and several revisions having been made, the said draft bill was adopted, on division.

Thereupon the Chairman laid before the Committee a draft Report to the House.

On Motion of Mr. Coldwell the said Report was adopted.

At 5.40 o'clock p.m. the Committee adjourned to meet again at the call of the Chair.

R. J. GRATRIX,  
*Clerk of the Committee.*

## EVIDENCE

June 19, 1952,  
2:00 p.m.

The CHAIRMAN: We have a quorum. As members are aware, our order of reference is that the subject of a pension plan for members of parliament after long service, based on contributions by all members be referred to the said committee.

We have with us today Mr. R. B. Bryce, Assistant Deputy Minister of Finance, who will be assisted by Mr. H. D. Clark, and Mr. R. Humphrys, who is the Chief Actuary of the Department of Insurance.

Mr. Bryce, I understand, has made some study of existing plans in other countries and is prepared to give that information to the committee; and he is also prepared to discuss a draft plan. I now call on Mr. Bryce.

**Mr. R. B. Bryce, Assistant Deputy Minister of Finance, called:**

The WITNESS: Thank you, Mr. Chairman. I should perhaps start off by saying that I have no prepared statement to pass around or to read out on this matter, sir. I understood from you that you wanted me here to answer such questions as I could answer.

The CHAIRMAN: That is right.

The WITNESS: And to speak briefly concerning the type of plan that some of the members had put forward to the Department of Finance through the minister for our consideration, as to whether or not it was a self-supporting plan.

*By Mr. Macdonnell:*

Q. Are we going to have copies of the proposed plan?—A. Yes, I think so.

Q. I mean this afternoon?—A. If it is desired to have copies—what I have here is only a brief summary that has been given to us, and if I might read it, I think most of the details would be quite readily comprehensible. But if you wish to have copies of it, perhaps the clerk of the committee could send down and have copies run off, and they might be back here within an hour.

*By Mr. Sinclair:*

Q. Read the statement first.—A. When the matter was raised with the department by Mr. Arsenault, speaking to the hon. Mr. Abbott, we discussed it in terms of what had been done in other countries; and broadly speaking we looked at the situation in the United Kingdom and the United States, Australia and New Zealand which are countries with which comparison is frequently made on administrative and financial matters; and in those four countries, there are provisions made for something in the nature of pensions for members of parliament or members of congress upon their ceasing to be members.

I cannot, sir, speak in detail of all the provisions of these plans, but I have brought along with me Mr. Clark who is sitting here, and if members wish to ask questions concerning them, he will answer; and we can, if it is so desired, endeavour to prepare for the committee for a future meeting such other summary material as the committee may desire.

I think I might just summarize briefly the nature of the plans within those countries. In the United States there is a statute permitting, but not requiring, members of congress to come under the Civil Service Retirement Plan for the United States government service; and in doing so they pay contributions equivalent to 6 per cent of their salaries, as I think they call them, and with various conditions and so on; and they are ultimately entitled, if they serve more than 6 years—I think more than 5 years if they leave because of disability—they are entitled to a pension which is based upon  $2\frac{1}{2}$  per cent of their average salary up to a maximum of 75 per cent of that salary.

Q. Two and a half per cent of their salary for each year?—A. For each year that they have served.

In the United Kingdom the plan is of quite a different character and I am informed that it is a compulsory plan to which all members are required to subscribe, and that it pays a pension to those who have served over 10 years and who are at least 60 years of age, but only subject to a means test.

Mr. MACDONNELL: When was it introduced?

The WITNESS: We will have to look that up. I cannot tell you exactly. When was it introduced, Mr. Clark?

Mr. H. D. CLARK: It was introduced in 1939.

The WITNESS: In Australia there is a rather more complicated plan under which members make contributions, and they are entitled to pension if they have served 8 years and retired upon what is defined in their Act as "compulsory retirement", or if they serve 12 years and retire voluntarily.

*By Mr. Macdonnell:*

Q. Are there two kinds of retirement?—A. Yes. The Australian statute goes into it.

Q. Which is the best way out?—A. I am not trying to give all the details about these, but just the general picture. In New Zealand there is a plan to which members are required to subscribe £50 per annum each, and if they have served 9 years and are more than 50 years of age, they may receive a pension of £250 a year plus £25 a year up to a maximum of £400.

I think that will give you some idea of the general nature and scope of these plans. I am unable to say with precision just in what degree, or in what way these plans are self-supporting, or to what extent they are dependent on public funds. I understand that would require some examination into their actuarial condition.

If there are further questions on these plans, I would suggest, as I said at the beginning, that we look at what material we have here, but we may have to make further inquiry and come back later.

In discussing the plan with the members who were taking the initiative in this matter, I think it is fair to say that we did not rely upon the details of the plans in other countries in trying to meet the Canadian situation because, as the problem was described to us by the members, it seemed to us that really all that the other plans gave was a guide and that in general the experience in those countries had shown that there was a real necessity for some arrangement that would provide for members of parliament who had served for a considerable period a pension after they had ceased to be members of parliament. That is what I had proposed to say in regard to the other plans.

Q. Will you answer one question now?—A. Yes sir.

Q. I am interested to know about the ones which are self-supporting, or would you have to do that later?

The CHAIRMAN: As to one of them or as to all of them?

Mr. MACDONNELL: All of them, if it is not too much trouble.

The WITNESS: Well, we will see what we can find, sir, on that.

*By Mr. Coldwell:*

Q. As I understand, three of these plans are compulsory and one voluntary?

—A. Yes, in the United States, I understand, it is voluntary.

*By Mr. Hellyer:*

Q. Have you any idea as to what the maximum pension would be under the United States plan?—A. It is 75 per cent of the average salary during the period before the member ceases to be a member. Now, I am not sufficiently up to date on what the salaries of United States Congressmen are to say what is three-quarters of their salary.

Mr. COLDWELL: Their indemnity was \$10,000, I think, a number of years ago.

Mr. SINCLAIR: \$12,500 plus \$2,500 expenses making \$15,000.

The WITNESS: The information we have is that the maximum is three-quarters of the salary he was getting at the time he left Congressional service.

*By Mr. Macdonnell:*

Q. Regardless of length of service?—A. No sir, the pension is dependent on the length of his service.

*By the Chairman:*

Q. A minimum of six years, I understood you to say, and the actual pension was based on a calculation of the number of years of service?—A. Yes, sir.

Mr. CLARK: And 2½ per cent for each year.

*By Mr. Fraser:*

Q. May I ask a question, Mr. Bryce? In all four countries that you have mentioned, are they all subject to income tax?—A. The pension, sir?

Q. Yes?—A. I am sorry, I cannot answer that offhand. The income tax provisions regarding pensions and annuities are relatively complicated and it depends on the nature of the plan and the income tax on the contribution to the fund at the time the deductions are made and when the pensions are paid. We did not look at that because we have worked out in this country a definite pattern in respect of income tax treatment for pension plans.

Q. You have included, then, income tax in your scheme, have you?—A. Well, we have assumed, sir, that in whatever plan—and I would not like to suggest that it is our scheme; it is the scheme that has been put forward to us—we have just assumed that it would be treated in respect of income tax just like a pension plan, let us say, for civil servants.

Q. And in that way the government would get practically all their share of what they paid in?

The CHAIRMAN: Depending upon the affluent circumstances of the person.

Mr. FRASER: I was just taking into consideration the chairman and some of the others here. It would take the whole works.

Mr. SINCLAIR: It is very simple really as far as our pension scheme is concerned. If the member's salary is not deductible for income tax, then when the pension plan comes out it is subject to income tax, but if income tax has been paid on the salary, then it is not subject to income tax. I think that is true under the American and British plan; I do not know about the Australian plan.

*By Mr. Macdonnell:*

Q. There has been a figure of  $2\frac{1}{2}$  per cent per annum given. Does that mean the pension received is  $2\frac{1}{2}$  per cent per annum up to 75 per cent?—A. Yes sir. Mr. Chairman, I do not know whether you would wish me to go on.

*By the Chairman:*

Q. Would you care to carry on and indicate in broad lines the proposal that was put before you?—A. Yes sir. I am speaking now of the summary, outline that was given to us, which is as follows—and I can read it: It is only three or four paragraphs.

(1) Contributions from Members.

(a) For current service each member would contribute 6 per cent of each sessional indemnity received and would continue making payments until his total contributions equal one sessional indemnity, i.e. \$4,000 at present. This would take slightly less than 17 sessions to accomplish. If a member's contributions had reached \$4,000 and the sessional indemnity were later increased he could resume his contribution until the new level was reached.

(b) A member may contribute for the whole or part of his prior service at the rate of 6 per cent of the indemnity he actually received during that service together with interest at 4 per cent compounded annually from the close of each session. At the time at which a member elected to contribute for prior service his arrears, including the compound interest, would be calculated as a lump sum and he could pay it off immediately or over a period of time but would be required to pay 4 per cent interest on the balance each year. This interest payment would be deducted from his sessional indemnity.

Q. And the election must take place within twelve months?—A. Yes, sir. It is not specified here, the details concerning that.

Any balance which a member owed at the time his pension was due to begin would be defrayed by withholding all pension payments until the sum withheld equalled the balance owed.

That concludes the paragraph concerning members' contributions.

(ii) Government contributions.

The government would match the member's contribution for both current and prior service and would pay 4 per cent interest each year on the balance which was in the Members of Parliament Retiring Allowances Account.

I might, sir, interpolate here to say that that is the same rate that is paid under the Civil Service Superannuation Act.

Q. And is that the same provision as to payment that is pertinent to the Civil Service Superannuation Act?—A. The 6 per cent contribution, sir, is the one payable now by male contributors under the Civil Service Superannuation Act for persons who have entered the civil service at any time subsequent to some date in the summer of 1939 when the Act was amended.

Q. And does the government also make an interest contribution?—A. The government makes an interest contribution at 4 per cent under that Act, sir, and it also pays in a contribution equal to what the contributor pays. So that this would be parallel with what is done for the employees of the government.

*By Mr. Fulton:*

Q. Is there a similar limitation as to the number of contributions to be made by civil servants?—A. There is a limitation that is not the same in detail



but it is of the same nature. A civil servant under the present law contributes for 35 years and then no longer. Now, that 35 years is also the maximum number of years that can be counted in determining his pension.

Q. He contributes 6 per cent of his salary for 35 years?—A. Yes, sir.

*By Mr. Fleming:*

Q. On what does the government pay interest, this 4 per cent?—A. On the balance in the fund, sir. You are speaking here of the proposed plan?

Q. Yes.—A. Yes, sir, it would be on the balance in the account.

Q. That is in the individual member's account?—A. Well, it would be for the total balance in the accounts lumping them all together. I am speaking now of a plan that was put up to us in summary. There are a good many questions of detail that would have to be settled.

We have explored within the department some of the problems we feel will arise to endeavour to draft the sort of bill which would be needed to implement it if the members wish to implement it. But I cannot say that that is part of their plan at all.

*By Mr. Sinclair:*

Q. Isn't it true that the government pays more than 4 per cent in some trust funds in the Consolidated Revenue Fund?—A. I believe there are some old established funds on which that is true but the nearest analogy is the pension fund for government employees on which it pays the same rate.

*By Mr. Macdonnell:*

Q. So you think it would be on some contributory basis?—A. I think it would, sir.

*By Mr. Sinclair:*

Q. We had an explanation of these funds in the Public Accounts Committee. One is as high as 5½ per cent?—A. They are by reason of contractual arrangement or understanding at the time they were made. That was some time ago. Shall I proceed with the others?

The CHAIRMAN: Yes.

The WITNESS: I have spoken of contributions and to resume now to speak of benefits—

(i) Benefits

When eligible a member would receive an annual allowance equal to 75 per cent of the total contributions he had made, not including any interest. On the present basis this would provide a maximum annuity of \$3,000 (75 per cent of \$4,000).

*By Mr. Sinclair:*

Q. That is for the amount you put in—17 sessions?—A. Yes sir.

At age 70 any pension received would be reduced by any pension payable under the Old Age Security Act.

In other words, assuming a typical member would be entitled to a pension under the Old Age Security Act at age 70, this pension would go down and the old age security pension would come in. That is to enable the higher pension to be provided on the average.

*By Mr. Fleming:*

Q. When you say "sessions" I take it you mean full sessions, not these short sessions such as we had in the fall of 1950?—A. Well, we have deliberately, sir,

in discussing this with members, suggested that it would be sensible to base the amount payable here on the amount of contributions and thereby on the amount of indemnities received so that one automatically would take into account the length of session.

Q. It would be on a pro rata basis?—A. Yes sir.

Q. Your percentage applies simply to the actual indemnity received whether it is a full session or three sessions?—A. Yes sir.

Mr. SINCLAIR: This figure 17 comes from the fact that 17 full sessions would be required at 6 per cent to provide just over 100 per cent.

*By Mr. Fleming:*

Q. That is the way it works out? Mr. Bryce said: "just under 17 sessions." You mean just under the equivalent of 17 full sessions?—A. Yes, sir.

Mr. ADAMSON: The railway session, that was a short fourteen day session.

Mr. SINCLAIR: The conscription session was another short session.

*By the Chairman:*

Q. Would you carry on, Mr. Bryce?—A. Yes sir. Resuming at paragraph (ii) under benefits:

- (ii) If ineligible to receive an annual allowance a member may receive on his retirement from the House a refund of his contributions excluding any interest which he had paid.
- (iii) If a member is expelled from the House or is disqualified from sitting in the House (apart from defeat at the polls) he would receive a refund of his contribution excluding any interest which he had paid.
- (iv) On death of a member or former member his total contributions less any pension payments already made would be refunded to his estate.

Again, sir, if I might be permitted to interpolate, the essence of it there is that a member receives a pension subject to the qualifications I will note in a moment but in the event that he does not qualify for pension or that he has received a pension for only a short period of years, he always gets back the contributions that he has made or is entitled to get them back.

Q. And if he does not ultimately qualify for the benefit, he loses his interest?—A. Yes, and the idea there, sir, is simply that all the interest is utilized to produce the maximum pension payable for older members who cease to be members.

The final paragraph sir, is entitled "eligibility for pension."

To be eligible for a yearly allowance a member would have to have contributed or have elected to contribute for service in more than two parliaments. However no pension is payable during any period in which the former member is serving as a Senator, as a Judge, as a Commissioner, or in any Government or Crown company position. The pension would resume when such service to the Crown came to an end except in cases where a judge's pension was being paid.

That is the end, sir, of the summary which we were given and which outlines the plan which we have examined.

*By Mr. Hellyer:*

Q. Does that pension just apply to judges or does that apply to certain other commission?—A. Well, sir, as I said, this is an outline that was given to us. Now, when we were studying it to see how it could be translated into the

form of legislation, we made that exclusion for anyone receiving a non-contributory pension that it does not take his length of service into account. That is, I think, the nature of judges' pensions and that is what we had thought of in drafting up a bill based upon the proposal that was made to us.

*By the Chairman:*

Q. Mr. Bryce, in making your studies in that regard, is there any provision made in respect of members later appointed to the Senate or later appointed to judgeships as to the return of payments?—A. Well, sir, again that was not specified in this summary that was given to us but in considering the details of the matter we rather came to the conclusion that it would seem sensible to permit anyone, that is to say, the member who ceases to be a member and becomes a senator, to permit them to withdraw their contributions at that time or else to leave them in the fund in the expectation that possibly they would receive a pension when they ceased to hold such office.

*By Mr. Fulton:*

Q. So it is voluntary as to whether he withdraws it or not?—A. Of course if he leaves it in, his estate would get it in any event, so by leaving it in and sacrificing the interest, so to speak, he is reserving the right to get a pension at such time as he ceases to hold such an office.

Q. What about the case where a man accepts an appointment to the bench and then retires with a judge's pension. In that situation does he become eligible, having ceased to be a judge, to receive this annual payment?—A. No, sir, the summary given to us contemplates that as long as he gets a judge's pension he will not receive a pension under this plan.

Q. That would put him in the same status as if he continued on the bench?—A. Yes.

Q. What about the case of a commissioner who is in receipt of a civil service pension? Would the period during which he receives a civil service pension put him in the same status as if he was a judge?—A. No, sir, at least as we have understood these proposals and in endeavouring to translate them into a draft bill, we assume that by implication here anyone who was receiving a pension to which he has contributed and which was based upon his service subsequent to being a member, that it would be reasonable that he should be able to get his member's pension and the pension he would receive for serving as a commissioner or civil servant.

Q. And you do not allow it in the case of a judge?—A. No, and the reason is that a judge's pension does not depend on his length of service as a judge.

Q. What about the case of a man who has entered the diplomatic service or is appointed as an ambassador?—A. I am sorry, sir, we have not studied that. That will be a matter for consideration when the bill is up.

Mr. CRESTOHL: Under the heading of "eligibility", you speak of a member having to have to his credit at least, two parliaments.

Mr. HUNTER: More than two.

*By Mr. Crestohl:*

Q. More than two parliaments. Have you the interpretation of the meaning of "more than two parliaments", because one can easily see that you can have two parliaments within a space of a few years.—A. Well, sir, we studied that. This qualification, this basis of qualification, was in the proposals that were given us by the members. We studied whether the possibility of a man coming in late in one parliament, serving in another short parliament and then serving only for a period in a third, wherever that case arose, but experience in the past does not suggest that that would add materially to the cost of the plan. The normal parliament extends for 3½ years or more.

Q. Would you not improve that if you also qualified it with a minimum number of years, saying "more than two parliaments but not less than X number of years"?—A. It would be possible to put in that feature, but my recollection of the details of alternative plans is that when you attach a number of years as a qualifying feature you might well introduce a situation where it could be argued that a member who was close to the end of his qualifying period—say he had a year to reach it—was put in a position where it could be alleged that his desire was to keep the government in office so that he would qualify for the plan.

Mr. SINCLAIR: Well, that man would never have a pension exceeding \$540, because the pension is based on three-quarters of the contributions he has made. That is automatically adjusted.

The WITNESS: Yes, sir.

Mr. FRASER: If a man was elected in 1935 and defeated in 1940, he would still come under this plan, would he not? If he was defeated in 1940 and came in under this plan and came back again in 1945 and 1949?

The WITNESS: It need not be three continuous parliaments, one after the other.

Mr. FLEMING: Election or by-election qualifies under this plan?

The WITNESS: We have assumed from the terms of the summary given us that is what the members had in mind.

Mr. COLDWELL: The contribution there would be so much less that the pension would be reduced by that amount, so it comes to the same thing. You only receive according to the contributions.

The WITNESS: Yes, proportionate to the contributions.

Mr. COLDWELL: So if a man has come in, say, at the end of a parliament, he would contribute very little and he would get very little in return.

The CHAIRMAN: Those exceptional cases would qualify, but the amount of pension there would be proportionately smaller.

Mr. MACDONNELL: If a man comes in towards the end, has he the right to take his payments back to the beginning of the parliament?

The WITNESS: No, sir.

*By Mr. Fulton:*

Q. What are the comparable terms of the civil service pension? I understand if a civil servant serves for 35 years he then gets the maximum benefits. What portion of the contribution made or salary received is established as the pension under the Civil Service Superannuation Act? Supposing a civil servant serves for 11 years and then retires, how would you base his superannuation in that case?—A. You are assuming he enters the civil service late and retires at retirement age with 11 years' service?

Q. Yes.—A. I speak from memory here of a very complicated law, but broadly speaking he would get a pension based on 2 per cent of his average salary in the last ten years for each year of his service. He receives 2 per cent for each year that he has served, so that in the case of a man who had served 11 years and then retired, he would get 22 per cent of his salary averaged over the past 10 years.

*By Mr. Macdonnell:*

Q. If he changes his employment, what does he get back out of his contributions?—A. The basic provision in the Act since 1947 is that if the civil servant resigns to accept other employment he may receive either the

amount that he has contributed, or alternatively he can take an annuity deferred until retirement age and adjusted downwards if his service has been less than a certain amount.

Q. You say that he can take an annuity based on the government's contributions and his own contributions?—A. Yes, reduced if he has not served 20 years. I believe it is reduced according to a formula.

Mr. SINCLAIR: There is one big difference between this scheme and the civil service superannuation scheme. The civil service superannuation scheme provides that a man's pension is based on the average of his ten best paid years. I think that is one of the greatest differences between this plan and the civil service pension scheme.

*By Mr. Fulton:*

Q. Was there any reason put forward in your discussion why this proposal should be based on 75 per cent of contributions rather than basing it on a percentage of the indemnity received, in the same way as though it were a salary?—A. The reason was to overcome this problem about the length of sessions by basing the pension upon the amount that a man has contributed. You automatically take into account the short parliaments, short sessions and things of that sort, while accomplishing basically the same idea by linking it to the amount of the indemnity. That is to say, it is linked to the amount of indemnity because the contributions he makes are defined as this percentage. Secondly, the maximum contribution that he makes all told is equal to the indemnity. Should the amount of the indemnity change, the plan would enable the member to contribute an additional amount and thereby establish entitlement to a pension related to the new rate of indemnity. In other words,—that was the view in discussing it with the members—we found that was a means of getting a number of these problems taken care of in a way that was simple and at the same time without having to write a very complicated law.

Q. But if you had based it, as you do in the civil service plan, on the average salary over the whole of the service, that would remove that problem, would it not?—A. I am not sure that it would be, from the point of view of the members, any advantage. I have not worked that out. It would require a rather elaborate provision as to what sessions counted, and things of that sort, what you contributed in shorter sessions, and things of that sort, and it was thought this plan was simpler. I think on the whole the present plan would accomplish much of what you would obtain if you gave him such a percentage of his indemnity for his service multiplied by each year he serves.

Q. Do you know of any fatal objection to that proposal—if it were put forward—so that this scheme could be dated on a percentage of indemnity received, so as to resemble as far as possible the civil service superannuation scheme?—A. I see not fatal objection. The members who devised this accomplished the objective a little more neatly and delicately.

Q. Assuming this to be a self-sustaining, self-supporting scheme, as you have outlined it, that is self-supporting when you add the matching contributions by the Treasury to those of the members, what would be the maximum pension you could pay on the basis of contributions only from the members, at the rate of 6 per cent, and still keep the scheme self-supporting—would it be exactly half of this or a maximum of \$1,500 per year?—A. That raises the whole question of estimating what the financial cost of such a scheme would be, and I think I should say that this is not like a life insurance plan applied to a large group, or it is not like a huge pension plan applied to a large group, because actually the turnover in the House of Commons depends on a great many factors that are not under the control of the members themselves.

Q. You have told us that so far as it can be calculated at present, taking into account that factor you mentioned, this scheme will be self-supporting. If that is correct, and let us assume for the moment that it is, then if the treasury contributions were eliminated, the fund would get exactly half the contributions now called for. Could it pay half the pension?—A. By treasury contribution I take it you mean the matching contribution to that of the members?

Q. Yes.—A. That would depend, sir,—I am sorry to appear to make it complicated,—but that would depend on whether you gave all the members not receiving pensions, whether you gave them back their contributions, because this scheme has been designed, as I understand it, to concentrate all the contributions made from public funds and all the interest earnings into the payment of pensions for those members who have been members during three parliaments. In other words, these members get the benefit of the government contribution and the interest. Now, if the members who do not qualify for the pension are still to get back what they have put in then I think it would more than cut in half the pensions that could be paid to those members who retire. If there were no government contribution I think that would be the case. Mr. Humphrys might be better able to answer that point than I am. That would be my appreciation of it. Of course if we reduce what the members withdraw—in other words, if you reduce all the benefits correspondingly—then I would say that it would mean roughly reducing the benefits to members by half, speaking in terms of experience based on the last 20 or 30 years, since around 1930. The amount in the fund which comprises both the contributions of the members and the contributions paid in by the crown under this Act—it takes both of them, almost the whole of them to pay the benefits—

Mr. SINCLAIR: Yes, plus interest.

The WITNESS: Plus interest, to finance the benefits that are provided here. Since both of these contributions are equal, the interest is included, when it comes to the payments out, I think it would give greater benefits in the end.

*By Mr. Fleming:*

Q. Now, respecting a member who has not qualified by attending three sessions to receive the annual allowance,—let us suppose he dies—his estate could receive the amount of his contributions, could it not?—A. Yes. Now, perhaps here I should answer another question, and that is the one relating to government contributions. It might reduce the proportion of the amount that you would get under those circumstances.

Q. Take the case of a member who is elected once, or a member who was elected twice, and makes his contributions; and then let us say at the next election he does not come back; he would receive no benefit from any time beyond that which he actually served in the House. Is that right?—A. Well, under the plan as proposed here he could withdraw his contributions.

Q. At any time?—A. At any time he ceases to be a member.

*By the Chairman:*

Q. Mr. Bryce, did I understand you to say that in regard to the civil service pension fund a member withdrawing from the fund was entitled to withdraw not only what he paid into the fund but the payments that were paid in by the government?—A. No sir, he is entitled to withdraw his contributions.

Q. His contributions?—A. Or to take a deferred pension, deferred to retirement age, and adjusted, assuming his service has been less than 20 years.

Q. And this deferred pension that he would get, that would include the government contributions as well as his own?—A. Well, sir, the civil service plan is so complicated that it is hard to say that it would include all the

government contributions because one has to take into account disability rights and things of that kind; but, practically speaking, it does take into account the government contribution.

Q. Is there any reduction of the amount with respect to the civil service pension payment as to old age pension payments?—A. No sir, the Civil Service Superrannuation Act was introduced long before the Old Age Security Act and has not been amended since that later act was passed.

Mr. COLDWELL: Is there not one feature in this which should not be overlooked, and it is this? Once a man enters the House of Commons—suppose he is a doctor, or lawyer, an engineer or even an ordinary working man—he enters the House of Commons and he cuts himself off from his profession, calling, trade or whatever it is, during the very best years of his life when he should be building up his security and standing in his profession or calling and providing for the later years of his life? Is not that a fact which should be considered as well as the factors which we are considering now? That this thing may be used in some instances as some compensation for the potential loss, for the professional advantage that he might have gained had he remained in his practice or trade? Let us suppose he is defeated in parliament after he has served three years and he goes back to his profession, then he has to start at the beginning; he may even have to take perhaps a relatively low standing, and carry on at a much lower level than would otherwise be the case; consequently, I think that in considering this we have to take into consideration factors other than those that are being advanced at the present time. That is something which I think we should not overlook and which is a factor which should be taken into consideration in considering this scheme.

The WITNESS: Yes. I suppose it might be considered that he is in a different position from that of the civil servant, who makes his work in the civil service his main object in life.

The CHAIRMAN: That is one reason, I take it, Mr. Bryce, and a cogent reason why superrannuation for civil servants is not fairly comparable. The civil servant is following his chosen profession. He is not going away from it and running the risk of having to come back and pick it up again.

Mr. FULTON: But surely a member of parliament is carrying on his chosen profession in that in parliament he is following a career which he has chosen of his own free will: it is not as though he were physically forced to become a member of parliament.

Mr. COLDWELL: There are cases when members of parliament have been urged to run as a public duty and a public service, and to give up their professional standing.

Mr. FULTON: If he has done it from a sense of public service, he has still done it of his own free will.

Mr. FLEMING: I would like to ask Mr. Bryce a question or two. In any approach to this problem, what consideration has been given as to whether or not the scheme requires to be compulsory? Would a scheme set up be sound if it were on a voluntary basis for each member?

The WITNESS: Normally when one considers whether a scheme of this sort should be voluntary or compulsory, the main factor one has to have in mind is that if it is voluntary, will there be a selection of those who enter it that makes it more expensive? In other words, as the actuary describes it, I imagine, is, does it make a selection against the pension plan? I have not considered recently just how that might take place here, but I think one can visualize, let us say, members who did not expect to be members for more than one parliament, or two parliaments, and who would not wish to

come in under the plan, members who really did not expect to qualify for a pension, if I may put it more generally. Such members might not come into it.

The support of the pension to be paid here would depend, as I noted, upon the use of the interest and the government contribution on those who do not get pensions, to help pay for the pensions of those who do get pensions.

If a voluntary plan meant that the people who would not expect to serve in more than two parliaments did not choose to become members of the plan, then it would mean, I think, that the fund would not be financially sound.

Mr. SINCLAIR: I think we should remember the experience of industrial concerns with regard to voluntary pension schemes. Prudent employees joined—the type who would have saved for their old age in any case. The shiftless didn't join—preferring to spend their money in the beer parlours and hope that something would turn up for them. When such employees were retired at 65, without a pension because of their own action, outsiders were apt to say: "Look at that man who worked 30 or 40 years for, let us say, the Canadian Pacific Railway, turned out after all that service without a pension!" That is one reason why almost every industrial scheme is now compulsory, because experience has shown that if it is voluntary those who in the end will have most need of a pension will probably not contribute.

Mr. FULTON: I don't like your suggested comparison!

Mr. FLEMING: I presume that is one of the things we will be considering and discussing in due course, but I wonder if it had been assumed in working out the proposals which have been discussed that the plan would be compulsory?

The WITNESS: Yes, it has been assumed, sir. Perhaps Mr. Humphrys would verify my statement which I made earlier; if it is correct.

Mr. BALCOM: But would there not have to be some clause to provide that when a member had been qualified for the plan but had retired, the portion which he had paid in would still remain in the fund?

The WITNESS: Yes, in order to support the pension which would be paid to those who had qualified.

Mr. FULTON: I think you have to start on the basis of the benefits payable under the present scheme; and on that basis, could you work out what the maximum benefits could be on retirement based on a contribution by the members of 10 per cent of their indemnity, and with no contribution from the treasury? I know it could not be worked out right here, but might I ask that it be done?

The WITNESS: I think we could probably do that, yes sir; it would take a little while, but we can work that out. I assume you would still wish the same formula, that the member who does not qualify for a pension would have the right to receive back the contributions he had made?

Mr. FULTON: For this purpose, yes.

Mr. MACDONNELL: Make it an alternative.

The WITNESS: That is a key question.

The CHAIRMAN: Mr. Macdonnell?

Mr. MACDONNELL: If we take an alternative basis, is there any magic in 3 parliaments? It would be interesting to find out what would happen if there were four.

Mr. HARKNESS: It would be more interesting to find out what would happen for two.



Mr. ARGUE: If that plan had been in effect since 1930, have you any idea of what the size of the fund would be at the present time?

The WITNESS: Perhaps Mr. Humphrys would deal with that question because he has done the actuarial work on it.

Mr. COLDWELL: Has he an answer to it?

Mr. HUMPHRYS: If the plan, as Mr. Bryce described it, had been in effect, what would the fund be now?

Mr. ARGUE: Approximately, yes.

Mr. HUMPHRYS: I have not worked it out exactly on the plan as Mr. Bryce described it. But we did do some calculations on the basis of plans that were quite similar to the first draft that we considered, in which benefits were being related to 75 per cent of the contributions, and the benefits were \$200 per year of service, up to a maximum of \$3,000, so that, generally speaking, the two plans were comparable. I could give you these figures which I have to illustrate the situation.

Mr. MACDONNELL: I would like to comment on what Mr. Coldwell said.

Mr. ARGUE: But I would like to have an answer to my question.

Mr. HUMPHRYS: Would you just give me a moment to search for it here, and then I will have it for you.

The CHAIRMAN: Perhaps Mr. Macdonnell would like to make his comments now.

Mr. MACDONNELL: What Mr. Coldwell said is, of course, true, that we are urged to come to parliament in the very manner which he described; but if he had in mind that there is going to be a tendency to lengthen the sessions of parliament, it seems to me that a measure of this kind should be looked at very carefully. If we are going to have parliaments so lengthened that attending parliament cuts a man out from doing anything else, I think we are running into danger of losing some of the best men there are within the House of Commons. Moreover we will be making it harder and harder for anyone, except a full-time man, to come in, and I think that would be a calamity.

Mr. COLDWELL: One thing, Mr. Macdonnell. Over the last ten years parliaments have been so lengthy that the ordinary professional man cannot continue his profession in a satisfactory manner. You take a doctor coming here for six months or eight months. There were sessions during the war when we were here almost continuously and those men were unable to continue their professions.

Mr. HELLYER: Mr. Chairman, I cannot understand the relevancy of that comment because the amount contributed, I think, if I followed it correctly would be the same for 65 day sessions as it would for six-months sessions and consequently I cannot see the particular relevancy.

Mr. FULTON: The pressure could be to have two sessions a year so as to get in your 17 sessions quickly.

Mr. HARKNESS: I do not think there would be much cogency in that because if a man is here for three terms, certainly he is going to get in 17 sessions without any difficulty.

Mr. FLEMING: I suppose we could overcome that by going back to that suggestion of Mr. Crestohl's of putting in another condition that he be elected to three parliaments and also stipulate the number of years as well. That would overcome any difficulty in that respect.

The CHAIRMAN: Mr. Macdonnell, would you care to clarify your comments in the light of the discussion that has taken place? I understood your remarks to be directed rather to the point that you were opposed to a member becoming a full-time member of parliament, is that right?

Mr. MACDONNELL: Yes, I think I have to admit that I am not able to demonstrate logically that the tendency will be what I fear but as a matter of fact I inferred from what Mr. Coldwell said that he was rather taking the view that we who are sitting here are doing nothing else. I for one am not one who is not doing anything else but there are a lot of cases in point and while I do not think I can tie it logically in I do have a feeling that whatever we do we should try to prevent the tendency arising that will create the kind of thing that I have in mind.

Many members of parliament are practising their profession. It is especially difficult for doctors but lawyers do and I think they are among our most valuable members.

Mr. WARD: Isn't it a matter of fact that in practically all democratic governments that the period of sessions of parliament is extending more and more? Some places they sit almost continually all the year round.

The CHAIRMAN: In discussions that I have had I find quite a strong trend of public opinion is towards the point that it would be beneficial for our members of parliament to largely divorce themselves from their own business activities and make their work as members their full time work.

The CHAIRMAN: In discussions that I have had I find quite a strong trend of public opinion is towards the point that it would be beneficial for our members of parliament to largely divorce themselves from their own business activities and make their work as members their full time work.

Mr. FLEMING: If it ever comes to that it is going to be a very serious blow to democracy because immediately you make members of parliament full time politicians they would lose all sense of independence and I think the results in parliament on those who would remain to be available to serve the public in parliament would be disastrous. It is certainly anti-democratic and I hope we are not going to come to that.

I realize with the increase in work there has been great pressure towards lengthening the sessions of parliament but I want to say for myself that is something we have to avoid as long as we can.

Mr. SINCLAIR: What is the connection between this discussion and the pension plan at the moment?

Mr. ADAMSON: If I might just say one word. I think the length of sessions of parliament should not be discussed in this committee; they should be discussed in the Rules of the House Committee. If we could delete some of the rules which I personally take objection to we might speed up the thing and get a considerable amount more relevancy into what we do downstairs.

The CHAIRMAN: I have some feelings on that subject myself, Mr. Adamson.

Mr. ADAMSON: That is where it should be discussed.

The CHAIRMAN: I refrain from burdening this committee with them. Continue the answer, Mr. Humphrys.

Mr. HUMPHRYS: I am sorry, the calculations we made were on the basis that pensions would be granted after service in more than one parliament and so are not applicable.

The CHAIRMAN: If you would be good enough to make a note of the question and have the answer at a later date.

Mr. ARGUE: There is another question I would like to ask along that line and if the information is not available today it could be brought in at a later date. Could you give the committee some idea of the proportions of the benefits that would be derived from the 4 per cent interest paid on the moneys in the fund? We have been talking about the members' contributions and the government's contributions but I think the one important contribution of the whole thing will be the amount of money earned by the amount in the fund.

The CHAIRMAN: I have a suggestion to make here and that is this, that we would hear the actuary and look over all the statements he has to make and it may possibly be that with those statements before us we will save time and save needless questions.

Mr. HUMPHRYS, would you care to tell the committee about what studies you have made?

