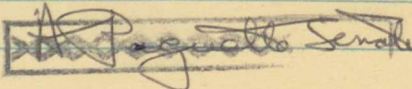


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HOUSE OF COMMONS

Second Session—Twenty-second Parliament

1955

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: DAVID A. CROLL, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

BILL 258

An Act to amend the Municipal Grants Act.

TUESDAY, MAY 31, 1955

WITNESSES:

The Honourable Walter E. Harris, Q.C., Minister of Finance; Mr. J. J. Deutsch, Assistant Deputy Minister of Finance.

STANDING COMMITTEE
ON
BANKING AND COMMERCE

Chairman: David A. Croll, Esq.

and Messrs.

Anderson	Fraser (<i>Peterborough</i>)	Mitchell (<i>London</i>)
Applewhaite	Fraser (<i>St. John's East</i>)	Monteith
Arsenault	Fulton	Nickle
Ashbourne	Gagnon	Noseworthy
Balcom	Hanna	Pallett
Benidickson	Hellyer	Philpott
Bennett (<i>Grey North</i>)	Henderson	Picard
Blackmore	Huffman	Pouliot
Cameron (<i>Nanaimo</i>)	Hunter	Quelch
Cannon	Johnson (<i>Kindersley</i>)	Richardson
Cardin	Low	Robichaud
Crestohl	Macdonnell	Rouleau
Croll	MacEachen	Stewart (<i>Winnipeg North</i>)
Dufresne	Macnaughton	Tucker
Dumas	Matheson	Viau
Fleming	Michener	Weaver
Follwell		

R. J. Gratrix,
Clerk of the Committee.

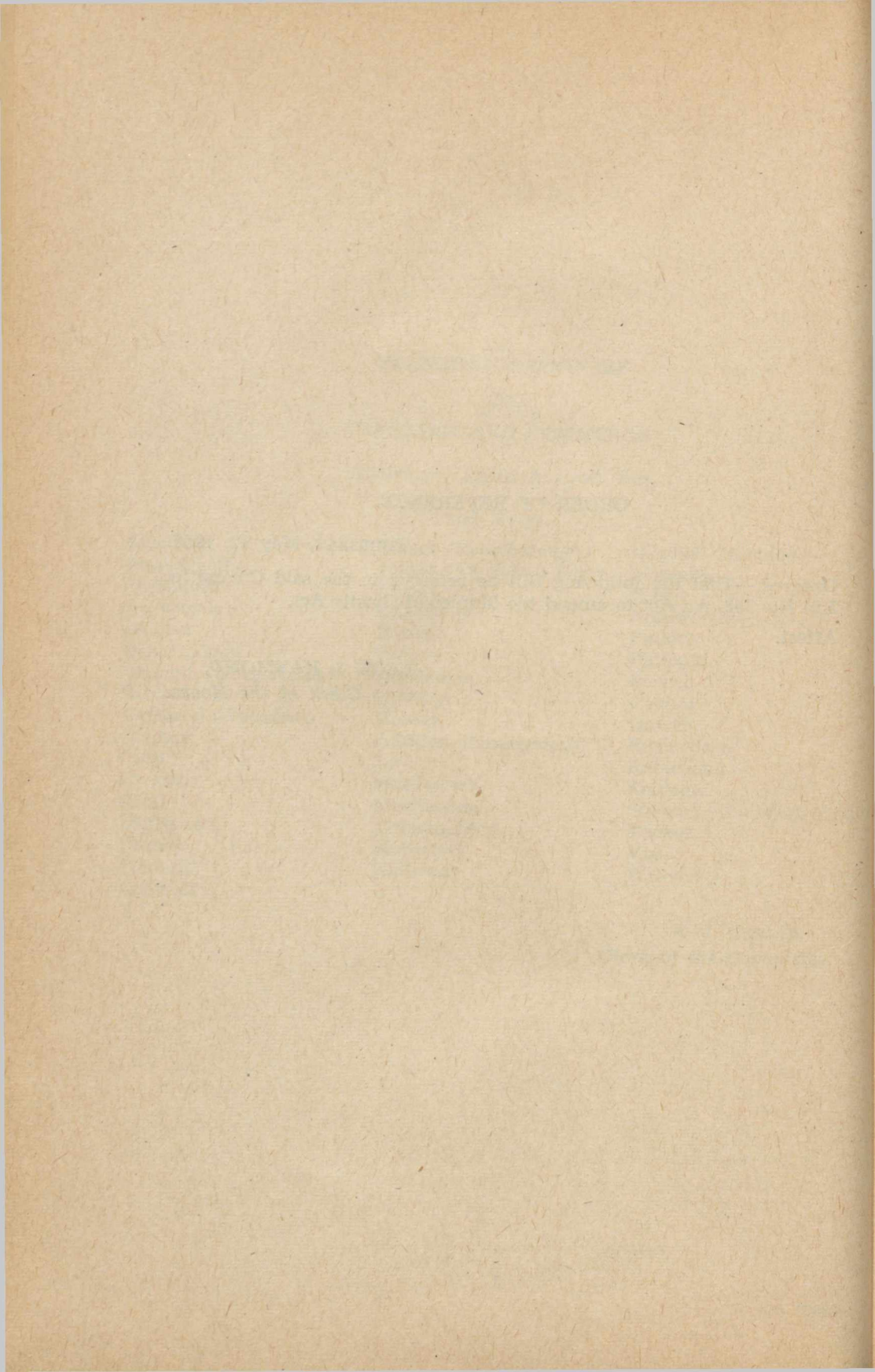
ORDER OF REFERENCE

THURSDAY, May 12, 1955.

Ordered,—That the following Bill be referred to the said Committee.
Bill No. 258, An Act to amend the Municipal Grants Act.

Attest.

LEON J. RAYMOND,
Clerk of the House.



REPORT TO THE HOUSE

WEDNESDAY, June 1, 1955

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

FIFTH REPORT

Your Committee has considered Bill No. 258, An Act to amend the Municipal Grants Act, and has agreed to report the said Bill without amendment.

Your Committee considered certain proposed amendments to Clause 6 of the said Bill, but as these amendments would result in an increased charge upon the public, your Committee is of the opinion that it has no option, under the Rules of the House and the terms of its Order of Reference, but to report the said Clause without amendment. Your Committee would, however, recommend that the Government give consideration to the advisability of introducing the following amendments to Bill No. 258:

For Clause 6 substitute the following:

6. Section 8 of the said Act is repealed and the following substituted therefor:

8. (1) A grant may, pursuant to this section, be made to a municipality in respect of real property that is

- (a) owned by Her Majesty in right of Canada,
- (b) leased to or occupied by a person who is an employee of Her Majesty in right of Canada or a member of the Canadian Forces, and
- (c) is used by such person as a domestic establishment.

(2) Subject to sub-section (3) the amount of a grant made pursuant to this section shall not be greater than a fraction of the accepted value of the property in respect of which a grant may be made under this section, such fraction to be determined as follows:

- (a) the numerator is the total amount of the real estate tax levied in the appropriate tax year, and
- (b) the denominator is the assessed value of all taxable property in the municipality.

(3) Where in preparing its budget for any tax year a municipality has not taken into account the amount of a grant that may be paid under this section the denominator of the fraction referred to in sub-section (2) shall be the assessed value of all taxable property and the accepted value of the property in respect of which a grant may be made under this section in the municipality.

(4) The Minister may, in determining the amount of a grant under this section, deduct from the amount that might otherwise be payable an amount that, in his opinion, represents the value of a service that would customarily be furnished by the municipality to the property in respect of which the grant is made and that Her Majesty does not accept in respect of that property.

(5) No grant shall be made under this section in respect of

- (a) property in respect of which a grant has been made under section 5,
- (b) property described in sub-paragraph (iv) of paragraph (c) of section 2, or
- (c) property in respect of which a real estate tax has been levied on a person described in paragraph (b) of sub-section (1).

(6) In applying paragraph (a) of section 2 to this section, the words "federal property" shall be construed as meaning property in respect of which a grant may be made under this section.

9. A grant may be made to the City of Ottawa in an amount that, in the opinion of the Minister, is a reasonable compensation for the expenses incurred by that City in furnishing services to the property referred to in sub-paragraph (vi) of paragraph (c) of section 2.

10. The Governor in Council may make regulations to provide, out of moneys provided by Parliament, grants to municipalities, other than cities, towns or villages, in amounts that, in the opinion of the Minister, represent the expenses incurred by the municipalities by reason of the existence of federal property within or near their borders.

A copy of the evidence adduced is appended hereto.

All of which is respectfully submitted.

DAVID A. CROLL,
Chairman.

(Note: The First to Fourth Reports inclusive dealt with Private Bills in respect of which verbatim evidence was not recorded.)

MINUTES OF PROCEEDINGS

Room 497,

TUESDAY, May 31, 1955.

The Standing Committee on Banking and Commerce met at 10.30 o'clock a.m. this day. Mr. David A. Croll, the Chairman, presided.

Members present: Messrs. Applewhaite, Balcom, Cannon, Crestohl, Dumas, Fleming, Fraser (*St. John's East*), Fulton, Hanna, Henderson, Huffman, Hunter, Low, Macdonnell (*Greenwood*), Mitchell (*London*), Philpott, Richardson, Robichaud, Tucker and Weaver.

In attendance: The Honourable Walter E. Harris, Q.C., Minister of Finance; and the following officers of the Department of Finance: Messrs. J. J. Deutsch, Assistant Deputy Minister, R. M. Burns, Special Assistant, D. H. Clark and C. H. Blair, officers of the Municipal Grants Division.

The Committee commenced consideration of Bill No. 258, An Act to amend the Municipal Grants Act.

On motion of Mr. Fraser (*St. John's East*),

Resolved,—That the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in respect of Bill No. 258, An Act to amend the Municipal Grants Act.

Mr. Harris made a statement on the Bill pointing out the additional benefits that would accrue to the municipalities concerned as a result of the proposed revision of the existing Act.

Thereupon, a discussion arising as to the advisability of calling representatives of the Canadian Association of Mayors and Municipalities to attend and give evidence on the said Bill,

Mr. Fleming moved:

That the Canadian Association of Mayors and Municipalities be invited to attend before this Committee and submit its views in relation to the revision of Bill 258.

After discussion, and the question having been put, the said motion was resolved in the negative.

Mr. Harris was examined on his statement and the provisions in the Bill, Mr. Deutsch answering questions specifically referred to him.

Mr. Harris tabled the following document:

List of grants made to municipalities in the fiscal year 1954-1955 under section 5 of the existing Act.

Ordered—That the said document be incorporated in this day's evidence. The Committee then commenced a clause by clause consideration of the said Bill.

Clauses 1 to 5, inclusive, were severally considered and adopted.

On Clause 6, Mr. Harris tabled the following proposed amendments:

For Clause 6 substitute the following:

6. Section 8 of the said Act is repealed and the following substituted therefor:

8. (1) A grant may, pursuant to this section, be made to a municipality in respect of real property that is

(a) owned by Her Majesty in right of Canada,

(b) leased to or occupied by a person who is an employee of Her Majesty in right of Canada or a member of the Canadian Forces, and

(c) is used by such person as a domestic establishment.

(2) Subject to subsection (3) the amount of a grant made pursuant to this section shall not be greater than a fraction of the accepted value of the property in respect of which a grant may be made under this section, such fraction to be determined as follows:

- (a) the numerator is the total amount of the real estate tax levied in the appropriate tax year, and
- (b) the denominator is the assessed value of all taxable property in the municipality.

(3) Where in preparing its budget for any tax year a municipality has not taken into account the amount of a grant that may be paid under this section the denominator of the fraction referred to in subsection (2) shall be the assessed value of all taxable property and the accepted value of the property in respect of which a grant may be made under this section in the municipality.

(4) The Minister may, in determining the amount of a grant under this section, deduct from the amount that might otherwise be payable an amount that, in his opinion, represents the value of a service that would customarily be furnished by the municipality to the property in respect of which the grant is made and that Her Majesty does not accept in respect of that property.

(5) No grant shall be made under this section in respect of

- (a) property in respect of which a grant has been made under section 5,
- (b) property described in subparagraph (iv) of paragraph (c) of section 2, or
- (c) property in respect of which a real estate tax has been levied on a person described in paragraph (b) of subsection (1).

(6) In applying paragraph (a) of section 2 to this section, the words "federal property" shall be construed as meaning property in respect of which a grant may be made under this section.

9. A grant may be made to the City of Ottawa in an amount that, in the opinion of the Minister, is a reasonable compensation for the expenses incurred by that City in furnishing services to the property referred to in subparagraph (vi) of paragraph (c) of section 2.

10. The Governor in Council may make regulations to provide, out of moneys provided by Parliament, grants to municipalities, other than cities, towns or villages, in amounts that, in the opinion of the Minister represent the expenses incurred by the municipalities by reason of the existence of federal property within or near their borders.