Mr. HUMPHRYS: In studying this problem, we secured information about the service in parliament going back to parliaments starting in 1930. We secured data on every member whose service had terminated prior to the 1949 election, his age and the amount of his service and with that data we attempted to calculate the probability of service terminating in parliament from various causes,—death, retiring on pension (that is, assuming this pension plan is in effect), retiring under circumstances that would entitle him to a refund of any contribution, and being appointed to a government job. With that data we have tried to estimate what this plan would cost in the future. The cost estimates are based on the assumption that the pattern of service in future parliaments will be the same as the pattern of service in the four parliaments ending in 1949.

If that is borne out by experience, then our calculations show that the plan as described by Mr. Bryce could be supported by a 6 per cent contribution from the members, another 6 per cent contribution from the government together with the 4 per cent interest on the balance in the fund. If the introduction of the plan has any effect on the pattern of service, then these calculations, of course, will have to be revised. We cannot predict just what the future will hold.

Also, if elections have different effects than they had in the past four or five years, there might be a larger number of people going out of parliament, that is, if there have been more changes in party than there have been. On the other hand, more parliamentary changes in party might mean shorter average service.

That was the approach and on that basis we determined that the fund could be supported by matching contributions. There was one question raised earlier about the effect of removing the government contribution. Well, on the basis of the pension as Mr. Bryce described it, we calculate that the value of the pensions emerging on each election would be about \$416,000.

Mr. FULTON: On the value of the pension emerging?

Mr. HUMPHRYS: On each election. That is, to the members who were retired or were defeated and whose pensions became payable.

The CHAIRMAN: Can I interrupt just here? I think that the original report of the actuary is so involved that we ought to make notes of our questions and he should not be interrupted until he has given the preliminary statement.

Mr. FULTON: I just did not understand something.

The CHAIRMAN: I think even if we do not quite understand we should make notes and ask the question afterwards because this statement is rather intricate.

Mr. HUMPHRYS: Assuming that members go on pension at the date of an election on the average we assumed that the lump sum value of all the pensions added each election would be about \$416,000 of which \$122,000 would be provided by members' contributions, that is, the contributions of members who drew a pension and the interest that remained in the fund from members who received refunds. The balance would have to be provided from the government contribution. So it could be seen that roughly a quarter of the cost comes from the members and roughly three-quarters from the government.

Mr. JEFFERY: That is one parliament?

Mr. HUMPHRYS: Yes. So, notwithstanding the fact that the fund would be supported by merging contributions, that is, 6 per cent of the members' indemnity by the government and 6 per cent by the member, when you actually get down to the pensions that are awarded you find that about three-quarters of the cost of these actual pensions has to come from government moneys because of the withdrawals.

Now, the device of requiring a contribution of 6 per cent on all indemnity received by a member up to a maximum of one sessional indemnity rather than the device of a contribution for each session, was suggested, as Mr. Bryce mentioned, to try and avoid difficulties with short sessions, with sessions that run over the end of a calendar year, with two sessions in a year and all these various complexities that one could get into. So that if a member contributes on all of his indemnity until he reaches his maximum, it is a simple, straightforward proposition. If we relate the pension to the total he has contributed we avoid any problem of determining the number of years' service.

Now, you can see that the member contributes 6 per cent and the benefit suggested is 75 per cent of his contribution. He will reach his maximum in about 17 full sessions.

Just by comparison in the civil service scheme the ratio of the member's benefit to his contribution is 33½ per cent instead of 75 per cent. He contributes 6 per cent, and his benefit per year of service is 2 per cent so it is only one-third whereas this is three-quarters.

The idea, as I understand it, of the higher rate of accumulation of benefit is to establish some reasonably sized pension within what might be considered an extensive period of service in parliament, which would be three or four terms. 35 years of service as is used in industrial schemes is, of course, far in excess of even long periods of service in parliament.

I think that is about all I have to say in the way of an initial statement and if any member has any questions I will do my best to answer them.

Mr. COLDWELL: Have you calculated how many members of parliament would, if they elected to come into the fund, pay the maximum of \$4,000 into the fund because that would have some bearing, wouldn't it, on the amount the fund would earn to meet the obligations of the fund? Have you calculated at all, for example, what a member of parliament would contribute who, we will say, came here in 1935? He has to pay the amount required, the \$4,000 plus the 4 per cent interest on the arrears that he has not paid. Now, what would he contribute? That has some bearing on the actuarial basis of the fund, hasn't it?

Mr. HUMPHRYS: That would be an initial problem. This past service would be a problem that affected the fund initially only. Perhaps I can give you an answer in part illustratively. From the results of the 1949 elections those who would have been entitled to a pension, the maximum was 33 years of service, there was one at 24, one at 20, 2 at 19 and about 7 at 14 years of service.

Mr. SINCLAIR: These are the ones who voluntarily or compulsorily retired in 1949.

Mr. HUMPHRYS: Who would have been entitled to a pension under this scheme. From a parliament of 262 members, there would, on the average, be about 18 or 19 members pensioned each election.

Mr. FULTON: Entitled to full pension or entitled to any part?

Mr. HUMPHRYS: Their average services would be about 13·9 years, so a good portion of them would be entitled to a full pension.

Mr. HUNTER: A good portion of 18.

The CHAIRMAN: Mr. Humphrys, would you explain in a little more detail the statement which you made in regard to your computation of the pensions that would be awarded after a general election? Now, using the ones which you have used—at which general election would that amount, \$416,000, of pension have been awarded?

Mr. HUMPHRYS: Well, I looked back at the elections in 1935, 1940, 1945 and 1949.

The CHAIRMAN: And was the amount reasonably constant?

Mr. HUMPHRYS: It was a reasonably consistent figure and I took the average of those four in order to work it out.

The CHAIRMAN: Of the \$416,000?

Mr. HUMPHRYS: Right.

The CHAIRMAN: And having done that, you told us that of that amount \$122,000 would still be in the fund as members' contributions. Is that right?

Mr. SINCLAIR: Of the group who were retired.

Mr. HUMPHRYS: Of the group who were retired or received refunds, or who died. There would be \$122,000 left to go towards the payment of these pensions.

The CHAIRMAN: Well, now, how much would have been drawn out of the fund then by members at that time, by members who did not retire, or how much would be left in the fund by members who did not qualify at that time?

Mr. HUMPHRYS: I have not got that figure, Mr. Chairman.

The CHAIRMAN: And the result of your figures is that the fund would be financially sound, actuarially sound, and the only government contribution would simply be as indicated, namely, the same amount as the members' contributions.

Mr. HUMPHRYS: That is correct.

Mr. FULTON: My recollection of what you said was that with respect to those who received pensions as a result of retirement at election time, the total pension payable would be about \$416,000, and of that \$416,000 I think you said the figure of \$122,000 would be represented by the contributions paid into the fund by members and not withdrawn, and the balance, or roughly three-quarters of that amount, would have to be made up from the government portion.

The CHAIRMAN: Not the government portion, the members' portion.

Mr. FULTON: No, the disparity, Mr. Humphrys said arose by reason of the withdrawals; that is those who withdraw their payments before they reach pensionable qualification, have accounted for a considerable sum, and that is why there is a disparity between what is actually paid toward pensions by members' contributions and what is paid by the government contribution.

The CHAIRMAN: That is why I asked the question. I asked Mr. Humphrys to amplify it because I wanted to be sure that under his calculations the fund is actuarially sound and the government, in fact, only contributes the same amount as the members contribute.

Mr. JEFFERY: Three-quarters is made up of the government's contribution.

The CHAIRMAN: And the subsidy involved through members qualifying and not drawing their pensions through being appointed to the Senate and judgeships, and so on.

Mr. SINCLAIR: Each year the government contributes \$62,800 and the members \$62,800. Members not qualifying can withdraw their contributions, but the government cannot withdraw anything. That joint sum collects interest at 4 per cent. The government's annual contributions amounts roughly to the cost of one light training plane.

Mr. ADAMSON: One training plane—about one-third the cost of one training plane!

Mr. HUNTER: As I see this thing, this is of very little relevancy to most of us at this table. Only about 6·87 per cent of the members will ever draw a pension, so I do not see why we need to be too concerned over it.

*By Mr. Fulton:*

Q. Could I ask Mr. Bryce some questions relating to his earlier evidence? You outlined four schemes for us. The United States scheme is met, I understand, by treasury contributions because they come under the civil service, is that correct?—A. The United States plan has an actuarial deficiency. Their plan is part of the general civil service retirement plan, and I cannot speak from exact knowledge here, but I have been told by persons knowing the American government plan that they have a large actuarial deficiency in their plan, and the government does not in fact match dollar contributions. You may recall that in regard to the superannuation plan here in Canada we are making good whatever deficiency there is. The United States has not filled that deficiency.

Q. But there is a treasury contribution element to that pension, and that scheme is voluntary?—A. Yes. May I just say this, that while it is voluntary as to whether they go into the plan, it is only part of a very large pension plan, so if there is a selection in favour of the members of Congress it is a selection that can hardly outbalance the hundreds of thousands of people in their general plan.

Mr. FULTON: In the United Kingdom is there a treasury contribution to their pension plan?

Mr. CLARK: I understand not, not to the members' plan. There is to the ministers' plan.

Mr. FULTON: Their members' plan is compulsory?

Mr. CLARK: Yes. They must pay, but the benefits only come out on a means test basis.

Mr. FULTON: In Australia, is there a treasury contribution?

Mr. CLARK: There is.

Mr. FULTON: An in New Zealand is there a treasury contribution?

Mr. CLARK: Yes.

Mr. FULTON: What about Australia, is that compulsory?

Mr. CLARK: That is compulsory.

Mr. FULTON: And what about New Zealand?

Mr. CLARK: That also is compulsory.

Mr. FULTON: What is the amount of government contribution there?

Mr. CLARK: It is based on what is enough to make it actuarially sound.

Mr. SINCLAIR: I would just remind members that the government is actually paying more than 6 per cent. into the Civil Service Superannuation Fund. Members will recall that Parliament in the last two years has voted further grants of \$75 million and \$102 million to help make the fund actuarially sound. One reason why this was necessary was the general increases in salary given to the Civil Service since 1945. These increases came much more rapidly than had been forecast when the rate was last revised in 1939. This immediately affected the pensions payable, which are not based on the sum of contributions made, but rather on the average salary of the last ten years of service. The rapid increase in salaries in recent years was much higher than forecast by the

pattern of salary increases in 1939, and so the pensions have been accordingly higher. The result has been that the total government contributions in recent years is really more than 6 per cent.

Mr. FULTON: But does that necessarily follow? Is it not a fact that while there have been general increases in the scale of Civil Service salaries, the volume of contributions by Civil Servants has increased in proportionate amounts; or is there a difference in the percentage rates of payments into the fund?

Mr. SINCLAIR: The plan envisaged a pension based on contributions on a slowly increasing salary scale, with the pension based on the average over the last ten years of service, which average would not differ very much from the average salary over a man's whole service. The war and post-war period changed that pattern so we find a long initial period of low salary and low contributions—then the last few years of suddenly increased salaries. The total of contributions is increased very much by the increases in the last few years, but the average salary over the last ten years' on which the pension is based, increased very substantially. This won't happen in the member's plan, since his indemnity remains stationary in amount.

The CHAIRMAN: And, Mr. Fulton, there is also this feature: a member does not qualify for increased pension with any increase in indemnity unless he contributes and pays up his arrears.

Mr. FULTON: A civil servant has a benefit based on the length of service and rate of salary, and it is based on a percentage of salary. I think that at the present time it is six percent; so his payments in would increase with any salary increase.

The CHAIRMAN: How far back did that apply?

Mr. SINCLAIR: You mean the six per cent of salary?

The CHAIRMAN: Yes.

Mr. SINCLAIR: Back to 1939.

The CHAIRMAN: Are there any more questions the members of the committee would like to ask? Is there anything in the line of material that you would like to have for our next meeting? If there is any further material desired, and if you will please let us know now, I know that Mr. Humphrys, Mr. Bryce and Mr. Clark will be glad to see that it is furnished.

Mr. COLDWELL: I believe the committee members would like to have some of the material which has been presented here today. We have been discussing points raised by Mr. Bryce in some statement which he read. I believe he more or less summarized for the committee. I wonder if we could have copies of that so that we might look it over. I think it might help us to discuss this thing more intelligently if we had copies.

Mr. FULFORD: Could we have a resume of those Acts in Great Britain, United States, Australia, New Zealand and so on?

Mr. SINCLAIR: Would it not be of more help if we had it in the form of a draft bill before us?

Mr. COLDWELL: Yes, if we could have it in the form of a bill. I think that would be better.

Mr. FLEMING: Is there anything in the form of a draft bill available now?

The WITNESS: We have drawn up something in the nature of a draft bill, but I may say that it has not been put before the minister yet; I doubt if he has seen it, I doubt if he even knows anything about it; but when we were studying this with the committee of members we worked out something here in the form of a suggested draft of bill which might be of some use; however, I would like to point out that it has not any formal approval by the minister or by the government, it is merely suggestive of what might be possible.

Mr. SINCLAIR: It has not been printed?

The WITNESS: No, sir, it is just a typed draft.

The CHAIRMAN: Shall we have mimeograph copies of that made for the use of the committee?

Mr. CRESTOHL: If we could have copies of that we could use it as a basis for our discussion.

Mr. FLEMING: Well, I presume it is a bill which has been drafted by a professional drafting committee; it is in the form which we are accustomed to.

The WITNESS: It is in the same legal form as all draft bills—

Mr. FLEMING: Except that it has not been printed.

The WITNESS: It has not been printed; it has not been approved in detail by the Department of Justice, or in substance by the minister or anything of that sort. It was merely an attempt on our part to put in the form of a bill some of the things that were discussed by us with the committee of members to which I referred. I should be glad to give that to the committee if they think it would be of use.

The CHAIRMAN: If you will let me have that now the clerk will have copies made and members will have them available to study tonight, it is only 3:30 now.

Mr. SINCLAIR: The committee of members with whom you worked are not submitting this as a proper draft of the Act?

The WITNESS: No, sir. The members gave us only an outline of what we were to discuss. The draft bill which I am leaving with the chairman is simply our own, as within the Department of Finance; our own effort to translate that into a bill; and, therefore, I should say that no member at all has any degree of responsibility for the various frills—not frills—the various details we have put into it.

The CHAIRMAN: We will adjourn until 4 o'clock Monday afternoon.



## EVIDENCE

JUNE 23, 1952,  
4.00 o'clock p.m.

The CHAIRMAN: Now, may we turn to our other reference, the pension plan for members of parliament after long service. I shall now call Mr. Bryce.

**Mr. R. B. Bryce, Deputy Minister of Finance, called:**

The CHAIRMAN: Mr. Bryce, you have produced for the use of the committee summaries of retirement allowance plans in other countries.

The WITNESS: Yes, sir.

The CHAIRMAN: Have these been supplied to all members of the committee?

The WITNESS: I believe so, sir. They have been supplied to the clerk of the committee. Whether or not they have been distributed I do not know, but the clerk has copies of them here. There are four memoranda describing the plans in Australia, New Zealand, the United Kingdom and the United States. There is a single page summary of the salient features of those plans. I understand that Mr. Humphrys has furnished the clerk with two sets of tables or of statistics relating to the experience in the 17th and 20th parliaments, statistics on age and is bearing upon terminations, which may be of interest in estimating the terminations after future parliaments, under the type of plan that was projected.

The CHAIRMAN: Shall all of this material be printed as an appendix to today's record?

Agreed.

(See appendices A, B, C and D.)

*By Mr. Fulton:*

Q. Over the week-end I phoned both Mr. Bryce and Mr. Humphrys and indicated that there were questions which I was anxious to ask, and that in order not to delay the committee further, I suggested that I would indicate to them what the questions were, so that they might have a chance to prepare the required answers. Some of the answers are to be found in the material which has been tabled, but I would like to ask the questions because to do so would put them in a form which would point up the line that I would like to follow. It will not take long. In the first set of questions I indicated to Mr. Bryce that I would like to relate them to the various pension plans of the three other commonwealth countries. I do not think that I need ask them now because they are covered in the summary; but I would like to go on to the next question which is: Under the proposed Canadian plan, if a member has qualified already, that is, if the member is eligible by reason of service in three parliaments, can he elect to receive a pension without actually paying anything into the fund, that is, by retiring after his election and having his arrears withheld?

I relate that question to section I subsection (b) of your summary which you gave us, which reads:

. . . . Any balance which a member owed at the time his pension was due to begin would be defrayed by withholding all pension payments until the sum withheld equalled the balance owed.

—A. He would have to elect to contribute while being a member, and have his contributions deducted in future from his indemnities.

Q. Yes, and if he was eligible now on the basis of having served in three parliaments—and this question is based on the statement with respect to the draft plan outlined in your summary—could he elect to contribute for the previous 17 sessions, or however many sessions he may have served in three parliaments—and then say: “I have not got the money to pay now, but I would like my contributions to be paid up by withholding them from my pension?”—A. Yes sir, he could, but he would have to pay interest outstanding on the accumulation; and this bill provides that the amount which he owed in respect to his prior service would be deducted from the pension until it is fully paid.

Mr. COLDWELL: May I ask this question: Have you, at this point, any computation as to the amount that a member would owe as at this date?

*By Mr. Fulton:*

Q. It was \$4,543 according to the table which Mr. Humphrys has provided; and that would be my next question: What would be the amount he would owe for his seventeen full contributions with compound interest, if he had not paid anything in?—A. In the summary which the chief actuary has supplied to the committee, which is headed “Statistics relating to 17th-20th parliaments” in table 5 Mr. Humphrys has indicated, beginning backward from the present session, that in order to contribute a full \$4,000 one would have to go back—I have not counted this yet—but it would be 20 sessions because of the short sessions involved, to get up to an amount, or to get close to \$4,000, and the accumulated interest would be \$1,041.

Q. And that makes a total, in the table, of \$4,965?—A. Yes, sir.

Q. So that, if this member did elect and then retired and allowed his arrears to be taken care of by withholding them from his pension, it would, at the most, be 2 years before the withholding of payment of the \$3,000 pension had covered the arrears of \$4,965 and additional interest, would it not?—A. Yes, sir.

Q. So, at the end of two years he would then be beginning to receive a pension although he had never actually paid anything into the fund?—A. Yes, sir.

Q. Except the interest in respect to the unpaid balance; and then I think you have already given to us your answer to my second question.

The CHAIRMAN: If I might interrupt you for a moment, I believe it to be the duty of the chair to see that our record goes in to an orderly fashion, and I am wondering with respect to this material which has been tabled if I should not ask the members of the committee to go over the material a page at a time, or a subject at a time, and direct their questions to the part of the material we are then studying? Your questions appear to be roaming all over the field, and I do not think the members have had an opportunity of checking these tables. I think that our record would be very very much better if we took it in an orderly fashion. I do not care whether we first take Mr. Humphrys' tables or the material which has been filed by Mr. Bryce.

Mr. FULTON: My questions to Mr. Bryce were based on the summary of the proposed plan which he filed.

The CHAIRMAN: But what about those questions referred to Mr. Humphrys with respect to the tables?

Mr. FULTON: The answers must be available, surely, in the minds of those who are here to give evidence.

The CHAIRMAN: How do you want it? I am in the hands of the committee. Is it your wish that we have it in an orderly fashion?

Mr. Low: I think that it would be preferable, Mr. Chairman, to have it in an orderly fashion. And I would prefer to look at these tables and then later, if Mr. Fulton wishes, he could carry on with his questions.

Mr. FULTON: I am not going to insist upon being allowed to ask questions if the committee does not want me to do so, but I think most of my questions have already been covered by the information which has been tabled. I only asked the questions in order to get them on the record so that they could be considered along with the material which has been filed.

The CHAIRMAN: I think they had much better come at the end of our study than before, so that the members of the committee may know what it is all about before we go into general questions.

Mr. HUMPHRYS: Mr. Chairman, I am familiar with the material in the tables, and with some of the questions which Mr. Fulton proposes to ask. If I were given the opportunity of explaining the tables as we go through them, I think Mr. Fulton might then ask me his questions. This would place in balance the answers to those questions, and would make them relatively easier and clearer to the members of the committee.

Mr. FULTON: May I ask one more question of Mr. Bryce? The question is: under the circumstances to which I was just referring, Mr. Bryce, would the treasury, also have to pay in to match the arrears of that member?

The CHAIRMAN: Now, I am going to put my foot down. I don't want to be unreasonable. I am going to follow the wishes of the majority of the committee. I am going to ask for a show of hands. Is it the wish of the committee that we should consider the material a page at a time and then have general questions as we have the material before us? All those in favour please signify.

Mr. FLEMING: What is the alternative, Mr. Chairman? Mr. Fulton said he had just one question he would like to ask Mr. Bryce on material submitted the other day.

The CHAIRMAN: If I make exceptions for one member I will have to make exceptions for some other members. I want to conduct this committee as the majority of the committee want to have it conducted.

Mr. CRESTOHL: Mr. Chairman, would it not be better if we had Mr. Humphrys give some explanation of his statement?

The CHAIRMAN: Do you want to take his statement first?

Mr. FULTON: Why not take the first material first and then take up these statements. My question was based on the material which was filed by Mr. Bryce on Thursday last. My question relates to that material.

The CHAIRMAN: I must rule that your question relates to a statement other than the one before us.

Mr. FULTON: Mr. Chairman, if you will look at the statement filed by Mr. Bryce on the first page, under "contributions—(ii) government", you will find that the question relates to that paragraph.

Mr. SINCLAIR: I would like to say this: Mr. Fulton now is concentrating on one particular case out of many cases. I think the committee would have a much fairer and a more complete picture by going in an orderly fashion through all the material.

Mr. FULTON: But my first question is—

Mr. SINCLAIR: Let Mr. Humphrys have an opportunity of putting that material on the record then we would be in a better position to get the answers to our questions. I would submit to you, Mr. Chairman, that we have an orderly discussion; then, after we go through the tables, if there are then any questions unanswered, every member should have an opportunity of asking questions.

The CHAIRMAN: In order to adopt a middle of the road course and try to meet the wishes of all members of the committee, shall we hear Mr. Humphrys first and have an explanation of the tables which he has supplied to us?

Agreed.

**Mr. R. Humphrys, Chief Actuary, Actuarial Branch, Insurance Department, called:**

The WITNESS: If you will take the set of tables already distributed starting at table 1, "Statistics Relating to 17th-20th Parliaments". That shows the results of a variety of calculations showing the benefits and costs under various illustrative schemes, all within the general pattern proposed by the interested members. Table 1 shows statistics relating to the 17th-20th parliaments. It is notable that while the number of terminations for various causes during and at the close of each parliament fluctuates rather widely from one parliament to another, there is a general pattern emerging and it seems reasonable to base our considerations as to the cost of the scheme on these figures. Naturally, in dealing with such small numbers it is not possible to secure any great accuracy and some variation from parliament to parliament must be expected. As illustrative of what could happen, I call attention to the number who would have been entitled to pension at the close of each parliament if the scheme had been in effect. At the close of the 17th parliament, if you look over in the box on the right hand side and at the line headed "No.", you will see that at the close of the 17th parliament 38 members would have been entitled to pension while at the close of subsequent parliaments a much smaller number would have been entitled to pension. The large number in 1935 is due to the short parliament from Dec., 1925, to July, 1926. The eligibility rule, service in more than two parliaments, would have brought in a number of members who came in in 1935 and who saw service in the short parliament. Their total service amounted to about 10 years. On the other hand, the average period of service of each of these members was 12.6 as compared with to an average in the three succeeding parliaments of 15.6. This indicates that while a short parliament might have had some effect on the number eligible to come onto the pension roll, the average pension would have been much smaller.

The CHAIRMAN: Before you leave that table number 1, we will have questions on it.

*By Mr. Sinclair:*

Q. Mr. Chairman, I would like to ask one question. In the last column of the first page, in 1930-35 there were 38; in 1935-40 there were 8; in 1940-45 there were 12; and in the last parliament, in 1945-49, there were 13, for a total of 71. Are those cumulative? By that I mean are any of the 8 who qualify in 1935-40 included in the 38 who qualify in 1930-35?—A. No, they are the members who would have been pensioned at the end of each parliament.

Q. And those are the men who are not qualified, let us say in 1935 but are qualified in 1940?—A. Yes, or at the end of 1940 or 1945, as the case may be.

Mr. FLEMING: Would it not be more accurate to say they would have been entitled to pension, would become, would have become entitled to pension—we are dealing here with those who for the first time acquire entitlement?

The WITNESS: No. Those are the members whose service actually terminated at the close of the close of the relevant parliaments, who would have had service in three or more parliaments at that time and who, if this scheme had been in effect, would have drawn their pension.

*By Mr. Fulton:*

Q. That does not show though the number who would have been qualified simply by virtue of length of service?—A. No. This shows only the number whose services terminated at the end of that parliament.

Q. Have you any figures as to the number who were qualified at the close of these respective parliaments by reason of length of service?—A. I have a set of tables prepared by the Department of Finance which shows age and service distribution in each parliament of the five parliaments from the 17th and the 21st. I think a set of those tables has been distributed to the members.

*By the Chairman:*

Q. Mr. Humphrys, from an actuarial standpoint are you interested in the number who would have qualified, or are you interested in the number who actually became entitled?—A. Well, I am interested in both, Mr. Chairman, because the number—

Q. Who could have?—A. —who could have qualified, given the same rate of termination, would affect the number that actually would qualify. I looked back at the distribution in each of the parliaments and I found that at the first session of each parliament there were, roughly, a somewhat corresponding number who were serving in their third or more parliaments.

Mr. FULTON: On the table to which you have just referred, showing the parliamentary service of each of the members, can you point out any figures showing the number of members qualified as at the first session of the 21st parliament?

The CHAIRMAN: To what table do you refer, Mr. Fulton, so the members can turn it up?

Mr. FULTON: The one Mr. Humphrys just referred to, I think he calls it table 4.

The CHAIRMAN: What number?

Mr. FULTON: Well, Mr. Chairman, I do not think it is numbered.

The WITNESS: This is out of the other book of tables which shows the distribution by age and service.

Mr. FULTON: Am I correct—

The CHAIRMAN: You are looking at the last page?

Mr. FULTON: Yes, to age and service of members who would have qualified.

The CHAIRMAN: Shall we call this table "B", in order to distinguish it from the other table; and, will you please refer to the page number when you are asking a question on it?

Mr. FULTON: Then that would be table "B" page 5.

*By Mr. Fulton:*

Q. Am I correct in assuming from the totals you have shown there, that at the first session of the 21st parliament—that is the present parliament—there were 93 who had qualified or were eligible on the basis of length of service?—A. That is correct.

Mr. SINCLAIR: Mr. Humphrys, in your statements am I right in assuming that you have abstracted those who have died, those who have gone to the Senate, those who have been appointed as judges, those who have been appointed as departmental officers; that those are indicated here in the first columns of the table 1?

The WITNESS: Yes. Those who were re-elected are not shown.

*By Mr. Crestohl:*

Q. Mr. Humphrys, would you tell us what would the effect have been had you based your calculations on years of service instead of parliaments he served in—do you not think that would have been desirable?—A. We thought not, sir.

Q. Here, for example, you have made an explanation with respect to the peculiar problem which arose in connection with the parliament between 1925 and 1926.—A. Yes.

Q. In other countries it was based upon the eligibility of actual years of service, not parliaments.—A. Yes, sir, but I think that the eligibility rule based on parliaments has certain definite advantages, and the risk of paying a pension because of a very short parliament or a series of very short parliaments—if we look back, would be very slight.

Q. When it comes to the number of short parliaments, the number of short parliaments would be very small.—A. It would, since confederation there were 20 parliaments, prior to the present one, and during that time there was one of them that lasted 6 months, the one in 1925; there was the one that lasted for one year and four months (the second); and one lasted 2 years and 7 months (the 11th); all the others were 3½ years or more.

*By Mr. Fulton:*

Q. Is it not a fact, Mr. Humphrys, that on the lengths of the 19th, 20th and 21st parliaments, assuming that there will be one more session after this in the 21st parliament—that for members to have accumulated 17 sessions it would have taken 13½ calendar years?—A. My calculation on that, Mr. Fulton, is 14·2.

Q. 14·2 years is your calculation?—A. Yes.

Q. 14·2 years for a member to have been here 17 sessions and 3 parliaments?—A. Since 1935, if we have another session in this parliament, for that number of sessions.

Q. I wonder whether you could tell me whether I am right or not in this; in this parliament, in 1952 it is my calculation that there were 89 members who were eligible on the basis of having served three parliaments, including the present parliament. The table shows a total of 93 in the first sessions?—A. Yes.

Q. So that at the present time the number eligible would be 89?—A. I would not object to that figure.

The CHAIRMAN: Is that question, Mr. Fulton, directed at the thought that the pattern or the practice of members will change when a pension scheme is put into force and that you anticipate that the members will stop serving as members simply to get a pension?

Mr. FULTON: Mr. Chairman, I do not know what inference you may draw for yourself. I am simply asking questions as to the numbers who are eligible on the basis of the present provisions.

The CHAIRMAN: My point is—

Mr. FULTON: If you want to make that meaning out of it, Mr. Chairman, you are welcome to make your own deductions: they are not mine.

The CHAIRMAN: All right, I will make the point then, and my point is this: These questions that are being asked as to the number of members who can qualify for pension are questions which are not directed at the actual practice, the actual pattern which has taken place in the past. In my opinion, the questions are being directed for one purpose, namely, the person asking the questions—and we are all too prone to do it I suppose—is to judge others by what we would do ourselves. Apparently that person expects that there is going to be a different practice by members, and that just as soon as they qualify for a pension they are going to cease to be members. I think that is entirely wrong.

Mr. FULTON: You are following your usual course, Mr. Chairman, drawing an inference which is based upon your own peculiar dark thoughts, the thoughts which are presently in your own mind.

The CHAIRMAN: I am thinking of your own dark thoughts.

Mr. FULTON: Are you suggesting, Mr. Chairman, that a member should not ask anything as to what the statistical situation is under this plan? Are you suggesting that we are to close our minds to what is the statistical situation in order that we may put this thing through without adequate discussion? If we are drawing inferences, that is the only inference to be drawn from the remarks you have been making.

The CHAIRMAN: I am suggesting simply that I do not think the pattern or practice of members in this House will change whether there is a pension scheme or whether there is no pension scheme. I think that most members of this House are here because they feel it a public duty and they enjoy the work, and I do not think that a pension scheme is going to change that attitude; and I cannot think of any reason other than the one I have suggested why a member would want to depart from the ordinary actuarial practice, and consider those who were actually entitled, and go off on a tangent and ask about those who could qualify.

Mr. FULTON: There is one point on which we agree, except that I go one stage further than you do: I agree the members are here from a sense of public duty and that they are honestly interested in their work. They are here now without pension. I think that members of parliament will continue to come here without a pension subsidized at so high a rate by the taxpayers of Canada.

Mr. COLDWELL: Is it subsidized so heavily by the taxpayers of Canada when you consider everything? There are many who will question that statement. I do not think that is a fair statement to make.

The CHAIRMAN: I think that if we have a chance to continue our study of this statement we will get the answer.

Mr. COLDWELL: Since that is on the record I think we could direct our questions to the statement. I do not think that is a fair statement.

Mr. FLEMING: Until we had this interruption, I thought we were trying to get some information out of the statistics.

The CHAIRMAN: I agree; and we were doing that until Mr. Fulton started to ask some questions which in my mind were entirely irrelevant.

Mr. FULTON: You are entitled to think what you like, but I am entitled to ask questions.

Mr. FLEMING: May I suggest, Mr. Chairman, the question you put to Mr. Fulton carries with it a very definite imputation. I think we ought to get on with these tables we are on, do our work and get some information.

Mr. COLDWELL: Yes, let us go ahead.

Mr. FLEMING: As I see it, I think Mr. Fulton had good reason for asking the questions he did which he thought would be of interest to the members of the committee. I have no objection if he wants to do that. I do not think Mr. Fulton should be subjected to remarks from the chair.

Mr. FULTON: If the chairman wants to reveal the nasty thoughts in the innermost recesses of his mind, I have no objection.

The CHAIRMAN: The only reason that I can think of that he would want that information is for the reasons I have given.

Mr. COLDWELL: Can't we leave this point and go on with the tables?

Mr. FLEMING: There will be plenty of time for argument after we have the information; and not have arguments while questions are being asked.

*By the Chairman:*

Q. Mr. Humphrys, am I correct in my understanding of table 1, that the total number of members from the period 1930-39 who died while they were sitting members is 75?—A. Yes.

Q. And, going to the next column in the table, where you show the members who would have been entitled to refunds, that total is 202?—A. Yes.

Q. And you would require to add to that 202 the 75 deaths in order to learn the total number of members and estates who would have been entitled to refunds?—A. Yes.

Q. Well then, going to the final column of your table where you show the total over the entire period of 71 members who would have been entitled to pension, have you made any check to find out how many of those members, of the 71, would still be living?—A. Yes, that information was obtained as at the beginning of the present parliament, and in 1949 there were 31 of those members still surviving.

Mr. COLDWELL: Did you do that with the idea of bringing these members, if they were prepared to make their payments, under the plan now?

The WITNESS: No, sir, that was done in the earlier consideration of the scheme to see what the pension roll would now be.

The CHAIRMAN: Am I correct, then, in understanding that of the group 1930-1949 there would be 31 now living who would be eligible for pension?

The WITNESS: Yes.

Mr. FULTON: Mr. Humphrys, have you any statistics showing the average age of those who are currently qualified on the basis of service in three parliaments?

The CHAIRMAN: What table is that directed to, Mr. Fulton?

Mr. FULTON: It is directed to the last question that you asked, to find the average age of the 31 who are still living who would be entitled to receive the pension, and the 71 who were shown in 1949.

The CHAIRMAN: May we have the question again?

Mr. FULTON: I asked Mr. Humphrys with respect to the 89 who are eligible at the present time, or would be eligible if this went into effect, had he any statistics to show the average age of that group.

The WITNESS: The average age of the members of the present parliament who are now serving in the third parliament, taken as at 1950, was 54 years.

*By Mr. Coldwell:*

Q. Does that include those members serving in third and fourth parliaments?—A. That includes the third only.

Q. Those who are serving more than three?—A. The average age would be higher.

Q. The average age would be higher than 54?—A. Yes.

*By Mr. Fulton:*

Q. Have you any figure to show what it would be?—A. I do not have that figure.

Q. Would my calculation of 58 be approximately correct?—A. I should not think it would be younger. It might be older.

Q. I may say that my own calculation makes the age 57.5, but I was giving the benefit of the doubt by saying 58.—A. I may say on the question of average age, of those 71 members who would have been entitled to pension in the preceding four parliaments, the average age at retirement was about 62 years.

The CHAIRMAN: Any further questions on table I?

Table II.



By Mr. Cannon:

Q. On table I, Mr. Chairman, that figure 74 in the third box, is that included in the 202 in the second box?—A. No, sir.

Q. So that should be added on, also? Would they be entitled to refund if appointed to the Senate or the bench, in table No. I? You have 74 there, would they be entitled to a refund?—A. It depends on what the bill finally provides in that connection. As presently constituted, the bill provides that they would not be entitled to a refund immediately, but their pension would be suspended as long as they were drawing any compensation from a government office, and when that ceased their pension would commence again.

The CHAIRMAN: And would the pension paid be deducted from the refund under the bill?

The WITNESS: There would be no refund, Mr. Chairman, in those cases. Their pension would be suspended as long as they were getting a salary or drawing compensation from the government for their services. As soon as they stopped getting that compensation the pension would recommence.

Mr. FULFORD: In the case of those appointed to the Senate, it would continue for all time?

Mr. CANNON: Unless the senator resigned.

Mr. FULFORD: Very few resign.

The WITNESS: If the senator resigned his pension would begin. If he remained a senator until he died, his estate would be entitled to a refund of his contributions without interest.

The CHAIRMAN: Less the amount he had received?

The WITNESS: Less any amount he may have received between his termination of service in the House of Commons and his appointment to the Senate.

Mr. FULTON: But if he goes straight to the Senate from parliament there is no pension paid and under the present plan his estate gets the whole amount paid in?

The WITNESS: Under the present plan, yes.

The CHAIRMAN: Table II.