After discussion on the said proposed amendments, the Chairman informed the Committee that as the proposed amendments involved an increased charge upon the public, the Committee was not competent to amend the said clause but that a recommendation would be included in the report to the House recommending the proposed amendments.

The proposed amendments were adopted in principle and Clause 6 was adopted.

Clauses 7 and 8 and the Title were severally considered and adopted.

The Bill was adopted and the Chairman ordered to report the said Bill to the House without amendment and with the appropriate recommendation in relation to the proposed amendments to Clause 6.

At 12.35 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

R. J. Gratrix,
Clerk of the Committee.

EVIDENCE

May 31, 1955.
10.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum. I require a motion to print.

Moved by Mr. Fraser (*St. John's East*).

That the committee print 750 copies in English and 200 copies in French of its minutes of proceedings and evidence in respect of Bill No. 258, an Act to amend the Municipal Grants Act.

The CHAIRMAN: Does the motion carry?

Carried.

The CHAIRMAN: We have with us this morning the Minister of Finance who has a statement to make.

Hon. Walter E. HARRIS, Minister of Finance: Mr. Chairman, I made a rather lengthy statement in committee on the resolution with regard to the general purposes of the proposed amendments. I want to add one more explanation, however, because in the interval we have decided on further amendments to the bill and I think the purpose of the amendments will be clear if I read a very short statement to the committee:

The purpose of the amendment is to permit grants in lieu of taxes on Crown-owned dwellings occupied by Crown employees or members of the Armed Forces. These grants will be paid on this class of property to municipalities even though they would not otherwise qualify for annual grants because they do not contain the required 2 per cent of federal property.

Some provinces have legislation that gives municipalities authority to tax occupants of Crown-owned dwellings. This raises a number of problems and I believe the fairest method of dealing with them is for the Government to pay grants to municipalities in all provinces which grants would be, in effect, equivalent to the taxes on all such occupants. The payment will be recovered, in large part, by an adjustment in the rents charged employees who occupy Crown-owned dwellings.

In taking this step we are recognizing the fact that residential property imposes a greater financial burden on a municipality in the provision of municipal services generally than do other classes of property. The effect of this, for example, would be that municipalities such as the town of Chambly, Quebec, or the city of Peterborough, Ontario, both of which I think are below the 2 per cent level, would nevertheless qualify for payments in lieu of taxes on federal dwellings located there.

FURTHER AMENDMENTS TO MUNICIPAL GRANTS ACT

8. (1) A grant may, pursuant to this section, be made to a municipality in respect of real property that is

- (a) owned by Her Majesty in right of Canada,
- (b) leased to or occupied by a person who is an employee of Her Majesty in right of Canada or a member of the Canadian Forces, and

(c) is used by such person as a domestic establishment.

(2) Subject to subsection (3) the amount of a grant made pursuant to this section shall not be greater than a fraction of the accepted value of the property in respect of which a grant may be made under this section, such fraction to be determined as follows:

- (a) the numerator is the total amount of the real estate tax levied in the appropriate tax year, and
- (b) the denominator is the assessed value of all taxable property in the municipality.

(3) Where in preparing its budget for any tax year a municipality has not taken into account the amount of a grant that may be paid under this section the denominator of the fraction referred to in subsection (2) shall be the assessed value of all taxable property and the accepted value of the property in respect of which a grant may be made under this section in the municipality.

(4) The Minister may, in determining the amount of a grant under this section, deduct from the amount that might otherwise be payable an amount that, in his opinion, represents the value of a service that would customarily be furnished by the municipality to the property in respect of which the grant is made and that Her Majesty does not accept in respect of that property.

(5) No grant shall be made under this section in respect of

- (a) property in respect of which a grant has been made under section 5,
- (b) property described in subparagraph (iv) of paragraph (c) of section 2, or
- (c) property in respect of which a real estate tax has been levied on a person described in paragraph (b) of subsection (1).

(6) In applying paragraph (a) of section 2 to this section, the words "federal property" shall be construed as meaning property in respect of which a grant may be made under this section.

The CHAIRMAN: Are there any questions on that particular aspect of the bill.

Mr. APPLEWHAITE: There is one rather obvious question that I would like to ask the minister. What arrangements are being made to ensure that when this goes into effect the provincial tax on the occupant becomes inoperative?

Hon. Mr. HARRIS: We will have to deal with the provinces on that basis. As a matter of fact the situation has arisen in Ontario, and we are going to deal with it on that basis in all provinces even if they do not have that legislation—a great many have not at the moment. We are doing it this way to cover all the provinces.

Mr. MACDONNELL: I think I should raise a general question at this point. It is clear that what the minister proposes to do is just to assume that all principle of this Bill is settled and to deal with the detailed changes as set out in the Act, point by point, but I had hoped that we might begin by a survey of the background of this whole matter, and indeed Mr. Fleming has a suggestion which he wants to make that we should have a representative of the municipalities here to appear before the committee, but before Mr. Fleming speaks to that I would like to make one or two general observations.

If we are here merely to deal with a few minor changes in this bill, that is one thing, but if we are to have the attitude of the government explained to us in the light of the progressive difficulties of the municipalities, and if the

whole background of the general question is to be raised, that is another question, and it seems to me that the wider implications should be examined before we come to the explanation of the details.

For example, I want to know more with regard to the government's approach to this matter. One specific question that I want to ask is whether they have figured out what their total contribution would be if they paid an amount equivalent to what their tax would be. They are, of course, increasing the amount they are going to give by this reduction from a 4 per cent to 2 per cent, but it is still such a trickle—it still seems to be just a drop in the bucket compared with what we believe the needs of the municipalities to be, and for that reason I want to ask certain questions. I want to know, for example, what amounts are being paid now. I want to draw the attention of the committee to the fact that we seem to have departed now from the note set in the Speech from the Throne which said:

A joint committee of both houses will be proposed to examine, in the light of the Municipal Grants Act and possible amendments thereto, the financial and other relationships of the government and the Federal District Commission with the city of Ottawa and neighbouring municipalities.

That is only a detail, but an important detail, and other things seem to enter into this as well. . .

The CHAIRMAN: You ask the questions; they will answer. The hearing is wide open and there are no limitations.

Mr. MACDONNELL: Yes, but there is a point which arises here and which Mr. Fleming is raising, and I will ask him to take it up with the committee now because it goes to the root of the whole matter.

Mr. FLEMING: It ties in closely with what Mr. Macdonnell has been saying. I think the only purpose of having the bill referred to this committee was that there might be a wider inquiry and that we might hear representations from the municipalities themselves, or from their own association which acts as a spokesman in relation to municipal problems—the Canadian Association of Mayors and Municipalities. It seems to me that on an occasion of this kind we should certainly invite them to come here and submit their views to us. There is nothing in this proposal to which serious objection could be taken, and it would certainly add greatly to the usefulness of an inquiry of a committee of this kind into a measure such as the one before us. It would not take long, surely, for them to arrange representation here. They could send their president, or Mr. Mooney to assist us in this inquiry. There are few enough opportunities for them to put their opinions and their views before parliamentary bodies, and here is one sitting here now to deal with a problem which is of the greatest moment to all the municipalities in this country, and it seems to me a capital opportunity for us to obtain their assistance, particularly as this would enable us to do a more effective task in regard to the bill which the House has referred to us.

Hon. Mr. HARRIS: Mr. Chairman, in deciding to refer this bill to this committee I did not know that we were going to engage upon a study of the municipal taxation problem and hear representations from the municipalities. The Speech from the Throne, as Mr. Macdonnell has indicated, did suggest that we would have a special joint committee of both houses to consider this matter but as the Prime Minister announced in the House some time ago it was not found possible to arrange for that extra committee with all the other work going on, and for that reason, and as a means of studying the terms of this bill—which I gather from the discussion on second reading were not too fully understood—it was decided to send it here for consideration; but not for

Mr. MACDONNELL: But you have arrived at a figure as to the average—four per cent. You must have had figures before you as a basis for making that calculation.

Hon. Mr. HARRIS: That was a sample job on special municipalities and did not involve the grand total.

Mr. MACDONNELL: I asked if you could give me the total value of federal property in the municipalities.

Hon. Mr. HARRIS: In answer to your earlier question, Mr. Macdonnell, in the course of the debate on second reading you said you thought that if the Federal government paid 100 cents on the dollar for all property the bill would run between \$12 and \$14 million.

Mr. MACDONNELL: No. I think I said around \$25 million. I based that figure on a very simple calculation which, perhaps, is subject to qualification. I took the four per cent figure which we had respecting average Federal government ownership. Next I took the total amount reported as raised in real estate taxation and applied the percentage. I realize it was a very rough estimate. I used that two years ago and it was not questioned then, and I used it on the second reading of the Bill this time. I put the figure forward tentatively at the outset because I was surprised at the smallness of the amount when it is calculated on that basis, and I would certainly like to know exactly the scope of the problem. There is no sense in our discussing it until we have some idea of the general scope. Will you give us whatever figure you have? How was the sampling which you spoke of done, and how accurate can we take this figure of four per cent to be? It does not matter much whether it is four per cent or four and a half per cent, but it does matter whether it is four per cent or fourteen per cent.

Hon. Mr. HARRIS: As I said, we have not got the figure of the total assessed value of all federal property in all the municipalities.

Mr. MACDONNELL: You have not assembled that information? You must have it?

Hon. Mr. HARRIS: That is right.

Mr. MACDONNELL: Will you explain to us how you estimated the size of your problem. That four per cent figure had some validity presumably?

Mr. J. J. DEUTSCH, *Assistant Deputy Minister, Department of Finance*: As I understand it, sir, when the first Bill was drawn up the decision was that we would not pay grants in lieu of taxation on what was regarded at that time as an average concentration of the federal property in a community; we would only pay grants if there were a concentration above what might be regarded as an average or normal figure, and it was then decided that four per cent represented a figure which would not be an undue concentration of property.

Mr. MACDONNELL: How was that figure of four per cent arrived at? How did you arrive at that figure?

Mr. DEUTSCH: They took a sample of a number of communities where there was federal property—representative areas—and came to the conclusion that four per cent was not an undue concentration.

Mr. MACDONNELL: Who carried out this inquiry? You say "they" did. Who were "they"?

Mr. DEUTSCH: The staff of the Department of Finance.

Mr. MACDONNELL: Can you elaborate with regard to the figure? I have perhaps been taking that figure too seriously.

Mr. DEUTSCH: There was a questionnaire sent around to a number of municipalities inquiring about the relationship between the amount of federal property in a municipality as against all the property in the municipality and on the basis of this study a decision was reached that federal property up to four per cent would not be regarded as an undue concentration of federal property and the theory was then that we would pay grants in lieu of taxation on an undue concentration, and four per cent was regarded as a "floor" below which there would not be an undue concentration.

Mr. FLEMING: I am struck by the way in which you have avoided the word "average" and use the words "undue concentration". Would you enlarge on this matter of the sampling? How many municipalities were involved in the operation?

Mr. DEUTSCH: An attempt was made then to get in touch with all the municipalities in which we had property. The questionnaire was, I think, sent to all of them. I am not sure whether we got answers to all of them, but most of them were answered.

Mr. FLEMING: How many answers did you get?

Mr. DEUTSCH: I think we sent questionnaires to some 1200 municipalities and we got answers from most of them. I do not remember just what the figure was now.

Mr. FLEMING: These were representative municipalities in size and geographic distribution?

Mr. DEUTSCH: Yes.

Mr. FLEMING: When was that sampling taken?

Mr. DEUTSCH: In 1949.

Mr. FLEMING: Six years ago?

Mr. DEUTSCH: Actually the figures appertain to 1947.

Mr. FLEMING: What did the result of your sampling show—the average proportion of federally owned property against the bulk total of assessable property in the municipalities?

Mr. DEUTSCH: Actually you could get several averages depending on what federal property you included as eligible for this grant. Under the Act it is federal property *as defined*. We do not take into account everything which the Federal government owns. For instance, Crown company property is not included for the purpose of these grants because Crown companies generally make their own arrangements about taxation. In addition there is other taxable property which is excluded by definition—property such as parks and defence bases of various kinds—harbour property and things of that sort. The average you get depends on what you include. The kind of figures that were taken for the purpose of arriving at this average here were in accordance with the definition which is now in the Act, and on that basis the average at that time was around four per cent.

Mr. MACDONNELL: That was on a very special definition. Would it be fair to say that that had no relation to the municipal burdens involved—the fact that you greatly limited your definition of federal property did not affect the fact that from the municipality's point of view it might be a very much larger figure?

Mr. DEUTSCH: That depends. A lot of this property which is not included in the definition is the type of property which does not receive municipal services. We have a great deal of property—which does not receive municipal services; they are services which we ourselves provide. The definition is so framed that we do not include property with regard to which in fact there are no municipal services or where we ourselves supply municipal services.

Mr. FLEMING: To come back to this again, Mr. Deutsch: I draw attention to the fact that you are avoiding the use of the word "average". Do I take it now that the result of the sample survey was to show that as to the restricted definition of Crown property on which you were working the average of such property as against the total of assessable property in the municipalities was in fact four per cent?

Mr. DEUTSCH: I am not using the word "average" directly because so much depends on what your definition of federal property is.

Mr. FLEMING: Within the definition you have given . . .

Mr. DEUTSCH: Within that definition you could say that the conclusion reached as a result of the last survey was that a concentration of four per cent would be a rough average concentration. That is on the definition we used, and we used it in the sense that we regarded that as a "floor" and as a figure which did not represent an undue concentration. Anything above four per cent could be regarded as an undue concentration of property, and it was on that undue concentration that it was decided to pay a grant.

Mr. FLEMING: You make it clear now that you arrived at your definition of what was an undue concentration by taking an average. Anything above the average, which you found to be four per cent on this restricted definition, was regarded as an undue concentration. Conceding that there is a great deal of Crown property in each municipality which does not require to have services provided for it, have you obtained any figure as to the proportion of all Crown property, or of the proportion of Crown property less that of the Crown corporations as against the total of municipal assessments—in other words a figure based on a different definition of Crown property?

Mr. DEUTSCH: We have some figures; I have not got them here unfortunately. If you included other types of Crown property beyond those included in the definition under the Act the average percentage would of course go up. We have got averages ranging anywhere between four per cent and eight per cent depending on what is included in the definition.

Mr. FLEMING: May we take it that eight per cent would be the approximate proportion?

Mr. DEUTSCH: I would not like to say that because the original survey was taken a long time ago; and, secondly we did not get answers from all the municipalities. Therefore, I would not like to give any precise figures as to what the total of federal property might be in the widest definition as compared with all property in the municipalities. We have not got that figure precisely.

Mr. MACDONNELL: You are really working on a figure which is several years old?

Mr. DEUTSCH: The survey was made back in 1949 and it refers to the figures of 1947.

Mr. MACDONNELL: What have you done to keep them up to date?

Mr. DEUTSCH: Since the Act has been in effect we have simply carried out the Act as laid down in parliament. We have considered applications from municipalities who consider that they have a concentration of more than four per cent, and if we found that to be the case grants were paid.

Mr. MACDONNELL: You have had new municipalities come in since on that basis?

Mr. DEUTSCH: Yes, every year new municipalities come in. Because of the increase in the amount of federal property they may consider themselves as coming within the definition and make application.

Mr. MACDONNELL: Do you ever figure out what your grants would have been if you had based them on the amount of taxation on all your property?

Mr. DEUTSCH: Full taxation?

Mr. MACDONNELL: Yes.

Mr. DEUTSCH: We have made some rough calculations. I think the minister has indicated that if we paid tax on the full amount of property as defined in the Bill it would be somewhere around \$12 or \$14 million.

Mr. MACDONNELL: My figure was double that.

Mr. DEUTSCH: You might have based your calculation on a different definition.

Hon. Mr. HARRIS: Yes, Mr. Macdonnell based his figure on the total assessment of the municipalities.

Mr. MACDONNELL: I was working on the basis of the four per cent.

Mr. DEUTSCH: This figure of \$12—\$14 million is in accordance with the definition of federal property contained in this Bill, and of course that excludes certain properties.

Mr. FLEMING: I have one further question to ask on that point. Are there survey figures available which would enable you without too much difficulty to make an analysis on the basis of which you could answer the question I was asking, namely the proportion of federally owned property as against the bulk of municipal assessments if you included Crown property other than that defined more narrowly in the Act?

Mr. DEUTSCH: We have not got the figures up to date. Since the last survey was made in 1949 there has been a great deal of federal construction, particularly of defence installations and I am afraid the figures which we had some years ago would be quite out of date.

Mr. FLEMING: But taking them for what they are worth as of that date, could you give us a rough estimate based on other definitions?

Mr. DEUTSCH: I think it would be interesting to have that information if you do not mind getting it for us. Then I was wondering if in the light of the fact that you have not made any subsequent surveys or attempted to relate the accepted "floor" to the continuing figures, whether you think that such a survey would be desirable or helpful now? I realize you are dropping your "floor" from four per cent to two per cent and that may answer the problem in part, but you have pointed out that there has been a great deal of federal construction, and I am wondering now if anyone is in a position to form any estimate of what is likely to be the true average today.

Mr. MACDONNELL: In that connection would not such an inquiry have a certain relevance having regard to the conference which is due to take place later in the year and the great interest which the municipalities have in this matter?

Mr. DEUTSCH: You mean a survey of all property owned by the Crown irrespective of the definitions which is used in this Bill?

Mr. FLEMING: Either way. Take it, anyway, on the basis of your definitions to see how the trend might have gone. I can understand that even if four per cent was the average on the basis of your restricted definition in 1947, nevertheless with the Federal government embarking on a big program of construction in the intervening years four per cent might be quite inaccurate now, and your average might therefore be a good deal more.

Mr. DEUTSCH: It is hard to say, Mr. Fleming, because there has also been a great deal of other construction in that period. This is a relative figure. There has also been a tremendous amount of private construction.

Mr. FLEMING: Has anybody in your department been making any study in relation to such a trend? Is anybody in a position to offer any opinion or any factual comment today on the relevance of the average of four per cent which was arrived at on the basis of the 1947 figures?

Mr. DEUTSCH: We have not got an up-to-date study on this question. No.

Mr. FLEMING: So the drop from four per cent to two per cent is not related to any particular study—it is an arbitrary figure which has been taken?

Mr. DEUTSCH: No, I understand that the dropping of the percentage figure from four per cent to two per cent is, rather, in response, Mr. Minister, to representations from the municipalities that the grants should be liberalized.

Mr. FLEMING: Have you put a proper definition on that word “liberal”?

Mr. DEUTSCH: “Liberal” with a small “l”.

Mr. FLEMING: I think you made it clear that the drop is not related to any study or to any percentage figure. It is an arbitrary reduction which has been selected—a reduction from four per cent to two per cent. Is that correct?

Hon. Mr. HARRIS: Arbitrary within the limits of the budget and our financial position.

Mr. FLEMING: I quite follow that. But it is not related to any broad principle.

Hon. Mr. HARRIS: I cannot improve on Mr. Deutsch’s definition.

The CHAIRMAN: Except perhaps to suggest that—as I am sure the committee feels—the ultimate aim is full payment.

Mr. FLEMING: Is that government policy?

The CHAIRMAN: The ultimate aim.

Mr. FLEMING: The minister has a very good opportunity to endorse your statement right now.

The CHAIRMAN: I ask for no endorsement.

Mr. PHILPOTT: I have two quite simple questions to ask. How much has Ottawa been getting in the past, and how much will she get under this Bill? How much has Vancouver been getting, and how much will Vancouver get now?

Hon. Mr. HARRIS: At the moment Ottawa is getting \$1,422,237 and it is estimated that it will run between \$2,450,000 and \$2,570,000 depending on certain uncertainties not yet cleared up. In the case of Vancouver, Vancouver has not been eligible up to the present but with this amendment the city will become eligible. I will have to supply you with the figure in a moment.

Mr. HUNTER: Will Toronto become eligible?

The CHAIRMAN: May I suggest this: The minister has a list of the municipalities which are eligible, setting out the amounts which they received last year. May I suggest that this should be put into the records?

Agreed.

SECTION 5

CALCULATION OF 1954 GRANTS

	1954 Grant Actual
P.E.I. — Charlottetown	\$ 1,861
Georgetown	222
N.S. — Halifax	363,706
Amherst	6,641
Canso	3,187
Dartmouth	45,297
Kentville	6,214
Parrsboro	1,230
Pictou	5,395
Wolfville	2,283
N.B. — Fredericton	43,318
Moncton	30,587
Saint John	80,791
Lancaster	34,664
Chatham	9,093
Newcastle	7,276
Que. — Hull	86,637
LaSalle	34,008
Lauzon	4,195
Senneville	5,921
Ont. — Ottawa	1,427,237
Cobourg	47,105
Geraldton	31
Gloucester	6,801
Kingston	42,323
Little Current	3,660
Nepean	20,079
Prescott	6,544
Man. — St. James	1,632
Swan River	608
Sask. — Prince Albert	6,276
Fort Qu'Appelle	4,544
Ituna	293
Scott	1,473
Alta. — Calgary	30,180
Leduc	617
Strathmore	716
B.C. — New Westminster	28,362
Delta	13,274
Richmond	15,393
Saanich	2,492
Y.T. — Whitehorse	9,117
N.W.T.—Hay River	1,479
Yellowknife	3,866

NOTE: The following municipalities which were eligible for grants in 1954 have been excluded from the above list. In most cases this is because 1954 grants have not yet been calculated and accurate estimates cannot be made.

Nfld.—St. Johns
 N.S.—North Sydney
 Que.—St. Jean
 St. Vincent de Paul
 Ont.—North York
 B.C.—Kent
 Y.T.—Dawson

The District of Central Saanich, B.C., which is not in the above list received a grant in 1954 but will not qualify under the new formula owing to the exclusion of Indian Reserves which constitute nearly all of their federal property.

Mr. MACDONNELL: Could the minister not give us the information now with regard to the larger sums—the sums over \$1 million?

Hon. Mr. HARRIS: There are no others over \$1 million.

Mr. MACDONNELL: Are there any over \$500,000?

Hon. Mr. HARRIS: No. Of those now receiving grants, the next largest is Halifax, with \$363,000, which will increase to \$670,000 under these proposals.

Mr. MACDONNELL: Is any different principle applied in the case of Ottawa which accounts for this huge increase or is it merely because of the quantity of federal property in the city?

Hon. Mr. HARRIS: It is merely the increase under the formula which has been established.

Mr. APPLEWHAITE: Can the minister tell us what is the usual procedure on the part of the provinces in reimbursing the municipalities for properties held in the name of the Crown in right of the provinces? How does that method of procedure compare with our own? Is it a reasonably uniform method?

Hon. Mr. HARRIS: I am told there is no uniformity. In some provinces they do pay on some property, and in others they do not pay, and in most cases they do not pay on the whole property.

Mr. APPLEWHAITE: One more question in order that the minister may see what I am getting at: Is their payment by statute or as a matter of grace, or does it admit a legal right?

Hon. Mr. HARRIS: I think they are all made as a matter of grace.

Mr. FLEMING: It could not constitutionally be otherwise, I think you will agree.

The CHAIRMAN: There is no difference between our position and their position.

Mr. FLEMING: The constitutional position has been made clear from time to time as I think the minister will agree.

Hon. Mr. HARRIS: That is right.

Mr. HANNA: We have talked a great deal about the urban municipalities. I would like to ask a question about the position with regard to the rural municipalities. I understood when these amendments were being introduced that provision would be made to reimburse rural municipalities for damage to their roads caused by military vehicles. I have been looking through the amendments and I cannot find any particular amendment to that effect. I wonder if the minister would care to comment on that subject?

Hon. Mr. HARRIS: If you refer to clause 6 which amends sections 8 and 9—as I say, I have another amendment to it which repeals the whole of clause 6 in this bill and constitutes what is there plus certain other things.

Mr. HANNA: Do I gather from that that provision will be made to reimburse rural municipalities?

Hon. Mr. HARRIS: Perhaps we could deal with that when we come to the particular section.

Mr. CRESTOHL: Can the minister tell us how the organization of the municipalities has been informed about this Bill coming before us? How would they be made aware of it?

Hon. Mr. HARRIS: You may recall, Mr. Chairman that this change was forecast over a year ago and that we had a notice of motion on the order paper with respect to the amendment to the Municipal Grants Act which was not proceeded with; but Mr. Abbott did say about a year ago that the Bill would be proceeded with at the coming session. It was announced in the Address from the Throne. I think all the municipalities have been aware of it for over a year.

Mr. CRESTOHL: The second question which I wanted to ask, Mr. Chairman, was this: Have any requests been submitted to the government by these municipalities, or any of them, to the effect that they wanted to be heard on these amendments?

Hon. Mr. HARRIS: I do not recall any. As I said before I have had a great many representations from municipalities for a more generous grant under the Municipal Grants Act but I do not recall any requests to appear before any parliamentary body, nor for that matter do I recall them asking to come and see me.

The CHAIRMAN: As I recall it, the day the minister made the announcement on second reading the Mayoress of Ottawa was in the gallery and appeared to be very pleased. I am sure the other municipalities would have concerned themselves about this matter if there had been any difference of opinion.

Mr. APPLEWHAITE: The minister has I think, put a very ambiguous answer on the record. He said he had received many requests from municipalities for increased grants, or for more favourable terms of assistance but he did not say whether he received those requests since the introduction of this Bill or before the introduction of this Bill.

Hon. Mr. HARRIS: I have not had any communications since the introduction of this Bill, and my staff tell me that they do not recall any representations coming in.

Mr. FLEMING: I do not see that there was any ambiguity in what the minister said. He just said they did not ask about making representations to a parliamentary committee.