The WITNESS: Table II shows the number of terminations that might be expected on the average from each future parliament on the basis of experience during the 17th to the 20th parliaments. These calculations are based on a parliament of 262 members. The first column of figures shows that on the average we would expect 20 members to die during each parliament, about 54 members to retire at the end of each parliament under circumstances entitling them to a refund of their contributions, about 20 members to be appointed to the Senate, the bench or to other government positions, and about 19 members to be pensioned. The actual experience from one parliament to another will probably fluctuate rather widely around these figures, but unless there is a substantial shift in the pattern of service in parliament, or unless the introduction of the pension scheme has a marked effect on the number of ex-members being appointed to the Senate, bench, etc., it seems reasonable to proceed on the basis of these figures. The remainder of the table shows the total contributions that would have been made by the members whose service terminates, together with accumulated interest, and total matching contributions that would have been made by the government. In our calculations it was assumed that these amounts would be the total available to meet the liabilities falling on the pension fund each parliament. The summary at the bottom of the table shows how much would be available

from the members' contributions and how much from the government's contributions, and interest. Refunds paid to the estates of members who have died or to members who have retired and were not entitled to a pension, would amount to \$120,000 on the average. This leaves \$193,000 from the members' contributions and interest, and \$319,000 from the government contributions and interest, or a total of \$512,000 to meet the liabilities for pension.

*By Mr. Coldwell:*

Q. On that basis of the number of persons who might be eligible for pension, the amount in the fund is ample to meet the obligations?—A. I have in table III illustrated what we might do with those funds.

The WITNESS: Table III shows what might be done with these contributions under various illustrative schemes. Looking at the first line of the table, we consider a type of pension that would start immediately on retirement if a member had service in at least three parliaments, the pension amounting to 75 per cent of the total contributed by the member. If the members' contributions are \$240 per session, this would lead to a pension credit for each session of \$180. That calculation follows, since if he contributes 6 per cent of his indemnity he would contribute \$240 each session, and if his pension was 75 per cent of his contributions, then that would mean an addition to his pension of 75 per cent of \$240, or \$180. The maximum pension to which a member would be entitled would be \$3,000, or 75 per cent of the total maximum contribution. The average pension would be \$2,502. That calculation follows from the average period of service of those who would have been pensioned, 13.9 years, multiplied by the amount of pension credited each full session, \$180. Now, the total value of the pensions awarded each parliament would be \$495,000. That is the capitalized value, the amount that the fund would have to have to meet the pensions falling due.

Mr. FLEMING: Is your last answer subject to the rider that, assuming that those qualifying now and on the pension, or have you assumed that some of those would carry on an average?

The WITNESS: That \$495,000 is based on the assumption that at the end of the parliament being considered, 18.9 members would cease to be members and would go on the pension.

Mr. FLEMING: I see, just the average that has been established in view of the experience of the last parliament?

The WITNESS: Yes. Now, that \$495,000 is made up of two parts. One part, amounting to \$416,000, would be required in respect of pensions starting immediately, and I have estimated about \$79,000 in respect of what we have call deferred pensions. This latter figure is equal to the total contributions and accumulated interest by the members who became entitled to deferred pensions. It is not possible to estimate how much these deferred pensions will cost the fund, so, for the sake of the illustrative calculations we have assumed that they will draw a benefit that is worth, in present value, the sum of their own contributions with accumulated interest. This seems to be reasonable on general grounds, since in some cases the deferment of pension will be for only a year or two, perhaps while an ex-member is serving on a special commission or board, and in other cases the deferment might be complete and the fund would be liable only for the refund of the member's contributions without interest on his death.

Mr. SINCLAIR: What about the deferment of a member who stays on in parliament after having made his maximum contributions?

The WITNESS: That is allowed for in computing the expected number who would go on pension in each parliament. There are in the present parliament

some 90 members who are serving in their third or fourth or more parliaments. Of those, we would expect 18 or 19 to cease, to terminate their service at the end of the present parliament.

*By Mr. Fleming:*

Q. Just following along the line of Mr. Sinclair's question, once a member has qualified by serving something more than 17 sessions, does he continue to contribute?—A. Not as the bill is presently drafted. His maximum contribution is \$4,000.

Q. And then he ceases to contribute?—A. Yes.

Q. And so you do not get any benefit from the fund to a man who has reached his maximum entitlement?—A. His contribution continues to be credited with interest and there are no out-payments. The fund continues to pay interest on that \$4,000.

Q. I just wanted to clear that point up. There are no more contributions made on his behalf either by himself or by the government?—A. No.

Mr. SINCLAIR: Unless the indemnity changes.

The WITNESS: Yes.

Mr. COLDWELL: If the member continues to remain in parliament I do not see why he should not help the fund by continuing to pay into the fund as long as he is a member. I cannot see why that can be unfair, I cannot see why those who remain here should not continue to contribute, because the people who drop out make their contributions and those who receive a pension receive some credit on account of the interest that is paid in the fund, 4 per cent interest paid while they are members. I do not know, but it seems to me that a member who remains beyond 17 sessions, shall we say, should not object to continuing to make a payment into the fund.

Mr. GOUR: He should continue to pay—that is my point of view.

Mr. COLDWELL: I think that is a fair provision, the people who make contributions in the earlier stages get nothing.

The WITNESS: If that rule were adopted, sir, we would have to recast some of the provisions of the plan, because the relationship between the pension and the total contributions by the member would be destroyed. We have adopted this device of a maximum contribution of one sessional indemnity in relating the pension to the total contributions in order to provide for two things, one, to get a maximum pension that bears a reasonable relation to one sessional indemnity, and, secondly, to make what seems to be a reasonable and more or less automatic adjustment if the amount of the indemnity should be adjusted in subsequent years.

Mr. COLDWELL: I think you should take into consideration if the indemnity were adjusted later on.

Mr. LOW: Did Mr. Coldwell make the suggestion he made at the same time reserving that the maximum pension remain as it is?

Mr. COLDWELL: Exactly the same. I am not suggesting any increase in the pension at all, what I am suggesting is that the man who remains beyond the 17th session, since he gets some benefit, should contribute to the fund.

Mr. LOW: It is very hard to hear down here. You mean that he should not object to continuing his payments beyond the 17 sessions.

Mr. FULTON: If that were done and the benefits remain on the present level, and on the basis of past experience, the position of the fund would be improved to an extent which would permit a reduction in the present contemplated 6 per cent or matching payment made by the treasury, would it not?

The WITNESS: Yes.

Mr. SINCLAIR: It would increase the payment by the treasury.

Mr. FULTON: The witness has just said that the annual payment by the treasury need not then match that made by the member.

Mr. COLDWELL: It would seem to me it is not an unfair provision in any pension fund that the employing body makes the same contribution as the employee.

Mr. Low: We just cannot follow you in this, it is hard to hear at this end of the table.

Mr. COLDWELL: However, I just make that suggestion.

Mr. QUELCH: I think it is a good suggestion that the members should continue to contribute as long as they are members of the House. It will help the size of the fund.

The CHAIRMAN: Is your last suggestion, Mr. Coldwell, that the government contribution would also continue with respect to that?

Mr. COLDWELL: Yes.

Mr. SINCLAIR: It seems a little hard to make a full contribution, when the man who chooses to retire is out in civil life,—when you compare the contribution which he makes with the contribution of those who only serve one or two parliaments. If he serves in one parliament, he has a paid up contribution of \$1,000 for one year and is probably meeting a contribution of \$75 or \$80 for a parliament with interest; and in the case of a member who makes a contribution of \$240 a year, when he has paid up his premiums in full, he may withdraw from the plan—the man who gets in after the 17th parliament as compared with the man who leaves and goes out and is employed in a civilian job—he will get his \$3,000.

Mr. HARKNESS: The disadvantage might be that it would encourage a certain number of people to quit, and thereby create a greater burden on the fund in the long run.

The WITNESS: It would mean that different members would pay vastly different amounts for the same benefit.

Mr. ARGUE: I do not think any member is likely to quit because he has to pay \$240 a year at 6 per cent, and I think that anything which this committee could do to increase the contribution of the members and to lessen the contribution of the taxpayers, should be given favourable consideration by this committee.

Mr. FULFORD: I do not think a man would give up \$6,000 a year for \$3,000.

Mr. GOUR: I think a man should pay all the time that he is here, and if he is not able to pay \$240, he had better stay at home.

The CHAIRMAN: Are there any further questions on table 3?

The WITNESS: I have one or two more words on that. I was just explaining that the \$495,000 could be divided into two parts, and what our assumption was as to the liability of these deferred payments. The \$193,000 stems from the preceding table, being the amount available from members' contributions with interest; and the \$79,000 relates to the deferred pensions. The balance of about \$116,000 would be available to pay pensions starting now; then, as to the \$416,000, \$116,000 is put up by members, and the balance is put up by the government.

The previous tables showed that the government contribution at 6 per cent produces about \$319,000, which would be just a little more than enough to cover the \$302,000. The next line on the table shows the corresponding figures if the members' pension were set at 70 per cent of the total contributed instead of 75 per cent, and this would lead to an annual pension of \$168, or a maximum of \$2,800, and with an average of \$2,335; and following across

those figures, it will be seen that \$271,000 would be required from the government contribution and interest, and this could be provided by a contribution rate of about 5·1 per cent by the government.

The next two groups of figures show the corresponding information on the assumption that a pension does not start before the age of 60 in the second group, and in the third group, that the pension does not start before the age of 65. It may be seen, that if the pension is deferred until those ages, there is a very marked reduction in the amount required from the government contribution and interest, while the members' contribution will, of course, remain the same.

Mr. FLEMING: Have you any calculation as to the effect of lower ages?

The WITNESS: I have a calculation of age based on the age of 55.

The CHAIRMAN: Would you give us the figures right across the board then, in the order of the table, as we have it here, so we can write it in?

Mr. FLEMING: Perhaps you might prefer to have another sheet multi-graphed.

*By the Chairman:*

Q. Age 55, the amount of pension earned each session; how much?—A. The same as the preceding three groups.

Q. Yes?—A. The maximum would be the same as the preceding three groups, \$3,000, \$2,800, and \$2,400, and the average would be the same on each as the preceding groups, \$2,502, \$2,355, and \$2,002. And the value of the pension awarded each parliament would be \$455,000; \$427,000; and \$371,000.

Q. Yes?—A. The next column, Amount available from members' contribution with interest, would stay the same. And the next column, The amount required from government contribution with interest, would be: \$262,000.

Q. Yes?—A. \$234,000.

Q. Yes?—A. And \$178,000.

Q. And the percentage?—A. The rate of government contribution required would be 4·9; 4·4; and 3·3.

*By Mr. Fulton:*

Q. Has Mr. Humphrys any figure which would show the results if a pension were deferred to the age of 60, and if the members' contribution were increased to 10 per cent? What contribution, with the present level of benefits, would be necessary to be paid from the treasury?—A. If the members' contribution were 10 per cent, and if there were no contribution from the treasury?

Q. If you have that, it would be interesting.—A. I have a figure computed on this: Assuming the members contribute 10 per cent and the government contributes nothing, and assume that the interest is 4 per cent on the fund, and if the pension is deferred until the age of 60, a pension of about \$140 a year could be provided.

Q. A pension of \$140 a year?—A. \$140 per year for each session of parliament.

Q. \$140 per year for each session of parliament multiplied by the number of sessions?—A. Yes, sir; and on the basis of the average, that is, 13·9 sessions, that would give you an average pension of \$1,950.

Mr. FLEMING: Have you any other deferments worked out besides age 55?

The WITNESS: No, sir.

*By Mr. Fulton:*

Q. Am I correct in saying that on the basis of your figures, a pension deferred to age 60 and using the totals shown in column B across the page, that is, based on a pension of 70 per cent of payments, then as far as the benefits

to members are concerned, that is the closest approximation which you can make to a scheme which is approximately equal to the civil service superannuation scheme?—A. Yes, sir.

Q. And by deferment to age 60 and limiting the benefits to 70 per cent of the payments in, and a maximum pension of \$2,800, the treasury contribution required would be reduced to 3·6 per cent?

Mr. COLDWELL: I do not think it is proper to compare it that way. And as I said the other day, the civil servant enters the service under certain conditions and for a certain length of time because it is his career, while the member of parliament enters parliament with great uncertainty and it is not his career; and in the meantime he loses the best years of his professional life because he is here at Ottawa, and if he were a working man he would be out on the job; so I do not think a comparison of civil servants with members of parliament is a fair one to make.

Mr. SINCLAIR: The Crown pays much more to those who are secure than is contemplated to be paid to those who are insecure.

Mr. FULTON: But the fact emerges that a civil servant must work for 35 years before obtaining his maximum pension which is 70 per cent of his contribution.

Mr. SINCLAIR: No, no. His pension has nothing to do with his contributions at all.

Mr. FULTON: That's right—it is a maximum of 70 per cent of his annual salary averaged over the last 10 years, if he has contributed for 35 years, whereas a member of parliament would work 14·2 years as a member on an average for a pension of 75 per cent of his annual salary.

The WITNESS: As the bill is presently drawn.

Mr. FULTON: Yes, as the bill is presently drawn.

The WITNESS: No. Excuse me; that 75 per cent of his indemnity would be the maximum on the average, having regard to the number of sessions since 1931.

Mr. FULTON: It would be 14·2 years.

Mr. ASHBOURNE: How many years does a civil servant have to put in before he can draw his pension?

The WITNESS: That depends on the circumstances under which he retires; if he retires because of ill health, then he may draw a pension for any period of service, regardless of his period of service. He may draw a pension, but his pension is reduced below what it otherwise would be if his service is less than 10 years at that time.

Mr. COLDWELL: Why not make a comparison with various commissions in that respect? Consider, for example, the Tariff Board. The members of that board receive a salary of \$10,000 I think, and they serve for ten years; and at the end of 10 years they can take a pension which is, I think, around \$6,000; if my memory is correct. I think that would be a fairer comparison to take than the civil service.

Mr. ADAMSON: Yes, and the Board of Transport Commissioners does the same.

Mr. HARKNESS: A man who serves as an ambassador for over five years can retire on pension.

The CHAIRMAN: Are there any further questions on table 3?

The WITNESS: I think it should be pointed out that under the Civil Service Superannuation scheme there are substantial dependents' benefits in addition which are worth a good deal.

Mr. ARGUE: Have you done any calculation based on the members paying in greater payments than the government contributions, for example, twice as much as the government contribution?

Mr. COLDWELL: We had 10 per cent just now.

The CHAIRMAN: Yes, we had 10 per cent just now; we have that information.

Mr. FLEMING: I think it is pretty easy to do that. If you establish your pension rate, then you have got to create such a percentage of deductions from the indemnity as will produce an amount required to meet the pension. It is a simple matter.

*By Mr. Argue:*

Q. Could you give me some idea of the percentage which a member would have to pay in order to pay twice as much as the government payment in order to get the present plan which you are talking about? Would it be about 10 per cent or 5 per cent?—A. I am not sure that I understand your question.

Q. What would the contribution of a member be as compared with the government's contribution in order that the member make a percentage of payment twice as much as the government contribution, and in order to get benefits of about the same as under the proposed plan? Would it be two to one instead of one to one?—A. That is, to get the benefits in the proposed plan?

Q. That is right.—A. What would the contribution have to be in order that the members' contribution and interest provide  $\frac{2}{3}$  of the cost of the government's contribution and interest, and provide  $\frac{1}{3}$  of the cost?

Q. In order that the member's percentage payments which are taken out of his indemnity would be twice as much as the government's contribution. Would it be 10 per cent or 5 per cent, or about what?—A. A contribution of 10 per cent by the members, and 5 per cent by the government would produce a larger fund than a contribution of 6 and 6.

Q. 8 and 7, would it not be? Because certain members could take their 8 back.

*By Mr. Fulton:*

Q. Have you made a calculation of what pension could be payable on the basis of a 10 per cent contribution by members alone, but with the right of withdrawal eliminated in the case of those who are appointed to the Senate or to Judgeships?—A. The members' contribution is 10 per cent with no government contribution.

Q. Yes, and the right of withdrawal in the case of those appointed to the Senate or to Judgeships is eliminated and would not defer it to age 60, in order to get us on the same basis as the other classifications?

The CHAIRMAN: If there is any question which you think you should reserve for the purpose of answering, or for making computations, do not hesitate to say so. It would appear to me to be a question which would need some study.

The WITNESS: Mr. Fulton gave me notice of this question.

Mr. BLACKMORE: In the various classifications, has an allowance been made for the average cost of the members being re-elected?

The CHAIRMAN: Would you mind reserving that question, Mr. Blackmore, please. Mr. Fulton has a question which should be answered.

The WITNESS: The answer to Mr. Fulton's question is that the pension that could be provided would be \$178 per year for each year of service.

*By Mr. Fulton:*

Q. And multiply that by 14.2 and that would give you the answer for the maximum pension?—A. No, sir, it would be based on 16.7 actually, I should say, the \$178 per full session.

*By Mr. Adamson:*

Q. Mr. Humphrys, if those under the present scheme who were appointed to the bench—you may not have the answer to this—or were appointed to the Senate forfeited their payments in the fund; what effect would that have on the fund if they went off pension, went into the Senate? What about the pension payments they have made into the fund, would that be allowed to stay there? Have you any figure on the effect that would have on the fund?—A. I think we can determine that very easily from looking back at table 2. We can see that the contributions by members who are entitled to this deferred pension are \$58,000.

Q. Yes.—A. And the interest on their contributions accumulated is \$20,000.

Q. Yes.—A. So that if they were not entitled to any pension we would have an additional amount of \$78,000, to apply against the liability of \$416,000 for estimating pensions.

Q. \$78,000.—A. And the estimate figure of \$495,000—which shows on page 3—would be \$416,000.

Mr. FULTON: Mr. Humphrys, on the basis of the answer you gave me to my last question as to the situation if 10 per cent contribution is paid by members above, and no right of withdrawal or refund is allowed to those going to the Senate or going to the bench, the average pension payable would be \$2,474.20, would it not, at age 60? Would that agree with your calculations?

The WITNESS: Yes.

Mr. SINCLAIR: If they are going to leave their contributions in, if they were going to retire from the bench under circumstances which would entitle them to pension; or, should the impossible happen, and they retire from the Senate—I have one such case in mind—that would affect the House of Commons pension.

The WITNESS: Yes, in its present proposed form.

*By Mr. Adamson:*

Q. What would be the position if that feature was retained?—A. If that feature is retained the computation I gave would not be correct. That was our original assumption, that that money would stay in the fund, until the member died, then his estate would get the refund; but if you left it in and did not give the estate any refund, or did not give him any pension at all then this would reduce the value of the pensions awarded to \$416,000.

Q. Yes. Then, that would be reduced by nearly 20 per cent?—A. It would reduce the required rate of government contribution by nearly 1.5 per cent.

The CHAIRMAN: Table 4:

The WITNESS: In the draft bill that has been distributed it has been provided that the members who are serving at the time the bill is enacted would have the opportunity to elect to contribute in respect of prior sessions they had served. The contributions required is 6 per cent of the indemnity, together with compound interest from the closing date of the session to the date at which he elected to contribute. It will naturally be of interest to know how much contribution will be required in respect of specific prior sessions and we have, therefore, prepared a table which shows the contributions that would



be required as of July 1st, 1952 to pay for any given prior session. The first column shows the parliament referred to. The second column shows the number of the session; the third column shows the date the session was prorogued, the fourth column shows the indemnity paid per member; the fifth column shows the contributions required at the 6 per cent rate; the sixth column shows the accumulated interest, the last column shows the total contributions that would have to be paid on account of any particular session. In table 5 we have accumulated these figures to show the total contributions for any given number of prior, or consecutive prior sessions. For example, if a member elected in 1940 wished to pay for all the sessions that he had served during the 19th, 20th and 21st parliaments, to date, he would have to pay a total of \$4,543; if he wants to pay on all his sessions during the 20th parliament and all of his sessions during the 21st parliament to date, he would have to pay a total of \$2,743, of which \$2,400 would be treated as his contributions under the bill and \$316 would be interest. The bill provides that contributions for prior service can be paid off in instalments of whatever size or frequency the member chooses. However, once an election has been made, the member is required to pay interest at the date of 4 per cent per annum on the unpaid balance of the total contribution required for the prior service he has elected to pay for. If he has not paid off the total contribution required at the time he retires, the unpaid balance will be deducted from his pension payments until it has been completely paid off. This approach makes for simpler administration than converting the unpaid balance into a life-time deduction from the pension, and avoids the necessity of computing instalment contributions based on mortality and interest. Also, it avoids the difficult problem of dealing with cases where the pension is suspended when the ex-member is elected to parliament or appointed to a government job. Also, it protects the fund from what might be serious selection against it, in that if the unpaid balance of the contribution for prior service may be converted into a lifetime annuity at retirement, any member who is in bad health at the time he retires would naturally choose the life-time instalment rather than paying off the balance in cash, thereby causing the fund to lose.

I believe there was a question asked last Thursday considering our estimate of how many members serving at the time the scheme became effective would elect to pay for prior service. We cannot of course know what the members would choose to do. Our calculations were based on how the scheme would operate after it had become established. It seems probable however, that a majority of the members would elect to pay off at least a portion of their prior service, since they are always certain to get back at least their own contributions and since they would not be required to pay the whole amount off in a lump sum. If a member retires under circumstances that do not entitle him to a pension the unpaid balance of his prior service contributions would be cancelled. A member could therefore assure himself credit for a number of prior sessions merely at the cost of an annual payment of 14 per cent of the total amount required. However, if a very few members elected to pay for any of their prior service, and if the government contributes only on a matching basis, that would mean that there would be less available to meet the pension liability arising, and that would mean that there would be less available to meet the pension liability at the start. However, the pensions would be very much smaller also, so it is hard to see exactly what the effect would be. I think, the scheme would naturally take a little while for to settle down.

*By Mr. Coldwell:*

Q. Suppose this is a member's 21st session; he has to have seventeen; how would that work out? Would he pay for the 17 sessions before the 21st, or would be pay from the beginning—

The CHAIRMAN: Louder, please.

*By Mr. Coldwell:*

Q. What I was saying was this. If he takes 17 sessions to provide the \$4,000 indemnity and the member has been here for 21 sessions how would the amount of the compound interest be calculated? For the 17 sessions immediately prior to this year, or for the first 17 years out of 21?—A. It has been provided for in the draft bill, that a member may elect to pay for some or all of his prior service, and he would likely elect to pay for the most recent service because the amount involved would be smaller.

Q. That is a point I wanted to make. That seems fair enough.

*By Mr. Fulton:*

Q. I wonder if Mr. Humphrys could tell us, while we are on these tables 5 and 6 showing the amounts of arrears that the members would have to pay as at the various stages—I wonder if he has made any calculation as to what a man at 58 would have to pay to purchase an annuity of \$3,000 for life on the basis of the best current terms available—which, I believe, is the government annuity—on the basis of current terms available?—A. A man at age 58 years?

Q. Yes.—A. \$40,860.

Q. And take a man at age 50, who wishes to purchase an annuity of \$3,000 for life, commencing at age 55?—A. The premium required on the basis of the present government annuity rates would be \$37,179.

The CHAIBMAN: Mr. Humphrys, have you any further submission to make?

The WITNESS: I have about one page.

Mr. SINCLAIR: These figures will apply to the same man whether he is under member of parliament pension, government pension, civil service pension or industrial pension—if he went out in the open market and tried to duplicate his pension to that amount that is what it would cost him?

The WITNESS: Yes, those are the amounts that any other Canadian citizen will pay.

The CHAIRMAN: Would you carry on then?

The WITNESS: It would be of interest to examine the age and service distribution of members who would have qualified for pension during the 17th, 18th, 19th and 20th parliaments had this scheme been in effect. This information may be of assistance in helping to decide whether the pension should be deferred to any specific age or not. That information is shown in table 6. As I mentioned earlier, there are a large number who retired at the end of the 17th session of parliament who would have qualified for pension due to their service in short parliament in 1925-26. Those cases are shown in the first two columns of table 6. It can be seen that there are 17 of the 38 members involved who are under the age of 60 at the time they retired, one being as young as 38. It is also notable that in most cases the service is quite short and included the only 15th, 16th and 17th parliaments for a total of 10 years. Only 8 members would have been entitled to pension at the close of the 18th session of parliament, 2 of them were under the age of 60. In the 19th parliament there were 3 under the age of 60, and in the 20th parliament also 3 under the age of 60. I might say on that point, relating to the large number retiring in 1935 who would have been qualified for pension, the fact that our statistics have been based on the last 4 parliaments takes into account and the averages that we used made allowance for these short parliaments, so we have in some measure provided against any such contingency in the figures I have given in the table.

Now that, Mr. Chairman, completes the presentation on these tables. I have a remark or two on the tables that the Department of Finance prepared showing the age and service distribution in various parliaments.

The CHAIRMAN: You are now referring to table B?

The WITNESS: Lest there be some concern that the distribution of the age and service in the present parliament is unusual and might lead to a very heavy burden on the fund at the beginning, the Department of Finance has prepared a set of tables showing the distribution of age and service in each of the parliaments from the 17th to the 21st.

From the 17th to the 21st, the age distribution is shown as of the first session of each parliament. An examination of these tables would show that the distribution of age and services remains reasonably consistent from one parliament to the next. The only one in the group of five that seems to be out of the ordinary is the 17th, and that again is due to the short parliament of 1925. In the present parliament, that is shown on the last page, the 21st parliament, there were 93 members who were serving in their third or more parliament. In the 20th parliament, the corresponding figure was 89. In the 19th parliament, that figure was 72; in the 18th parliament, 82; and in the 17th, 135. Here, again, this was due to the short parliament. It would seem in the present parliament there are not an unduly large number of members who are serving in their third or more parliament. It should be noted, too, that the 21st parliament is composed of 262 members, whereas the previous parliament shown in the table was made up of 245 members. It can be seen, also, that the ages are reasonably consistent from one parliament to another. At the bottom of each table there is shown a median age, that is, half the members are older than that age and half younger. The median age of the 21st parliament was 51; of the 20th parliament, 52; of the 19th parliament, 51; of the 18th parliament, 51; of the 17th parliament, 53.

Mr. SINCLAIR: Six o'clock.

Mr. ADAMSON: Just one question. How could one member in this 17th parliament have served in 10 parliaments and yet be only between 51 and 55? How can anybody do that?

The WITNESS: I would refer that question to Mr. Clark.

Mr. CLARK: I would have to check on that. The same man appeared in the next page, you see, with 11.

Mr. ADAMSON: Yes, I see him there again.

The CHAIRMAN: Shall we adjourn till 8 o'clock?

Agreed.

#### EVENING SESSION

The CHAIRMAN: Mr. Humphrys, will you carry on, please, with your presentation?

**Mr. Humphrys, Chief Actuary, Actuarial Branch, Insurance Department, recalled:**

The WITNESS: I think when the committee rose we were just considering the final table in this group; yes, we were talking of the distribution of service in the last five parliaments, and I mentioned there that the age distribution and the service distribution seemed to be fairly comparable from one parliament to the next. I have just one or two more points. A question was asked on Thursday relating to the size of the fund now if the scheme had been in effect since 1930. I have estimated that the fund would now amount to \$1.5 million on that assumption.

*By Mr. Fraser:*

Q. Even after paying out the pensions?—A. Yes. That is a fairly rough figure, actually, because it is difficult to estimate it precisely. Of the 71

members who would have been entitled to pension between 1930 and 1949, 31 would have been surviving in 1949 drawing a total annual pension of \$76,000.

Q. In that year?—A. Yes, the annual pension roll. I have estimated that the maximum number of pensioners that there might eventually be would be about 70, and the total annual pension roll would be about \$173,000. It does not seem likely that the fund would ever grow to be much larger than about \$2.5 million. If the scheme had been in effect since 1930, the contributions required during the present session, for example, in the total would have amounted to \$52,051 from the members, and if the government matched that contribution it would be a like amount from the government. This amount would reduce from session to session as the members with the longest service reached their maximum contribution. The total contribution, for example, in the first session of the present parliament, again assuming the scheme had been in effect since 1930, would have been about \$60,000, compared with about \$52,000 this session.

That completes my comments on these tables.

Mr. COLDWELL: You say you are figuring this out on a straight financial basis or actuarial basis?

The WITNESS: Yes.

Mr. COLDWELL: I think we should all remember the amount that a member contributes in various ways during the time he is a member, so that he cannot build up the necessary fund to bring him in an annuity when he retires from parliament. I think you should keep that in mind when we are dealing with these things.

The CHAIRMAN: Yes, and those who live long distances from Ottawa have to maintain two homes.

*By Mr. Fraser:*

Q. Mr. Chairman, I understand the fund, if it was in force today, would be \$1 million?—A. In 1949, at the start of the present parliament it would have been about a million and a half.

Q. \$1.5 million at 4 per cent—that would pretty nearly pay the pensions that would be due at the present time, wouldn't it?—A. Very nearly.

Q. Very nearly; at the interest rate of 4 per cent, it would almost pay the pensions coming due this year without adding anything more to the fund?—A. But the principal would still keep on increasing from year to year until we got up to perhaps a pension roll of \$170,000 or \$180,000.

Q. But your capital would be increasing at the same rate, so that if the capital was put out at interest, the interest would become the most important figure in the whole set-up?—A. It would become important, but not the most important I do not think, because of the fund—

Q. Well, it is the part that stays in the fund absolutely all the time, that is why I say it is the most important part.

*By Mr. Sinclair:*

Q. This condition will obtain when the fund reaches the point where the balance between the members dying and the members coming in is the same?—A. Yes.

Q. How far ahead do you think that condition will occur—the present members excepted of course.—A. I do not know, sir. It will be a long time anyway, because under a scheme such as this the pensioners would come on only at the end of each parliament, in contrast with the normal type of pension scheme where people are going out every year. Here they would only come in every five years.

Q. Yes, and there would be pensioners dying every year, and the one would offset the other.—A. It would probably take 40 years, anyway.

Mr. JEFFERY: On the figure the witness gave us of \$1·5 million, if the scheme had been started in 1930, he then gave a figure of \$2·5 million, and that would be the maximum required in that fund. So that would indicate 40 years or less?

Mr. SINCLAIR: If the average age of the member who retired and became entitled would be at least 50—say 40 years from now—that would bring him to 90, so I would think it would be much less than 40 years.

The WITNESS: You would have to carry on until the last member of the first group pensioned reached the end of the mortality table before you levelled it out.

Now, I have a few comments, too, concerning the schemes in effect in other countries, if the chairman wishes.

The CHAIRMAN: Yes, carry on, Mr. Humphrys.

The WITNESS: I believe you all have a copy of the summary of the basic provisions of members' pension plans in other countries.

First, considering the Australian scheme, the annual contribution is £156. The annual indemnity of a member in Australia is now £1750 Sterling, but that has been raised quite recently—it was formerly £1500 Sterling, so that the contribution was roughly 10 per cent of the member's indemnity. That compares with the contribution of 6 per cent under the draft bill we are considering. Under that scheme the government pays in 60 per cent of the pensions that are paid.

Mr. SINCLAIR: What do you mean, "plus the full amount of the various supplements" shown here in the table?

Mr. CLARK: In addition to the pension paid, there is what is called a Commonwealth supplement, which amounts to  $1\frac{1}{2}$  times the contributions that the member has paid in the last eight years of his service and it is payable under certain circumstances when there is a return of contributions. That is part of it. The second part is this: If he is 65 years of age or over, he gets an extra £2 a week, or £104 Sterling a year. The Commonwealth pays the full amount of that without any addition in the contribution. That supplement was only introduced in an amendment early this year.

The WITNESS: The benefits are payable after eight years of service if retirement is not voluntary and no payments are made until age 45. If retirement is voluntary, 12 years of service are required. The benefit is £416 Sterling per year until age 65, and then an addition of £104 Sterling per annum is made, so that after 65 it is £520 per annum. Apparently that is a flat benefit and does not depend on the service of the member. On the completion of eight years, if the member retired involuntarily, he would be entitled to a pension of £416 Sterling, starting at age 45. That amounts to about one-third of the total contributions that he would have made at that date. Apparently the members go on contributing indefinitely, but without any increase in pension subsequently.

Mr. SINCLAIR: Until age 65?

Mr. CLARK: When they receive the supplementary pension.

The WITNESS: Thus, a member with eight years' service would get as much pension as a member with 30 years' service. Widows' benefits are provided at the rate of  $62\frac{1}{2}$  per cent of the members' benefits. In addition, if a member draws his contributions instead of receiving a pension, he receives in addition  $1\frac{1}{2}$  times the contribution he has paid in the last eight years. It seems from this that the Australian plan tends to favour the members with short periods of service rather than the members with long periods of service.

The member withdrawing his contributions receives, in addition,  $1\frac{1}{2}$  times the amount he has contributed. A member with eight years' service would receive the maximum pension. It would seem the scheme, therefore, is weighted rather heavily in favour of the members with the short periods of service.

Considering now the New Zealand scheme—

The CHAIRMAN: Before you leave the Australian scheme, have you any estimate at all as to the costs or the value of the widows' benefits?

The WITNESS: I have made a few calculations on our own scheme. If widows' benefits were added, it would increase the cost of the pensions awarded very substantially. If, for example, the pension would continue to a member's widow after his death at the rate of one-half the pension he was drawing, and if a pension was awarded to the widow of any member who died while in service, provided he had served in at least three parliaments, I have estimated that it would increase the government contribution required by nearly 4 per cent.

Mr. SINCLAIR: There is, of course, another way to do it, the way the Americans do, which would involve no extra cost on the fund, doing it by the actuarial reduction of the benefits to the member if he wants a survivor's pension.

Mr. CRESTOHL: Would that be offset to a very large degree if according to Mr. Coldwell's suggestion of this afternoon members continued to pay after they paid their maximum contributions?

The WITNESS: Well, it would naturally be offset to some extent, but I have not made any calculations which would in any way indicate how the two would compare.

Mr. MACDONNELL: A 4 per cent increase per annum?

The WITNESS: Yes, the government contribution would have to be 4 per cent higher.

The CHAIRMAN: An increase of 60 per cent in the present government contribution, so that in evaluating the Australian scheme that point should be kept in mind.

The WITNESS: Now, considering the New Zealand scheme, the annual salary is £500 Sterling, and the annual contribution is 10 per cent, or £50 Sterling a year. This compares with 6 per cent in the draft bill. The initial benefit is 50 per cent of the member's salary, and it rises to a maximum of 80 per cent of his salary. Under the proposed draft bill, the benefit is 75 per cent of the members contributions and the maximum, of course, would be 75 per cent of the salary. Under the New Zealand scheme, every year of service increases the pension by 5 per cent of the salary. Under the scheme in the proposed bill, every year of service would increase the pension by about  $4\frac{1}{2}$  per cent of the annual indemnity. The New Zealand scheme requires 9 years of service to qualify for pension, and no pensions are started before the age of 50. In addition, at least 5 years of contributions must have been paid. Widow's benefits are provided at the rate of two-thirds of the pension to which the member would have been entitled. Thus, the contribution rate in New Zealand is higher. However, the benefits accumulate somewhat more rapidly than under the proposed bill, and in addition widows' benefits are provided which, as we have seen, are quite costly. For the members with relatively short periods of service it would seem that the New Zealand plan would provide somewhat more generous benefits than the proposed scheme here. For members with long periods of service the New Zealand scheme would be somewhat less generous than the proposal here.

*By Mr. Sinclair:*

Q. How do you make that out when they are going to get 80 per cent of the length of service of the member, plus two-thirds pension for the widow? How is that more generous than the 75 per cent and no benefits for the widow?—A. Well, the contributions continue without limit, apparently.

Q. You said in the top bracket. I am saying in the top bracket—surely the New Zealand scheme with 80 per cent of length of service is more generous than the Canadian plan with 75 per cent?—A. The long service man would have to pay more for that benefit because as I understand it there is no limit on the amount that a member would contribute. Under this scheme we are proposing a maximum contribution limit of \$4,000.