Mr. MACDONNELL: I was just going to comment on something that Mr. Crestohl said. I imagine that when the Bank Act was under consideration a year ago you did not just leave the position as one of "catch as catch can" for people to come or not. You invited people. But I am not going to stress that aspect of the matter.

I want to ask how much was actually paid last year in grants and what will be the amount to be paid this year?

Hon. Mr. HARRIS: Payments last year amounted to \$3,047,440.24.

Mr. MACDONNELL: That was the total for the full fiscal year?

Hon. Mr. HARRIS: That is right, but our estimate is about \$6 million for this year.

Mr. MACDONNELL: In other words it is half your \$12 million calculation which is arrived at by a restricted definition on percentage, and it is about a quarter of my calculation based on the four per cent figure overall.

The CHAIRMAN: And almost double what they got last year—I just want to finish your observations.

Mr. MACDONNELL: Oh, twice nothing is nothing.

The CHAIRMAN: Three million dollars more. I remember how you complained when Mr. Howe said: What's a million dollars?

Mr. MACDONNELL: Compared with the number of municipalities across the country.

Does this have any affect on the situation of the Crown corporations, or are they left absolutely free? Are the municipalities at arms length with them and free to arrive at a deal with them in the same way as with anybody else?

Hon. Mr. HARRIS: The Crown corporations are free. They are of course paying taxes in addition to what we are granting, and municipalities make their own arrangements in the normal course of affairs.

Mr. MACDONNELL: Has the department any knowledge as to whether in fact the arrangements which are made show that they pay normal rates or not?

Hon. Mr. HARRIS: We have no information on that.

The CHAIRMAN: Except that Mr. Murphy in speaking of the Polymer Corporation has often intimated that Sarnia is well treated, I would think that represented the normal pattern.

Mr. MACDONNELL: It doesn't though.

Mr. FLEMING: This is one point on which we should have the views of the municipalities because it is my understanding—not just based on opinion—that the municipalities have to accept virtually whatever the crown decides will be the assessment. The Crown need not accept the assessment by the municipality just as the Crown has the right to say whether it will make a grant in lieu of taxes or not, it being purely a matter of grace; so the Crown reserves the right to say what will be the amount of assessment on which taxes will be paid.

Hon. Mr. HARRIS: You do not disagree with that practice?

Mr. FLEMING: Of course the constitutional position is that the Crown cannot be taxed by the municipality. That is the position. But what I am dealing with is any suggestion that the amount that the Crown grants as a matter of grace in this situation is the same amount as would be paid on the same property if that property were privately owned.

Hon. Mr. HARRIS: You did not answer my question, Mr. Fleming. Do you disagree with the way we are doing it?

Mr. FLEMING: I disagree with any pretence that this is giving the municipality the full benefit of taxation—on Crown property—that is, the amount which could be derived from this property if it were privately owned.

Hon. Mr. HARRIS: I note that Mr. Deutsch did not say for me that the municipalities were in fact receiving full payment by way of taxes on property. It has always been made clear that we reserve the right to negotiate with the municipalities and in fact to convince them of an assessment, and so far as I know that principle has not been objected to by anyone either at this table or in the House of Commons.

Mr. MACDONNELL: I take it that the minister was not implying we were asking him to be bound absolutely by every municipal assessment. On the other hand it seems reasonable to ask what method the department uses in arriving at its assessment.

Hon. Mr. HARRIS: We follow the usual procedure of assessment of property which is followed by the municipal corporations. Let us admit it—we disagree with them on some of the assessments which they would impose.

Mr. MACDONNELL: You put in your own officials to decide assessments in every case?

Hon. Mr. HARRIS: That is right.

Mr. FRASER (*St. John's East*): It has been very satisfactory in Halifax.

Mr. HENDERSON: Further to what Mr. Hanna said a little while ago when he referred to the amendment regarding rural municipalities, I would like to say a few words on behalf of the township of Pittsburgh which is directly east of Kingston. They are I think in a unique position. They have government property assessed at \$5,534,000, and a quarter of that is living quarters. Even taking into consideration the fact that the primary schools are part of the army establishment, I would like to bring the position to the attention of the minister and his staff. We must consider the case of a soldier deserting his wife and family or his mother-in-law, become indigent and dependent on the municipality, and the same applies to hospital care. There is no hospital in this municipality and the sick must go to Kingston hospital, if they cannot pay the cost must be paid by the township. The problem now presents itself with regard to high schools. There is no secondary school in this community and education facilities must be arranged through the city of Kingston. I would just like to bring these things to the attention of the minister in the preparation of the amendment.

Hon. Mr. HARRIS: The amendment which I read through at the opening of this meeting does increase considerably the tax revenue of that municipality.

Mr. HANNA: May I ask one further question? I have here a file of a certain municipality which is claiming damages to its roads by military vehicles as far back as 1951. Will the amendment provide for any retroactive payment?

Hon. Mr. HARRIS: I think, Mr. Chairman, that we do not provide retroactive legislation unless there is good reason for it, and the present bill does not provide for it.

Mr. HANNA: Is there any possibility of this municipality having its claim paid by the Department of National Defence in respect of damage done in the past five or six years?

Hon. Mr. HARRIS: I will speak to my colleague with respect to that.

The CHAIRMAN: Hope springs eternal. Gentlemen, are there any further questions of a general nature before we look at the bill itself?

Mr. FLEMING: Can the minister say a word about the mechanics of administration?

Hon. Mr. HARRIS: In what respect?

Mr. FLEMING: How are they handled—just take a case and carry it through.

Mr. DEUTSCH: The usual procedure, Mr. Fleming, is that a municipality which feels it is entitled to a grant under the provisions of the Act makes an application on a form prescribed and sets out the information required. That information is then checked and if any questions of assessment arise with regard to federal property, those are discussed by the staff of the Municipal Grants Branch with the representatives of the city, and finally agreement is reached on what is the proper assessment of federal property, and then a calculation is made according to the formula and a cheque is sent.

Mr. FLEMING: Do you pay by one annual cheque or by payments corresponding to payments made by the taxpayers of the municipality?

Mr. DEUTSCH: Usually in one annual cheque, although in the case of Ottawa there have been some interim payments made.

Mr. FLEMING: The first question you have to ask in a situation like that is the relation of the municipality to your four per cent formula—now, of course, to the two per cent formula. In a situation of that kind do you inquire into the total assessment of the municipality?

Mr. DEUTSCH: Yes sir, we do.

Mr. FLEMING: What check do you make on the assessment of the municipality in a case like that?

Mr. DEUTSCH: We just examine the assessment roll.

Mr. FLEMING: You really don't check into the municipal assessments—you in effect accept the municipal figures as to the total assessment and then go on to have your quarrel, or reach your agreement as the case may be with regard to the proper assessment of Crown owned property?

Mr. DEUTSCH: We try to find out the method used by the municipality in reaching its assessment and then we try to use that same principle and apply it to the federal property—in other words to make the assessments on the same basis.

Mr. FLEMING: You take account of the fact that there is quite a wide difference in the bases of assessment among the municipalities?

Mr. DEUTSCH: We recognize that, but in each municipality we are only concerned to see that the principles used in assessing federal property are similar to the principles used in assessing property in general.

Mr. FLEMING: It is quite clear you would have to apply the same basis in the assessments, but I was wondering if you concerned yourselves to any degree with the different bases of assessment among the different municipalities.

Mr. DEUTSCH: No, we do not.

Mr. Low: I would like to pursue further this matter of objective. Is the two per cent rate that has now been chosen and embodied in this bill related to any ultimate objective?

Hon. Mr. HARRIS: I think constitutionally, Mr. Chairman, each session of parliament is autonomous and sovereign, and one cannot say now what they might do.

Mr. Low: Am I to assume then Mr. Chairman that the objective will be set by the pressure put on the government by the municipalities of the country?

Hon. Mr. HARRIS: I do not recognize any of the communications which I have received as being pressures. I recognize them as being representations by public spirited persons and corporations for the purpose of trying to bring about the good government of Canada.

Mr. Low: Does the minister see any difficulty in the administration of the Act if the "floor" were to be set at a much lower figure than it is at present—let us say one percent or one half of one per cent, or even a grant in lieu of 100 per cent taxes?

Hon. Mr. HARRIS: I think Mr. Chairman that the answer is fairly obvious. We began this in 1950 which is only five years ago, and we are making this change in the light of a few years experience and one would expect that as experience is gained in the practice of these things it will become easier to administer the grants, and if it was decided to increase them it would be correspondingly easier to do so because of the experience in the past.

Mr. MACDONNELL: In arriving at your percentage—finding out whether a municipality is qualified—you take the municipal assessment, then when you have decided whether it is qualified or not you go in and make your own assessment. On what basis do you make that assessment?

Mr. DEUTSCH: What we do is this: when the application is received and they give us their information regarding the total assessment and the assessment they put on federal property we make sure that the principle used in assessing the federal property is comparable with and similar to the principles used in the assessment of the rest of the municipality.

Mr. MACDONNELL: That is in order to find out whether they are qualified. Now what is the next step?

Mr. DEUTSCH: The next step is to determine what the assessment on the federal property would be on the principles which have been applied generally in the municipality, and that assessment is taken as the basis for calculating the grant.

Mr. MACDONNELL: Would you mind going back and stating again how you act when you come to determine the assesment?

Mr. DEUTSCH: When we are satisfied that the assessment on the federal property is on the same principle as they have applied on property generally, and we have the figure of what the assessed value is, based on this principle, then the formula is applied and we pay the grant—in other words they are given a grant related to the amount which is in excess of the four per cent "floor".

Mr. MACDONNELL: But supposing they had a rate of assessment which you regarded as highly inflated, and much higher than the next municipality?

Mr. DEUTSCH: That is accepted. We simply accept their principle of assessment and their tax rates.

Mr. FLEMING: The reason being that you are working on a percentage in that particular municipalty?

Mr. DEUTSCH: Yes. It may have a low assessment and a high mill rate, or it may have a high assessment and a low mill rate.

The CHAIRMAN: What you are saying in effect is "what is good for the taxpayers of a municipality is good for the government. If they accept it we accept it". I think it is commendable to do it that way.

Mr. APPLEWHAITE: You finish up by placing the Crown on exactly the same basis as any other taxpayer?

Mr. DEUTSCH: That is the attempt which is made—to try to assess federal property on a similar basis to that on which other property is being treated within that municipality.

The CHAIRMAN: Gentlemen, will you look at your copies of Bill No. 258, and in particular at clause one. Shall clause one carry?

Mr. FULTON: This is purely a problem of draftsmanship, but I wonder if an attempt could not be made to put the amendments in subclause 2 into clauses 6 and 7 instead of having them here because as far as I can make out they are applicable only to those two clauses. In trying to follow this Bill I found it extremely confusing and I think it would be clearer to follow the order I have suggested.

Hon. Mr. HARRIS: Obviously we try to put the definitions into the definition section but we will have a look at the suggestion.

Mr. MACDONNELL: It seems to me that these new words which are underlined might be extremely difficult to interpret:

without regard to any ornamental, decorative or non-functional features thereof.

I suppose one could imagine things like parks and places of that kind, but could we be given an illustration of what is meant by that phrase? Suppose that this building in which we are now sitting were under consideration.

Hon. Mr. HARRIS: That is, of course, dealt with separately. I think, Mr. Macdonnell that there is considerable law on this particular point, and that the municipalities have not been able to charge full rate of assessment on ornamental features on office buildings where the owners have laid out considerable money on expensive fronts and things of that kind which do not in fact increase their value for the purposes for which the buildings were intended. There was a recent case in the city of Montreal where the Sun Life Building was assessed on its value based on its usefulness plus the cost, so to speak, of its additional ornamentation, and the Privy Council ruled in favour of Sun Life that they could not be assessed in that manner. The purpose is to make it clear that in this, as in ordinary municipal assessments, special ornamental features will not be assessed at full value.

Mr. FLEMING: The minister retains the final right of decision to say what is ornamental or non-functional.

Hon. Mr. HARRIS: That is right.

Mr. APPLEWHAITE: This would make the National War Memorial non-assessable.

Hon. Mr. HARRIS: That is right.

Mr. FULTON: Paragraph 4 raises an interesting point. As I read the definition it looks as if the east block and the land on which it stands, as well as the west block and the land on which it stands within the grounds of the parliament buildings will not be excepted.

Hon. Mr. HARRIS: As to it being excepted, our parliament building is named in the opening words of that clause, as well as the lands comprising, or the lands on which we have the buildings, which extend from Wellington street through to the Ottawa river.

Mr. FULTON: Why are not the east block and the land on which it stands, and the west block and the land on which it stands not excepted?

Hon. Mr. HARRIS: We except the parliament building as such because of the nature of its use. Whereas the east and west blocks are normally offices of the government, this is a parliamentary establishment.

Mr. FULTON: Surely the complete set of parliament buildings should be treated as a whole, being the site of the government of Canada.

Hon. Mr. HARRIS: I do not think they include the east and west blocks as parliament. They are government offices.

Mr. FULTON: They were set aside as a site for the parliament buildings, using that word in its rough sense, long before Ottawa existed as a city comparable to what it is today.

Hon. Mr. HARRIS: They may appear to be generous to Ottawa then, in your light.

Mr. FLEMING: What municipal services does the city of Ottawa render to the buildings and lands on which the parliament building, and the east and west blocks are located?

Hon. Mr. HARRIS: Fire and garbage.

Mr. FLEMING: Fire and garbage?

Hon. Mr. HARRIS: And sewage.

Mr. FLEMING: Is there any difference in the municipal services rendered as between the east and west blocks on the one hand and the parliament building on the other?

Hon. Mr. HARRIS: No, I do not think that the purpose of the exception was the difference in services; it was the difference in the use of the building concerned. Let me put it this way: we do not feel that parliament should be included for assessment purposes in Ottawa because of the use of the building. On the other hand, we do not wish to exclude any more than is reasonable under the circumstances.

Mr. FLEMING: Is it regarded that the parliament building is being put to a non-functional use?

Hon. Mr. HARRIS: I do not think Ottawa would object if I said it was such a use.

Mr. FLEMING: Not ornamental or decorative anyway. There is no difference, I take it, in the municipal services rendered to the east and west blocks on the one hand, and to the parliament building on the other.

Hon. Mr. HARRIS: There is a distinction, but perhaps not a difference. I am told that for half the year there are fewer people in this building than in the other two buildings, but that is not my point. We have our protective services which we do not maintain in those other buildings. We do provide a protective service, but not of the type which I have here. The purpose of the exclusion here is simply because parliament, as such, functions here. The same thing is the case in the United Kingdom where the parliament buildings are exempt, but not the rooms used as offices.

Mr. FLEMING: There are no other differences as regards the municipal services?

Hon. Mr. HARRIS: Not for this purpose.

Mr. Low: Have we got to clause 1, sub-clause 3, Mr. Chairman?

The CHAIRMAN: Please proceed.

Mr. Low: With respect to Indian reserves being excluded in this clause, why was that done? What experience have you had with municipalities claiming grants in lieu of taxes?

Hon. Mr. HARRIS: Indian reserves are often situated in several municipalities, so that it is a little difficult to decide which municipality provides the best service or the most service for the government-owned property in the reserve. Therefore, it was decided to exclude them from the bill and to permit the Department of Citizenship and Immigration to make whatever arrangements they considered appropriate.

Mr. Low: That provision is being maintained.

Hon. Mr. HARRIS: Yes; the Department of Citizenship and Immigration will look after the grants and payments from now on.

The CHAIRMAN: Does clause 1 carry?

Carried.

1. (1) Paragraph (a) of section 2 of the *Municipal Grants Act*, chapter 182 of the Revised Statutes of Canada, 1952, is repealed and the following substituted therefor:

- (a) "accepted value" means the value that, in the opinion of the Minister, would be attributed by a municipal taxing authority to federal property, without regard to any ornamental, decorative or non-functional features thereof, as the base for computing the amount of real estate tax applicable to that property if it were taxable property;

(2) Paragraph (c) of section 2 of the said Act is amended by deleting all the words therein preceding subparagraph (i) thereof and substituting the following therefor:

"Federal property."

(c) "federal property" means real property owned by Her Majesty in right of Canada but does not, except as provided in subsection (5) of section 6 and subsection (3) of section 7, include

(3) Subparagraph (ii) of paragraph (c) of section 2 of the said Act is repealed and the following substituted therefor:

(ii) a park, historical site, monument, museum, public library, art gallery or Indian reserve,

(4) Paragraph (c) of section 2 of the said Act is further amended by deleting the word "or" at the end of subparagraph (v) thereof and substituting therefor the following:

(v) except when otherwise prescribed by the Minister, real property owned by Her Majesty and leased to or occupied by a person from whom, by reason of his interest in or occupation of that real property, a municipal taxing authority may collect real estate tax, or

(vi) the building known as the Houses of Parliament, including the Peace Tower and the Parliamentary Library, and the lands in the City of Ottawa bounded as follows: on the north by the Ottawa River; on the south by Wellington Street; on the east by the centre line of the roadway immediately adjacent to and west of the building known as the East Block and the projection of that line to the Ottawa River and Wellington Street; and on the west by the centre line of the roadway immediately adjacent to and east of the building known as the West Block and the projection of that line to the Ottawa River and Wellington Street;

(5) Subparagraph (ii) of paragraph (e) of section 2 of the said Act is repealed and the following substituted therefor:

(ii) on persons who are lessees or occupiers of real property owned by any person exempt by law,

Mr. FLEMING: I have one question with respect to sub-clause 5 of clause 1. Is there any case where an owner of property which is leased to the Crown now pays more taxes than the Crown contributes?

Mr. DEUTSCH: Generally speaking, sir, if an owner leases property to the Crown, arrangements usually are made whereby the owner pays the taxes.

Mr. FLEMING: That is the normal arrangement?

Mr. DEUTSCH: Yes.

The CHAIRMAN: Does clause 1 carry?

Carried.

Does clause 2 carry?

Carried.

Does clause 3 carry?

Carried.

Does clause 4 carry?

Carried.

Does clause 5 carry?

5. Subsection (2) of section 7 of the said Act is repealed and the following substituted therefor:

"(2) No grant shall be made under subsection (1) in respect of any part of the cost of a local improvement that the municipality has received from any person or may recover from any person as a special assessment.

(3) For the purposes of this section, "federal property" includes any property referred to in subparagraphs (ii), (iii) and (vi) of paragraph (c) of section 2."

(3) The accepted value of Class A property in respect of which, for any tax year, a grant is made pursuant to section 6 or the municipality may recover or has received taxes from any person, in respect of that tax year, be excluded from the total accepted value of Class A property in the municipality in calculating a grant under this section.

(4) The Minister may, in determining the amount of a grant under this section, deduct from the amount that might otherwise be payable an amount that, in his opinion, represents the value of a service that is customarily furnished by the municipality to real property in the municipality and that Her Majesty does not accept in respect of Class A property in the municipality."

The purpose of this amendment is to provide for the following:

(1) a grant on the excess over two per cent instead of four per cent as at present;

(2) elimination of two reduction factors in the present grant formula;

(3) conformity with the new subsection (4) of section 6 (see clause 4); and

(4) deductions from grants to certain municipalities where the Crown provides to taxable properties in those municipalities services normally provided by them.

Mr. FULTON: I wonder if the minister would say a word with respect to the application of this new clause which, I understand, means that the federal grant will now be paid.

The CHAIRMAN: That is clause 6, Mr. Fulton.

Mr. FULTON: No, clause 5. I wonder if the minister would say a word as to the application of this clause.

Hon. Mr. HARRIS: You mean clause 5, sub-clause 3?

The CHAIRMAN: Clause 5, sub-clause 3 (iii). Is that it?

Mr. FLEMING: I have got one on the third.

The CHAIRMAN: Mr. Fleming has a question on (iii).

Mr. FLEMING: On (iii), about the provision for reduction of the value by the minister with respect to non-expected service; could he give us an example of such a deduction?

Mr. DEUTSCH: With respect to some federal property we supply our own services; sometimes we have property where we supply our own fire protection; sometimes we have property in respect to which we supply even our own schooling, as is the case with some of the national defence property, in some cases, we supply our own police protection. In such cases appropriate deductions are made for the value of the services which we ourselves supply and which the municipalities do not have to supply.

Mr. FLEMING: I understood that, but I was looking for concrete examples of municipalities and amounts.

Mr. DEUTSCH: Well, Halifax.

Mr. FLEMING: Can you give us three or four typical examples?

Mr. DEUTSCH: In the case of Ottawa, for instance, we supply a certain number of parks in the city and we deduct, I think, \$67 thousand for the services rendered by the fact that we supply parks in the city of Ottawa.

Mr. FLEMING: Yes.

Mr. DEUTSCH: And at Halifax we have a fire-boat.

Mr. FLEMING: What do you deduct on that account?

Mr. DEUTSCH: I have not got the actual figure; but there are deductions made for the services rendered by our fire-boat.

Mr. FLEMING: Could you give us any other examples?

Mr. DEUTSCH: Yes. We supply a good deal of policing in Ottawa, such as the mounted police and our own police services to protect our own property, and I think we make a deduction of \$80 thousand for the police protection which we provide ourselves. Those are a few examples; at the Currie barracks in Calgary we provide our own schooling and make a deduction for that.

Mr. FLEMING: How much?

Mr. DEUTSCH: \$10 thousand, or \$15 thousand in that case.

Mr. FLEMING: Do you, in setting the deduction, try to make it correspond with your own expenditure in providing that service, or do you set it in the amount that the municipality might have to increase its expenditure in order to provide that service?

Mr. DEUTSCH: It is the latter; we try to make a deduction which would be equivalent to what it would cost the municipality if it had to provide this service.

Mr. WEAVER: Are we on clause 6 yet, Mr. Chairman?

The CHAIRMAN: No, we are on clause 5 at the moment.

Mr. FULTON: On clause 5, would you say a word as to the effect of this clause, and particularly with respect to the effect of the new sub-clause 3?

Hon. Mr. HARRIS: With respect to clause 5, I think the purpose is clear when you read the three clauses together. This is the clause which makes a grant to a municipality, but not extending the full amount of the cost of the local improvement which has been assessed against the federal treasury.

Sub-clause 3 which has been referred as clause 5, includes for the purposes of clause 7 the items in clause 2 which are not normally included, that is, parks, historical sites, monuments, museums, public libraries, art galleries, or Indian reserves, also real property owned by the Canadian National Railways or the government, or by a board or agency of the government. In other words, for the purpose of paying our proper share of the cost of local improvements, we include certain properties which are not included for other purposes of the Act.

Mr. FULTON: This clause as amended now provides that the cost of local improvements adjacent to federal property not now included can be paid to municipalities, notwithstanding the fact that the total federal property in that municipality does not exceed 2 per cent.

Hon. Mr. HARRIS: That is right.

Mr. FULTON: They stand on their own feet.

The CHAIRMAN: Does clause 5 carry?

Carried.

Clause 6.

Mr. MACDONNELL: The old section 8 of the Act said:

6. Section 8 of the said Act is repealed and the following substituted therefor:

"8. A grant may be made to the City of Ottawa in an amount that, in the opinion of the Minister, is a reasonable compensation for the expenses incurred by that City in furnishing services to the property referred to in subparagraph (vi) of paragraph (c) of section 2.

Can that principle be applied anywhere else?

Hon. Mr. HARRIS: I beg your pardon. I would like one minute.

Mr. MACDONNELL: With respect to the old section 8 which is mentioned in clause 6.

Hon. Mr. HARRIS: Yes.

Mr. MACDONNELL: Section 8 stipulated that a grant could be made to the city of Ottawa in an amount that, in the opinion of the minister, was a reasonable compensation for the expenses incurred by that city in furnishing services to the property referred to in sub-paragraph (vi) of paragraph C of section 2. Is that a special principle applied there and different from other municipalities?

Hon. Mr. HARRIS: Yes, it is, Mr. Chairman. That is the exception which is referred to in 2-C. We can make a special grant to Ottawa having in mind the property which has already been referred to partially in the preceding five, but defined in 2-C.

Mr. MACDONNELL: Wouldn't that be a reasonable principle to apply right across the board?

Hon. Mr. HARRIS: We have always had a special grant for the city of Ottawa since I came here in 1940, when it was \$100 thousand at that time.

Mr. MACDONNELL: Why does the principle not apply right across the board?

Hon. Mr. HARRIS: Because you will find that a considerable part of Ottawa consists of federal property, to an extent which does not obtain anywhere else.

Mr. MACDONNELL: I think we would accept that; but that does not seem necessarily to mean that you have to apply an entirely different principle. This is reasonable compensation.

Hon. Mr. HARRIS: I think the reason is that the grants to Ottawa have always been in a special class because of the situation here as the place of government. But I do not think you would want us to have an Act administered on the basis of this phrase with respect to other municipalities. I am sure you would be the first to object to unlimited authority in the minister to use that except in this case, where there have been some adjustments made.

The CHAIRMAN: Are you finished, Mr. Macdonnell?

Mr. MACDONNELL: I shall wait.

Mr. APPLEWHAITE: I think we are arguing at cross-purposes. Clause 8 to which Mr. Macdonnell referred, as I read it, specifically refers to two-six.

Hon. Mr. HARRIS: That is right.

Mr. APPLEWHAITE: Because these are the houses of parliament and this takes them out of the averaging clause. Therefore we have suggested that in this particular building, for certain reasons, they will not assess, but we will make, nevertheless a special compensation.

Hon. Mr. HARRIS: That is right.

Mr. WEAVER: I would like to ask a question in respect to the new clause 9. Would this clause cover such a place as the town of Churchill in Manitoba, which while in organized territory could not be considered to be a city, town, or village in the ordinary sense. The civilian population there is surrounded by federal property in the form of elevators; the Department of Transport has many stations there, and there is an army camp. The civilian population is in the centre without the services which normally would be accepted as normal in that part of Canada, and their tax sources are quite inadequate to take care of the situation.