Q. He would only have to be in for 15 years to get this total of 80 per cent of his indemnity plus two-thirds benefit to his widow.

*By Mr. Fulton:*

Q. But if you relate his benefits to his annual payment, he only gets five times his annual payment for the first 5 years and the maximum he gets is only eight times his annual payment.—A. The point Mr. Sinclair had in mind, Mr. Fulton, was that if a member continues for 25 years, say, he would have to contribute £50 a year, he has to pay that every year, but his pension would not go on increasing after he had reached that maximum.

Now, should we continue with the United States scheme?

Mr. FRASER: What about the United Kingdom?

The WITNESS: The United Kingdom as described there is on a means test basis. The annual contributions are £12 compared with an annual salary of £1,000. No benefits are payable unless the member has had 10 years of service and has reached the age of 60; but all pensions apparently are based on a means test so that the scheme is in no way comparable to the other schemes.

The CHAIRMAN: In other words, it is a very limited scheme.

The WITNESS: It is very difficult to estimate actuarially what it might cost, because it is impossible to estimate how many members would turn out to be indigent.

Mr. CLARK: There is the provision that if the fund is in an unsatisfactory state they will not even be able to go up to this maximum.

The WITNESS: It is quite a different situation. Now, we might consider the United States scheme. The rate of contribution is 6 per cent of the indemnity of \$12,500. That compares with the proposed rate of 6 per cent here. Contributions for prior service are allowed together with compound interest of 4 per cent as proposed in this scheme. However, the members who elect to enter that scheme may contribute not only for congressional service but for war service and for civil government service so that it will be possible for members of Congress to bring actually a considerable period of service outside of and other than their congressional service, whereas under this scheme we limit it to parliamentary service. Further, a member of congress would be eligible for benefit after six years of service provided he had contributed for 5 years. All pensions are deferred until age 62 and accumulate annually at the rate of 2.5 per cent per annum of the average salary over the years for which the contributions are being made as compared with an accumulation rate in this proposed bill of 4.5 per cent. However, it should be kept in mind that a member of congress can bring in quite a lot of other types of service that would be countable but could not be counted under the scheme in this proposed bill.

*By Mr. Fulton:*

Q. But under that scheme I presume the average annual salary, and therefore the annual benefit, would have to be based on the salaries they were drawing while their contribution was being made up; that is, not only the congressional salary, but the salary in the armed services, I presume, would be included in arriving at that average amount?—A. Yes sir.

Q. And I presume it would apply to the length of service in congress as well?—A. However, that provision is contained in this draft bill also since the payments are related directly to the contributions being made, so that if the indemnity were to increase from \$4,000 to \$6,000 a year then the contribution on the \$6,000 basis would count for pension for that year only, it would not go back to increase the pension for prior years.

Q. No. But, under the table you have here, and subject to all the qualifications that you have indicated—it appears to me that a very important consideration is the comparison of the annual benefits to the member himself, with the amount of his annual contribution. I note that under the Australian scheme the annual benefit starts out at a rate of approximately 2.7 times the annual contribution and rises after age 65 to a maximum of 3.3 times the annual contributions; and under the New Zealand scheme the annual benefit starts at the rate of 5 times his annual contribution and rises to a maximum of 8 times his annual contribution. In the United Kingdom it is approximately 20 times his annual contribution. In the United States scheme, trying to equate it to ours on the basis of a pension which would be payable after 15 years of service and our being payable after an average of 14.2 years, as I figure it out the annual benefit to a member in the United States is 6.2 times his annual contribution on the basis of a salary of \$12,500. But under the Canadian scheme the annual benefit to the member is 12.2 times his annual contribution; so that our annual benefit therefore would be in excess of our annual contribution by an amount very much greater than under any other scheme except that of the United Kingdom.

*By the Chairman:*

Q. And may I ask you a question as to those who qualify which may or may not be large—is there anything in the proposed Act about it? Is there any provision in the American scheme for a deduction from the pension payment with respect to other salaries received through government appointments; say a man gets a judgeship and draws his salary as a judge, does he still draw his pension?—A. I would have to ask Mr. Clark to answer that for you.

Mr. CLARK: I wonder, Mr. Chairman, if you could just give me a minute to look at that.

The CHAIRMAN: Certainly.

Mr. CLARK: I don't believe there is.

The CHAIRMAN: I think not. We have already been told today that the cost of our scheme would have doubled had it not been for the factor that judges, members of the Senate and other government appointments do not draw the superannuation while they are receiving other salaries.

Mr. GOUR: They would still be drawing their 4 per cent interest.

Mr. SINCLAIR: Mr. Humphrys, you did not go into one phase of the American scheme which I think is very interesting and it is this: a member on retirement can elect to take his full pension—and most or many of the industrial schemes are on an actuarial basis—then he can take out a pension which is paid to himself or to his wife, whoever survives. Such a plan, of course, involves no extra charge whatsoever, and it is a scheme that is in operation now. I am not quite sure if we go ahead with our plan as it is and make no provision for widows we will find that members may turn to insurance com-



panies and say: what will it cost me to take out a policy which will provide me with a pension during my lifetime and to my widow if she survives. They will say to the company, for instance: what will you pay in return for converting my insurance under a joint pension basis. One of the largest schemes in the country, the Canadian Pacific Retirement Fund, is on that basis. Is there any reason why that type of election should not be made available in Canada? It would impose no extra cost in the fund. In many cases the trouble with the position of members is this: May I point out that in many cases, after many years of public service, a member dies and leaves a widow. She has been with him during his lifetime sharing all the joys and all the difficulties, all the uncertainties of elections; she has been with him all through his electoral life and if he dies after or during service she is left without anything. If his wife were substantially older than he is the situation would be perhaps different than it would be if it were the other way around. As I say, if she was substantially younger than he, then she would get much less than \$3,000 on a survivor basis. Perhaps Mr. Jeffery could give us some figures on that. To me it seems to be just one point which would greatly strengthen the Canadian scheme if a member by making election could provide for a pension for his widow in the event that she survives; some sort of a joint pension scheme with a survivor benefit which has been shown to be actuarially sound, on such an actuarial basis that it would be paid to him or to his wife, whichever survived, until both are dead.

Mr. CARROLL: Wouldn't that require a larger contribution?

Mr. SINCLAIR: No, Judge Carroll. For instance, take the case of myself. Let us suppose in 15 or 20 years from now I am finally defeated in British Columbia, let's put it that way—then I am entitled to a pension of \$3,000 at the time I retire—whatever that pension is—anyway insurance actuaries can figure out a pension for me payable at my death, or following it—let us say they would figure a joint pension for myself or my wife, whichever should survive. It would be lower than what it is here. It is a matter of personal decision; and under the Canadian plan it would seem to me that it might be possible for a member to make such arrangements, even if there were no provisions here. He could go to an insurance company, the London Life for example, and say: I have this annuity of \$3,000 until I die, what kind of a joint annuity or pension plan can you figure out for myself and my wife, so that whichever one of us should survive will have a specified amount of income?

The CHAIRMAN: Yes, which would continue until the survivor dies.

Mr. SINCLAIR: You could cover that in part by your government annuities now by buying \$2,400—that would be two government annuities of \$1,200 each. That would be sufficient to cover it and you would still have \$600 left to go on, or you might put the balance of it in part of an annuity. However, since it costs the fund nothing at all I am sure that Mr. Humphrys will say that it could be very easily worked out on an actuarial basis according to the age of the member or the age of the wife, and that there is no reason why such a provision similar to the American provision should not be included in whatever scheme Canadian parliament may adopt.

The WITNESS: The only comment I would make on that, Mr. Sinclair, is this. With a large number of pensioners it would be possible to calculate the amount by which the pension should be reduced in order to provide for the continuing of any portion say to a member's widow provided some device were adopted to avoid selection against the fund. It would work alright if he chose, far enough in advance of the time where he might go on pension, the type of coverage he would like to have; but there might be cases where if the member was in very bad health he might say: I will take advantage of this opportunity to have my pension continue to my widow. However, with such members as we are going to be dealing with here it would be difficult to arrive at a

calculation that would with any certainty operate the fund in a sound condition. Exactly the same thing can be accomplished by the member going to an insurance company and merely buying life insurance so that when he dies an annuity or lump sum as he wishes is paid to his widow; but to put such a provision in this plan would mean that we are injecting a considerable measure of life insurance into it.

Mr. SINCLAIR: You are calculating in the main item—

The CHAIRMAN: Just a minute, Mr. Sinclair, the members up here can't hear you.

Mr. SINCLAIR: You are calculating there that the members are eventually going to die in accordance with your mortality table.

The WITNESS: Yes.

Mr. SINCLAIR: And all this extra cost would be on account of the pension for the widows, for the wives. Of course, the member could get that through an insurance company, as has been suggested, but that would have to be taken into your calculations. The decision as to the group insurance policy would be left to the member. He would make the selection. That is a very important point that Mr. Humphrys raises.

Mr. FULTON: That would be equivalent to a group policy arrangement in so far as you could equate it at all.

The WITNESS: In so far as there would be no individual selection, that all members would come in, that there would be no selection on the basis of health, it would be comparable to a group policy. Yes. You could accomplish the same thing by taking part of your \$3,000 and buying a life insurance policy from an insurance company in the market. The only advantage of providing insurance under this scheme would be where a member going to get insurance in the market wasn't insurable; in which case, of course, the fund would have to carry a bigger burden.

Mr. MACDONNELL: You are talking about a man buying insurance at the time he became eligible to the \$3,000. Surely the question of his health would be a very important factor, a very important matter.

Mr. COLDWELL: But the principle object that Mr. Humphrys raises is that you are not spreading the risk over a large enough number of individuals.

Mr. SINCLAIR: That doesn't follow. This is based on the mortality tables of the insurance companies and they figure out the whole thing on the basis of the risk involved.

The WITNESS: But insurance companies have large numbers of policy holders from which to secure the experience which will be comparable to the table. Here in a group of this size I think it is going to be difficult enough to find out how much you need to pay the pensions without putting a substantial element of life insurance into it also.

Mr. JEFFERY: What would you say as to the probable extent of selection by members of parliament as compared to the public?

The WITNESS: Well, for example, if a member when he retires, could make the choice then, then that is the point where he would select against the fund because the member in ill health would certainly take the reduced pension because he would be getting a substantial amount of life insurance. If the member was in poor health, and it looked as though he wasn't going to survive more than a few years, he would certainly take the reduced annuity in order to be sure that a proportion of his annuity would continue to his widow, but if he were in good health he would not be so likely to do that.

Mr. ASHBOURNE: Would he get life insurance if he were in poor health?

The WITNESS: No. But if you put that provision into the fund that would provide him with life insurance and consequently it would cost more than we

could provide for on any normal actuarial calculation, unless we assumed such heavy mortality that it would far over-charge the member in good health. That is the difficulty we would be up against when we take the technical point of view.

*By Mr. Crestohl:*

Q. But, Mr. Humphrys, is it not also a fact that if we would make provision for the widow, to do that the contribution would have to be increased over the 4 per cent, is that correct?—A. Yes.

Q. And his contribution would have to be increased from 6 to 10 per cent?—A. Approximately, yes.

Q. Since the Canadian scheme is apparently the only one of those presented to us which makes no provision for widows I wonder if the members' contribution being put up to 6 per cent or 8 per cent would take care of that? You will recall the calculations contained in the suggestion made by Mr. Coldwell this afternoon, to use both of these sources of additional revenue; if you did that, could you almost reach the point of where you could provide a pension for widows without increasing the government contribution?—A. I would not be able to answer that, sir, without some more calculations.

Q. Well, it would seem to me to come pretty close to it, don't you think, without requiring additional contributions from the government.—A. I would not care to answer that without making further calculations; but I would make this point though in connection with providing widows' benefits and schemes such as this, I think there is a feature about it that should be considered very carefully; that is, that while the member is in parliament he may have a substantial benefit here but if he is out of parliament he has no insurance, and it does not seem desirable in an insurance program to have any such uncertainty.

Mr. COLDWELL: If he is here for less than the number of sessions required to qualify for a minimum pension—he would have to make special provision to take care of this. There is something said about that.

The WITNESS: That is correct, sir.

Mr. CRESTOHL: Could you develop some scheme by which members voluntarily could increase their contributions from 6 per cent to 8 per cent or 9 per cent if any member so desired and wanted to protect his widow?

Mr. FULTON: Or, alternatively, could you reduce the annual payment provided to the member alone to a figure which more nearly approximates the amount of payment to members in other schemes, by increasing the annual payments in by members, and then bring in the widow's benefit part of it? The figures here demonstrate that the annual benefit to members under the Canadian scheme, in comparison to the annual payments in by members, is substantially greater than under the Australian, the New Zealand, or the United States' schemes.

The CHAIRMAN: Under the United States' scheme, if you figure in the feature which the table shows, and what our scheme gains by not paying superannuation to Senators and judges and to other appointees, you will find that the benefits under the United States' scheme practically parallel our benefits.

Mr. FULTON: I am talking about this table where the witness has shown that the United States members who retire and take pension receive  $2\frac{1}{2}$  per cent of their average annual salary for each year of service, based on an annual salary of \$12,500; and in trying to equate their service to our service in order to qualify for maximum benefit—which is 15 years—you will find that the American would receive after 15 years an annual payment of \$4,687.50, and he has paid in annually \$750, so that his annual benefit is 6.2 times his annual payment.

The CHAIRMAN: While the Canadian benefit is about 12 times.

Mr. FULTON: 12½.

The CHAIRMAN: We were told this afternoon that the cost of the Canadian scheme would probably be doubled if we deleted from our scheme the provision that where a man goes to the senate or becomes a judge or an appointee to a commission, his superannuation stops; if our scheme would double in cost, if we were on a comparable basis with the United States' scheme, I suggest that our benefits would parallel the United States' scheme, and that they would be on a basis of one to six.

Mr. FULTON: I think you are introducing factors which, for the present comparison, are extraneous.

The CHAIRMAN: I am sorry to have interrupted you.

Mr. FULTON: Regarding widows' benefits, it seems to me that one way of doing it would be by reducing our annual benefit to members to a minimum which, in proportion to our annual contributions, would more closely approximate that of the other three schemes to which I have referred, and thus would leave us leeway for payment of benefits to widows.

Mr. COLDWELL: There are great benefits in this scheme; the minimum payments of pension in the United States is 6 years, and you have already the widows and old age benefits, and you have the returning of the contributions with interest.

Mr. FRASER: But we do not get the interest.

Mr. SINCLAIR: Yes, and another factor is very important: In the calculation, there is this matter of knocking off the pension by \$40 because of the old age pension at the age of 70, which it is not done in the American scheme.

Mr. FULTON: Yes and the American scheme has an age floor of 62 years; that is another factor to be considered.

Mr. CRESTOHL: In providing benefits for widows I indicated two additional sources which I thought might provide an increase; there was the 2 per cent, and the suggestion which Mr. Coldwell made that after reaching the maximum, members who remain in parliament should continue to pay; and the third one: not allowing judges or members who are appointed to other positions to withdraw their contributions; that would be an additional source. I think they merit consideration, and I think a calculation should be made to show whether or not these three sources of revenue would not provide satisfactory benefits for widows.

The WITNESS: Under the proposed bill which is being considered, members who are appointed to the senate or to judgeships are not allowed to withdraw their contributions.

Mr. FRASER: Yes, but when they die, they get it back, or rather their estate gets it back.

The WITNESS: I could not make a calculation on that basis, but there are some features about it which occurred to me and which I might mention here.

First of all, I think it is generally undesirable for a plan to require contributions after the time when no benefit is being earned from them. It might sound all right initially, but it seems to me almost inevitable that a time will come when there is dissatisfaction, if a member is required to contribute for 20, 25, or 30 years and gets no benefit out of it.

Mr. CRESTOHL: But they help to maintain the fund.

The CHAIRMAN: Please let the witness answer the question. It would mean that those long service members are being required to contribute more to provide widows' benefits for all the members. So you would be placing a cost unduly on a certain group.

Secondly, on the question of forfeiture of contribution by certain members, I think that in any experience which I have had with pension plans, and in any reading I have done into them, if there is an element of forfeiture of contribution in a pension plan, and there always seems to be difficulty, and the end result is that it is removed. I think that a sound plan should always provide that a member gets back, or that his estate gets back at least his own money.

Mr. CRESTOHL: There is no forfeiture, there is just a substitution. A man, instead of getting one benefit, would be getting it in another plan. That is all. There is forfeiture there.

The WITNESS: The forfeiture arises in this way: If a member of parliament has paid in, let us say, \$4,000 to the fund, and is then appointed to the senate and continues in the senate until he dies, he has paid \$4,000 but he gets no benefit from it.

Mr. FRASER: But he then gets \$6,000 a year.

*By Mr. Crestohl:*

Q. That is the sacrifice he has to pay for going to the senate. I think everybody here would be willing to pay \$4,000 in order to go to the senate.—  
A. But compare that with someone appointed to the senate from outside, someone who was not a member of the House. He would get his \$6,000, while the ex-member of parliament has had to pay in \$4,000.

Q. You have an element there. I can see that; but I do not think it is really a serious one.

Mr. COLDWELL: I think what we had better do, instead of going into all these side issues now, is to try to get down to the bill, and if we find we can get further benefits later on, then we may do so.

The CHAIRMAN: Mr. Humphrys has promised to get us the calculation, and I do not think there is anything to be gained in labouring it. And now since we have our statements before us, I think it would be in order for Mr. Fulton to ask his questions.

Mr. FULTON: Thank you, Mr. Chairman. The purpose of my questioning was to demonstrate what I regard as certain weaknesses in the present plan, and then to explore possible alternatives. Some of the questions I have already asked; but first, I would like to ask Mr. Bryce about the possibility referred to this afternoon whereby a member who was eligible elects to have his back payments made up by way of withholding his pension rather than paying them into the fund. You told me that could be done, and that all he would have to do would be to pay the interest on the arrears, as they were being worked off. Now, would the treasury also have to pay in to this fund in cash to match the arrears which the member was not paying in in cash, but was having worked off by withholding his pension?

Mr. BRYCE: On the outline that was given to the Department of Finance, that point is not clear; but in translating it into the bill we have assumed that the treasury would pay at the time he elects to contribute.

Mr. FULTON: I see.

Mr. BRYCE: In the outline given us, it simply says that the government would match the member's contribution for both current and prior service; but it does not say when it would match it. I was just going to say that when we translated it into the bill, in view of the uncertainty of the time at which the member was contributing, we felt there would be some virtue in trying to make it quite clear that the contribution from the public funds would go in at a certain date, probably the date on which he elects to contribute. That has the advantage of giving the fund interest on that money from that time on.

Mr. FULTON: As the bill is drafted in accordance with the outlined submission, it would appear safe to assume that if it goes into law in its present form, that although the member did not actually pay cash in, but had his arrears made up by withholding from his pension, nevertheless the treasury would pay in cash to match the amount of the member's arrears?

Mr. BRYCE: Yes sir.

Mr. FULTON: If the scheme goes into effect now as outlined here, and all those eligible elected to receive pension, whether or not they actually paid their arrears in cash or took them out by withholding the pension, have you any figure which would show how much the treasury would have to pay in to match those payments? I think it would be a simple mathematical calculation. There are 89 members presently eligible. How much would the treasury actually have to pay in to match their arrears, if they all elected to come into this pension scheme?

Mr. BRYCE: If they all elected immediately?

Mr. FULTON: Yes.

Mr. BRYCE: Of those—I am not sure how many of the 89 or 90 members would have the full 17 years—but if they did, if there were 90, each of whom had paid \$3,000 plus interest into this fund, my recollection is that it totals—

Mr. FULTON: \$4,960?

Mr. BRYCE: Let us say about \$5,000; that would be \$5,000 times 90, or \$450,000.

Mr. FULTON: \$450,000 would be the obligation on the treasury?

Mr. BRYCE: Yes.

Mr. COLDWELL: Does that matter very much whether the money is actually paid in, so long as interest is paid in by the member?

Mr. SINCLAIR: It does not matter whether the member goes out to a bank and borrows his payments from the bank and pays the back payments with interest at 4 per cent, and then out of his payments pays it back, because in the end, you have to get it out of reserves which he has; he either has them now or is going to get them; and to create this fiction that he is going to get a pension for nothing is just nonsense. You may say that he is going to pay it out of his first \$3,000. But he may say, "No. I am going to borrow the money from the treasury, because I am going to pay 4 per cent on my outstanding obligation and I am going to pay it back in the same way out of the entitlement I have at that time."

Mr. FULTON: I thought that comments were to be reserved until later.

Mr. SINCLAIR: Yes, but some of us would like to discuss these points as they develop.

Mr. FULTON: I would like to make just one comment on what Mr. Sinclair has said. He said there was a fiction that a member would get a pension without paying anything. It is not a fact because under the suggestion offered by Mr. Bryce, a member could get a pension after two years, without paying a cent into the fund.

Mr. SINCLAIR: No. He would be paying his \$240 for each of those two years.

Mr. FULTON: My question was based on the original premise that a member elects, and then is defeated, or decides to retire because he thinks he has reached the age where he feels he can no longer serve.

The CHAIRMAN: If I understood your question, it is this: That the fund pays the man \$3,000 or whatever the pension is, and he immediately turns around and pays it back to the fund instead of using it to live on, which he would be entitled to do if he were qualified and fully paid up. But instead of

that, he pays it back to the fund, so I cannot see but that we are just talking about something which is no great consequence. You feel he is getting it for nothing. I feel that he is paying \$3,000 a year for it.

Mr. FULTON: That is fine; but Mr. Bryce said that although a member does not have to pay cash into the fund, yet the treasury does pay cash into the fund; and at the end of 2 years, the member starts to receive his pension.

Mr. CRESTOHL: That is only for the purposes of sensation; it is not of practical value, Mr. Chairman.

Mr. FULTON: The statement is based on the answer to a question asked of expert witnesses who were here to be examined in this field; and if other members think that it is for sensational purposes, they are free to do so.

The CHAIRMAN: If a man owes you \$3,000 and you owe him \$3,000, it is a saw-off. Let us say the fund owes this man \$3,000, and instead of his taking it out and using it to live on, he pays it back into the fund.

Mr. COLDWELL: You are assuming an obligation.

The CHAIRMAN: Yes.

Mr. COLDWELL: And if you cannot meet that obligation—

Mr. FULTON: I would like to assume an obligation where I did not have to make any cash outlay.

Mr. SINCLAIR: You must have borrowed money from the bank at some time or other, and what did you do? You gave them a note and paid interest on that note, and when you could, you paid it off, I hope.

Mr. FULTON: Yes, and I paid cash to the bank.

Mr. SINCLAIR: This is exactly what this is; out of some reserves which they have earned in the meantime; but I would like to get back to this 2-year question, and that after two years he qualifies for his pension.

Mr. FULTON: No. We were dealing with those qualified now.

Mr. SINCLAIR: What does he do at the end of 2 years?

Mr. FULTON: He is no longer a member of parliament.

Mr. SINCLAIR: Then he starts to receive his pension right away. Mr. Fulton assumes that because we pass this legislation, let us say, on July 15, and then a man quits on July 16, he would be happy about that.

The CHAIRMAN: The end result would be exactly the same; and if the members would feel better about it, the bill could provide that the member should pay this \$3,000.

Mr. SINCLAIR: He could go out and borrow it.

The CHAIRMAN: Yes, he could go out and borrow it and use the money which he get to pay it.

Mr. FULTON: And the money paid in by the member into the fund would earn interest.

Mr. CRESTOHL: It is only a matter of convenience to the members who may not have the money to pay in.

Mr. SINCLAIR: And they would accept the obligation in the same way as the banks.

Mr. CRESTOHL: That is correct.

Mr. SINCLAIR: And he will accept the obligation in the same way as a bank draft.

Mr. FULTON: Mr. Humphrys, I would like to ask you a question—no, I have that answer, it has come out; how many members are now qualified, 89.

Have you any figures to show the basis of the members' ages since 1935 per parliament—I beg your pardon, you have given us that answer.

Mr. SINCLAIR: You are very wise, Mr. Chairman, in having this orderly development of this scheme. Most of Mr. Fulton's questions have now been answered.

Mr. FULTON: By the very fact that I asked the questions in an orderly manner. What is the best pension that can be paid on the present terms as to qualifications, withdrawal, etc., firstly, by a fund built up on 10 per cent contributions by members alone?

The WITNESS: I have calculated that the annual pension per year of service that could be provided would be \$113.

Mr. CARROLL: How much?

The WITNESS: \$113 per year of service.

*By Mr. Fulton:*

Q. Multiplied by this average which you are using, the number of years required for the maximum qualification, that would be \$113 multiplied by 14 years?—A. The average I have used is 13·9 sessions on the basis of experience in the previous parliament.

Q. That would average approximately \$1,572 per year?—A. Yes.

Q. Then that would be the best pension that could be offered?

Mr. SINCLAIR: No, Mr. Fulton, will you check those figures?

*By Mr. Fulton:*

Q. \$113 a year multiplied by 13·9, \$1,572.—A. I have \$1,566 on the basis of 13·9 years.

Q. What would be the best pension that could be paid on the present terms as to qualifications, withdrawals, etc., by a fund built up on 6 per cent contributions by members alone, but where no refund was allowed to those expelled or disqualified by their own wrongful act, or appointed to the Senate or judgeships?—A. I have calculated that figure, sir, as \$93 per year of service.

Q. Would you say what that turns out to be on the basis of the average you are using?—A. \$1,290 per year.

Q. Then what would be the best pension that could be paid under present terms as to qualifications, by a fund built up on 10 per cent contributions from members alone, but limited in the same way as to rights of withdrawal, etc., as I outlined in the last question?—A. An annual pension of \$143 for each year of service.

Q. And that turns out to be an average of?—A. \$1,991.

Q. Earlier today, Mr. Humphrys, you gave me a figure of—I thought it was something on the same basis—which turned out to be \$2,474.20, that was where the age limit was 60 years, is that correct?—Yes, sir.

Q. So if you make a 10 per cent contribution by members with no right of withdrawal or payment to estates by those appointed to the Senate or judgeships, and the age floor is 60, the annual pension which you say could be paid would be \$2,474.20?—A. That would be the average.

Mr. COLDWELL: If the members made the whole contribution of 10 per cent and the government put nothing else, what rate would you have to have if a member was appointed to a judgeship, commission or the Senate, that you could receive no benefit from it?

Mr. SINCLAIR: I would like to ask Mr. Bryce of Mr. McGregor of the Insurance Department two questions. Is it a fact that the federal government in encouraging pension schemes around the country has given tax concessions to those companies who will make an employer contribution and invest them in pension funds? Perhaps Mr. Bryce can answer.



Mr. BRYCE: Yes, sir.

Mr. SINCLAIR: Mr. McGregor, do you know of any large company pension scheme in the country today where the employer makes no contribution?

Mr. MCGREGOR: I do not know of any offhand, sir.

Mr. ADAMSON: Do you know one where the employee makes no contribution?

Mr. SINCLAIR: There are lots of them.

Mr. ADAMSON: If you have the figures of the International Nickel Company's pension plan, I think that might be of interest.

Mr. SINCLAIR: Mr. Fulton is arguing against employer's contributions. You are away out on the other end where the employer makes all the contributions. I believe the Kimberley scheme in British Columbia is the same type of scheme.

Mr. ADAMSON: In Trail, the employee makes no contribution. And do you know the maximum the employee may draw? I know at Nickel it is 25 years that they have to work; I think it is, I have forgotten what the sum is they get, but I think it is around \$3,000.

Mr. SINCLAIR: Mr. Adamson, I asked an earlier question regarding contributions put into a pension fund by employers, if it is vested in the fund then the income tax department will allow the contribution to be a deduction as an operating cost. The employer's contribution must vest in the fund so that the employer cannot pull it out in later years if the employee leaves or goes to another job. That is another point which is not in this bill.

Mr. ADAMSON: In the nickel company I think the pension fund is managed by a trust outside the company.

The CHAIRMAN: And at the present time the tax rate is 52 per cent of the amount involved.

Mr. FULTON: What would be the effect on the amount of government contributions required if the minimum period of 20 years' service by members was written into the proposed Act, and on the present basis of benefits?

The WITNESS: On the basis of the experience of the last four parliaments there would have been 14 members retired with 20 years' service or more, or an average of about 3.5 per parliament. The total value of the pensions awarded to these members at the rate of \$3,000 per annum each would have been about \$353,000 or an average of about \$88,000 per parliament. If all the members contributed at the rate of 6 per cent of their indemnity, and if the contributions were accumulated at 4 per cent per annum, the total interest accumulated on the contributions of the members who retired at the end of each parliament, or who died during the parliament would be about \$72,000, as shown in table II, which I spoke about earlier in the afternoon. The total contributions paid by the members who retired with 20 years' service or more would be about \$14,000, resulting in total funds available of \$86,000 from members' contributions and interest, assuming that all members who had less than 20 years' service when they retired received a refund.

Mr. CRESTOHL: You mean we make a profit on that?

The WITNESS: Thus, the cost of the pensions would be very nearly balanced by the funds available from members' contributions and interest realized on all the other members' contribution.

Mr. FULTON: In other words, there would be practically no government contribution on that 20 years service basis?

The WITNESS: No, sir.

Mr. SINCLAIR: And no members getting the pension, either.

Mr. FULTON: Mr. Bryce, so that we may be perfectly clear, am I to understand that the payments to be made into the fund on the basis of the present draft legislation would be tax exempt, so that the pension when received would be tax exempt if the present income tax structure is maintained?

Mr. BRYCE: I hesitate to speak with finality on that because we have not given special consideration to the tax status. That is, as far as I know there is no reason that the scheme would not come under the ordinary income tax arrangements and the contributions into the fund would be deductible. Now, it is such an unusual type of plan that it may not fit the ordinary income tax pattern, and for that reason I would not like to speak too dogmatically as to whether one would say it would automatically come within the pattern.

Mr. COLDWELL: If the contribution were not deductible for income tax purposes, then the pension itself would not be subject to income tax.

Mr. SINCLAIR: That is not quite right. If the contributions were subject to income tax, that part of the pension which stems back from the contribution would be free, but the part from the government and the part representing accumulation of interest would be taxable.

Mr. FULTON: Then Mr. Bryce, your present assumption, I take it, is that if this would be classified as an approved pension plan, then the payments in by members would be tax free, is that it?

Mr. BRYCE: Yes, sir, just like the normal payments by an employee.

Mr. FULTON: Then the whole pension would be taxable if that were the case?

Mr. BRYCE: Yes.

*By Mr. Fulton:*

Q. To come back for a moment, Mr. Humphrys, to a question I asked before as to what effect the government portion of the contributions, if 20 years' service remains as a qualification—have you figures showing what would be the effect if various other terms were used, such as 15 years, or 10 years?—  
A. I have only made calculations for 20 years.

Q. Can you do it quickly?—A. No, it will take a considerable amount of calculation. I could not do it quickly.

Q. Could I leave it with you, so that if there is time enough for another sitting, you would be able to let me have the figures on the basis of 15 years' service before a member becomes eligible for pension?

Mr. COLDWELL: As compared with the other plans before us, that is a very large number of years; the other schemes in the other countries range, as you see, from 6 years up to 10 years.

Mr. FULTON: And 12 years for voluntary retirement under the Australian plan. I have pointed out before that our annual benefits in proportion to the amount of the annual contribution are very considerably in excess of those under any other plan except the United Kingdom.

Mr. COLDWELL: But the non-tax benefits are very great under that plan, benefits to widows and children.

Mr. CRESTOHL: Have you calculated from your tables what is the average life of a man in parliament? I mean his life as a parliamentarian.

The WITNESS: No sir, I have not computed that.

Mr. CRESTOHL: You understand my question? The average life of a man who comes into parliament, how long does he endure as a parliamentarian? He may live beyond that.

The CHAIRMAN: Are members now ready to turn to the draft bill?  
Shall section 1 carry?

Carried.

*By Mr. Fulton:*

Q. May I ask Mr. Humphrys a question? You have referred to an average of 13·9. Do I understand according to your calculations that means that on the basis of the record of the past parliaments a member has to serve in parliament for 13·9 years in order to have completed his 17th session?—A. No sir, that 13·9 shows the average number of years of service put in by members who could have qualified for pension, that is by members who have served in 3 or more parliaments at the time they retired.

Q. Has it any relation to the 17 sessions of parliament?—A. No sir.

Q. Have you any figures to show what is the average number of years a member must have served, on the basis of past experience up to the present time, to have completed 17 sessions?—A. If we wanted to go right back to confederation, the average number of sessions for parliament, eliminating all the sessions under 65 days except 3 in the second parliament which were 62, 64, and 63 days, the average number of sessions per parliament was 4·1.

Q. So on the basis of our recent experience from 1935, on, have you, or has Mr. Bryce or Mr. Clark any figures to show—I made a calculation myself and I figure that the 20th parliament had five sessions, the 21st parliament looks as though it will have at least 6, the 19th parliament also had 6. So the member who serves in those three parliaments would have completed 17 sessions in 13 years.

Mr. SINCLAIR: Two of those parliaments were five year parliaments.

Mr. BRYCE: These tables, of course, indicate exactly what the situation has been over recent parliaments, though I would point out that there is no real magic in the figure of 17 which is being imputed to it, because the calculations show that in fact the present members would have to go back and count 20 sessions in order to get up to their maximum contributions because of the presence of several short sessions.

Q. And since that would include one or more sessions of parliament how many years of service would that require?—A. It would take from the beginning of the 5th session of the 18th parliament; it would go back to the 1st of September, 1939; it would go back to the beginning of the war.

Q. Were there 6 or 5 sessions in the 19th parliament?—A. Yes—they are all listed.

The CHAIRMAN: Section 2, shall section 2 carry?

Carried.

Section 3?

Carried.

Mr. FULTON: Mr. Chairman, I wonder if it is desirable to embark immediately on consideration of the bill? There have been a lot of facts and figures submitted to us today indicating possible alternatives to the present proposal, which I don't think any member has really had a chance to study and consider in relation to the present bill; certainly I have not; so that we could not put forward any concrete suggestions for amendments. I do suggest very strongly that we take at least over night to consider the position and see if there are any special amendments with respect to the proposed legislation that we could agree on.

Mr. MACDONNELL: It seems to me, Mr. Chairman, that we are right up against it now. I have one suggestion I would like to make. I would like still to see if it were not possible for us to find some plan which would involve little or no government contribution. I realize that there are many members in this parliament who have made great sacrifices, a far greater sacrifice than I have made; therefore, I am not going to be doctrinaire, and try to inflict my feelings or views on the committee. It seems to me, and I do feel desperately anxious that we should use every effort to see if there is some means whereby we can

reach the end we all want to reach with at least a minimum of government contributions. And I do want to add this—and again, I hope I will not sound doctrinaire—we hear ourselves being referred to here as a kind of employee. That phrase has come up frequently and it may be necessary. I repeat that there are those here whose sacrifices have been such that they are entitled to consideration far better than I am, but I do feel that before we take that step that we ought to realize that it is a very important step and that it to some extent changes our position. Therefore, I would like to second what Mr. Fulton said. We come now to clause 2, and I think we should give this whole thing a little more consideration. I certainly do not want to vote without considering other alternatives, and still I don't want to vote against it; so I associate myself with what Mr. Fulton says, that we take 24 hours for reflection.

Mr. COLDWELL: I think that is a very reasonable request, Mr. Chairman.

Mr. MACDONNELL: When I say 24 hours, I mean over night; or, at least some time.

Mr. COLDWELL: What about 4 o'clock tomorrow afternoon?

Mr. MACDONNELL: That would be fine for us.

The CHAIRMAN: I do not think there is any better point to make one comment on what Mr. Macdonnell has said. I have been elected four times. I am in the fortunate position that I have been able to return to my own business every week-end; and if you could see the way that little office is packed on a Saturday morning you would realize what a member is losing who cannot return to his office every week-end; and I am thinking about the members from the east and west who are here so far from their home points that they cannot return, and the loss they are taking is just immeasurable. I think it is beyond all question that you cannot set up a scheme without some employer or government contribution which will be adequate.

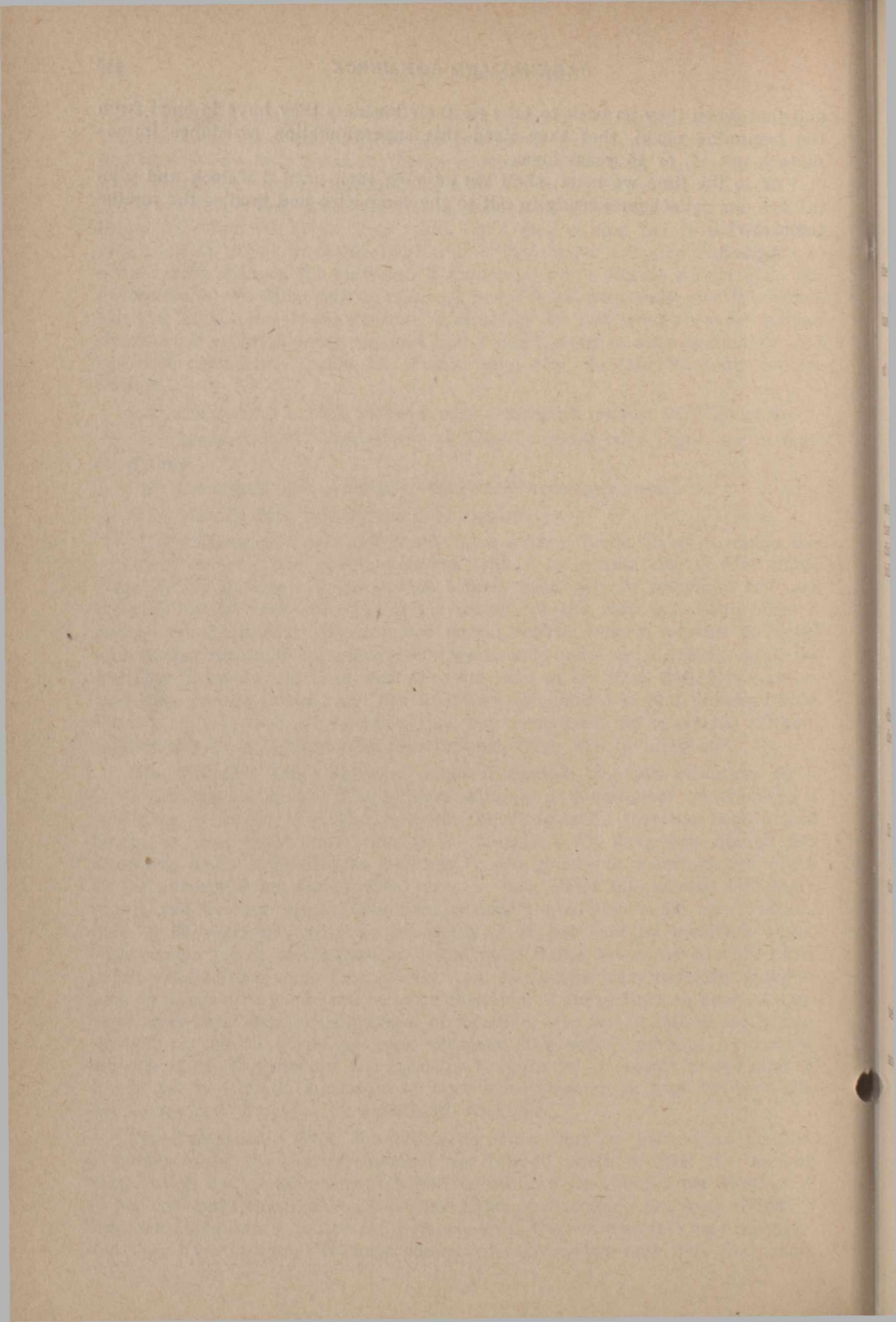
Mr. FULTON: Mr. Chairman, might I explain my own situation. If it were possible to arrive at a scheme without a government contribution I would be in favour of it, but from all the information that has been placed before us that would not seem to be possible. We have had figures this afternoon which indicate that members would qualify at a certain age which on the average is not far from 60 years; in fact, under this scheme as I figure it out, the average age of members presently qualified is 58; now, with a floor of 60 years and with contributions of 10 per cent by members alone, with certain minor restrictions on withdrawal rights, we could provide for a pension of \$2,470 a year. I personally want to consider very carefully whether such an alternative would not be more desirable. I am inclined to hope—I may be wrong—that there are a number of members who would like to see a plan worked out which would at least minimize if possible—perhaps by raising the age limit—the amount the treasury contributes. It seems to me that it should not be utterly impossible to work something out at least between the two views and to arrive at something workable.

The CHAIRMAN: Well, the tables do show that by postponing pension payments until the retired member reaches 60 years of age, the annual contribution by the government would be reduced by about 2 per cent, or a 40 per cent reduction; but, on the other hand, in discussing this with friends I find many members who live far distances from Ottawa who feel very strongly that they have lost their business connections if they are only here ten years,

and that when they go back to take up their business they have to start from the beginning again, that they need this superannuation assistance immediately, not 10, or 15 years hence.

As to the time we meet; shall we adjourn then until 4 o'clock and plan to have our pet schemes ready to put to the committee and finalize the matter tomorrow?

Agreed.



## EVIDENCE

June 24, 1952, 4 p.m.

The CHAIRMAN: We will now take up consideration of the draft bill. When the committee adjourned last evening we were on section 3 of the draft bill.

Mr. BRYCE: I wonder if it would be possible to revert to section 2. I have a point there that the Department of Justice raises.

The CHAIRMAN: Mr. Bryce has asked that we should revert to section 2 of the bill.

**Mr. R. B. Bryce, Assistant Deputy Minister of Finance, called:**

The WITNESS: Following the rapid developments of the last several days, we took this up with the Department of Justice lawyers this morning. They have not been able to give a thorough study to all the legal points, but they did suggest that it would be preferable instead of paragraph 2(b) of this draft bill to have a subsection (2) in that section which would read as follows:

A House of Commons that is not dissolved before the expiration of the period fixed for its duration shall, for the purposes of this Act be deemed to be dissolved on the expiration of that period.

The CHAIRMAN: Would you go over that again, please? Read it slowly.

The WITNESS: I have had the changes mimeographed and they will be distributed. Rather than define dissolution the revision describes what is deemed to be dissolution.

A House of Commons that is not dissolved before the expiration of the period fixed for its duration shall, for the purposes of this Act be deemed to be dissolved on the expiration of that period.

It is just purely a legal change.

The CHAIRMAN: Instead of just defining dissolution to include the expiration of the term, it is just to say that it shall be deemed to be dissolved.

Mr. CARROLL: You are not cutting out (b) altogether?

The WITNESS: That would cut out the necessity for defining dissolution.

Mr. FULTON: (b) is deleted?

The WITNESS: Yes, sir, and the other sections would be renumbered. They tell me it is better legal form.

The CHAIRMAN: Mr. Carroll moves the amendment as suggested by Justice, and as indicated by Mr. Bryce. Shall the amendment carry?

Carried.

Shall the section as amended carry?

Carried.

Section 3; are there any suggestions with respect to section 3, Mr. Bryce?

The WITNESS: No sir.

The CHAIRMAN: Shall section 3 carry? "Members contributions".

Carried.

## Section 4.

4. The Minister of Finance shall, in accordance with the Regulations, credit to the Account, in each fiscal year,

- (a) an amount equal to the contributions paid in that fiscal year pursuant to section six;
- (b) an amount equal to the total of the amounts that have become payable in that fiscal year pursuant to subsection one of section eight; and
- (c) an amount representing interest on the balance that is, from time to time, to the credit of the Account.

Mr. FULTON: Mr. Chairman, I have certain objections which I have previously indicated, and they apply to a number of sections. But rather than to take up the time of the committee on each section, I shall indicate them now and let it go at that. It will only take a minute. It has been clear, I hope, that my purpose in opposing this bill as indicated in the various questions I asked, is to indicate that the scheme as put forward had certain weaknesses and objections, and that there are many ways in which it could be improved from the point of view of public policy if amended. I could have been able to support a bill which eliminated or very substantially reduced Treasury contributions and introduced certain restrictions on the right of withdrawal and refund of member's contributions, and I had hoped to show by my questions and by the answers to those questions that this could and should be done, for instance by introducing an age floor. But it appears that my arguments have not had any measure of general support and I must therefore content myself by saying that although I could have supported a modified measure, nevertheless I must oppose the present one, and that applies to every section from now on. But if anyone wants to introduce an amendment, I shall be pleased to re-enter the lists.

The CHAIRMAN: Shall section 4 carry?

Carried.

Section 5? Shall the section carry?

Carried.

Section 6?

The WITNESS: We had one or two minor drafting amendments to suggest here. Oh, no, excuse me, I was thinking of section 7.

The CHAIRMAN: Shall section 6 carry?

Carried.

Section 7? I understand Mr. Bryce has some changes to offer with respect to section 7.

7. (1) Subject to this section, a member may, within one year from the commencement of this Act or from the day on which the House of Commons first is in session after he becomes a member, whichever is the later, elect to contribute under this Act in respect of any previous session during which he was a member.

(2) Where a member ceases to be a member and subsequently again becomes a member, he may elect to contribute under this Act only in respect of a session for which he has previously contributed or elected to contribute under this Act unless he did not previously so elect and the time for making his election had not expired when he ceased to be a member.

(3) A member who, immediately prior to becoming a member, was entitled to an annual allowance under section eleven, may not make an



election under this section in respect of a prior session unless, when he was previously entitled to elect to contribute in respect of that prior session, he did not do so and the time for doing so had not expired when he previously ceased to be a member.

(4) An election pursuant to this section shall be in a prescribed form and is deemed to be made on the day on which the instrument, duly signed by the member, is placed in course of delivery to the Minister.

The WITNESS: Yes, I have some purely drafting changes, if they would commend themselves to the committee. The lawyers suggest that subsection (1) of section 7 might well read:

... a member may, as prescribed by this section, elect within one year from ...

Mr. CARROLL: It would be better drafting.

The WITNESS: Yes sir, and that involves deleting the first four words, and deleting the word "elect" in the second last line.

The CHAIRMAN: Yes.

The WITNESS: And inserting the words "as prescribed".

The CHAIRMAN: Where?

The WITNESS: After the word "may".

The CHAIRMAN: On the first line of subsection (1) of section 7, you would insert the words?

The WITNESS: "... as prescribed by this section elect..."

Mr. FULTON: Are you dealing now with section 7, subsection (1)?

The CHAIRMAN: Yes. The proposal is to strike out the first four words of the section, and to strike out the word "elect" in the fourth line of the section and to add the following words after the word "may" on the first line:

"... as prescribed by this section elect..."

Mr. FULTON: "Elect to" would be stricken out?

The WITNESS: Yes.

Mr. CLARK: No, the "to" would remain.

The WITNESS: The "elect" up above requires "to" below.

Mr. CARROLL: I move the amendment.

The CHAIRMAN: Mr. Carroll moves the amendment. Have you the amendment, Mr. Fulton?

Mr. FULTON: I am sorry but I have not. Where do you insert the word "elect"?

The CHAIRMAN: The words to be inserted are all to be inserted at one place, after the word "may", in the first line; and Mr. Carroll moves the amendment. All those in favour?

Carried.

Shall the section as amended carry?

Carried.

The WITNESS: In subsection (2) of section 7, we have from the lawyers a suggested redrafting there, but it is intended merely to clarify what was put in. I think it is on the mimeographed material which was distributed.

The CHAIRMAN: It is indicated as subsection (2) (a) and (b).

The WITNESS: Yes sir; and as far as we were able to do it we revised it only for clarification, because it is not very clear the way it reads.

Mr. CARROLL: This is the first time I ever heard of a practising lawyer trying to make a statute clearer.

Mr. COLDWELL: I move the amendment.

The CHAIRMAN: Mr. Coldwell moves that subsection (2) of section 7 be amended as indicated. All those in favour?

Carried.

Shall subsection (2) of section 7 as amended carry?

Carried.

Subsection 3.

Mr. JEFFERY: I submit that this needs considerable revision. We have got a couple of negatives in here, and I suggest we read it with the word "not" stricken out at the beginning of the third line, and the word "if" inserted in place of "unless", when it would read much better.

The CHAIRMAN: Where is the "unless"?

Mr. JEFFERY: In the line below, the fourth line.

The CHAIRMAN: That is right.

Mr. CARROLL: "May make an election unless"?

The CHAIRMAN: Mr. Jeffery moves an amendment, to strike out the word "not" at the beginning of the third line.

Mr. MACDONNELL: Would it not change the meaning?

Mr. JEFFERY: You might use the word "unless" instead of "if" there.

The CHAIRMAN: You propose to strike out the word "unless" in the fourth line and to add the words "only if" in the fourth line?

Mr. COLDWELL: I see.

The CHAIRMAN: I have the amendment before the chair but I shall not put it until Justice has been consulted.

The WITNESS: I do not think the Department of Justice would worry with respect to this suggested amendment.

The CHAIRMAN: Shall the section as amended carry?

Carried.

Subsection (4).

The WITNESS: We have a couple of minor drafting changes to suggest there, sir.

The CHAIRMAN: Yes.

The WITNESS: It would be to insert after the words "shall be" in the first line the following words:

"made to the Minister of Finance".

And to take out the word "prescribed" at the beginning of the next line.

The CHAIRMAN: Yes.

The WITNESS: And put in after the word "form", "prescribed by the regulations". That would be a little more in keeping with the usual style of the Department of Justice; that is, it would make this statute a little more comparable with the style which they use.

Mr. SINCLAIR: Would you mind repeating that, please?

The CHAIRMAN: The proposed amendment to subsection (4) of section 7 is to delete the word "prescribed" at the beginning of the second line, and to add these words after "shall be" in the first line: "made to the Minister of Finance." And also to put in after the word "form" in the second last line, the following words: "prescribed by the regulations".

The WITNESS: There is one minor point of substance in regard to this which I might mention. We have drafted this assuming that it covers, let us say, the mailing by registered mail of an instrument of election. Now, there might be the odd case I suppose once in a year or two, where there would be some argument as to the date of mailing. It would be less open to argument if we said "is received by the Minister of Finance". Now, that tightens it up a little; but whether or not you feel that change of substance should be made, I do not know. I do not think that we in the Department of Finance would care very greatly which form is used, but it would give, perhaps, an extra day as it stands, and it would give rise to a slight problem of proof. The way it stands now, it may mean that we haven't satisfactory evidence of the date of mailing.

Mr. COLDWELL: That is all right.

The CHAIRMAN: Would you indicate what you have in mind?

The WITNESS: I did not feel that I should suggest a change of substance, but I thought I should call it to the attention of the committee and if the committee felt it was desirable to remove any argument as to whether or not the thing was done by a certain date, we could substitute "is received by the Minister of Finance" rather than "is placed in the course of delivery to the Minister." I think one can prove delivery if it is done by registered mail, and may be that would suffice. In this case I suppose most members would do it while they were at Ottawa and it would not be a very great problem.

Mr. CANNON: If the change was made it would cause the member who was making his election to lose a couple of days, and he might lose his right.

The WITNESS: It would mean a loss of a day or two.

Mr. CANNON: I would leave it at that.

Mr. FRASER: The Department of Finance now allows you to mail it in, within a few days anyway.

The WITNESS: It would only arise if someone mailed it at the very last moment. It would give him a day or two, but it leaves open a slight problem of substantiating the date.

The CHAIRMAN: I think perhaps we have enough real problems, Mr. Bryce. Mr. Carroll moves the amendment as originally indicated. All those in favour will please signify?

Carried.

Shall the section as amended carry?

Carried.

Section 8:

8. (1) Where a member elects, pursuant to section seven, to contribute in respect of a previous session, he shall pay into the Consolidated Revenue Fund, in a lump sum or otherwise, at the option of the member,

- (a) a contribution equal to six per cent of the amount received by the member by way of sessional indemnity in respect of that session, and
- (b) interest on that contribution at the rate of four per cent per annum, compounded annually, from the day on which the final payment by way of sessional indemnity was made to the member in respect of that session to the day on which he makes his election.

The WITNESS: There is, sir, in section 8, a point of some substance I thought I might draw to the attention of the committee. Consideration might

be given to the case where a re-elected member has received a withdrawal allowance, that is the return of his contributions pursuant to section 12, which comes later. That allowance would include no interest. Now, if he later came back into the plan and paid up his back contributions that he had already withdrawn he would be required to pay interest upon them.

The CHAIRMAN: Yes,

The WITNESS: That would mean he has sacrificed the interest previously earned to help pay the pension of the older members. Now he is back in the second time, and I thought in fairness to those members in future who might be put in this position I should draw this to the attention of the committee and see that it was in there in keeping with the general principle that we were following in drafting the bill, which as I understood it from the members working on the proposal, was to concentrate all the benefits essentially to those who were in parliament long enough to derive a pension and not to put in any minor alleviations for those not yet qualified for pension. However, there is this point, this small point, which may appear at some time in the future to be unfair to the members who had contributed, let us say, for a session two years back. They are out of parliament for a time. They get their contributions returned to them without interest. They return later to parliament, they are asked to contribute to that earlier session. They do so. They paid the interest on the period since that earlier session and in fact they did contribute earlier and received their contributions back without any interest. In other words, they have sacrificed some amount of interest, in withdrawing their contributions and then subsequently they have repaid those contributions with interest. And now, it might appear to them that this section is a little rough on them if we do not allow them really to re-instate the position as it was when they withdraw.

Mr. COLDWELL: If they were expecting to come back again, they would leave everything in the fund.

Mr. SINCLAIR: They only pay interest on the amount from the time they withdraw it until they come back in because the earlier interest is still in the fund. If they pay interest from the time they made the withdrawal until the time they put it back in they are covered in exactly the same way as any other member. This will not be an unusual problem, it is a common problem. If a member was out a session and came in, I think it would be most unfair for that member who has fought his way back into the House of Commons to be penalized. I think Mr. Humphrys agrees with the charge 4 per cent compound interest on the amount of the withdrawal from the date of the withdrawal until the date he pays it back in or takes up his contribution again; he will be in the same position as a member who has been in all the time. Is that right, Mr. Humphrys?

Mr. HUMPHRYS: I believe that is right.

The CHAIRMAN: What is the proposed amendment and to what subsection?

The WITNESS: Well, sir, I think, if we are going to correct this situation it will be necessary to amend subsection 1, that is, 8, (1), (b). We would have to add a further word, perhaps make a special provision by adding a (c). That would cover the case of any member who had already contributed in respect to the sessions and had withdrawn that contribution in accordance with section 12; and he would have to repay the amount he withdraws plus interest on the date from which he withdraws. Now, if it commends itself to the committee we could work on the wording here for the next few minutes, if you would be willing to let subsection 1 stand.

The CHAIRMAN: That will stand along with your proposal.

Now, subsection (2):

(2) Interest at the rate of four per cent per annum is payable by a person to the Consolidated Revenue Fund on the balance unpaid from time to time of the amount payable by him under subsection one and, if it is not paid, may be recovered as a debt due to Her Majesty.

The WITNESS: On subsection 2, sir, we just add a very minor tidying up amendment in the fifth line—it says “if it is not paid”, it may be recovered—

The CHAIRMAN: Yes.

The WITNESS: Now, the law officers suggest that we say, “if the interest is not paid it may be recovered”, in other words, making it abundantly clear what the objective is.

The CHAIRMAN: Then the proposed amendment is to strike out the following words in the fifth line of subsection (2) “if it is not paid” and to substitute in lieu thereof “if the interest is not paid, it”. Mr. Carroll moves the amendment. Shall the amendment carry?

Carried.

Shall the subsection as amended carry?

Carried.

Subsection 3.

(3) The interest payable by a person under subsection two shall, while he is a member, be paid by reservation from his sessional indemnity.

Any suggestions, Mr. Bryce?

The WITNESS: None.

Carried.

Subsection 4.

(4) Where a person becomes entitled to an allowance under section eleven and any part of the amount payable by him under subsection one remains unpaid, he shall pay the balance thereof, together with the interest prescribed by subsection two, by reservation of the full amount of his allowance until the whole is paid, or the said balance may otherwise be recovered as a debt due to Her Majesty.

Have you any suggestions?

The WITNESS: Well, sir, only to draw your attention to the fact that this is the one that provides for a reservation of the amount unpaid from any pension to which he is entitled. If one wishes to alter the appearance of the thing by requiring him in fact to pay cash. I discussed that possibility yesterday.

Mr. FULTON: Or pay part cash; a portion of it in cash; at least some fraction.

The WITNESS: This is the point of substance, sir.

Mr. FULTON: As a matter of fact the point arises under subsections 4 and 5 together?

The WITNESS: Yes sir. Subsection 5 applied to another type of step. It relates to the refund.

The CHAIRMAN: The end result really is exactly the same.

Mr. COLDWELL: Yes, I cannot see a bit of difference.

Mr. SINCLAIR: There is no difference; the amount accrues and the man pays it back to the government with interest. If he borrows the money from the bank he would have to pay the bank interest when he incurred the obligation.

When he pays off that obligation he would benefit by the difference between the cost of the bank loan, which in all probability would be 6 per cent and the amount here which is 4 per cent.

Mr. FULTON: Let me ask this question. Is there not the matter of the interest which would have been earned by the payment in whole or in part of cash into the fund?

Mr. SINCLAIR: He is charged with that each year; that is his obligation. He is under obligation as a member to pay that interest for the time he was out; it is just the same as though he had borrowed from a bank or a trust company and paid the bank or a trust company interest.

The CHAIRMAN: The end result, I agree with you, is the same. This is more convenient to a member. He might find it rather difficult or embarrassing to arrange a bank loan. What is the wish of the committee?

Mr. COLDWELL: I think it should be left the way it is.

The CHAIRMAN: It makes no difference to the fund at all.

Mr. HUMPHRYS: Might I make a comment on that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. HUMPHRYS: There is one circumstance in the operation of this section which I think should be clear. I might illustrate it by an example. Supposing that a member had elected to pay an amount of \$3,000 in contributions plus say \$600 in interest, the total amount that he owed the fund then for prior service would be \$3,600, let us say, for example, and then he becomes entitled to pension. He has been paying interest on that \$3,600 while he is a member and then on retirement becomes entitled to benefit. Let us suppose he is entitled to a maximum pension of \$250 a month; well, the first month the \$250 would be reserved and would be applied against the debt he owes on \$3,600 and that would keep on each month; but if he should die say after two months, and had only drawn \$300 which was applied against the debt he owed, that would be applied part to the \$3,000 and part to the \$600; then the balance of the debt would be recovered as a debt due to Her Majesty. So it would be a liability to his estate. On the other hand, that would go into the fund and the fund would have to pay him out the balance of his contributions. So there would be collected from his estate whatever part of that amount of interest which had not been paid.

The CHAIRMAN: Do you see anything wrong with that?

Mr. HUMPHRYS: No, sir, I just thought I should make that point clear, that there would be in some cases some funds to be recovered from the estate of the member who died.

The CHAIRMAN: But subsections 4 and 5 might make no difference to the fund in the end result.

Shall subsection 4 of section 8 as amended carry?

Carried.

Subsection 5?

8. (5) Where a withdrawal allowance becomes payable to or in respect of a person under this Act and the person has not paid in full the amount payable by him under subsection one, the unpaid amount need not be paid; but interest payable under subsection two shall be paid and may be deducted from the withdrawal allowance.

Carried.

Subsection 6?

The WITNESS: Sir, on section 6, we have some just minor textual suggestions, again to follow the form that is more usual in these statutes. It is sug-

gested that the words "in the prescribed form" at the beginning of line 2 be struck out and the words be inserted following the words "section 1" at the beginning of the fourth line, which would read as follows, "by giving to the Minister of Finance notice of revocation in a form prescribed by the regulations".

The CHAIRMAN: Mr. Carroll moves that amendment.

Shall the amendment carry?

Carried.

Shall the section as amended carry?

The WITNESS: I am sorry, I have another minor one in paragraph (b) of a similar nature, just to clarify that. It is suggested that following the word "amount" in the third line we insert the words "of the contributions".

The CHAIRMAN: The amendment is that following the word "amount" in the third line, we add the words "of the contributions".

Shall subsection 6 (b) of section 8 as amended carry?

Carried.

Subsection 6 (c)?

Any suggestions?

The WITNESS: None, sir.

Carried.

Section 9?

9. (1) Notwithstanding anything in this Act no contribution shall be paid under this Act by a member.

The WITNESS: We have a suggested wording that will look after the point I raised regarding section 8 (1). Perhaps Mr. Clark would explain that for us now.

Mr. CLARK: This is a rather hurried draft, but it would seem to work out most easily if we were to change 8 (1) (b) first of all to read "except as provided in subsection (2)"; then we would have a new subsection (2) which would read—

The CHAIRMAN: Subsection of what section?

The WITNESS: Of 8.

Mr. CLARK: Of 8. That is the present 2, 3, 4 and so on would have to be moved up and re-numbered and a new 8 (2) then would read, "where a member elects under subsection 1 to contribute in respect of a session after he has already received withdrawal allowance of his contributions paid for that session".

Mr. SINCLAIR: Or sessions.

Mr. CLARK: Well, this is based on the understanding that if there were two—I think the Interpretation Act covers the plural, does it not? Interest shall be payable at the rate of 4 per cent per annum, compounded annually from the date of payment on the amount of the withdrawal allowance—

The CHAIRMAN: Now would you start all over again and give us, first, the amendment that requires to be made to the previous section?

Mr. CLARK: In section 8 (1) (b), that would commence with the following words: "Except as provided in subsection (2)".

The CHAIRMAN: Yes.

Mr. CLARK: And then we would add a new subsection (2) to that section, which would read:

Where a member elects under subsection (1) to contribute in respect of a session after he has already received a withdrawal allowance of

the contributions paid for that session, interest shall be payable at the rate of 4 per cent per annum from the date of payment and on the amount . . .

The CHAIRMAN: Is that the date of payment or the date of withdrawal?

Mr. CLARK: I was going to say date of payment of the withdrawal allowance, but it could be date of withdrawal.

. . . and on the amount of the withdrawal allowance.

Mr. JEFFERY: I think you should say, will be payable by the member at 4 per cent.

Mr. SINCLAIR: He is going to pay more than the interest, he is going to pay the sum plus compound interest; he is going to pay the amount he withdrew plus an amount of 4 per cent compound interest between the time he withdraws and the time he comes back in.

The CHAIRMAN: This is the proposed amendment to take the place of subsection (2).

The WITNESS: To be inserted ahead of the present subsection (2).

Mr. CLARK: The present (2) would become (3), and the present (3) would become (4), and so on. I must say I am not a draughtsman and I would like to show this to a lawyer, one of our draughtsmen, but that is the idea.

Mr. CARROLL: That has not been carried. I do not quite understand it myself.

Mr. CLARK: It is the idea I was after.

The CHAIRMAN: I am going to suggest with regard to subsection (8) that it should stand, and that Mr. Clark go out by himself and contact Justice and make sure that his recommendation is in proper form, and we will excuse you now, Mr. Clark.

Section 9, any suggestions?

9. (1) Notwithstanding anything in this Act no contribution shall be paid under this Act by a member

(a) unless, at the time when the contribution is to be paid, the total amount of the contributions that have been paid by him is less than the amount that, at that time, is payable by way of sessional indemnity to a member who attends all the sittings of the House of Commons at a session that extends over a period of sixty-five days or more;

(b) in respect of any session in the course of which he was expelled from the House of Commons or during any part of which he has been disqualified from sitting or voting as a member by reason of having done any act or thing, the doing of which so disqualified him, or by reason of having been convicted of an offence the conviction of which so disqualified him; or

(c) in respect of any session prior to his being expelled or disqualified under circumstances specified in paragraph (b).

(2) In computing the total amount of the contributions that a member has paid or elected to pay under this Act, there shall not be included

(a) any contributions in respect of which a withdrawal allowance has been paid under this Act;

(b) any contributions in respect of which his election has been revoked under subsection six of section eight; or

(c) any amount paid by him by way of interest.

(3) Where a person makes a payment on account of the amount payable by him under subsection one of section eight, the part thereof



that is the same proportion of the whole payment as the contribution specified in paragraph (a) of the said subsection is of the whole amount specified in the said subsection is deemed to be paid in respect of the contribution specified in the said paragraph (a).

The WITNESS: On section 9, I had only a couple of very minor points of wording. In subsection (1) (a), the third line, after the words "that have been" to insert "or elected to be paid".

The CHAIRMAN: Insert the words "paid by him".

The WITNESS: And in paragraph (b), sir, to insert the word "his" in the fourth line after "by reason of".

The CHAIRMAN: "his" having.

The WITNESS: And a similar one two lines down: "or by reason of his having been convicted", and to delete the comma after "him" earlier in that line. And in subsection (3) below, I suggest, at the third last line, instead of "the said subsection" just say "that subsection".

The CHAIRMAN: Delete the words "the said" and substitute "that".

The WITNESS: And instead of the word "whole", the Department of Justice would prefer "aggregate of the amount".

The CHAIRMAN: Delete the word "whole" and substitute the words "aggregate of the".

The WITNESS: And then at the end of that line, say "specified in paragraphs (a) and (b) of that subsection". It is just a little clearer cross-reference. And then it carries on, take out the word "said" and say "paragraphs (a) and (b)" in the last line.

All of these, sir, are just suggestions the lawyers made to tidy it up.

The CHAIRMAN: Mr. Carroll moves the proposed amendment to section 9. Carried.

Shall the section as amended carry?

Carried.

Shall section 10 carry?

Carried.

Section 11, any changes?

The WITNESS: No, sir, I have nothing here. Early in the committee there was some question raised about short parliaments, but I would not suggest any alteration because of that.

The CHAIRMAN: Shall section 11 carry?

Carried.

Shall section 12 carry?

Carried.

Shall section 13 carry?

Carried.

Shall section 14 carry?

Mr. HELLYER: Have we finished with section 13? What was the thinking on that section?

The CHAIRMAN: We will revert if you want to. Perhaps it would be helpful, Mr. Hellyer, if you would indicate why you raise the question and what is in your mind.

13. Where a member

(a) is expelled from the House of Commons, or

(b) is disqualified from sitting or voting as a member by reason of having done any act or thing, the doing of which so disqualifies him or by reason of having been convicted of an offence the conviction of which so disqualifies him,

there shall be paid to him, in a lump sum, a withdrawal allowance equal to the total amount of the contributions that he has paid under this Act.

Mr. HELLYER: I suppose nothing serious. I just wonder if a person convicted of an offence, and already punished in the ordinary way, that it would probably be the feeling of the draughters of this section that he should not be penalized further, but if on the other hand it were left in it might be an inducement for members to lead an exemplary life.

Mr. COLDWELL: That comes under our Corrupt Practices Act.

The WITNESS: Might I be allowed to make an observation on that, purely from experience in regard to the civil service? We have found the odd case under the Civil Service Superannuation Act where a man does lose all his pension rights late in life as a result of a relatively minor offence for which he is appropriately punished by the courts otherwise. Now, whether that sort of consideration arises in connection with members of parliament under this Act, I do not know. This could mean that a member of parliament at quite a late stage in his career would lose quite considerable pension rights in addition to any other penalties that might suffer for various offences.

Mr. COLDWELL: Is this not purely dealing with the House of Commons Act and the Corrupt Practices Act, and so on, where a man is disqualified from sitting or voting by reason of his having done any act or thing, the doing of which disqualifies him.

Mr. ADAMSON: You have to do something really bad to come under that.

Mr. FRASER: Mr. Chairman, the interpretation here is not quite clear, because the Speaker could expel a member from the House, name a member, and then he would be disqualified from sitting or voting.

Mr. COLDWELL: It does not mean that.

Mr. FRASER: Yes. He could be out for a term.

Mr. COLDWELL: He is only suspended.

Mr. ADAMSON: I only know of two members who have been expelled from the House since the turn of the century.

Mr. SINCLAIR: What about the former member who was disqualified because a contractor bought shovels and other equipment from him unknown to the member? Is this provision not more severe than we are thinking of? This particular member might have become qualified for a pension after many long years of service and all of a sudden he finds that he is not going to get his pension, and is going to get his contribution back.

Mr. CANNON: I am wondering whether that is fair.

Mr. SINCLAIR: It depends on whether or not a member who is qualified through length of service for the pension should get the pension. The case is so rare, and the poor devil would have plenty of trouble as it was, and if we were to inflict another punishment on him beyond the punishment given to him by the courts, it might work a hardship.

Mr. CANNON: I am inclined to agree with that.

Mr. MACDONNELL: I would ask Mr. Sinclair if the case he mentioned was an offence?

Mr. SINCLAIR: The fellow was disqualified.

Mr. MACDONNELL: Is that the same as an offence?

Mr. SINCLAIR: He did not go to the courts; he committed an offence within the jurisdiction of the House of Commons.

Mr. MACDONNELL: I thought the wording was meant to indicate something quite different from that.

Mr. SINCLAIR: I thought on first reading that we were being generous; but on second reading, it struck me that a member of many years standing might become disqualified. I forget the name of the case I have in mind, but in that case he would have lost his pension rights if he were otherwise qualified.

The CHAIRMAN: Mr. Sinclair moves that subsection (b) be struck out; that would cut down the effect of the section, and it would only apply to a member who was expelled from the House of Commons. All those in favour of the amendment will please signify?

Carried.

Mr. ADAMSON: What about a man who resigned his seat through taking an office under the Crown?

Mr. SINCLAIR: That is the British system.

Mr. ADAMSON: But you would do that after the man was elected?

Mr. FULTON: Did not the previous member for Glengarry do that in 1945?

Mr. SINCLAIR: Mr. Major is the present member for Glengarry.

Mr. FULTON: Did not the previous member do that?

Mr. ADAMSON: No! If Parliament had been called and he could not resign. He took a sinecure and accepted a dollar from the Post Office Department for an hour's work. There was some formality which he went through and thereby became automatically disqualified.

The CHAIRMAN: Does the section as amended carry? "Where a member is expelled from the House of Commons there shall be paid to him . . ."

Mr. CANNON: If we do that, do we cover the case of a member who resigns? Is he entitled to withdraw his contribution?

The CHAIRMAN: Oh, yes. Does the section as amended carry?

Carried.

Now section 14.

14. Where a member or a person who has ceased to be a member dies, there shall be paid to his legal representatives, in a lump sum, a withdrawal allowance equal to the remainder after subtracting.

(a) the total of any amounts of allowance that have been paid or have become payable to him under this Act prior to his death, from

(b) the total amount of the contributions that have been paid by him under this Act.

Mr. JEFFERY: If a man gets expelled by the speaker and he then apologizes and is brought back in, shall section (a) disqualify him?

Mr. SINCLAIR: He is only suspended; he can only be expelled by a motion of the House.

The CHAIRMAN: The speaker cannot expel anybody.

Mr. FRASER: He would come under subsection (b)?

The CHAIRMAN: Subsection (b) has been struck out.

Mr. FRASER: Oh, subsection (b) has been struck out, so we are all right.

The CHAIRMAN: Shall section 14 carry?

Carried.

## Section 15.

15. (1) An allowance payable to a person under section eleven shall be discontinued while that person

- (a) is a Senator or a member,
- (b) is employed in the public service of Canada, or
- (c) renders services the remuneration for which is paid out of the

Consolidated Revenue Fund or by an agent of Her Majesty in right of Canada, and where that person is a Senator or member, or is so employed or renders service at any time during a month, the whole amount payable on account of the allowance in that month shall be withheld.

(2) For the purposes of this section a person is deemed to be employed in the public service of Canada who

- (a) is a member of the staff of the Senate or House of Commons,
- (b) holds any office or employment under Her Majesty in right of Canada, or
- (c) is an officer, member or employee of a corporation, board or commission that is an agent of Her Majesty in right of Canada.