Hon. Mr. HARRIS: We are studying the question of Churchill at the moment and trying to establish its actual status as a municipality or a rural municipality or whatever it might be. When that decision is made, it can be fitted into one of the designations in the Act, or if it cannot, it can be fitted into clause 9.

Mr. FLEMING: We are not through with this matter of whether we are at cross purposes, because if the matter was as simple as Mr. Applewhaite put it, there would be no occasion for the provision in clause 8, because the point about excepting the parliament buildings has already been dealt with in one-six. There is, as the minister acknowledged, a different approach to Ottawa. What is the reason for the difference in approach? Is it because of the particularly heavy concentration of federally-owned property in Ottawa, or is it because Ottawa is the capital of Canada?

Hon. Mr. HARRIS: Perhaps I have unintentionally misled the committee, but I was referring to the parliament building. Mr. Applewhaite set it out more clearly than I did. I said while we had excluded the parliament building from the base for assessment purposes, nevertheless we put in this clause to provide a reasonable amount in connection with such services which may be provided in connection with the use of that property.

Mr. FLEMING: You are referring to the right to make a grant, instead of an actual grant under the Act to compensate the city of Ottawa for its provision of municipal services for the parliament building.

Hon. Mr. HARRIS: That is right.

Mr. FLEMING: Is that the only use that can be made of the powers under clause 8 of the Act?

Hon. Mr. HARRIS: Clause 8 refers specifically to the grant to the city of Ottawa with respect to the expenditure incurred by that city in furnishing services to the specific property referred to in 6-C-2 which, in my reading of it, refers only to that property.

Mr. FLEMING: So the effect of clause 8 is based on the municipal services rendered by the city of Ottawa to the parliament building?

Hon. Mr. HARRIS: It does not say municipal services; it says: "furnishing services".

Mr. FLEMING: But a municipality can only provide municipal services.

Hon. Mr. HARRIS: Presumably, but I would not like to argue the case.

Mr. FLEMING: The whole effect of clause 8 is confined to this one property?

Hon. Mr. HARRIS: Yes!

The CHAIRMAN: There is an amendment to clause 8 which will not take anything from Ottawa, I hope.

Hon. Mr. HARRIS: It is somewhat lengthy but I will run through it quickly because it defines what I have already tried to say. The classes which are provided for in clause 6 remain as they are. They were numbered 8 and 9,

and are now renumbered 9 and 10. What I am about to read are the preceding sub-clauses.

8. (1) A grant may, pursuant to this section, be made to a municipality in respect of real property that is

- (a) owned by Her Majesty in right of Canada,
- (b) leased to or occupied by a person who is an employee of Her Majesty in right of Canada or a member of the Canadian Forces, and
- (c) is used by such person as a domestic establishment.

(2) Subject to sub-section (3) the amount of a grant made pursuant to this section shall not be greater than a fraction of the accepted value of property in respect of which a grant may be made under this section, such fraction to be determined as follows:

- (a) the numerator is the total amount of the real estate tax levied in the appropriate tax year, and
- (b) the denominator is the assessed value of all taxable property in the municipality.

(3) Where in preparing its budget for any tax year a municipality has not taken into account the amount of a grant that may be paid under this section the denominator of the fraction referred to in sub-section (2) shall be the assessed value of all taxable property and the accepted value of the property in respect of which a grant may be made under this section in the municipality.

(4) The Minister may, in determining the amount of a grant under this section, deduct from the amount that might otherwise be payable an amount that, in his opinion, represents the value of a service that would customarily be furnished by the municipality to the property in respect of which the grant is made and that Her Majesty does not accept in respect of that property.

(5) No grant shall be made under this section in respect of

- (a) property in respect of which a grant has been made under section 5,
- (b) property described in subparagraph (iv) of paragraph (c) of section 2, or
- (c) property in respect of which a real estate tax has been levied on a person described in paragraph (b) of subsection (1).

(6) In applying paragraph (a) of section 2 to this section, the words "federal property" shall be construed as meaning property in respect of which a grant may be made under this section.

Mr. FLEMING: It would be easier to understand if it were in Greek.

Hon. Mr. HARRIS: I am not expecting you to pass on it.

The CHAIRMAN: Can you tell us what it means in a sentence or two?

Mr. FULTON: Let us carry the rest of the Bill and have this later?

The CHAIRMAN: Let us hear from Mr. Deutsch.

Mr. DEUTSCH: This amendment in simple words would authorize the government to make grants in lieu of taxation on residential property owned by the Crown which is occupied or leased to employees of the Crown. That is what it means.

Mr. MACDONNELL: Couldn't you have said it in those words?

Mr. DEUTSCH: In respect to this property, residential property owned by the Crown in which its own employees reside, the grant will be made without the two per cent floor limitation; in other words, there will be a full payment. The grant will be made in respect to the full taxes on such residential property.

Mr. MACDONNELL: Are they taken into account in making up your general calculation as to the percentage, or are they to be treated separately?

Mr. DEUTSCH: They are to be treated separately.

Mr. FLEMING: Why is an exception made in this case, from the ordinary rule of the two per cent floor?

Mr. DEUTSCH: Because the government felt that in the case of residential property it is more synonymous with general residential property in a municipality. In many cases we enjoy complete and full services from the municipality in respect to that residential property, and in that case we should pay the equivalent of the full taxes.

The CHAIRMAN: It is a very good principle.

Mr. MACDONNELL: Does that go for living quarters for troops?

Mr. DEUTSCH: Yes sir.

Mr. FLEMING: Does this only apply to municipalities which meet the over-all requirements of the two per cent floor?

Mr. DEUTSCH: No.

Mr. FLEMING: Does it apply to every municipality in Canada.

Mr. DEUTSCH: Suppose you have a big city in which the only federal property is one residential unit. The taxes would be paid on that one residential quarter.

Mr. FLEMING: We were even told that the estimated cost of new schooling under the amended Act would be \$6 million a year. How much is estimated to be involved in this amendment?

Mr. DEUTSCH: If we include the Department of National Defence it may be that as much as \$1 million is involved in it.

Mr. FLEMING: That would increase the total, as provided by the bill, to \$7 million a year.

Mr. DEUTSCH: That is right.

Mr. FLEMING: Is there provision for pro-rating? Suppose a property is only occupied for a part of the year by the tenant who is an employee of the Crown, and for part of the year by a tenant who is not such an employee?

Mr. DEUTSCH: That would be a very unusual case because normally the residential quarters which the government owns are only occupied by its own employees. We do not go into the business of renting to people who are not our own employees. Are you referring to the case where the government acquires a property during the course of the year?

Mr. FLEMING: Yes, or it could be disposed of during the course of the year.

Mr. DEUTSCH: We have a provision whereby we can pay for the period during which we own it.

Mr. FLEMING: In the case I put to you there would be pro-rating?

Mr. FULTON: Do I understand the minister is not proposing to introduce an amendment here, and if so, any such amendment will be produced in the House?

The CHAIRMAN: No, we will have it here and it will be part of the recommendations on this bill.

Mr. MACDONNELL: Are we to meet again?

The CHAIRMAN: If you like. We have heard the Amendments and we will have it reprinted if you wish, but as the proposal before us involves an increased charge on the public all we can do is recommend the advisability of making the Amendments. We cannot make an Amendment that involves increase in expenditure.

Mr. HANNA: Would this amendment also apply to a group of houses built for national defence, and where national defence was also building the school?

Mr. DEUTSCH: Yes, but we would make a deduction for the services which we did not receive. If we supplied our own schooling, we would have to make a deduction equivalent to what it would cost the municipality to provide such service.

Mr. TUCKER: Should there not be a provision in this Act? For example, in Saskatchewan they tax the R.C.M.P. officers who are living in federal buildings in respect to the occupancy of those buildings, to cover the cost of schools, and so on. That is done to provide the municipality with taxes. In view of their levying taxes on those individuals, is there a provision whereby they do not get both?

Mr. DEUTSCH: Yes. This grant will be paid in lieu of taxes on residential property where the municipality does not tax the tenant. If the municipality taxes the tenant, then it would not get the grant in addition. It would only get it in the case where it did not tax the tenant.

Mr. TUCKER: I have another question on clause 9. Clause 6 indicates the exception in regard to municipalities by reason of the existence of federal property within or near their borders. I have in mind where a great part of a municipality has been taken over for camp purposes. That has happened in respect to the camp at Dundurn. As I understand it, the transitional grants are paid, but the municipality has debts of one kind or another for building schools and so on. Those transitional grants would seem to be very short, but they still have to pay for debts incurred for building schools, roads, and so on. Would this definition cover the cost of maintaining these schools? I take it that "incurred" means expenditures such as where they use roads or something like that. Shouldn't there be a provision made whereby when they take over a large part of a rural municipality, there should be some continuing grants in addition to the transitional grants? In that event some sort of principle should be applied, and there should be some sort of compensation as provided in clause 8 in respect to services provided by the municipality. In other words, I think that "incorporated" is broad enough in clause 9; it should be broad enough to take in compensation to the municipality not only for the expenditures which may be incurred on account of the property being there, but the cost of the service that is provided. Otherwise if it happens that the municipality is taken over for a camp, it is liable to put a tremendous burden on the remaining taxpayers, and I do not think that the transitional grants cover it. I bring that matter to the attention of the minister because a great part of the property at Dundurn has been taken over as a bombing range and a military camp. I inquired about the continuation of the transitional grants, and I learned that they would cease in the next few years.

Hon. Mr. HARRIS: We could conceive of where a property would be taken over to that extent, and there would be a larger burden left on the remaining property holders. If that should occur, we could consider it. But bear in mind that under the amendment which I just read, and which was so well illustrated by Mr. Deutsch, if, in this particular case at Dundurn, there had been houses established in the camp for quarters, the municipality would obtain taxes from them, which would compensate them for the land.

Mr. TUCKER: They get taxes to-day under the provincial law in Saskatchewan, if a person occupies a building on Crown land, even though he is an employee of the Crown, he must pay for the use of the schools and so on. Accounts are rendered and they try to collect them. I do not know that

they always succeed, but if the tenants do not pay taxes, they have to pay more heavily to send their children to school in cases where they make use of the high school and services like that. I would not be surprised if people living in those camps are paying the same as those who live in the municipality today.

Mr. DEUTSCH: Under the amendment which was read by the minister, if there are houses occupied by service personnel, and if the amendment is adopted, then the municipality would receive a grant in lieu of taxes on those houses. Now it may be that at the present time the municipality is trying to tax the tenant. In future that will not be necessary. The government would pay a grant in lieu of taxes to the municipality and the municipality would be relieved of the burden of chasing the individual and trying to collect.

Mr. TUCKER: It should deal with the situation there, because there is not a heavy population at the camp in the way of service personnel. It was taken over gradually for a bombing range. It is a matter of removing a substantial portion of the rural population, and members of the municipality from the tax roll, and that leaves a very heavy burden on the remainder. I would ask that the matter be considered, because I know it would hit a rural municipality in a different way than it would hit a city.

Hon. Mr. HARRIS: It arises in every case where the federal government expropriates land. There is bound to be a decrease in the income of the municipality to that extent. But part of the purpose of this Act is to overcome that difficulty, although not specifically in the manner you are indicating.

Mr. TUCKER: If they do go on and supply services, then I submit that the rural municipality should get just as much consideration as the city of Ottawa, where a rural municipality has a large part of its real estate taken for a camp, which is very extensive; I would suggest that there is a question of maintaining roads and paying off debts which have been incurred to build roads and so on. There should be a more generous scheme for transitional grants than there is today, because I understand that transitional grants will cease within two years; and when large areas are taken over I submit that some consideration should be given to it. I am not asking that the Bill be held up, but I urge that consideration be given to this matter.

Mr. HANNA: I wonder if the minister would explain how he proposes to deal with the problem where you have a large military camp moving into a rural municipality with thousands of troops and vehicles which cut up the rural and municipal roads? In the case I have in mind, a rural municipality has received nothing to date, although the camp has been there for well over five years.

Hon. Mr. HARRIS: Since the war, and during the war, we have made grants of various kinds for construction, or for payment by way of damage caused to roads under those conditions. I am sure it will hold in the case my hon. friend referred to.

Mr. HANNA: Where should a municipality apply to get payment for damages alleged to be done to its roads? So far it has drawn nothing.

Hon. Mr. HARRIS: So that there will be no suggestion of political influence, perhaps you should write your letter to the Department of Finance.

Mr. APPLEWHAITE: In answer to Mr. Tucker's first question, you said that where taxes were not paid, grants would be made by the Crown. That is right, in so far as we are making sure that the municipality does not collect twice. But suppose that situation should arise. We do not want the Crown, in the

right of the Dominion, to be saving money at the expense of its employees who are tenants. What provision is made to compensate the tenant who is paying municipal taxes?