The WITNESS: In regard to section 15 perhaps I should call the attention of the committee to the fact that we have not endeavoured here to cover the case of persons who, receiving pensions as former members, may become government contractors. We have those who become senators, members, or members of a staff of a government agency, but we did not feel on the whole that it was practical to cover other business transactions which such a person might have with the Crown. I think I should draw that to your attention.

Mr. CARROLL: You mean after he leaves the House?

The WITNESS: After he leaves the House. While the allowance is discontinued while he is a senator, or a member, or a judge, or an employee of the Crown, it is not discontinued if he is a contractor with the Crown.

Mr. FRASER: Do you mean by "contractor with the Crown" that he would be under salary to the Crown, such as if he were engaged as a consulting engineer, for example, and that he would be paid a salary?

The WITNESS: I am not a lawyer, but I believe this would cover cases where he is employed, but not necessarily cases where he is a professional contractor, such as lawyer, an engineer, and so on.

Mr. FULTON: Which one are you thinking of?

Mr. CARROLL: Do you not mean a person who enters into a contract with the government? Surely a person would be permitted to do that, even if he was getting a pension; he might wish to go into some other kind of business.

The WITNESS: If he is personally rendering services and the remuneration is paid out of the Consolidated Revenue Fund.

Mr. CARROLL: Oh, yes.

Mr. JEFFERY: What about the case of a lawyer who takes a case?

The WITNESS: I would think that under subsection (c) he would be rendering services, if he is doing it personally and if a remuneration is paid.

Mr. CARROLL: I think the section covers everything, if he is employed.

The CHAIRMAN: Shall the section carry?

Carried.

Section 16, any suggestions?

The WITNESS: No, sir.

The CHAIRMAN: Mr. Bryce has no suggestions to offer. Shall section 16 carry?

Carried.

Section 17? "Regulations".

Shall we take a recess now for ten minutes in order to give Mr. Clark an opportunity to return to the committee?

Mr. SINCLAIR: We still have section 18.

(The committee took recess)

(Upon resuming)

The CHAIRMAN: Gentlemen, come to order, I have a re-draft of section 8 as made by justice. Section 8 (1) paragraph (a) stands as it is without amendment.

Paragraph (b) has these words added at the beginning of the paragraph, "except as provided in paragraph (c).

I will now read paragraph (c).

Paragraph (c) is a new paragraph.

Where a member elects to contribute in respect to a session for which he has previously contributed and for which his contribution has been withdrawn as a withdrawal allowance interest on that contribution at the rate of 4 per cent per annum compounded annually shall be payable only from the date of the payment of the withdrawal allowance.

Mr. Coldwell moves the amendment.

Shall the amendment carry?

Carried.

Shall the section as amended carry?

Carried.

Then Mr. Bryce has a concluding section 19.

The WITNESS: No, Mr. Chairman.

The CHAIRMAN: I thought he had a concluding section and I wanted to deal with it.

The WITNESS: No. It was just in going through it mention was made of the fact that there was a concluding section.

The CHAIRMAN: Oh, I see, there is no additional section mentioned. Section 18 is already carried.

The WITNESS: I am sorry, sir, there was a word left out in section 18.

The CHAIRMAN: Let's have it.

The WITNESS: It should be: "as soon as may be possible at the end of each fiscal year."

The CHAIRMAN: What line?

The WITNESS: The top line.

Mr. CARROLL: In the first line.

The CHAIRMAN: That the word "possible" be added at the end of the top line in section 18.

Mr. Coldwell moves the amendment. Shall the amendment carry?

Carried.

Shall the section as amended carry?

Carried.

The WITNESS: There is one other amendment, sir. If you will just refer to section 2 (e) you will see it refers to the Senate and House of Commons Act, and it refers to section 33; that should be, to section 33 to 40 that is in section 2, paragraph (b).

The CHAIRMAN: In subsection (b), the amended (b), the section will read, "payable to a member pursuant to sections—

The WITNESS: 33 to 40.

The CHAIRMAN: Mr. Carroll moves the amendment.

Shall the amendment carry?

Carried.

Shall the section as amended carry?

Carried.

Mr. ADAMSON: Would we not have to amend section 4 (b) also?

The CHAIRMAN: No, I think not.

Now, may we consider our report. I have drafted the usual report which is made and which has been made in committees in regard to similar special references to committees. May I read it?

Mr. COLDWELL: Yes, go ahead.

TUESDAY, June 24, 1952.

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

#### EIGHTH REPORT

Pursuant to the Order of Reference of the House of June 19, 1952, your committee had before it for consideration the subject of a pension plan for members of parliament after long service based on contributions by all members.

Your committee held five meetings during which the above named matter was considered, together with comparable legislation in other countries.

Your committee has considered and approved of the draft bill annexed hereto and recommends that it be introduced to the House.

Your committee was ably assisted in its task by Dr. R. B. Bayce, Assistant Deputy Minister of Finance; Mr. R. Humphrys, Chief Actuary of the Department of Insurance, and Mr. H. D. Clark, an officer of the Department of Finance.

A copy of the evidence adduced in respect of the above matter referred is appended hereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

Mr. Coldwell moves the adoption of the report. All those in favour please signify?

Those opposed?

Carried.

Mr. FULTON: On division.

Now, before we adjourn I have one or two comments and it is possible that other members of the committee also may like to make comments. Reference

has been made on several occasions during our work comparing this proposed pension plan with a general pension scheme for the civil service. I have taken the trouble to look up—members have this material before them but I think it might go on the record—I have taken the trouble to look up the total cost to the government under the Pensions Act for the last 10 years and I find it to be \$219,189,572. The average cost to the government of our general pension scheme in the civil service yearly is just under \$22 million—\$21,918,000 per year. Then I looked up the average yearly pension payable under the Judge's Act which is a non-contributory scheme. There the total for the last ten years is \$3,866,555. The average yearly payments, \$386,655. Then, if members will take the trouble to look at the public accounts, if you check through the cost of simply one special session, you will find the cost of printing *Hansard*, the cost of printing alone of one session runs four times what it is going to cost the government for this pension scheme for members; and I would like to state very positively that my distinct understanding is that the total cost to government annually of this scheme is \$62,880, notwithstanding all the comments that have been made and the fabulous amounts that have in some instances gone out to the press. The total cost annually to Canada of this scheme is \$62,880.

Mr. FULTON: That, Mr. Chairman, is not in accordance with the evidence from Mr. Bryce. It was to the effect that if those now eligible to contribute, the cost to the treasury of its matching contributions for the previous session served by those based on the service members would be approximately 90 times \$5,000, somewhere in the neighbourhood of \$450,000.

The CHAIRMAN: I am speaking, Mr. Fulton, of the cost to the government once the scheme is going based on contributions by members and I know I am correct in the statement I make.

Mr. FULTON: You did not make that qualification.

The CHAIRMAN: All right, on the basis of the figures I have the cost of the scheme to the government will be \$62,880 annually.

Mr. SINCLAIR: If I might interrupt there, Mr. Chairman. What did you do? You took the 262 members of the House and multiplied it by the present indemnity of \$4,000 times 6 per cent.

The CHAIRMAN: I did. I made no comment at all as to the initial cost of any scheme which is incurred when the scheme starts, nor did I make any comment on the saving which would be effected when this scheme ultimately becomes self-supporting, as it will.

Mr. FRASER: The interest alone after so many years will cover it.

Mr. COLDWELL: On your figure then, it will be comparable to an increase in indemnity of slightly over \$230 per member.

Mr. SINCLAIR: It will work out at \$240.

Mr. COLDWELL: Yes, just about, almost exactly \$240.

The CHAIRMAN: And if you would care to take the total administrative cost of the House of Commons and the Senate annually it means an increase of just less than 1½ per cent.

Mr. ADAMSON: So the total cost to the government, you said, was \$219 million?

The CHAIRMAN: The government's share of the civil service pensions. The government has contributed in the last 10 years to the civil service superannuation fund \$219,189,000-odd. That is over \$21 million a year.

Mr. JEFFERY: Mr. Chairman, there have been, as you say, various figures given here about the government's contribution, and in press reports I have

seen they have referred, in the government's contribution, to interest as a contribution. These funds are going into the general funds of the government and will be used by the government, and this 4 per cent that they have included in this is just interest being paid for the use of the money, as is done in any pension plan. I do not think it is fair to include that in the total government contributions and it should actually have been eliminated from the total contributions, and particularly when it is compounded annually it amounts to quite a figure which makes the whole thing out of balance as far as the public is concerned.

Mr. FULTON: Mr. Chairman, my only exception to your summary is, that I think you used the words "the total cost to government is only \$62,800 a year." You are right on the annual cost to the government after this gets under way, but when you use the words "total cost" I think there should be a qualification made, that that is subject to the initial payment of approximately \$450,000.

The CHAIRMAN: I want to thank Mr. Fulton for attending the committee and extending his views. Mr. Fulton knows as well as I do, and it was called to my attention at the first meeting quietly, that having expressed himself as a member opposed to the principle of the proposed legislation he was not entitled to sit on this committee. Our rules provide for that, but I thought it would be very beneficial to the study if the opposition was represented.

Mr. SINCLAIR: What you mean is that he did not have an open mind when he came to the committee.

The CHAIRMAN: Any member who expresses himself as opposed to the principle of a measure is not entitled to sit on the committee considering that measure, but I thought it would be beneficial to have Mr. Fulton here and I appreciate having him come, too.

Mr. FULTON: You are unusually generous, although wrong about the Rule.

Mr. SINCLAIR: On this fine note I move that the committee adjourn.



## APPENDIX "A"

## SUMMARY OF PARLIAMENTARY RETIRING ALLOWANCES PLAN

The outline of the Plan is as follows:

*Contributions*(i) *Members*

- (a) For current service each member would contribute 6 per cent of each sessional indemnity received and would continue making payments until his total contributions equal one sessional indemnity, i.e. \$4,000 at present. This would take slightly less than 17 sessions to accomplish. If a member's contributions had reached \$4,000 and the sessional indemnity were later increased he could resume his contribution until the new level was reached.
- (b) A member may contribute for the whole or part of his prior service at the date of 6 per cent of the indemnity he actually received during that service together with interest at 4 per cent compounded annually from the close of each session. At the time at which a member elected to contribute for prior service his arrears, including the compound interest, would be calculated as a lump sum and he could pay it off immediately or over a period of time, but would be required to pay 4 per cent interest on the balance each year. This interest payment would be deducted from his sessional indemnity. Any balance which a member owed at the time his pension was due to begin would be defrayed by withholding all pension payments until the sum withheld equalled the balance owed.

(ii) *Government*

The Government would match the member's contributions for both current and prior service and would pay 4 per cent interest each year on the balance which was in the Members of Parliament Retiring Allowances Account.

*Benefits*

- (i) When eligible a member would receive an annual allowance equal to 75 per cent of the total contributions he had made, not including any interest. On the present basis this would provide a maximum annuity of \$3,000 (75 per cent of \$4,000). At age 70 any pension received would be reduced by any pension payable under the Old Age Security Act.
- (ii) If ineligible to receive an annual allowance a member may receive on his retirement from the House a refund of his contributions excluding any interest which he had paid.
- (iii) If a member is expelled from the House or is disqualified from sitting in the House (apart from defeat at the polls) he would receive a refund of his contribution excluding any interest which he had paid.
- (iv) On the death of a member or former member his total contributions less any pension payments already made would be refunded to his estate.

*Eligibility for Pension*

To be eligible for a yearly allowance a member would have to have contributed or have elected to contribute for service in more than two Parliaments. However no pension is payable during any period in which the former member is serving as a Senator, as a Judge, as a Commissioner, or in any Government or Crown Company position. The pension would resume when such service to the Crown came to an end except in cases where a judge's pension was being paid.

## APPENDIX "B"

## DRAFT BILL

An Act to provide Retiring Allowances, on a contributory basis, to persons who have served as Members of the House of Commons of Canada.

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

## SHORT TITLE

1. This Act may be cited as *The Members of Parliament Retiring Allowances Act*.

## INTERPRETATION

2. (1) In this Act,
- (a) "Account" means the Members of Parliament Retiring Allowances Account established by this Act;
  - (b) "Dissolution", with respect to the House of Commons, includes the disbanding of the House of Commons by reason of the expiry of the period of its duration;
  - (c) "member" means a member of the House of Commons;
  - (d) "session" means a session of the Parliament of Canada;
  - (e) "sessional indemnity" means the allowance that is payable to a member pursuant to section thirty-three of the *Senate and House of Commons Act* in respect of his attendance at a session.

## MEMBERS OF PARLIAMENT RETIRING ALLOWANCE FUND

3. (1) There shall be established in the Consolidated Revenue Fund an account to be known as the Members of Parliament Retiring Allowances Account to which shall be credited

- (a) the contributions paid pursuant to sections six and eight;
- (b) interest paid in accordance with section eight; and
- (c) the amounts specified in section four.

(2) All allowances payable under this Act shall be paid out of the Consolidated Revenue Fund and charged to the Members of Parliament Retiring Allowances Account.

4. The Minister of Finance shall, in accordance with the Regulations, credit to the Account, in each fiscal year,

- (a) an amount equal to the contributions paid in that fiscal year pursuant to section six;
- (b) an amount equal to the total of the amounts that have become payable in that fiscal year pursuant to subsection one of section eight; and
- (c) an amount representing interest on the balance that is, from time to time, to the credit of the Account.

5. An account shall be kept in respect of each member, in which shall be shown all payments made by him or to him or his legal representatives under this Act.

## CONTRIBUTIONS

6. A member shall, by reservation from his sessional indemnity, contribute to the Consolidated Revenue Fund six per cent of all amounts that are payable to him by way of sessional indemnity.

7. (1) Subject to this section, a member may, within one year from the commencement of this Act or from the day on which the House of Commons first is in session after he becomes a member, whichever is the later, elect to contribute under this Act in respect of any previous session during which he was a member.

(2) Where a member ceases to be a member and subsequently again becomes a member, he may elect to contribute under this Act only in respect of a session for which he has previously contributed or elected to contribute under this Act unless he did not previously so elect and the time for making his election had not expired when he ceased to be a member.

(3) A member who, immediately prior to becoming a member, was entitled to an annual allowance under section eleven, may not make an election under this section in respect of a prior session unless, when he was previously entitled to elect to contribute in respect of that prior session, he did not do so and the time for doing so had not expired when he previously ceased to be a member.

(4) An election pursuant to this section shall be in a prescribed form and is deemed to be made on the day on which the instrument, duly signed by the member, is placed in course of delivery to the Minister.

8. (1) Where a member elects, pursuant to section seven, to contribute in respect of a previous session, he shall pay into the Consolidated Revenue Fund, in a lump sum or otherwise, at the option of the member,

- (a) a contribution equal to six per cent of the amount received by the member by way of sessional indemnity in respect of that session, and
- (b) interest on that contribution at the rate of four per cent per annum, compounded annually, from the day on which the final payment by way of sessional indemnity was made to the member in respect of that session to the day on which he makes his election.

(2) Interest at the rate of four per cent per annum is payable by a person to the Consolidated Revenue Fund on the balance unpaid from time to time of the amount payable by him under subsection one and, if it is not paid, may be recovered as a debt due to Her Majesty.

(3) The interest payable by a person under subsection two shall, while he is a member, be paid by reservation from his sessional indemnity.

(4) Where a person becomes entitled to an allowance under section eleven and any part of the amount payable by him under subsection one remains unpaid, he shall pay the balance thereof, together with the interest prescribed by subsection two, by reservation of the full amount of his allowance until the whole is paid, or the said balance may otherwise be recovered as a debt due to Her Majesty.

(5) Where a withdrawal allowance becomes payable to or in respect of a person under this Act and the person has not paid in full the amount payable by him under subsection one, the unpaid amount need not be paid; but interest payable under subsection two shall be paid and may be deducted from the withdrawal allowance.

(6) A person may, at any time while he is not a member, in a prescribed form revoke his election under this section with respect to the contributions then owing by him under subsection one and thereupon.

- (a) he is not required to pay the amount owing under subsection one to which the revocation applies, but interest is payable on that amount under subsection two to the date of revocation;
- (b) for the purpose of computing an allowance under section eleven, he shall be deemed not to have elected to contribute the amount to which the revocation applies and if the allowance has been calculated, it shall be recalculated accordingly; and
- (c) he may not again at any time elect to make those contributions.

9. (1) Notwithstanding anything in this Act no contribution shall be paid under this Act by a member

- (a) unless, at the time when the contribution is to be paid, the total amount of the contributions that have been paid by him is less than the amount that, at that time, is payable by way of sessional indemnity to a member who attends all the sittings of the House of Commons at a session that extends over a period of sixty-five days or more;
- (b) in respect of any session in the course of which he was expelled from the House of Commons or during any part of which he has been disqualified from sitting or voting as a member by reason of having done any act or thing, the doing of which so disqualified him, or by reason of having been convicted of an offence the conviction of which so disqualified him; or
- (c) in respect of any session prior to his being expelled or disqualified under circumstances specified in paragraph (b).

(2) In computing the total amount of the contributions that a member has paid or elected to pay under this Act, there shall not be included.

- (a) any contributions in respect of which a withdrawal allowance has been paid under this Act;
- (b) any contributions in respect of which his election has been revoked under subsection six of section eight; or
- (c) any amount paid by him by way of interest.

(3) Where a person makes a payment on account of the amount payable by him under subsection one of section eight, the part thereof that is the same proportion of the whole payment as the contribution specified in paragraph (a) of the said subsection is of the whole amount specified in the said subsection is deemed to be paid in respect of the contribution specified in the said paragraph (a).

#### ALLOWANCES

10. (1) An allowance shall be paid in accordance with this Act to or in respect of a person who, being a member, ceases to be a member or dies.

- (2) For the purposes of this Act,
- (a) a person does not cease to be a member by reason only of the dissolution of the House of Commons, and
- (b) a person who, immediately before a dissolution of the House of Commons, was a member, ceases to be a member if he is not elected as a member at the general election next following the dissolution, and he is deemed to have ceased to be a member on the day on which that general election was held.

11. (1) Subject to section fifteen where a person, at the time he ceases to be a member, has contributed or elected to contribute under this Act in respect of sessions in more than two Parliaments, there shall be paid to him annually, during his lifetime, an allowance equal to seventy-five per cent of the total amount of the contributions that he has paid and elected to pay under this Act.

(2) An allowance payable under this section shall be paid monthly in arrears in approximately equal instalments.

12. Where a person, at the time he ceases to be a member, has not contributed or elected to contribute under this Act in respect of sessions in more than two Parliaments, there shall be paid to him, in a lump sum, a withdrawal allowance equal to the total amount of the contributions that he has paid under this Act.

13. Where a member

- (a) is expelled from the House of Commons, or
- (b) is disqualified from sitting or voting as a member by reason of having done any act or thing, the doing of which so disqualifies him or by reason of having been convicted of an offence the conviction of which so disqualifies him,

there shall be paid to him, in a lump sum, a withdrawal allowance equal to the total amount of the contributions that he has paid under this Act.

14. Where a member or a person who has ceased to be a member dies, there shall be paid to his legal representatives, in a lump sum, a withdrawal allowance equal to the remainder after subtracting

- (a) the total of any amounts of allowance that have been paid or have become payable to him under this Act prior to his death,
- from
- (b) the total amount of the contributions that have been paid by him under this Act.

15. (1) An allowance payable to a person under section eleven shall be discontinued while that person

- (a) is a Senator or a member,
- (b) is employed in the public service of Canada, or
- (c) renders services the remuneration for which is paid out of the Consolidated Revenue Fund or by an agent of Her Majesty in right of Canada,

and where that person is a Senator or member, or is so employed or renders service at any time during a month, the whole amount payable on account of the allowance in that month shall be withheld.

(2) For the purposes of this section a person is deemed to be employed in the public service of Canada who

- (a) is a member of the staff of the Senate or House of Commons,
- (b) holds any office or employment under Her Majesty in right of Canada, or
- (c) is an officer, member or employee of a corporation, board or commission that is an agent of Her Majesty in right of Canada.

16. Where a person who is entitled to be paid an allowance under section eleven

- (a) is eligible to receive a pension under the *Old Age Security Act*, the amount of the allowance that would otherwise be payable to him in

- any month under section eleven shall be reduced by the amount of the pension that is payable to him in that month under the *Old Age Security Act* or would be so payable if he applied for it; or
- (b) is in receipt of an annuity, pension or allowance payable out of the Consolidated Revenue Fund or by an agent of Her Majesty pursuant to a retirement pension scheme to which persons who may benefit therefrom are not required to contribute and the amount of which, except for determining eligibility to receive benefits, is not related to length of service, the amount of the allowance that would otherwise be payable to him in any month under section eleven shall be reduced by the amount of the annuity, pension or allowance that is payable to him in that month under the pension scheme, or, if it is not paid monthly, the amount that the Treasury Board deems to be payable in respect of that month.

#### REGULATIONS

17. The Governor in Council may make regulations
- (a) prescribing for the purposes of section four the rate of interest, the manner of calculating interest and the times at which interest shall be credited to the Account;
- (b) prescribing, in the case of an annual allowance, the days on which the payments of allowances shall be made and providing that payment may be made in respect of any fractional period and that where a recipient dies payment may be made in respect of the full month in which he dies;
- (c) providing, where a recipient of an annual allowance is incapable of managing his affairs, that the allowance may be paid to another person on his behalf;
- (d) prescribing forms that are by this Act to be prescribed or that he considers necessary for the administration of this Act; and
- (e) for any other purpose deemed necessary to give effect to this Act.

#### REPORTS

18. The Minister of Finance shall, as soon as may be after the end of each fiscal year, lay before Parliament a report on the administration of this Act during the preceding fiscal year and shall include therein a statement of the amounts received by way of contributions and interest under this Act, the amounts paid by way of allowances, the number of contributors, the number of persons receiving annual allowances, and such other information as the Governor in Council prescribes.

#### APPENDIX "C"

##### OUTLINE OF MEMBERS OF PARLIAMENT PENSION PLAN OF THE UNITED KINGDOM

###### *Act*

House of Commons Members' Fund Acts 1939 and 1948.

###### *Contributions*

- (i) Members of the House of Commons contribute at the rate of £12 per annum.
- (ii) The Government makes no contribution.
- (iii) Donations and bequests may be made to this Fund.

*Fund*

The Fund is managed by trustees who may invest the assets in accordance with the Act. The condition of the Fund is subject to review by the Government Actuary at intervals of not more than five years. Administration costs are borne by the Fund.

*Eligible Service*

Benefits are payable only to or in relation to persons who were members at the commencement of the Act or became members thereafter. The period of service on which benefits depend includes service whether continuous or not and whether before or after the commencement of the Act.

*Benefits*

- (i) The trustees authorize payments to former members or the widows or orphaned children of members, having regard to the financial circumstances of these persons and to the resources and commitments of the Fund.
- (ii) The annual amount paid to any former member shall not exceed £250 or such sum as in the opinion of the trustees will bring his income up to £325 per annum, whichever is the less. He must have attained the age of sixty or, if younger, by reason of mental or bodily infirmity be incapable of earning his living. Except in special circumstances he must have had ten years of service as well.
- (iii) Children's benefits are limited to children under sixteen years of age and shall not exceed £100 if both parents are dead or £50 if one parent is living. Where there are more children than one the corresponding maximum figures are lowered depending on the number of children. The widower of a deceased female member is also covered under certain conditions.

## APPENDIX "D"

OUTLINE OF MEMBERS OF PARLIAMENT PENSION PLAN IN  
NEW ZEALAND*Act*

Superannuation Act, 1947.

*Contributions*(i) *Members*

- (a) Under Part V of this Act members of the House of Representatives contribute at the rate of £50 per annum for current service. (The annual honorarium is £500). There is the additional proviso that, if a member is otherwise entitled to an allowance before contributing £250 to the Fund, he must pay the difference before his allowance commences.
- (b) The only provision for contribution for service prior to the commencement of the Act would arise indirectly from the requirement to contribute at least £250 before a pension is payable. In the case of re-election of a member who had received a refund of contributions for prior service credit for that prior service is obtained by a return of the refund he received.

(ii) *Government*

The Government contributes an amount each year such as will keep the Fund actuarially sound.

*Fund*

It should be noted here that the members' superannuation plan forms part of an overall plan covering Civil Servants, Police, Judges, etc., as well. The contributions from all these groups are paid into the same Fund. The money in the Fund may be invested in accordance with regulations made under the Act.

*Eligible Service*

The pensions and other benefits are payable only to or in relation to persons who were members at the commencement of the Act or became members thereafter. The period of service on which benefits depend includes service whether continuous or not and whether before or after the commencement of the Act.

*Benefits*

- (i) A member is entitled to an allowance if he has served for not less than nine years provided that he has attained the age of fifty years upon attainment of that age in the case of earlier retirement. The allowance is £ 250 for the first nine years of service plus £ 25 for each additional year up to a maximum of £ 400. As an alternative he may, at any time before his first instalment of the allowance is accepted, elect to receive a refund of his contributions without interest.
- (ii) If he has served less than nine years he may elect to receive a refund of contributions without interest at any time.
- (iii) Where a former member in receipt of an allowance is re-elected, his allowance is suspended until he once more retires and he is entitled to a new allowance based on his total service.
- (iv) Where a former member in receipt of an allowance is employed in the Government service or receives any remuneration from the Crown, the amount of the allowance shall be reduced by the amount of the remuneration so earned by him in that month.
- (v) Widows' benefits are on the basis of two-thirds of the retiring allowance being received or to which the member would have been entitled upon his death with the option of a return of contributions less any allowance received. Such an allowance is cancelled in the case of re-marriage.
- (vi) Other dependents receive a refund of contributions less any allowance received.

## APPENDIX "E"

OUTLINE OF MEMBERS OF PARLIAMENT PENSION PLAN  
IN AUSTRALIA

*Act*

Parliamentary Retiring Allowances Act 1948-52.

*Contributions*

- (i) *Members of the Senate and the House of Representatives.*
  - (a) Members of both Houses contribute £ 156 per annum for current service. (Salaries which were £ 1500 up to the beginning of this year have since been raised to £ 1750).
  - (b) There is no requirement for contributions for service prior to the passing of the Act. A member who retires and receives a refund of his contributions and then is re-elected may count his prior service upon repaying the refund.



(ii) *Government.*

The Government pays into the fund

- (a) an amount equal to sixty per cent of each amount paid out of the fund as pension and
- (b) an amount equal to the Commonwealth supplement (described in the benefits section) payable to any person.
- (c) an amount equal to the additional pension paid in respect of those over sixty-five years of age.

*Fund*

The fund is managed by a Trust which may invest the assets in securities in accordance with the Act. The fund is subject to an actuarial investigation at intervals of not more than seven years and the Government is required to make up any deficit which is revealed.

*Eligible Service*

The pensions and other benefits are payable only to or in relation to persons who are members at the commencement of the Act or become members thereafter. The period of service on which benefits depend includes service whether continuous or not and whether before or after the commencement of the Act.

*Benefits*

- (i) If a member retires voluntarily, he receives a return of contributions without interest if he has less than twelve years' service or is under forty-five years of age. He receives £8 per week during his lifetime upon voluntary retirement beyond those age and service limits plus £2 if over sixty-five years of age.
- (ii) If a member's retirement is not voluntary and his service is not less than eight years, he receives £8 per week for lifetime upon attaining the age of forty-five or immediately if over that age. If his service is less than eight years, he receives a refund of contributions together with the Commonwealth supplement which is one and one-half times the contribution paid by him during his period of service. The £8 is increased by £2 if the person is over sixty-five years of age.
- (iii) A person entitled to a pension may, unless he is a male over fifty, elect to receive a refund of contributions without interest together with the Commonwealth supplement in lieu of the pension. In this case the Commonwealth supplement is one and one-half times the contributions over the last eight years of service.
- (iv) Widows' benefits are payable on the basis of £5 per week (ceasing upon re-marriage) with the option of the return of the contributions plus the Commonwealth supplement less any pension already paid. Under certain circumstances the widows' benefits may be reduced. Widowers' benefits are available in special cases. A supplementary pension is also payable because of age.
- (v) Other dependents receive a refund of contributions without interest less any pension already paid in respect of a former member.
- (vi) (a) In the event of subsequent employment by the Commonwealth or a State, a pension is reduced by the amount of the remuneration.
- (b) A pension is cancelled upon re-election to Parliament and contributions are resumed.

## SPECIAL NOTE

The Trust, in addition to its other responsibilities, must be satisfied as to what constitutes voluntary retirement, determines reductions which may be made in the Widows' benefits and generally makes decisions on matters which are not settled by the Act itself. It is constituted by the Treasurer, two Senators and two members of the House of Representatives.

## APPENDIX "F"

## OUTLINE OF CONGRESSIONAL RETIREMENT PLAN OF THE UNITED STATES

*Act*

Public Law 601 of the 79th Congress (amending the Civil Service Retirement Act).

*Contributions*(i) *Congressmen*

- (a) Upon electing to do so a congressman contributes six per cent of his basic salary each month for current service (Present salary \$12,500). Election is re-opened to a member each time he takes oath as a member.
- (b) Contributions for prior service may be made together with four per cent compound interest.

(ii) *Government*

Annual appropriation sufficient for operation of system.

*Fund*

Money not required for the payment of annuities may be invested in certain securities. The Fund is subject to an actuarial review.

*Eligible Service*

All members of Congress who have given some service in the Senate or House of Representatives after August 2, 1940, are eligible to join the plan. War service and civilian government service may be combined with congressional service.

*Benefits*

- (i) A member is entitled to an annuity on retiring after six years of service, provided that he has contributed to the plan over the last five years and has attained sixty-two years of age or upon attaining that age if he retired earlier. The annuity is equal to two and one-half per cent of his average annual salary over the years for which he has contributed. The maximum annuity is three-fourths of the salary he was receiving at the time he left the congressional service.
- (ii) In the case of retirement on account of disability there is no age limit and the six year waiting period is reduced to five.
- (iii) Those who retire before having six years of service (five years on disability cases) receive a return of contributions with interest. If such a member is re-elected and he desires to count this period of service this return must be repaid with interest.
- (iv) A reduced annuity is available to a member who wishes to provide an annuity for a designated beneficiary after his death.
- (v) In the case of re-election the annuity is suspended. The Congressman may elect to contribute again and, if he does, a new annuity will be payable based on the combined periods of service on final retirement.
- (vi) An additional annuity may be purchased by voluntary contributions.
- (vii) In the case of death where no annuity is provided for a beneficiary there is a return of contributions with interest less annuities received.

## BASIC PROVISIONS OF MEMBERS' PENSION PLANS

	AUS.	N.Z.	U.K.	U.S.	CANADA (Suggested)
Annual Contribution.	£ <sup>s</sup> 156	£ 50 (Min. £250 for pens.)	£ 12	6%	6% (Up to \$4,000)
Annual Salary	£ 1,750	£ 500	£ 1,000	\$12,500	\$4,000
Government Contributions.	60% of Pension plus full amt. of various Supplements.	As Actuarially Required.	None	As Actuarially Required.	Matching Members.
Fund.....	Invested by Trust.	Invested by Trust	Invested by Trust	Invested by Trust	Part of Consolidated Revenue Fund—4% Interest.
Service before Commencement of Act.	Included Without Contribution.	Included if Minimum Contribution Paid.	None	Included on Making Contribution.	Included on Making Contribution.
Minimum Pensionable Service.	8 years (12 if Voluntary Retirement)	9 years	10 years	6 years	3 Parliaments.
Age Limit....	45	50	60	62	None
Member's Benefits Annually.	£416 plus £104 after age 65.	£250 for first 9 yrs. increasing by £25 to maximum of £400.	Up to £250 on Needs Test.	2½% of average annual Salary up to 75% of Final Salary.	¼ of Contribution (excluding interest).
Widow's Benefits.	5/8 of Members.	2/3 of Members...	Up to £150 on Needs Test.	Available by Actuarial Reduction of Member's Pension.	None
Children.....	None	None	Up to £100 on Needs Test.	Available by Actuarial Reduction of Member's Pension.	None
Minimum Benefit.	Return of Contributions without Interest.	Return of Contributions without Interest.	None	Return of Contributions with Interest at 4%.	Return of Contributions without Interest.

## APPENDIX "H"

TABLE I  
Statistics relating to 17th—20th Parliaments

Parliament	Duration	No. of Members	—Members whose service terminated—								Total
			By death during Parliament	By failure to be elected to subsequent Parliament							
				Would have been entitled to refund		Appointed to Senate, Bench, etc.		Would have been entitled to pension			
				No.	Average* Service	No.	Average* Service	No.	Average* Service	No.	
17th.....	1930—35	245	18	8.8	55	5.0	15	10.6	38	12.6	126
18th.....	1935—40	245	33	10.0	40	5.0	19	12.8	8	15.2	100
19th.....	1940—45	245	16	9.9	49	6.8	21	12.2	12	15.9	98
20th.....	1945—49	245	8	10.9	58	5.4	19	13.1	13	15.2	98
		Total	75	9.8	202	5.6	74	12.3	71	13.9	

\* Not more than 17 years for any member.

TABLE II

Terminations expected, on average, from each future Parliament, on basis of experience during 17th to 20th Parliaments.

Cause of Termination	Benefit	Number of Members	Contributions and Accumulated Interest relating to Terminations				Total Contributions and Interest
			By Members (at 6%)		By Government (at 6%)		
			Total Contributions	Accumulated Interest	Total Contributions	Accumulated Interest	
		%	\$	\$	\$	\$	\$
Death.....	Refund.....	20.0	47,000	18,000	47,000	24,000	136,000
	Refund.....	54.0	73,000	8,000	73,000	8,000	162,000
Failure to be elected to subsequent Parliament	Def'd Pension (Appointed to Senate, Bench, etc.).....	19.8	58,000	20,000	58,000	20,000	156,000
	Pensioned.....	18.9	63,000	26,000	63,000	26,000	178,000
TOTAL.....		112.7	241,000	72,000	241,000	78,000	632,000

## CONTRIBUTIONS AND ACCUMULATED INTEREST

	Members	Government	Total
Total Funds available in respect of terminated members at close of each Parliament.....	\$ 313,000	\$ 319,000	\$ 632,000
Total Refunds Paid.....	120,000		
Funds available to pay pensions awarded at close of each Parliament.....	\$ 193,000	\$ 319,000	\$ 512,000

TABLE III  
Benefits and costs under illustrative schemes

Type of Pension	Amount of Pension* (% of member's contribution)	Amount of Pension earned each full session	Maximum Pension	Average Pension	Value of Pensions awarded each Parliament	Amount available from member's contributions @ 6%+ interest	Amount required from Govt. contributions and interest	Rate of Govt. contribution required
	%	\$	\$	\$	\$	\$	\$	\$
1. Starting immediately.....	(a) 75	180	3,000	2,502	495,000	193,000	302,000	5.7
	(b) 70	168	2,800	2,335	464,000	193,000	271,000	5.1
	(c) 60	144	2,400	2,002	403,000	193,000	210,000	3.9
2. Deferred to Age 60.....	(a) 75	180	3,000	2,502	404,000	193,000	211,000	4.0
	(b) 70	168	2,800	2,335	380,000	193,000	187,000	3.5
	(c) 60	144	2,400	2,002	330,000	193,000	137,000	2.6
3. Deferred to Age 65.....	(a) 75	180	3,000	2,502	344,000	193,000	151,000	2.8
	(b) 70	168	2,800	2,335	323,000	193,000	130,000	2.4
	(c) 60	144	2,400	2,002	282,000	193,000	89,000	1.7

\* All pensions reduced by \$40 a month at age 70.

TABLE IV  
Member's contribution and interest required as at July 1, 1952 in respect of prior sessions  
(6% of indemnity with compound interest at 4% per annum from closing date of session)

Parliament	Session	Date Prorogued	Indemnity	Con-tribution Required	Interest	Total
			\$	\$	\$	\$
17th.....	1st	22- 9-30	375	23	31	54
	2nd	3- 8-31	4,000	240	305	545
	3rd	26- 5-32	4,000	240	288	528
	4th	27- 5-33	4,000	240	267	507
	5th	3- 7-34	4,000	240	254	494
	6th	5- 7-35	4,000	240	227	467
18th.....	1st	23- 6-36	4,000	240	210	450
	2nd	10- 4-37	4,000	240	196	436
	3rd	1- 7-38	4,000	240	176	416
	4th	3- 6-39	4,000	240	161	401
	5th	13- 9-39	175	11	7	18
	6th	25- 1-40	25	2	1	3
19th.....	1st	5-11-40	4,000	240	139	379
	2nd	21- 1-42	4,000	240	121	361
	3rd	27- 1-43	4,000	240	107	347
	4th	26- 1-44	4,000	240	94	334
	5th	31- 1-45	4,000	240	81	321
	6th	16- 4-45	725	44	14	58
20th.....	1st	18-12-45	4,000	240	70	310
	2nd	31- 8-46	4,000	240	62	302
	3rd	17- 7-47	4,000	240	51	291
	4th	30- 6-48	4,000	240	41	281
	5th	30- 4-49	4,000	240	32	272
21st.....	1st	10-12-49	4,000	240	26	266
	2nd	30- 6-50	4,000	240	20	260
	3rd	15- 9-50	450	27	2	29
	4th	9-10-51	4,000	240	7	247
	5th	29-12-51	4,000	240	5	245
	6th	—	4,000	240	—	240

## STANDING COMMITTEE

TABLE V

Total contributions and interest required as at July 1, 1952 in respect of prior sessions

No. of Consecutive Prior Sessions to be paid for	Earliest Session Counted		Contribution Required	Interest	Total
	Parl.	Session			
1.....	21st	6th	240		240
2.....	"	5th	480	5	485
3.....	"	4th	720	12	732
4.....	"	3rd	747	14	761
5.....	"	2nd	987	34	1,021
6.....	"	1st	1,227	60	1,287
7.....	20th	5th	1,467	92	1,559
8.....	"	4th	1,707	133	1,840
9.....	"	3rd	1,947	184	2,131
10.....	"	2nd	2,187	246	2,433
11.....	"	1st	2,427	316	2,743
12.....	19th	6th	2,471	330	2,801
13.....	"	5th	2,711	411	3,122
14.....	"	4th	2,951	505	3,456
15.....	"	3rd	3,191	612	3,803
16.....	"	2nd	3,431	733	4,164
17.....	"	1st	3,671	872	4,543
18.....	18th	6th	3,673	873	4,546
19.....	"	5th	3,684	880	4,564
20.....	"	4th	3,924	1,041	4,965

(6% of indemnity with compound interest at 4% per annum from closing date of session)

TABLE VI

Age and Service of Members who would have qualified for pension following 17th, 18th, 19th and 20th Parliaments

Age	17th Parliament		18th Parliament		19th Parliament		20th Parliament		17th-20th Parliaments	
	No.	Total Service	No.	Total Service	No.	Total Service	No.	Total Service	No.	Total Service
38.....	1	10 yrs.							1	10
43.....	1	10							1	10
48.....					1	15			1	15
49.....							2	28	2	28
50.....	2	27	1	16·7					3	43·7
1.....	1	10							1	10
2.....	2	20							2	20
3.....	3	38							3	38
4.....	1	15			1	15			2	30
55.....	1	14					1	16·7	2	30·7
6.....	2	20			1	16·7			3	36·7
7.....										
8.....	3	34	1	15					4	49
9.....										
60.....										
1.....	1	10					1	14	2	24
2.....	3	44·7					1	14	4	58·7
3.....	1	16·7			1	15			2	31·7
4.....							1	16·7	1	16·7
65.....	2	24	3	45					5	69
6.....							1	14	1	14
7.....	1	16·7							1	16·7
8.....	1	14			1	15			2	29
9.....	2	26·7	1	15	1	15			4	56·7
70.....	1	10	1	15	2	31·7			4	56·7
1.....	1	10					1	16·7	2	26·7
2.....	2	33·4					1	14	3	47·4
3.....	1	10					1	16·7	2	26·7
4.....	2	30·7			1	16·7			3	47·4
75.....	1	10			1	16·7	2	30·7	4	57·4
6.....	1	14					1	16·7	2	30·7
7.....	1	10	1	15	2	33·4			4	58·4
Total.....	38	478·9	8	121·7	12	190·2	13	198·2	71	989

## APPENDIX I

PARLIAMENTARY SERVICE AND AGES OF MEMBERS IN 1931, FIRST SESSION,  
17th PARLIAMENT

Age Group	Number of Parliaments Served in Including 17th Parliament										Total
	I	II	III	IV	V	VI	VII	VIII	IX	X	
31-35....	3	4	1								8
36-40....	12	5	2	1							20
41-45....	9	7	5	5	2						28
46-50....	16	3	9	7	2						37
51-55....	15	3	10	8	5	1					44
56-60....	15	5	14	11	5	1	1			1	52
61-65....	4	2	11	8			1		1		27
66-70....	3	3	6	1	3		1				17
71-75....		1	4	2	1		1	1			10
76-80....							1				1
Over 80....				1							1
Total...	77	33	62	44	18	2	6	1	1	1	245
Median Age 53											
Parliamentary terms shown cumulatively...	245	168	135	73	29	11	9	3	2	1	

PARLIAMENTARY SERVICE AND AGES OF MEMBERS IN 1936, FIRST SESSION,  
18th PARLIAMENT

Age Group	Number of Parliaments Served in Including 18th Parliament											Total
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	
25-30....		4										4
31-35....		9	1									10
36-40....		12	2	1								15
41-45....		23	5	6	3							37
46-50....		30	7	6	2	5	2	1				53
51-55....		16	9	5	5		1					36
56-60....		17	7	1	5	4	2		1		1	38
61-65....		9	3	1	7	3	3		1			27
66-70....		3	3	1	2	4	1					14
71-75....		1	1	1	2							5
76-80....			1			1	2	1		1		6
Total.....	124	39	22	26	17	11	2	2	1		1	245
Median Age 51												
Parliamentary terms shown cumulatively...	245	121	82	60	34	17	6	4	2		1	



PARLIAMENTARY SERVICE AND AGES OF MEMBERS IN 1941, FIRST SESSION,  
19TH PARLIAMENT

Age Group	Number of Parliaments served in including 19th Parliament								Total
	I	II	III	IV	V	VI	VII	VIII	
26-30 .....	3								3
31-35 .....	9	1							10
36-40 .....	9	8							17
41-45 .....	14	9	2	1					26
46-50 .....	18	18	5	5	1	1			48
51-55 .....	5	19	7	4	1	2	2		40
56-60 .....	10	19	8	3	2				42
61-65 .....	9	14	5	1	2	2	2	1	36
66-70 .....	1	5	3		4	3		1	17
71-75 .....	1	1	1		1	1			5
76-80 .....					1				1
Total .....	79	94	31	14	12	9	4	2	245
Median Age: 51									
Parliamentary terms shown cumulatively .....	245	166	72	41	27	15	6	2	

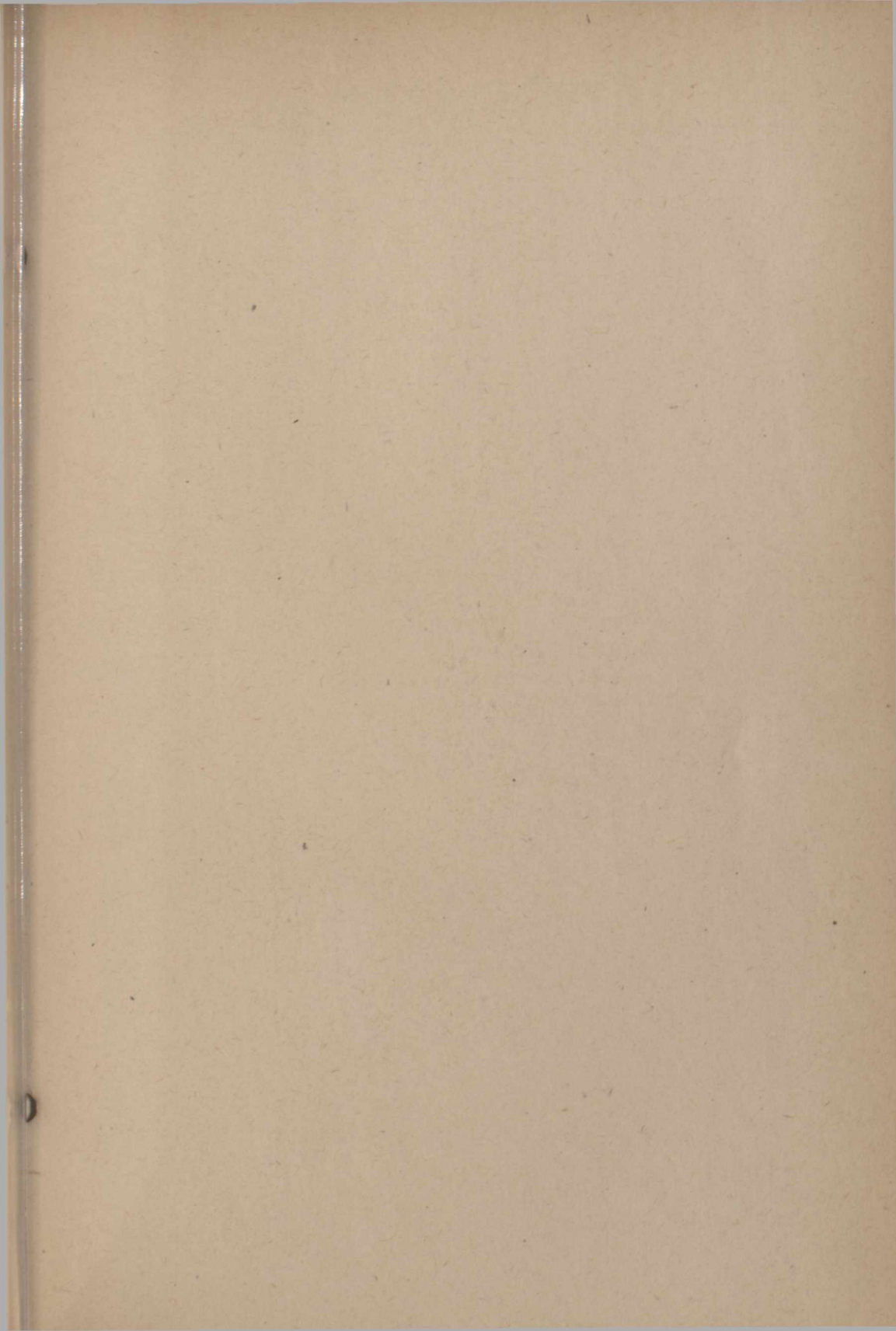
PARLIAMENTARY SERVICE AND AGES OF MEMBERS IN 1946, FIRST SESSION,  
20TH PARLIAMENT

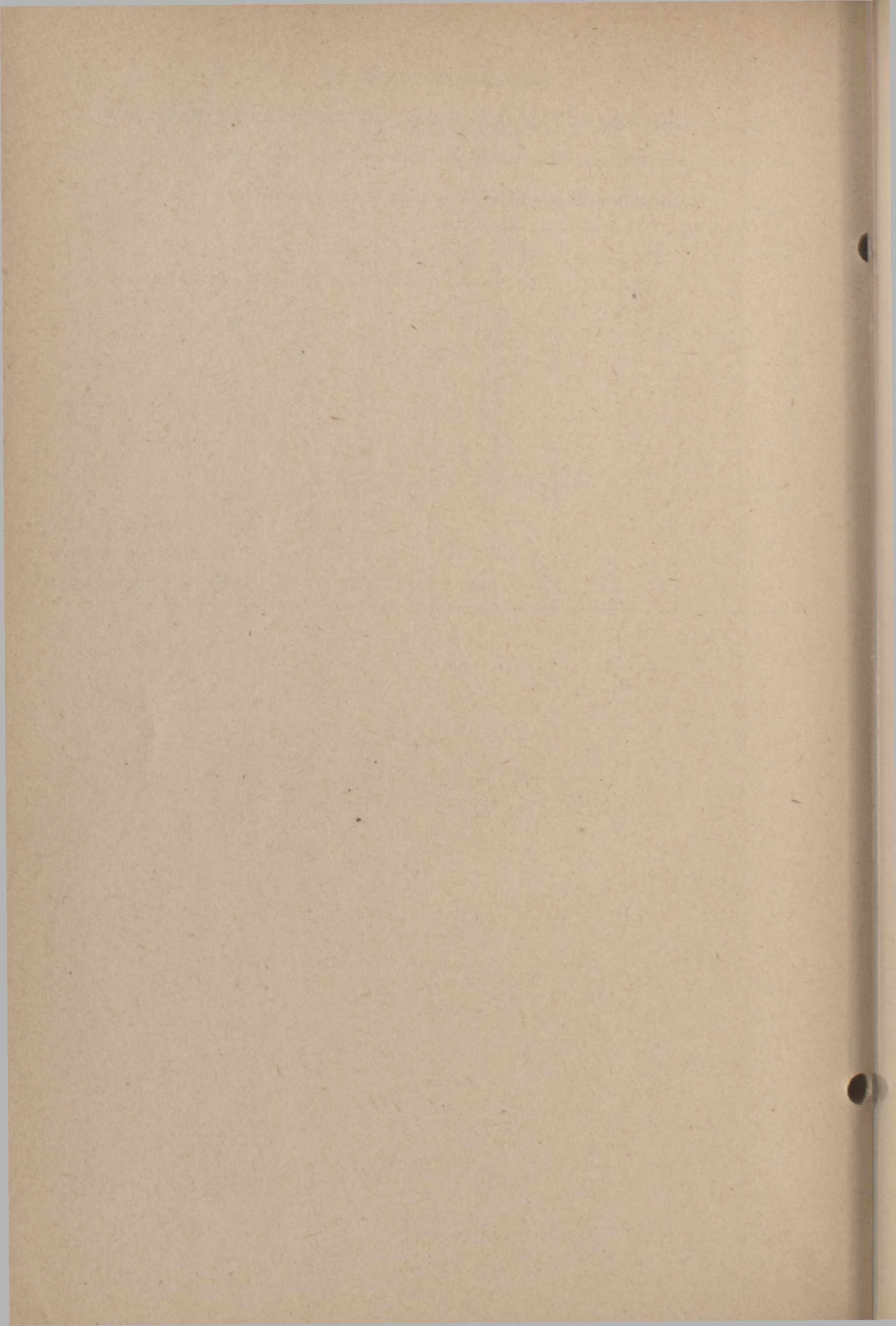
Age Group	Number of Parliaments served in including 20th Parliament								Totals by Age Group
	I	II	III	IV	V	VI	VII	VIII	
25-30 .....	2								2
31-35 .....	9	3							12
36-40 .....	12	10	2						24
41-45 .....	21	6	4						31
46-50 .....	13	14	8						35
51-55 .....	15	14	14	3	3	1	1		51
56-60 .....	10	4	11	1	2		2	1	31
61-65 .....	10	5	10	3		1			29
66-70 .....	2	3	8	2	1		1		17
71-75 .....	2		3	2		1	2	1	11
Over 75 .....		1	1						2
Total .....	96	60	61	11	6	3	6	2	245
Median Age: 52									
Parliamentary terms shown cumulatively .....	245	149	89	28	17	11	8	2	

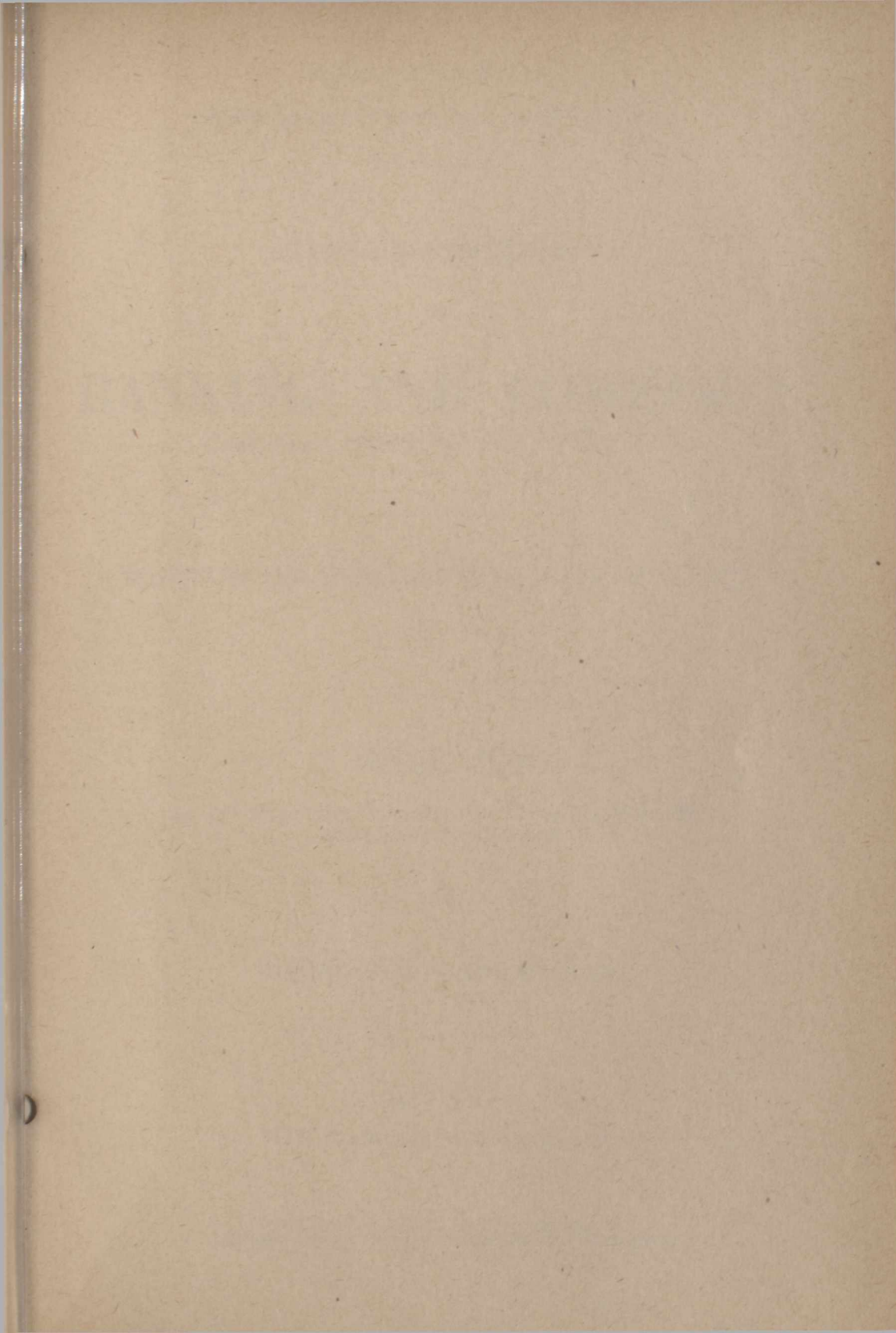
## STANDING COMMITTEE

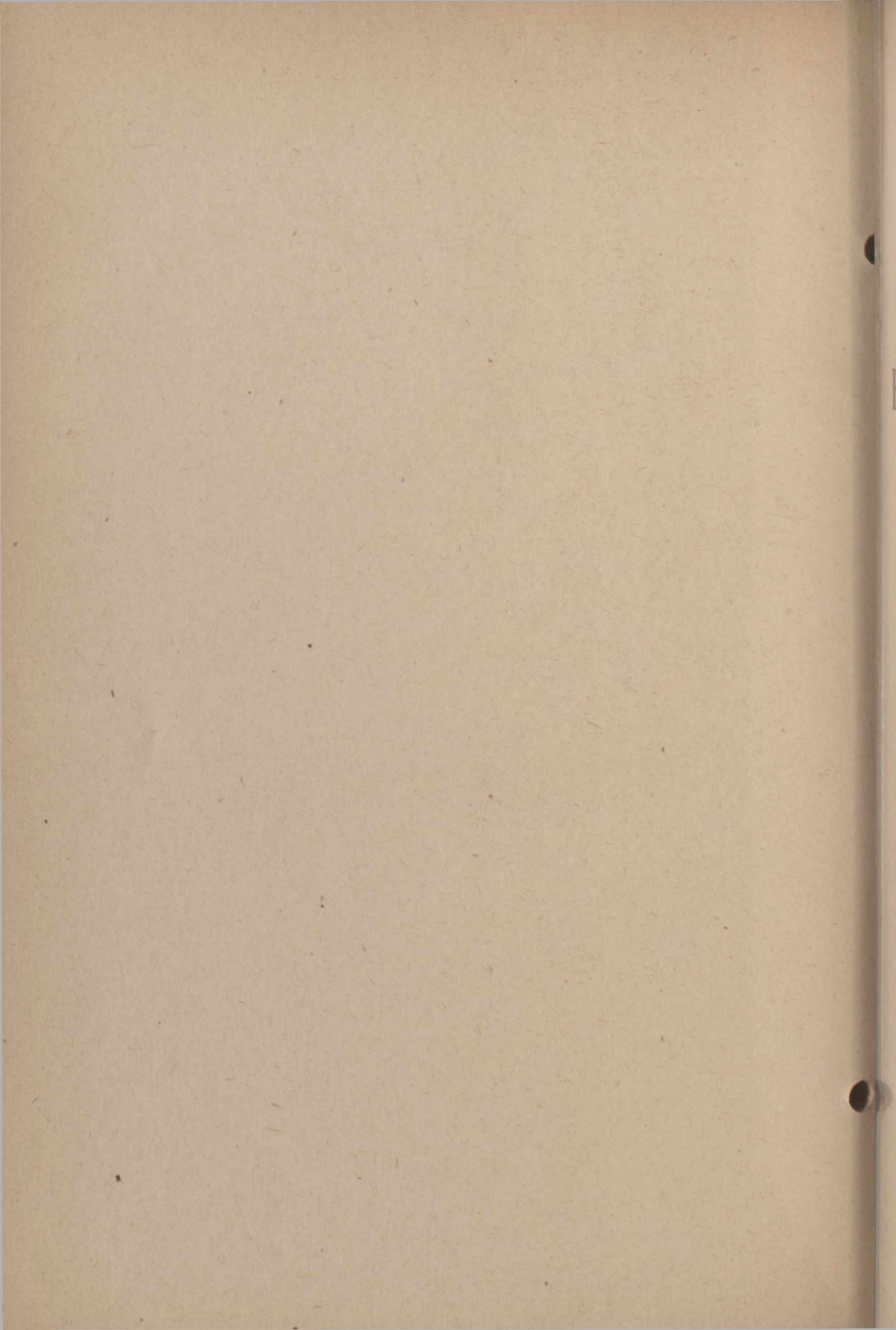
PARLIAMENTARY SERVICE AND AGES OF MEMBERS IN 1950, FIRST SESSION,  
21ST PARLIAMENT

Age Group	Number of Parliaments served in including 21st Parliament									Totals by Age Group
	I	II	III	IV	V	VI	VII	VIII	IX	
25-30.....	1	2								3
31-35.....	10	2								12
36-40.....	8	11	3							22
41-45.....	21	14	6	3						44
46-50.....	16	17	4	2						39
51-55.....	21	9	11	8	1					50
56-60.....	10	9	6	14	1		1	2		43
61-65.....	11	5	6	3		2		1	1	29
66-70.....	1	1	2	4	1	1				10
71-75.....			3	5						8
76-80.....								1		1
Over 80.....				1						1
Total.....	99	70	41	40	3	3	1	4	1	262
Median Age: 51										
Parliamentary terms shown cumulatively....	262	163	93	52	12	9	6	5	1	









HOUSE OF COMMONS

Sixth Session—Twenty-first Parliament, 1952

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STANDING COMMITTEE

ON

**BANKING AND COMMERCE**

*Chairman:* HUGHES CLEAVER, Esq.

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

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**BILL 390**

An Act respecting Currency, the Royal Canadian Mint  
and the Exchange Fund.

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WEDNESDAY, JUNE 25, 1952

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WITNESS:

Dr. W. C. Clark, Deputy Minister of Finance.

ORDERS OF REFERENCE

TUESDAY, June 24, 1952.

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

Bill No. 364 (Letter F-11 of the Senate), intituled: "An Act to incorporate The Canadian Shipowners Mutual Assurance Association".

WEDNESDAY, June 25, 1952.

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

Bill No. 390, An Act respecting Currency, the Royal Canadian Mint and the Exchange Fund.

Attest.

LEON J. RAYMOND,  
*Clerk of the House.*



## REPORTS TO THE HOUSE

WEDNESDAY, June 25, 1952.

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

### NINTH REPORT

Your Committee has considered the following Bill and has agreed to report the said Bill without amendment: Bill No. 364 (Letter F-11 of the Senate), intituled: "An Act to incorporate The Canadian Shipowners Mutual Assurance Association".

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*

*(Verbatim Evidence was not taken with respect to this Bill)*

WEDNESDAY, June 25, 1952.

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

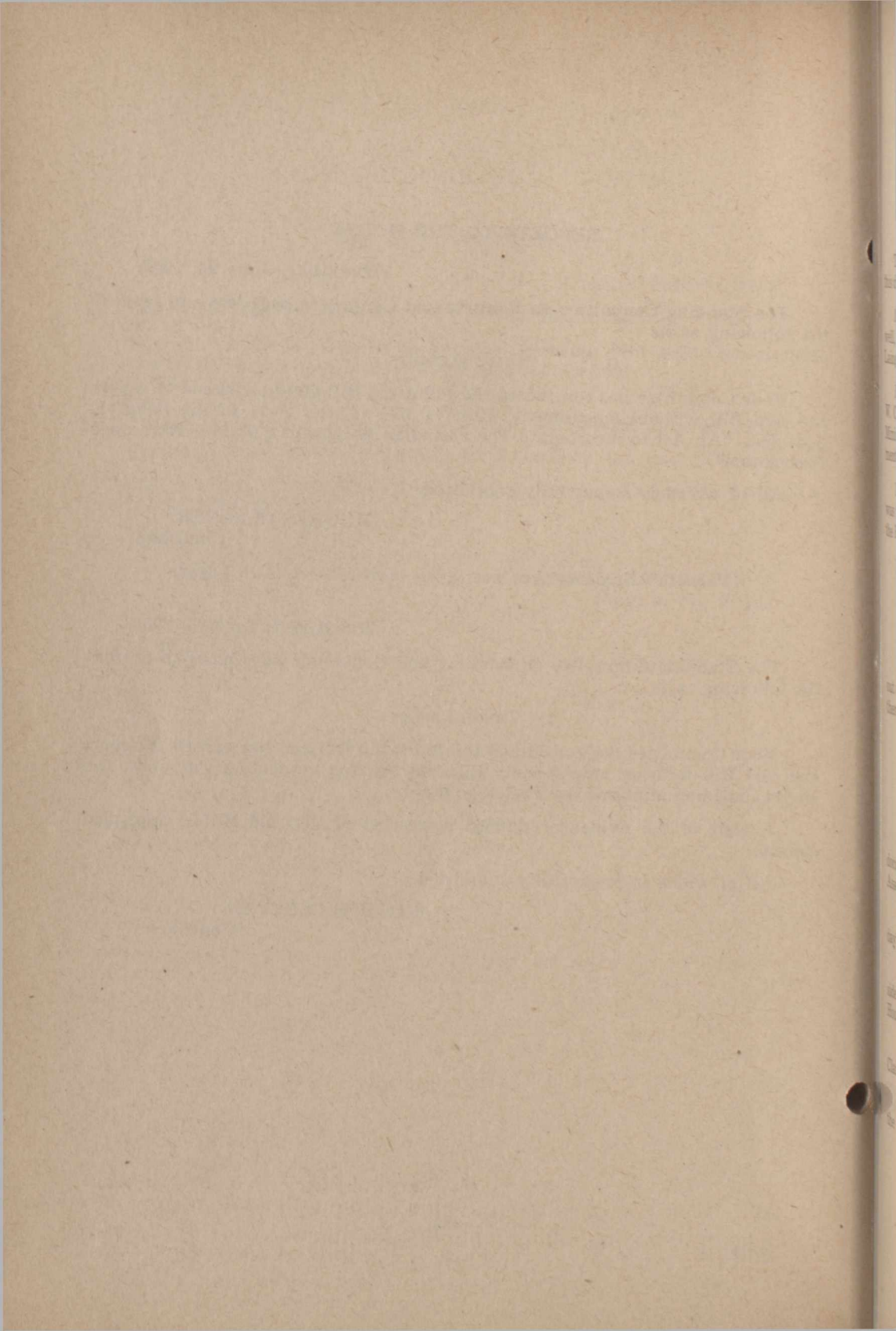
### TENTH REPORT

Your Committee has considered the following Bill and has agreed to report the said Bill with an amendment: Bill 390, An Act respecting Currency, the Royal Canadian Mint and the Exchange Fund.

A copy of the Evidence adduced in respect of the said Bill is appended hereto.

All of which is respectfully submitted.

HUGHES CLEAVER,  
*Chairman.*



## MINUTES OF PROCEEDINGS

WEDNESDAY, June 25, 1952.

The Standing Committee on Banking and Commerce met at 4 o'clock p.m. this day. Mr. Cleaver, Chairman, presided.

*Members present:* Messrs. Adamson, Ashbourne, Bradette, Carroll, Coldwell, Crestohl, Dumas, Fraser, Fulford, Gingras, Helme, Henry, Hunter, Jeffery, Laing, Leduc, Macdonnell (*Greenwood*), Quelch, Sinclair, Ward.

*In attendance:* The Hon. Mr. Douglas Abbott, Minister of Finance; Dr. W. C. Clark, Deputy Minister of Finance, Mr. R. B. Bryce, Assistant Deputy Minister of Finance, and Messrs. Henry, Lowe and Williams, all of the Department of Finance.

Having disposed of a Private Bill, in respect of which no verbatim evidence was taken, the Committee considered Bill No. 390, an Act respecting Currency, the Royal Canadian Mint and the Exchange Fund.

Dr. Clark was called, and made a statement in explanation of the Bill.

Sections 1 to 7 inclusive were severally considered and adopted.

*On Section 8:*

Mr. Sinclair moved that subclause (2) of Clause 8 be amended by striking out all the words after the word "are," in the second line thereof, and inserting therefor the following words: *or that have at any time been current in Canada.*

After discussion the said amendment was adopted.

Clause 8 as amended was adopted.

Clauses 9 to 21 inclusive were severally considered and adopted.

On Clause 22, in response to a question, Mr. Clark tabled the following document: "Minister of Finance Special Exchange Fund Account Statement of Assets and Liabilities as at March 31, 1952" (Canadian Dollars).

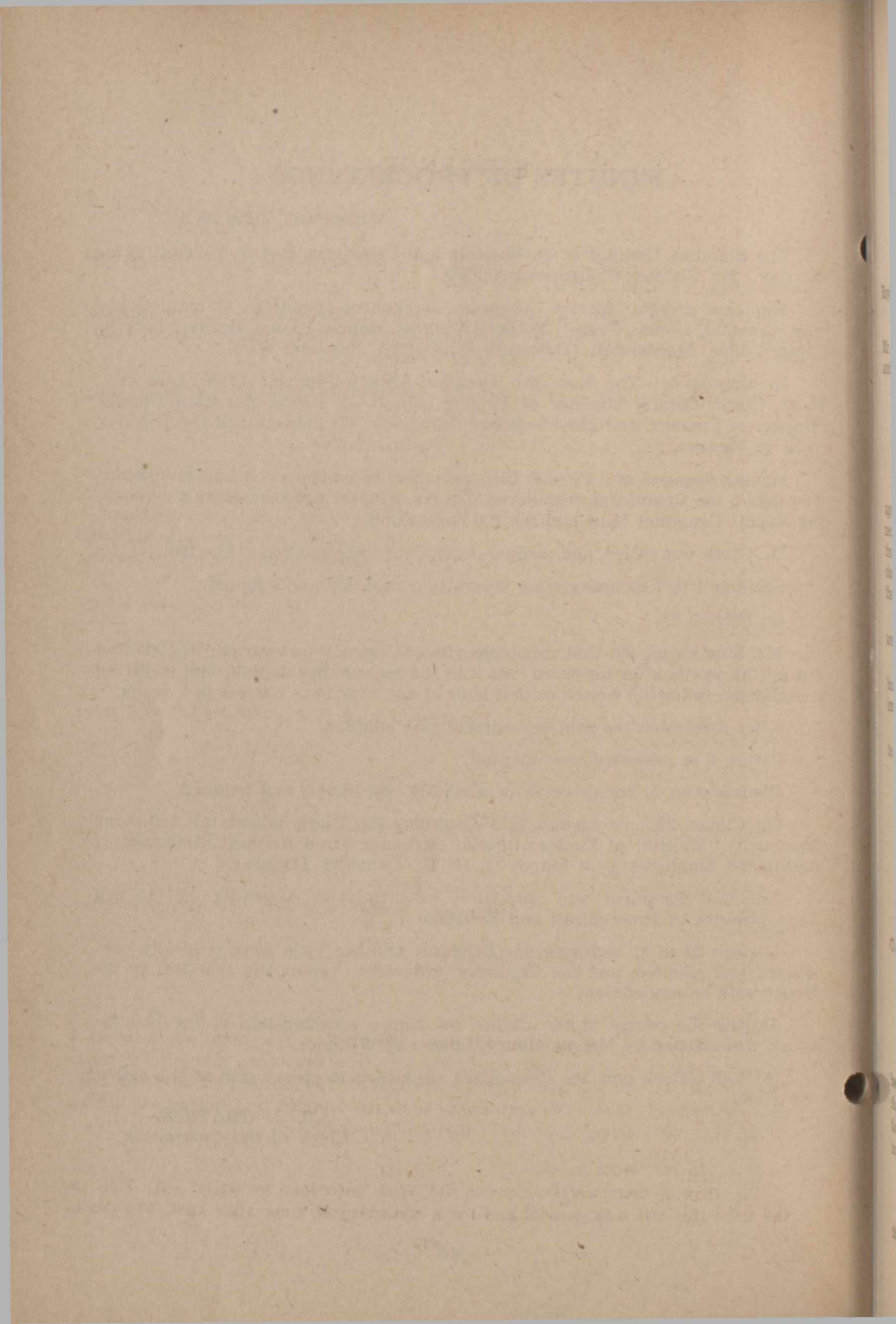
The said document was ordered to be printed as Appendix "A" to this day's Minutes of Proceedings and Evidence.

Clauses 22 to 31 inclusive, the Schedule and the Title were severally considered and adopted, and the Chairman ordered to report the said Bill to the House with an amendment.

During the course of the Clause by Clause consideration of the Bill Dr. Clark was assisted by Messrs. Henry, Lowe and Williams.

At 5.40 o'clock p.m. the Committee adjourned to meet again at the call of the Chair.

R. J. GRATRUX,  
*Clerk of the Committee.*



## EVIDENCE

June 25, 1952.  
4.00 p.m.

The CHAIRMAN: Now we have Bill 390, "An Act respecting Currency, the Royal Canadian Mint and the Exchange Fund."

We have with us the minister, Dr. Clark, the deputy minister of finance, Mr. Bryce, the assistant deputy minister of finance, and Messrs. Henry, Lowe and Williams all of the Department of Finance.

Dr. Clark, would you care to make a general comment on the bill?

**Dr. W. C. Clark, Deputy Minister of Finance, called:**

The WITNESS: Well, Mr. Chairman, since the minister just a few minutes ago gave a brief outline of the bill in the House, perhaps there is not much necessity for me to say anything. The bill, essentially, is a consolidation of three Acts. In the consolidation we are eliminating some of the old and obsolete provisions, we are filling in gaps here and there, and we are extending the Exchange Fund Act.

The CHAIRMAN: Are there any major changes in the existing Acts which are consolidated by this bill?

The WITNESS: There are no changes of major significance, Mr. Chairman; but I would call attention, if you like, as we go along, to some of the less important ones.

The CHAIRMAN: Very well. Are there any general questions before I start to call the sections of the bill?

Section 1, short title?

Carried.

Section 2, definitions, minister, mint, subsidiary coin?