Mr. DEUTSCH: What we hope to do if this amendment passes is this: we will probably write to the municipalities where we have such housing, and inform them that parliament has now passed this amendment, and we would inform them that if they accepted a grant in lieu of taxes, we are prepared to make such a grant. In that case it would not be necessary for them to tax the tenant. We hope the municipality would find it to be a more convenient way to proceed than by taxing the tenant.

Mr. FLEMING: Provided that the amendment is the same as you have in mind at the moment, or is an identical amendment; otherwise there is some problem.

Mr. DEUTSCH: The theory is that they would get an equivalent amount.

Mr. FLEMING: You would have to agree on the assessment in order to pay that amount in lieu of taxes.

Mr. DEUTSCH: We would have to be satisfied that the principles are the same.

Mr. APPLEWHAITE: You assume that the municipality will meet you. But supposing they do not?

Mr. DEUTSCH: In case the municipality does not, and it taxes the tenant, we wont pay twice; and they will have to collect from the tenant.

Mr. APPLEWHAITE: What will the appropriate government department do, adjust the tenant's rent?

Mr. DEUTSCH: Yes, in that case it would probably adjust his rent.

Mr. APPLEWHAITE: We cannot save money by expecting a group of employees to be taxed by the municipality.

Mr. DEUTSCH: No.

The CHAIRMAN: Does clause 6 carry?

Mr. RICHARDSON: In respect to draughtsmanship, according to section 2 of the amendment you will abolish class "B" property, leaving only class "A" property. Has the draughtsman, merely for ease of draughtsmanship retained class "A"? Otherwise, why do you use class "A"?

Hon. Mr. HARRIS: Just for ease in draughtsmanship.

Mr. RICHARDSON: In that event, should not clause 2 of the amendment also go on to say that sub-clauses 2 and 3 of the present section 3 are re-numbered?

Hon. Mr. HARRIS: It could. As a matter of fact, in the consolidation which I have before me, they are numbered "A" and "B".

The CHAIRMAN: Does clause 6 carry?

Carried.

Does clause 7 carry?

7. Notwithstanding section 3 of this Act, a grant in respect of a municipal tax year commencing before the 1st day of January, 1955, may be made under section 5 of the *Municipal Grants Act* as in force immediately before the commencement of this Act if an application therefor is made before the 1st day of July, 1955, but not otherwise, and no grant in respect of such a municipal tax year shall be made under section 5 of that Act as enacted by this Act.

Mr. FLEMING: I have one point on clause 7. There is a cut-off date of July 1st. There will be a considerable number of municipalities which will qualify for a grant under the new amendment which did not qualify before.

Some of them are remote municipalities. We hope that all of them are acquainted with the provisions of the Bill, but it may be that in some cases the municipal councils do not meet as often as they do in some of the urban municipalities, and news does not travel as fast. It seems to me that if this section is enacted in its present form, we will find a number of municipalities which are not aware that there is a cut-off date, and thereby they will be denied the benefit of this Bill. I suggest that the cut-off date should be lifted out of the section, or considerably advanced because I venture to say that the provisions of this Act will not be brought to the attention of very many municipalities in the group affected unless there are those who have their own solicitors, employed full time.

Hon. Mr. HARRIS: This applies of course only to those who would benefit under the Act as it was before this amendment. This does not apply to bar those who would now take benefits under the amendment. It applies to those who have had since 1950 in which to apply. The purpose of clause 7 is to put a cut-off date on that group.

Mr. FLEMING: We are clear then that there is no cut-off date in respect to those who are to be permitted to receive the benefits of the Act.

Hon. Mr. HARRIS: No. This is only for those who have had since 1950 within which to qualify for benefits under the Act.

Mr. FLEMING: The minister says there is no cut-off date in the Act with respect to other municipalities, those who have not qualified hitherto under the four per cent rule, but who may still qualify under the two per cent formula.

Hon. Mr. HARRIS: Quite so.

Mr. TUCKER: Could we not approve clause 6 with the amendment without the necessity of holding another meeting?

The CHAIRMAN: As a matter of fact, since the amendment is one which involves the expenditure of money, all we can do is to recommend it.

Mr. MACDONNELL: We can very well discuss it when it comes to the committee of the whole.

The CHAIRMAN: Shall clause 8 carry?

Carried.

Shall the title carry?

Carried.

Mr. MACDONNELL: We have been denied the opportunity to discuss the principles underlying the bill.

The CHAIRMAN: I began, this morning, by saying that you could discuss anything you wished to discuss. You are now at liberty to do that, and if we need another meeting, I will call one at your convenience in order for you to discuss it.

Mr. MACDONNELL: We have been denied an opportunity of getting the views of those who were most interested.

The CHAIRMAN: You had a motion and the committee passed judgment on it.

Mr. MACDONNELL: I know, but I want to repeat that it has been the play without Hamlet.

The CHAIRMAN: We too are concerned about paying out nearly \$7 million. We have been quite generous in recent years increasing the amounts from three to six and now to seven million.

Mr. FLEMING: It is a proper matter for comment that the people who have an interest in this would naturally attend to bring their values before a parliamentary group, that is, before a committee like this which is one of the select standing committees of the House, yet they have not had that opportunity.

Mr. CRESTOHL: I think that Mr. Macdonnell's statement is purely academic.

The CHAIRMAN: Shall the title carry?

Carried.

Shall the Bill carry?

Carried.

Shall I report the Bill without amendment and make a recommendation to the House on the proposed amendment to Clause 6?

Carried.

Thank you very much. The committee is adjourned to the call of the chair.

HOUSE OF COMMONS

Second Session—Twenty-second Parliament

1955

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: DAVID A. CROLL, *Esq.*

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

BILL No. 452

An Act respecting Loans to assist Fishermen engaged in a
Primary Fishing Enterprise

WEDNESDAY, JUNE 22, 1955

THURSDAY, JUNE 23, 1955

WITNESSES:

Honourable Senator C. Vaillancourt; Mr. W. B. Melvin, National Secretary of the National Co-operative Union of Canada; Mr. L. Bérubé, Chairman, National Co-operative Fisheries Association; Mr. C. Gordon Smith, Canadian Manager, Credit Union National Association; Mr. E. Legere, Director of *La Fédération des Caisses Populaires Acadiennes*; Mr. A. Laidlaw, Associate Director, Extension Department, St. Francis Xavier University and representing the United Maritime Fishermen of Halifax; Mr. R. J. McMaster, representing the British Columbia Credit Union League.

STANDING COMMITTEE
ON
BANKING AND COMMERCE

Chairman: David A. Croll, Esq.
and Messrs.

Anderson	Fraser (<i>Peterborough</i>)	Mitchell (<i>London</i>)
Applewhaite	Fraser (<i>St. John's East</i>)	Monteith
Arsenault	Fulton	Nickle
Ashbourne	Gagnon	Noseworthy
Balcom	Hanna	Pallett
Benidickson	Hellyer	Philpott
Bennett (<i>Grey North</i>)	Henderson	Picard
Blackmore	Huffman	Pouliot
Cameron (<i>Nanaimo</i>)	Hunter	Quelch
Cannon	Johnson (<i>Kindersley</i>)	Richardson
Cardin	Low	Robichaud
Crestohl	Macdonnell	Rouleau
Croll	MacEachen	Stewart (<i>Winnipeg North</i>)
Dufresne	Macnaughton	Tucker
Dumas	Matheson	Viau
Fleming	Michener	Weaver
Follwell		

R. J. Gratrix,
Clerk of the Committee.

ORDER OF REFERENCE

TUESDAY, June 14, 1955.

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

Bill No. 452, An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORT TO THE HOUSE

THURSDAY, June 23, 1955.

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

SEVENTH REPORT

Your Committee has considered Bill No. 452, An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise, and has agreed to report the said Bill with the following amendments:

(1) by adding immediately after subclause (i) of Clause 2 the following new subclause (j):

- (j) "lender" means
 - (i) a bank, and
 - (ii) a credit union, caisse populaire, or other co-operative credit society designated by the Minister as a lender for the purposes of this Act;

(2) by relettering subclauses (j), (k), (l) and (m) as (k), (l), (m) and (n) respectively.

(3) by deleting the word "bank" wherever it appears in clauses 3, 4, 6(a), 7, 9, 10 and 11 and substituting therefor the word "lender".

Your Committee considered certain proposed amendments to subclause (b) of Clause 6 of the said Bill but as these amendments contemplate a greater liability than is set out in the Bill and as a result thereof a possible increased charge on the public, your Committee is of the opinion that it has no option under the rules of the House and the terms of its Order of Reference but to report the said subclause without amendment. Your Committee would, however, recommend that the Government give consideration to the advisability of introducing the following amendments to subclause (b) of Clause 6 of Bill No. 452.

- (b) to make any payment
 - (i) to a bank in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate principal amount of the guaranteed loans made by all banks exceeds ten million dollars, or
 - (ii) to any other lender in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate principal amount of the guaranteed loans made by all such lenders exceeds ten million dollars.

A copy of the evidence adduced is appended hereto.

All of which is respectfully submitted.

DAVID A. CROLL,
Chairman.

(Note: The Sixth Report dealt with Private Bills in respect of which verbatim evidence was not recorded.)

MINUTES OF PROCEEDINGS

Room 277,

WEDNESDAY, June 22, 1955.

The Standing Committee on Banking and Commerce met at 10.00 o'clock a.m. this day. Mr. David A. Croll, the Chairman, presided.

Members present: Messrs. Anderson, Applewhaite, Arsenault, Ashbourne, Balcom, Benidickson, Bennett (*Grey North*), Cameron (*Nanaimo*), Fraser (*Peterborough*), Fraser (*St. John's East*), Henderson, Huffman, Hunter, MacEachen, Michener, Monteith, Philpott, Quelch, Richardson, Robichaud, Tucker and Weaver.

The following Members being Members of the Standing Committee on Marine and Fisheries but not Members of the Standing Committee on Banking and Commerce were also present: Messrs. Barnett, Bell, Bryce, Kirk (*Antigonish-Guysborough*) and Nowlan.

In attendance: Honourable Senator Cyrille Vaillancourt, and

From the Department of Fisheries: The Honourable James Sinclair, Minister of Fisheries, and Messrs. G. R. Clark, Deputy Minister, S. V. Ozere, Assistant Deputy Minister, I. S. McArthur, Chairman, Fisheries Prices Support Board, Alistair Fraser, Executive Assistant to the Minister.

From the Department of Finance: Messrs. J. F. Parkinson, Director, Economic Policy Division, and E. A. Oestreicher, an officer of the Economic Policy Division.

From Credit Unions and Co-operatives: Mr. R. J. MacMullin of Antigonish, N.S., Managing Director, Nova Scotia Credit Union League; Mr. Alexander Laidlaw, Associate Director, Extension Department, St. Francis Xavier University, Antigonish, N.S., and representing the United Maritime Fishermen of Halifax, N.S.; Mr. Euclide Légère of Caraquet, N.B., representing *La Fédération des Caisses Populaires Acadiennes*; Mr. Louis Bérubé of Sainte-Anne de la Pocatière, P.Q., Chairman, National Co-operative Fisheries Association; Mr. W. Breen Melvin of Ottawa, National Secretary, and Mr. D. Gordon Blair of Ottawa, Solicitor for the National Co-operative Union of Canada; Mr. R. J. McMaster of Vancouver, B.C., representing the British Columbia Credit Union League; Mr. C. Gordon Smith of Hamilton, Ontario, Canadian Manager, Credit Union National Association, and Mr. C. B. Neopole, Assistant General Manager of The Royal Bank of Canada, and Mr. H. L. Robson, Assistant Secretary, The Canadian Bankers' Association.

The Committee commenced consideration of Bill No. 452, An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise.

On motion of Mr. Ashbourne,

Ordered,—That the Committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in respect of Bill No. 452.

The Chairman laid before the Committee the following documents:

1. Representations received by the Honourable James Sinclair, Minister of Fisheries, from the following organizations:

1. Prince Rupert Fishermen's Co-operative Association, Prince Rupert, B.C.,

2. Gulf and Fraser Fishermen's Credit Union, Vancouver, B.C.,
3. Prince Rupert Fishermen's Credit Union, Cow Bay, B.C. and Prince Rupert, B.C.

Ordered,—That the said documents be printed as an appendix to this day's evidence. (See Appendix "A")

The Chairman also laid on the Table briefs from the following organizations:

1. Credit Union League of the Province of British Columbia. (See Appendix "B")
2. La Fédération des Caisses Populaires Acadiennes. (See Appendix "C")
3. National Co-operative Fisheries Association. (See Appendix "D")
4. Nova Scotia Credit Union League. (See Appendix "E")

Ordered,—That the said documents be printed as appendices to this day's evidence.

The above documents appear as Appendix "B", "C", "D" and "E" respectively.

At 10.15 o'clock a.m., the Committee adjourned to meet again after the "Orders of the Day" were called in the House.

At 11.25 o'clock a.m., a quorum having again assembled, the Committee resumed consideration of Bill No. 452, An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise. Mr. David A. Croll, the Chairman, presided.