Carried.

Section 3, monetary unit; denominations?

The WITNESS: That section has been in the Currency Act since just after Confederation.

The CHAIRMAN: Shall section 3 carry?

Carried.

Section 4, gold coins.

The WITNESS: I would like to say a word about gold coins and section 4 because there is a minor difference here. As you know, the present Currency Act provides for the coinage of gold coins of \$20, \$10, \$5, and \$2.50 denomination on the basis, that is, in accordance with the weights and fineness as shown in the first part of the schedule to the old Currency Act.

*By Mr. Macdonnell:*

Q. How is that weight arrived at? With reference to what?—A. Well, at the time this bill was passed, and for a considerable time after that, 516 grains

of gold,  $\frac{9}{10}$  fine, were included in the \$20 gold coin; in other words, that amount of gold was equal to \$20 in market price. We were then on the gold standard, and the essence of the gold standard was that the currency value of your standard coin was kept equal to the value of its metal content.

Q. But if and when you go back to fix the value of the dollar, will you then determine the amount of gold that goes into it with reference to the American dollar, or how?—A. That would depend on the decision of the Cabinet. For instance, if you decided that the Canadian dollar was to be on a parity with the United States dollar, which is equivalent of 15 and  $\frac{5}{21}$  grains of gold nine-tenths fine. You would say that in a \$10 gold coin, there shall be a weight of gold equal to ten times 15 and  $\frac{5}{21}$  grains nine-tenths fine. If you are on the gold standard, then it is up to the monetary authorities to maintain the value of the currency at the established par.

Q. That would likely happen, if we made a change, if we fixed our dollar at par with the American dollar— —A. That is right.

Q. —then would we not be bound to have the same gold content?—  
A. If we started coining gold coins, yes.

The CHAIRMAN: Does section 4 carry?

Carried.

Section 5, subsidiary coins. Are there any questions?

The WITNESS: The only change here is a provision to take care of the situation that has arisen at least three times since the beginning of the last war when we became short of copper, nickel, or whatever the case might be, for defence purposes, and it was considered desirable to conserve one or other of these very important basic metals for other than coinage use. Therefore we provided for a coin under the Emergency Powers Act which was made out of some less important basic metal, for instance, nickel. We first made the so-called "tombac" 5 cent coin, but we later developed a steel coin with a chromium finish, and the amount of steel that we had to use in the 5 cent coin was so very small that it had no effect on the supply of steel in relation to the requirements for steel. But in the case of nickel, it was quite a different thing. We were using a quantity of nickel which had quite real significance for defence purposes.

*By Mr. Laing:*

Q. At the highest point, the amount of metal currency in relation to the whole amount of currency in circulation would be, nevertheless, small?—  
A. That is correct.

Q. If it were a wide policy, it would be the practice of debasement, would it not?—A. We are talking now of subsidiary coins and the nature of subsidiary coins is that the metal value or the metal content in them is always less, and quite substantially less, than the face value of the coin. Therefore you do not have the question of debasement really arising.

Mr. COLDWELL: In other words, it is a token.

The WITNESS: Yes, it is a token.

The CHAIRMAN: A durable token.

The WITNESS: A token that is convenient and serviceable for the use it has to perform.

Mr. CRESTOHL: Its intrinsic value would not be what it should be?

The WITNESS: Not beyond what the face value calls for, no.

Mr. LAING: We would not want all our coinage in that form.

The WITNESS: Well—

Mr. SINCLAIR: There is not a dollar's worth of paper in a dollar bill; it is the same argument.

The CHAIRMAN: Shall section 5 carry?

Carried.

Section 6, current coins.

The WITNESS: There is very little change in sections 6 and 7, sir. The main change is that we drop the legal tender quality of the old gold sovereigns, the old American gold eagles and half eagles, and the old Canadian gold coins made in Canada, because these coins no longer will pass at their face value. If they were made legal tender—as indeed they are at the present time—their legal tender value is their face value; but no one will turn in a \$20 gold piece when he can get nearly double that amount for it.

The CHAIRMAN: Does section 6 carry?

Carried.

Section 7, legal tender.

Mr. FULFORD: I hold in my hand a \$1 Bank of Canada note. It says "the Bank of Canada will pay to the bearer on demand \$1." What is that \$1? Do I get another one of these, if I turn it in?

The CHAIRMAN: You get a new one, a clean one for your old one! Does section 7 carry?

Carried.

Section 8, powers of Governor in Council.

Mr. SINCLAIR: I have an amendment to make which Dr. Clark will explain, with respect to section 8, subsection 2.

The CHAIRMAN: Yes.

Mr. SINCLAIR: It will then read instead of its present form:

"The Governor in Council may make regulations for the redemption by the Minister of coins that are or that have at any time been current in Canada. . ."

The WITNESS: The point is this: there were a lot of old coins issued by the colonies of New Brunswick, Prince Edward Island, or Nova Scotia before Confederation which kept circulating after Confederation. Some of them were made legal tender under the old Currency Acts, not for their face value, but only for a percentage of their face value. However, we rarely see them any more and if there are any still in existence, they are probably considered as collectors' items. As soon as anyone gets hold of them today, they turn them in to collectors. However if some of them did make an appearance and were turned in to the government, they would not under the bill as presently drafted be legal tender, and they would not have the power to pass as currency. Therefore we think that, on the whole, it is better to make this amendment in order to provide that if, as is most unlikely, that kind of coin ever does come to have some significance, if any number of them appear again, the government could, by a proclamation or by an order in council, call them in and pay for them at their stated value, that is, at the value fixed under the old Currency Act.

Mr. FRASER: What about Newfoundland?

The WITNESS: Newfoundland would be covered by section 6, subsection (1)(b) which says:

A coin that was issued under the authority of the Crown for circulation in any province of Canada before it became part of Canada and immediately before coming into force of this Act was current and legal tender in Canada for the amount in the currency of Canada that appears on the coin as the denomination thereof.

Newfoundland coins would thus be legal tender at their face value; the coins I am speaking of would not be covered by that section because they are only legal tender for part of their face value, not for their full face value.

Mr. CRESTOHL: Would that amendment affect the situation if at some time in the future the government were to call in its currency with the warning or with the announcement that unless the currency is turned in by a certain date, it would become null and void?

The WITNESS: That is normally what happens when you redeem a coin, when you call in a coin by proclamation made under the Act; a reasonable length of time is given during which it may be turned in, and after that, they usually would not have legal tender value; under this clause that would be the case. If we called in a coin, we would say: "You have a year or two years in which we will accept any of these coins which are turned in at their face value, or at two-thirds of their face value, and after that time they would cease to have legal tender value."

The CHAIRMAN: Does section 8 carry?

Carried.

Section 9, revenue officers to deface counterfeit coins.

The WITNESS: This is the same as in the old Act.

The CHAIRMAN: There is no change.

Does section 9 carry?

Carried.

Section 10, melting down gold coins.

Mr. QUELCH: Suppose a person has a gold coin in his possession which has been pierced and worn as a decoration. Is that person subject to prosecution if he has that coin in his possession?

The WITNESS: Perhaps Mr. Henry will answer that question.

Mr. D. H. W. HENRY: If he has mutilated the coin, he is liable to prosecution under the Canadian Criminal Code; but this does not refer to that.

Mr. FRASER: Ladies often have bracelets with \$5 gold pieces hanging on them.

Mr. SINCLAIR: Are they good ones?

The CHAIRMAN: When the Criminal Code comes before us, we will watch that, Mr. Fraser.

Shall section 10 carry?

Carried.

Section 11, public accounts and statements to be in currency of Canada.

The WITNESS: Sections 11 and 12 are the same in effect as two or three longer sections in the old Act; they have been shortened up by the Department of Justice, in order to save verbiage; but the effect is exactly the same as before.

The CHAIRMAN: Shall section 11 carry?

Carried.

Section 12, all contracts, etc., to be in currency of Canada.

Carried.

Section 13, sums mentioned in Acts.

Carried.



## Section 14, Royal Canadian Mint.

The WITNESS: I think we should remember that the Royal Canadian Mint Act has been in the past Part II of the old "Department of Finance and Treasury Board Act". But a year ago, when we enacted the new Finance Administration Act we left that part of the old Act standing in the air. Therefore, this brings it into this Act and consolidates it with other legislation which deals with the same general subject matter. It also brings it up to date.

The CHAIRMAN: Shall section 14 carry?

Carried.

Section 15, staff.

Carried.

The WITNESS: That is the same as before.

*By Mr. Macdonnell:*

Q. Does this mean that the employees of the Mint are in some way different from members of the civil service?—A. No; clause 15 is to take care of certain employees who used to be employees of the Royal Mint, London, and, in one or two cases, of the Australian Royal Mint who came here and worked in Ottawa at the Ottawa branch of the Royal Mint, when it was a branch of the Royal Mint. That was between 1908 and 1931. This clause merely protects the pension rights or the superannuation rights that they had earned during their service with the British Mint here, those rights are just carried forward.

Q. I am glad to see that it is still called "the Royal Canadian Mint".

The CHAIRMAN: Shall section 16 carry?

Carried.

Section 17, regulations.

The WITNESS: In essence that is the same; it is a little codification.

*By Mr. Ward:*

Q. What do you mean by buying and selling gold at the Mint?—A. Well, today practically all the gold production of Canada comes to the Mint. The gold producers every week send deposits of their raw gold or gold concentrates to the Mint. This gold is handled there under one or another set of regulations. Under the first set of regulations, the practice that was in effect solely until a few months ago was that a mine would sell its gold to the Mint. The Mint would buy it, assay it, and refine it. Then we would hold it or sell it abroad as the Minister of Finance might determine. The Mint would pay for it on the basis of its assay. Now, about six or seven months ago we started a new program and passed a second set of regulations under which any mine not receiving emergency gold mining assistance may send its gold to the Mint to be refined and stored there, subject to later direction by the producer to the Mint for sale of the gold in the premium markets of the world.

These are the two bases upon which we deal with gold now produced by the mines of Canada. This particular section that you refer to gives the Governor in Council the power to make regulations governing the purchase and sale of gold by the Minister as contemplated under the first of the two programs mentioned above.

Q. Will they sell it to other countries?—A. To other countries or their central banks.

Q. Do jewellers buy gold?—A. Yes, that is right.

Mr. LAING: Is there a charge made for assaying and refining gold?

The WITNESS: Yes, there is a set of Mint regulations issued, entitled Regulations for the receipt of gold bullion by the Royal Canadian Mint, which specify the charges made for melting, assaying, refining and so on. I perhaps should say that today the jewellers buy their gold not directly from the Mint but from processors, a number of processors, who obtain some of the refined gold stored at the Mint by producers and put it into bars, 22 karat fine, and those processors sell this particular gold to the jewellers. Up till six months ago the jewellers bought, either directly or through such processors, fine gold directly from us at the Mint.

Mr. FULFORD: The dentists have to do the same?

The WITNESS: Yes, they are in the same position as the jewellers.

Mr. ASHBOURNE: Are these processors under licence?

The WITNESS: Yes, in a sense. They are approved by the Minister of Finance and are required to operate in accordance with the conditions laid down by the Minister of Finance.

*By Mr. Adamson:*

Q. What are the limits of the term "fine gold"? A question came up about that the other day. I gather that it is 995 fine. Is anything over 995 considered fine gold?—A. 995 and up is fine gold.

Q. Now as to the industrial uses for gold. A question also came up the other day in regard to that. I maintain that gold is merely a monetary metal. I think now that we are on the gold clause I should ask you what percentage, would you say, or have you any opinion on the industrial uses for gold?—A. It is very small in Canada. Currently the total amount used in jewellery and dental trades and what we call manufacturing, industrial processing, runs from 80,000 to 100,000 ounces a year out of a production running over 4 million ounces. So it is a pretty small percentage of the total.

Q. I am glad to have your statement on that because I maintained that the industrial uses for gold are really negligible and outside the jewellery trade it is small.

Mr. BRADETTE: Does the Royal Canadian Mint make much coinage for other countries?

The WITNESS: We have done so once or twice, Mr. Bradette. In the thirties we made coins for one or two countries, as I recall. In the recent past I do not think we have had any requests, certainly not in the last year or two, and, furthermore, I'm afraid if we had had such requests we probably would not have had the facilities to take on the additional work. The Mint has been running three shifts a day steadily, turning out over 100 million coins a year. It has kept us extremely busy doing that. We are improving the facilities at the Mint for coinage just at the present time, but as the situation has been in the last two or three years we could not really have taken on any additional work.

The CHAIRMAN: Shall section 17 carry?

Carried.

Section 18, appointment of commissioners, examination and test.

The WITNESS: Sections 18 and 19 cover the so-called trial of the pyx, the arrangement whereby we see that the Master of the Mint and his officials are turning out the coins in accordance with the standards of fineness and weight laid down.

Mr. ADAMSON: What are the overages at the Mint at the moment? Have you got any figures on the overages at the Mint?

Mr. A. F. WILLIAMS (*Secretary, Royal Canadian Mint*): It was about 1,200 ounces at March 31, 1952, for the year ending March 31, 1952.

The CHAIRMAN: Sections 18 and 19, shall they carry?

Carried.

Shall section 20 carry?

Carried.

Section 21.

Carried.

Section 22, Exchange Fund Account.

*By Mr. Macdonnell:*

Q. Mr. Chairman, I would like to ask Dr. Clark under section 22 if he would trace those figures through there from the old Exchange Fund account which preceded the Foreign Exchange Control. I understand the Foreign Exchange Board account in 1945 was \$1,275,000,000. Could we have the figures at the present time?—A. Mr. Chairman, I am not sure whether Mr. Macdonnell wishes me to trace the history of the amounts.

Q. Not in detail, just trace the history of the procedure.—A. Well, you remember the Exchange Fund Act was passed in 1935, I think it was. There was a provision that the operative section of that Act should come into effect only by proclamation, that is the section which gave the minister power to buy and sell gold and various foreign currencies in order to prevent undue fluctuations in the external value of the Canadian monetary unit.

Q. That is because our currency at that time was, as it is now, free?—A. Yes, free and fluctuating. The threat of war was imminent and it was felt we should have this protection, this power available to smooth out to some extent the fluctuations in the exchange rate, in the external value of the monetary unit. Well, actually that operative section was not proclaimed until just at the beginning of the war, and at the time it was proclaimed the Foreign Exchange Control Board was set up, on September 15, 1939, as I recall, and it took over the management or administration of the fund at that time.

Q. And up until that time there had been no management of the currency at all?—A. No, the fund had not been used for the management of the currency at that time, that is my recollection of it. I have forgotten what the amount of the fund would be at that time, but it probably would be of the order of \$400 million\*.

Q. That consists of— —A. Gold and United States dollars chiefly.

Q. And it was supplied right out of the Consolidated Revenue Fund?—A. Well, the revaluation of the gold held by the Bank of Canada, or rather the profit arising from the revaluation of the gold holdings of the Bank of Canada was what constituted the original fund.

Q. Mr. Adamson calls it "your arbitrary measure" and as the minister said it is a little out of date now.—A. As I have suggested, the Foreign Exchange Control Board at the direction of the minister operated the fund during the war years. It operated, as you recall, under an order in council through the war years.

Q. During that time what had been in the hands of the Bank of Canada was increased by impounding various amounts of U.S. gold and dollars from the Bank of Canada and elsewhere, and this and subsequent additional amounts of gold and U.S. dollars was operated by the Foreign Exchange Control Board.—A. Yes.

Q. I am anticipating in a way, but what effect, if any, did that have on the provision in the Bank of Canada Act of the 25 per cent ratio?—A. At that same

\* Witness later reported that the fund which at the start of the war amounted to about \$80 million was raised to about \$400 million in the spring of 1940.

time, that is at the beginning of the war, when section 6 of the Act was proclaimed, there was also a provision eliminating the requirement that the Bank of Canada should maintain a reserve in gold.

Q. Was it by legislation or was it within the power of the Executive?

—A. That was done by order in council under the Emergency Powers Act, as I recall.

Mr. ADAMSON: May I ask a question now, Mr. Chairman?

The CHAIRMAN: I think it would be preferable to have Mr. Macdonnell continue his questioning without interruption.

The WITNESS: Then the Exchange Control Board Act was passed in 1946 and it continued the fund in the same way in which it had been operated under the administration of the board, subject to the direction of the Minister of Finance, and then last fall, last December, foreign exchange control was eliminated altogether. Now, the minister stated at that time that it would be necessary to pass new legislation repealing the Foreign Exchange Control Act replacing it with legislation of some permanent kind along the lines of the Exchange Fund Act of 1935 and the relevant sections of the Foreign Exchange Control Act. This is what we are now doing. Well now, I come to what the fund consists of. At March 31st of 1952, that is at the end of last fiscal year, there were total assets in the fund of \$1,753 million of which gold accounted for \$852 million—I am just giving round numbers—(I can leave a copy of this statement for the secretary). The fund also held \$883 million odd in U.S. dollars (that is, cash on deposit in American banks or short term securities of the United States government) and pounds sterling of around \$7,700,000 in amount.

Mr. ADAMSON: Dollars or pounds?

The WITNESS: These are all Canadian dollar equivalents. Then there were also cash on deposit in the Bank of Canada, that is Canadian dollars, \$5,677,372, and sundry assets of \$4 million. The total as I have said was \$1,753 million. I shall give this whole statement to the clerk.

The CHAIRMAN: Shall this statement go in as an appendix to today's minutes?

Agreed.

*By Mr. Macdonnell:*

Q. May I ask one final question about that. Am I right in thinking that now, since the Foreign Exchange Control Act has been repealed there is no power residing anywhere short of a statute to fix our currency in terms of foreign currencies?—A. Under the Bretton Woods Agreement Act there is power to establish a par value for the Canadian dollar and that would be either in terms of U.S. dollars or in terms of gold. Actually, action was taken under that particular authority in 1947—I think probably at the end of February of 1947—when the par value of the Canadian dollar was fixed at one Canadian dollar equals one United States dollar: then, in the fall of 1950, October I think, the par was fixed at one Canadian dollar equals U.S. .90 10/11 dollar.

Q. I thought that was done under the Foreign Exchange Control Act of 1946?—A. No, that was done under the Bretton Woods Agreement Act.

*By Mr. Quelch:*

Q. What was the actual transaction by which gold was transferred from the Bank of Canada to the Foreign Exchange Control Board? Did the Minister of Finance borrow from the Bank of Canada to make the purchase?—A. We sold securities to the Bank of Canada, then the Bank of Canada—

Q. That matter would not be the same as over there?—A. No, there would be nothing like that here. You are really just carrying on the status quo.

*By the Chairman:*

Q. Am I correct, Dr. Clark, in my understanding that the total amount of advances from the Consolidated Revenue Fund to the exchange account during the entire period we are discussing was \$1,880 million?—A. That, I think would be as of December 31st last. As of March 31st this year, the date for which I gave the other figures, we had made advances of \$1,925 million.

*By Mr. Adamson:*

Q. Dr. Clark, when was the gold payment for currency done away with?—A. You mean, when the redemption of currency in gold was done away with?

Q. Yes, the redemption of currency in gold?—A. Oh, I would say effectively when the United Kingdom went off the gold standard in September 1931.

Q. Can you tell us what month it was in 1931?—A. September, I think it was. Now, I think there was in 1932 an amendment to the Dominion Note Act, which removed the obligation to repay in gold. However I think it was really effective from September of 1931, when the United Kingdom went off the gold standard and as well a great many other things happened.

Q. Yes.—A. And we passed an amendment to the Dominion Notes Act following that.

Q. Under that amendment, was that done at the recommendation of the Bank of Canada?—A. The Bank of Canada was not in existence at that time.

The CHAIRMAN: Are there any further questions on section 22?

*By Mr. Ward:*

Q. Dr. Clark, what really is the general function of treasury bills?—A. Treasury bills provide in the first place a convenient method for short term borrowing by the government—borrowing normally three months. All ours not outstanding are for three months. They involve very low rates of interest. We renew them when they mature, and we keep a certain amount of these treasury bills outstanding in the market. This helps to facilitate the normal operation of the money market of Canada. They enable switches to take place let us say between banks, where one bank may be flush with funds and another bank tight at the moment. Or between banks and the Bank of Canada. They are really a mechanism which contributes very effectively to the smooth working of the money market. Are you speaking about them in general, or are you thinking of the use of the words "treasury bills" in this section?

Q. Yes, in a general way.—A. Well, in this section 22 (2) (b) the minister is given the power to buy gold, currency, deposits, bank balances, and then treasury bills. The only reason he would buy treasury bills of the United States government is that he would get holdings of United States dollars that would return a little interest. Thus they are better than cash, because you make a little money on them. Our reserves of gold are still a very substantial part of that \$1,753 million, but we get no interest on that portion. However we are able to make a little earning on some of the fund through the purchase of treasury bills, and they are still liquid because they mature in three months or less.

The CHAIRMAN: Yes, they are negotiable.

The WITNESS: They are highly negotiable, highly liquid instruments bearing a modest rate of interest.

Mr. FRASER: I understand they run about  $\frac{3}{4}$  of 1 per cent.

The WITNESS: More than that in the United States. These days in the United States, I think, it is probably 1·10 per cent, or thereabouts.

The CHAIRMAN: Now, Mr. Macdonnell, you had a question?

*By Mr. Macdonnell:*

Q. If they are as liquid as all that why would it not be desirable to have practically all of that fund in United States treasury bills; would it not keep the fund in adequate liquid form if you were to do that?—A. No, we really could not have all our holdings in treasury bills down there. We must limit ourselves to only a reasonable proportion. For various reasons connected with the management of the American money market by their monetary authorities we could not go too far in that direction.

Q. Now that we have all the experts with us I feel I should avail myself of the opportunity to ask one or two more questions. I would like to have the history of the gold payments carried back of 1931. I know what happened in 1931 or 1932 when we went off gold. I wonder if you would care to carry it right back to the last war. From what I recollect I think we were off the gold standard during the first war?—A. Oh, yes.

Q. And that continued for how long after?—A. We went off gold just after the beginning of the first world war and we were supposed to go back on again in 1923 if I remember correctly. Theoretically we were on it from 1923 down to this period that we mentioned before, about September of 1931.

Q. What do you mean by theoretically?—A. At certain times, at least during that period, the ordinary obligations of the gold standard were not being followed in every particular.

Q. Mr. Fulford would just get his clean note in exchange for a dirty one?—A. That was all he could get at that time. Great difficulties would have been put in his way several times in that period if he had wanted to get gold in exchange for his note.

*By Mr. Fulford:*

Q. Are there any countries on the gold standard?—A. Well, yes. I would say the United States is on the gold standard.

Q. But the United States citizen can't get gold?—A. But that is not the essence of being on the gold standard.

Q. No, oh no.—A. I would say that the United States and Switzerland are clearly on a gold standard.

Q. Yes.—A. And there are one or two others—

Q. Is it not a fact that the South American Republics are essentially on the gold standard? But you cannot take gold out of the country.—A. Some South or Central American Republics—you can take gold out of some South American countries. But the essence of the gold standard is not the use of gold coins for internal circulation, but rather the fact that the monetary authorities are maintaining the value of their currency on a basis equal to the gold par of their currency.

*By Mr. Adamson:*

Q. Will you not say that if a country were on the gold standard gold would be available for exchange freely rather than holding it out of circulation? Would you not say that the United States is on a gold exchange standard rather than on a full gold standard?—A. Well, you can qualify the gold standard. You can say that there are several types of gold standard and that the United States is not on the full gold standard or what people used to regard as the gold standard in the late 19th century and the early part of this century.

Q. I mean, if it were on a whole gold standard then the ordinary citizens would be able to get it; but, as that is not the case, surely it could not be considered as being on the true free gold standard?—A. Well, we may differ a little about definitions. The U.S. did not put into effect all the provisions which used to be regarded as a full gold standard. But the essential one here

is that they have been willing to buy and sell gold at the par price in unlimited amounts. If they are prepared to buy gold at that price in any amount and sell it they keep their currency equal to their par. That is the essence of the gold standard.

Q. Yes, but they have removed from their Act the one essential right of their own people to hold gold, which is perhaps the greatest check on inflation.  
—A. They removed that right whether it is essential or not.

*By Mr. Bradette:*

Q. What is the actual backing of gold now in our present Canadian dollar?—A. What is the backing of the present Canadian dollar?

Q. Yes.—A. Well, I would think that when you have an exchange fund at March 31st consisting of \$1,753,000,000, a billion and three quarters in gold or United States dollars, that is essentially pretty effective backing. It is not backing in the ordinary sense but it is there protecting the value of your dollar.

*By Mr. Dumas:*

Q. Would you say it would be in the interest of the country if in our reserve we had more gold than we have, if we had gold instead of United States dollars?—A. I do not think it makes very much difference, sir. There are reasons for which you want gold and there are reasons for which you want United States dollars. We keep a certain amount in both. The amount varies from time to time. The amount we are holding in gold has been increasing recently. I do not think you can say that one is very much better than the other.

Q. If the supply of gold would increase there would be more gold in the hands of the people.

The CHAIRMAN: But, on the other hand gold draws no interest.  
Shall section 22 carry?

Carried.

Section 23, advances out of C.R.F.

Carried.

Section 24, earnings.

Carried.

Section 25, Bank of Canada not required to maintain certain reserves.

*By Mr. Macdonnell:*

Q. I want to ask something about that. I wonder if Dr. Clark would tell us what is in the fund at the present time? I want to ask him, having regard to the figures he gave us, regarding the holding of gold and American dollars, what the ratio is in fact, at the present time.—A. I do not think you would be correct in trying to work out that ratio. It is not held by the Bank of Canada against the note and deposit liabilities of that bank.

Q. I know it is not; but it is in the same neighbourhood?—A. I think perhaps I have a Bank of Canada statement.

The CHAIRMAN: While Dr. Clark is looking for the statement does—

The WITNESS: I beg your pardon. Mr. Lowe has worked it out. The note and deposit liability is something over \$2,100 million. You have in the fund, at the moment, \$1,753 million of assets.

*By Mr. Macdonnell:*

Q. I realize that those two figures are not parallel, but still, there is a certain relationship between the liabilities of the bank and these assets which are in the hands of the public authorities.—A. Let us put it another way. If you did not have this Exchange Fund and if the central bank was holding the country's official reserves, they would have presumably this \$853 million of gold, and these other United States dollars.

Q. You have anticipated my question. Do you not regard section 26, the requirement for reserves—I am not forgetting the old story about the hospital where a man could not get into a reserve bed because they said they always had to have a bed in reserve—I realize the technical difficulties, perhaps; but on the other hand, I would like to know whether you do think that the principle of a reserve which I suppose is sanctioned by decades if not centuries of human belief—whether it is valid, or whether it is a thing which we should aim to get rid of? Incidentally I notice that the Act leaves open a postern gate, because it says that the Governor in Council may re-impose the reserve requirement.—A. Yes.

Q. I did not realize that the notes and deposit liabilities were of the size you gave us; I thought they were very much larger than the figure you have given?—A. I was speaking of the notes and deposit liabilities of the Bank of Canada.

Q. Is it, in your opinion, possible to arrange it so that we could have the amount of the required reserve carried in the assets of the Bank of Canada or is it necessary for it to be included in the exchange fund?—A. I do not see any value, Mr. Chairman, in having any portion of it in the Bank of Canada. The purpose of this Exchange Fund Act, is to mobilize in one place all your reserves of gold and convertible foreign exchange so that you may be able to protect the external value of your dollar; you may be able to control fluctuations to the maximum possible extent. You have now got all that in one hand and I do not think you would gain anything by splitting it up into two hands; you would probably lose something.

The CHAIRMAN: Is it not more realistic under present day conditions to have your reserves related to your trade requirements rather than to your internal liabilities?

The WITNESS: Yes, I think that is so. That is really a more fundamental criterion. We need exchange reserves because we have these terrific swings in our financial relationships with other countries. We may have a balance of payments surplus of a substantial amount turn suddenly into a substantial balance of payments deficit. If you will look over the history of the last few years, you will find that sometimes over a year and a half or two years, the gap has been very, very great; and in such cases or under such conditions you need large official reserves in order to meet your requirements. That I think is the fundamental criterion.

The CHAIRMAN: Under our present day conditions of legal tender, do we actually need any reserves for our domestic currency?

The WITNESS: No, I really think not.

Mr. QUELCH: Just so long as we are not on the gold basis.

The WITNESS: So long as your currency is acceptable to the general public, or perhaps I should say, generally acceptable to the public.

*By Mr. Macdonnell:*

Q. I am nearly through, Mr. Chairman, and I apologize for having asked so many questions. I recognize the force of what you said about the desirability of having these assets mobilized. Perhaps I should ask you now whether you accept fully the view that after all we have a managed currency and there is



no check of any kind on it except the judgment of a group of men of whose judgment we think highly; and if that is a fair statement of your attitude, does that mean that you feel that we should entirely dismiss from our minds the idea of reserves that we have outgrown them?—A. No, no.

Q. You seemed to me to be saying a moment ago that reasonably sensible men would think that these things are almost superstitions now; that is not exactly what you said, but about the same. You laid stress on having that fund mobilized, as you put it, in order to take care of the swings, and those of us who can look back to 1947 know the reason for that. Now, are we to take the view that so far as the department is concerned, you have no interest in a reserve ratio, and you think that it is a superstition? I know that is an exaggerated way of putting it but there is substantial opinion that the desirable thing is to have the assets mobilized; that we should recognize that we have a managed currency with no check of any kind. There is, I must admit, just a little indication that perhaps the government wants to reconsider it, because there is a reservation of authority here to re-impose the reserve requirements. I would like to have your answer?—A. If I understand your question, I do not think I would like to be pushed that far. What are we dealing with now is a situation where you have a world that is sadly out of balance trade-wise; you have got a world which is split into a dollar area and a sterling area with the pound sterling inconvertible and with our own country having tremendous interests in both these camps. You have also another underlying condition, a tremendous pool of capital on this North American continent which moves quite freely back and forth across the boundary line—that capital can move out very rapidly or it can come back and pour in in great volume very, very quickly.

What this bill does is to go on the principle, that under present conditions, with the kind of world situation we now have, it is better to have this exchange fund and to mobilize all our official reserves in that exchange fund. I do not think we make any commitment, personally I would not wish to do so, as to what might be done or what should be done in a different kind of world which we hope we may get to some time in the future.

Q. What does the Bank of Canada hold against its liabilities?—A. It holds securities.

Q. Against this liability? It says nothing here about that.—A. Well, these securities are pretty good.

Q. What I mean is how, if you get, let me put it this way, would it be mechanically impossible to support that fund, to put enough additional to satisfy the requirements of the Bank of Canada and also in the case of emergency make it do double duty. I agree that it is a great pity to immobilize some of your money so that you'll find yourself helpless if there was a sudden swing as we had in 1947, that does not seem to make sense, but is there—supposing you get the almost unbelievable situation now where you lost all your \$1,800,000,000, what would you do next, would you have recourse to the Bank of Canada?

Mr. BRADETTE: That is quite a hypothetical case.

The WITNESS: You would not wait, of course, till you got down to that point. You would be a little late if you did. Frankly I do not see that you gain anything by splitting up this fund; I do not think you can serve two purposes with it. I think you need it, and that the best use of it in the national interest can be made by having it mobilized in one place.

Mr. BRADETTE: Mr. Chairman, in the question of Mr. Macdonnell's there seems to be a paradox when he says there is no check on the amount of the managed currency. He said in a managed currency there are no checks; where are the checks?

Mr. MACDONNELL: What I meant was, we have no longer any check when the Bank of Canada's gold, cash and bullion gets down below 25 per cent, because we are eliminating that. The only check we have on the amount of currency we issue is the judgment of those who are in control of our currency. When the Bank of Canada was established there was this 25 per cent which they could not exceed. Now that has been done away with and I realize that that has not been in effect for a good many years. What I am interested in knowing is what are the views of the experts as to the principles that we should follow. That is what I meant by asking have we got to the stage where an arbitrary regulation of this kind is no longer useful. Now, Dr. Clark does not go quite as far as that, he says we have an anxious and emergent situation now.

The CHAIRMAN: Mr. Jeffery, you had a question?

Mr. JEFFERY: I will drop my question.

Mr. QUELCH: You will agree, Dr. Clark, that that situation will continue until such time as the world situation becomes stabilized.

The WITNESS: Yes, I think that is what this Act envisages, note the phrase "unless the Governor in Council otherwise prescribes". In the early part of the bill there is also a provision which envisages the situation that you have at the moment. Now I think perhaps it is not too wise to project yourself too far into the future and try to say what you would do or recommend should be done under certain other conditions which really cannot be foreseen at the moment.

The CHAIRMAN: We will cross the bridge when we come to it.

Mr. QUELCH: If the international situation developed where all nations were able to balance their trade without the use of gold, then it would no longer be necessary for Canada to maintain reserves of gold, and that gold could be utilized for the purpose of providing a gold backing for our internal currency.

The WITNESS: Yes.

The CHAIRMAN: Shall section 25 carry?

Carried.

*By Mr. Adamson:*

Q. Dr. Clark, on this exchange fund, does it operate at times as an arbitrating medium?—A. I am not sure that I know what you mean. Do you mean in arbitrage work?

Q. Yes. Has it ever operated there as against London and New York?—A. It has bought and sold on the same day and has conducted operations in different currencies, not just for arbitrage purposes in the ordinary sense, but in order to carry out its ordinary fundamental purpose.

Q. Yes. It has the function of really a monster arbitrating organization?—A. Yes in a sense.

Q. One more question. Under this Act is there anything which would permit Canadian individuals or corporations owning gold?—A. Well, there is nothing that would prevent it, Mr. Chairman. There is nothing in this Act, and so far as I know in any other Act of the federal government, that prevents an individual in Canada from owning gold.

Q. There would be nothing, then, under the Act to prevent a corporation putting gold into its own reserves if it wished to?—A. Nothing that I know of.

Q. For instance, if an insurance company or a bank wished to put gold in the form of bullion into its reserves, is there anything to prevent that?—  
A. I know of no law on the federal statute books that prohibits anybody holding gold.

The CHAIRMAN: The question of interest might be a deterrent, Mr. Adamson.

Section 26.

Carried.

Section 27.

Carried.

Section 28.

Carried.

Section 29.

Carried.

Section 30.

Carried.

Section 31.

Carried.

Shall the schedule carry?

Carried.

Shall the title carry?

Carried.

Shall I report the bill as amended?

Agreed.

Thank you, gentlemen.

The committee adjourned.

## STANDING COMMITTEE

## APPENDIX "A"

MINISTER OF FINANCE SPECIAL EXCHANGE FUND ACCOUNT  
 STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 1952  
 (Canadian Dollars)

## ASSETS

<i>Canadian Dollars:</i>	
Cash on deposit with Bank of Canada.....	\$ 5,677,372
<i>U.S. Dollars:</i>	
Cash on deposit.....	\$ 87,480,990
Short-term securities of the U.S.A.	
Government .....	796,018,552
	<u>883,499,542</u>
<i>Pounds Sterling:</i>	
Cash on deposit.....	7,670,624
<i>Gold</i> .....	852,136,951
<i>Sundry Assets</i> .....	4,070,528
	<u>\$1,753,055,017</u>

## LIABILITIES

<i>Sundry Liabilities</i> .....	\$ 21,769	
Reserve against outstanding forward contracts .....	47,434	
	<u>\$</u>	69,203
<i>Government of Canada:</i>		
Advances from Consolidated Revenue Fund .....	\$1,925,000,000	
Earnings for quarter accruing to credit of Consolidated Revenue Fund.....	3,897,527	
Deficit to Dec. 31st, 1951.....	125,596,245	
Deficit Jan. 1st to March 31st, 1952...	50,315,468	
	<u>1,752,985,814</u>	
		<u>\$1,753,055,017</u>

I declare that the foregoing statement of the Assets and Liabilities of the Minister of Finance Special Exchange Fund Account is correct according to the books maintained under my supervision for the Minister of Finance.

Ottawa, Canada,  
 June 25th, 1952.

Chief Accountant,  
 BANK OF CANADA