Members present: Messrs. Anderson, Applewhaite, Arsenault, Ashbourne, Balcom, Benidickson, Bennett (*Grey North*), Cameron (*Nanaimo*), Cardin, Fraser (*Peterborough*), Fraser (*St. John's East*), Henderson, Huffman, Hunter, Macdonnell (*Greenwood*), MacEachen, Michener, Mitchell (*London*), Monteith, Philpott, Quelch, Richardson, Robichaud, Tucker and Weaver.

The following Members being Members of the Standing Committee on Marine and Fisheries but not Members of the Standing Committee on Banking and Commerce were also present: Messrs. Barnett, Bell, Bryce, Kirk (*Antigonish-Guysborough*) and Nowlan.

In attendance: The same as at the previous sitting.

Senator Vaillancourt called, made a statement on the growth of *Les Caisses Populaires* in the Province of Quebec, examined thereon and was retired.

Mr. Melvin called, introduced Mr. Bérubé, and was retired.

Mr. Bérubé called, made a statement in support of the brief filed by the National Co-operative Fisheries Association (See Appendix "D"), was questioned thereon and retired.

Mr. Smith called, introduced Mr. MacMillan, Mr. Légère and Mr. McMaster, and was retired.

Mr. MacMullin called, made a statement in support of the brief filed on behalf of the Nova Scotia Credit Union League (See Appendix "E"), was questioned thereon and retired.

Mr. Légère called, made a statement in support of the brief filed by *La Fédération des Caisses Populaires Acadiennes* of the Province of New Brunswick (See Appendix "C"), was questioned thereon and retired.

Mr. Laidlaw called, made a statement in support of the brief presented by the National Co-operative Fisheries Association (See Appendix "D"), and also spoke on behalf of the United Maritime Fishermen of Halifax, N.S., was questioned thereon and retired.

At 1.00 o'clock p.m., the examination of witnesses still continuing, the Committee adjourned to meet again at 3.00 o'clock p.m. this day.

AFTERNOON SITTING

Room 277,
WEDNESDAY, June 22, 1955.

The Committee resumed at 3.00 o'clock p.m. Mr. David A. Croll, the Chairman, presided.

Members present: Messrs. Anderson, Applewhaite, Arsenault, Ashbourne, Balcom, Benidickson, Cameron (*Nanaimo*), Cardin, Dumas, Fleming, Fraser (*Peterborough*), Fraser (*St. John's East*), Henderson, Huffman, Hunter, Macdonnell (*Greenwood*), MacEachen, Michener, Monteith, Pallett, Philpott, Pouliot, Quelch, Richardson, Robichaud and Tucker.

The following Members being Members of the Standing Committee on Marine and Fisheries but not Members of the Standing Committee on Banking and Commerce were also present: Messrs. Barnett, Bryce, Kirk (*Antigonish-Guysborough*) and Nowlan.

In attendance: Same as at the morning sitting.

The Committee resumed consideration of Bill No. 452, An Act respecting Loans to Assist Fishermen engaged in a Primary Fishing Enterprise.

Mr. McMaster called, made a statement in support of the brief filed on behalf of the Credit Union League of the Province of British Columbia (*See Appendix "B"*), examined thereon and was retired.

The Committee then commenced a clause by clause consideration of Bill No. 452.

Thereupon Mr. Applewhaite laid upon the Table the following suggested amendments:

That Clause 2 of the Fishermen's Improvement Loans Act be amended by adding thereto as Section (i)1 "lending institution" means a loan, insurance, trust or other company or corporation, trustee of trust funds, building society, credit union, or other cooperative credit society, authorized to lend money on the security of real or immovable property, which shall be designated by the Governor-in-Council as a lending institution authorized to make loans under this Act.

That there be inserted after the word "bank" wherever it appears in Sections 3, 4, 6, 7, 9, 10 and 11 of the said Act, the words "or lending institution".

After discussion and on the suggestion of Mr. Arsenault the words *caisse populaire* were inserted in the suggested amendment after the words "credit union".

After further discussion it was agreed that the said suggested amendments be submitted to the Department of Justice for drafting.

At 4.15 o'clock p.m., the Committee adjourned to meet again at 10.00 o'clock a.m., Thursday, June 23, 1955.

R. J. Gratrix,
Clerk of the Committee.

Room 277,
THURSDAY, June 23, 1955.

The Standing Committee on Banking and Commerce met at 10.00 o'clock a.m. this day. Mr. David A. Croll, the Chairman, presided.

Members present: Messrs. Applewhaite, Arsenault, Ashbourne, Balcom, Benidickson, Cameron (*Nanaimo*), Cardin, Dumas, Fleming, Fraser (*Peterborough*), Huffman, Macdonnell (*Greenwood*), Monteith, Pallett, Quelch, Richardson, Robichaud and Tucker.

The following Members being Members of the Standing Committee on Marine and Fisheries but not Members of the Standing Committee on Banking and Commerce were also present: Messrs. Barnett and Kirk (*Antigonish-Guysborough*).

In attendance: From the Department of Fisheries: Mr. G. R. Clark, Deputy Minister, and Mr. I. S. McArthur, Chairman, Fisheries Prices Support Board.

From the Department of Finance: Mr. J. F. Parkinson, Director, and Mr. E. A. Oestreicher, an officer of the Economic Policy Division.

From Credit Unions and Co-operatives: Mr. R. J. McMaster of Vancouver, B.C., representing the British Columbia Credit Union League; Mr. W. Breen Melvin of Ottawa, National Secretary, and Mr. D. Gordon Blair of Ottawa, Solicitor for the National Co-operative Union of Canada, and

Mr. C. B. Neapole, Assistant General Manager of The Royal Bank of Canada, and Mr. H. L. Robson, Assistant Secretary of The Canadian Bankers' Association.

The Committee resumed the clause by clause consideration of Bill No. 452, An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise.

The Chairman laid before the Committee a redraft of the suggested amendments tabled by Mr. Applewhaite at the previous sitting and a further suggested amendment by the Department of Finance.

Clause 1 was considered and adopted.

On Clause 2:

Mr. Applewhaite moved

That Clause 2 of the said Bill be amended by adding immediately after subclause (i) the following new subclause (j):

(j) "lender" means

(i) a bank, and

(ii) a credit union, *caisse populaire*, or other co-operative credit society designated by the Minister as a lender for the purposes of this Act;

and by relettering subclauses (j), (k), (l) and (m) as (k), (l), (m) and (n) respectively.

After discussion, and the question having been put, the said amendment was resolved in the affirmative.

Thereupon Mr. Applewhaite moved

That the word "bank" wherever it appears in clauses 3, 4, 6(a), 7, 9, 10 and 11 be deleted and the word *lender* substituted therefor.

After discussion, the question having been put, the said amendments were adopted.

Clauses 3 and 4 were considered as amended and adopted.

Clause 5 was considered and adopted *on division*.

Subclause (a) of Clause 6 was considered as amended and adopted.

On subclause (b) of Clause 6, the following suggested amendment was laid before the Committee:

(b) to make any payment

(i) to a bank in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate principal amount of the guaranteed loans made by all banks exceeds ten million dollars, or

(ii) to any other lender in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate principal amount of the guaranteed loans made by all such lenders exceeds ten million dollars.

Thereupon the Chairman informed the Committee that as the amendment contemplated a greater liability than that set out in the Bill and as a result thereof might involve a possible increased charge on the public, the Committee was not competent to make the amendments but would make a recommendation to that effect in its Report to the House.

Clause 6(b) was adopted.

Clause 7 was considered as amended and adopted.

Clause 8 was considered and adopted.

Clauses 9, 10 and 11 were severally considered and adopted.

Clauses 12, 13, 14 and the Title were severally considered and adopted.

The Bill as amended was considered and adopted and the Chairman ordered to report the said Bill to the House as amended, with the required recommendation in respect of subclause (b) of Clause 6.

At 10.30 o'clock a.m., the Committee adjourned to meet again at the call of the Chair.

R. J. Gratrix,
Clerk of the Committee.

EVIDENCE

JUNE 22nd, 1955,
10:00 a.m.

The CHAIRMAN: Gentlemen, the meeting is now called to order.

Mr. ASHBOURNE: Mr. Chairman, I beg to move that the committee print 750 copies in English and 200 copies in French of its Minutes of Proceedings and Evidence in respect of Bill No. 452, an Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise.

The CHAIRMAN: Is that satisfactory, gentlemen?

Agreed.

I just want to put on the record some matters which you already have and some which you have not. All of you have received copies of the letters which were sent to the Hon. James Sinclair by the Prince Rupert Fishermen's Co-operative Association, by the Gulf and Fraser Fishermen's Credit Union, and by the Prince Rupert Fishermen's Credit Union. You have copies of them which were delivered to you.

(See Appendix "A")

There was a wire received this morning from Halifax addressed to the Hon. James Sinclair, Minister of Fisheries, Ottawa, which reads as follows:

June 17,
HALIFAX, N.S.

Hon. James Sinclair, Minister of Fisheries,
Ottawa.

Many thanks information your wire re fisheries improvement loan bill meeting stop Impossible attend personally but Alexander Laidlaw St. FX university will represent United Maritime Fishermen Ltd and its members stop Rod MacMullin manager Nova Scotia Credit Union League will represent that organization and credit unions appreciate keenly your interests this matter.

United Maritime Fishermen Ltd.
J. H. MacKichan General Mgr.

There was a wire addressed to Mr. D. Gordon Blair, solicitor in this matter, from the Regina Association which reads as follows:

REGINA, Sask.
21 123 5p

D. Gordon Blair
c/o Herridge Tolmie Gray Coyne & Blair
140 Wellington St., Ottawa, Ont.

Authorize to state to committee and government officials credit union league of Saskatchewan supports request to have credit unions and societies included in legislation having in mind similar provision

in farm loan legislation when required and provided federal control and licensing of local credit unions not involved.

W. B. Francis.

I have a brief here this morning from the Credit Union League of the province of British Columbia.

I also have the brief from *La Federation des Caisses Populaires Acadiennes*.

I have the brief from the National Co-Operative Fisheries Association of the Co-Operative Union of Canada.

And finally a brief from the Nova Scotia Credit Union League.

(For Briefs see Appendices "B", "C", "D" and "E")

These four briefs, with your permission, I shall have placed on the record and they will now be passed out to you for your perusal and study so that when we come back here, after the orders of the day, we will hear the various spokesmen in connection with the briefs which I just mentioned. I have asked them not to be too long. We will hear them and then deal with the bill.

Has anyone any other suggestions? Senator Vaillancourt has asked to be heard on behalf of the *La Federation des Caisses Populaires Acadiennes*. I said that we would hear him first. There are four witnesses who wish to speak to the briefs. Does that meet with your approval?

Agreed.

I must apologize to you for not being able to carry on our business this morning, but it was due to something beyond my scope. I really do not call caucuses for the Conservative party, as most of you know. So the only thing we can do for the moment—or the thing which you can do in the time at your disposal is to read through these briefs. We will come back immediately after the orders of the day.

The meeting now stands adjourned until that time.

—Upon resuming.

The CHAIRMAN: Gentlemen, I see a quorum.

Mr. ASHBOURNE: Mr. Chairman, knowing the great interest that the members of the Standing Committee on Marine and Fisheries are taking in this bill, I, as chairman of that committee, would like to say that after consultation with you I took the liberty of writing to the members of that committee advising them of the meeting this morning. After hearing the witnesses and the briefs, I think that an opportunity might be given to hearing any member of the Marine and Fisheries committee if any member would like to be heard in this regard. I assume that such an opportunity would be afforded to them. If necessary, I could make a formal motion to that effect.

The CHAIRMAN: They will be heard.

Our first witness is Senator Vaillancourt.

Hon. Mr. VAILLANCOURT: Mr. Chairman, I must say that our *Caisses Populaires* in Quebec have helped Gaspesian fishermen for over twenty-five years. At present *Caisses Populaires* and Credit Unions in Canada—*Caisses Populaires* and Credit Unions must not be confused—have about \$450 million assets and from this total of assets our *Caisses Populaires* in Quebec have \$375 million. I must add that our *Caisses Populaires* in Quebec have administered with success for the past twenty-five years the fishermen's loan. Moreover, in Magdalen Islands, in Gaspesia and on the North Shore, we have three inspectors living in these areas and attending especially to the fishermen's loan.

We have also a life insurance for the protection of the loans and the protection of the fishermen's families. In the event of the death of the fisherman before his reimbursement of all his loan, the insurance pays the *Caisse Populaire* the balance of the loan still due. Then we have an insurance against fire and losses on sea.

Furthermore, may I add in conclusion, that our *Caisses Populaires* have always been and are still better equipped than the chartered banks to supervise the negotiation of loans on a sound basis to fishermen. We have already acquired a long experience in that field.

Secondly, our branches are spread over areas not covered by branches of chartered banks; and thirdly, we are in a position to exercise a much closer and more effective control of the loans granted as we have sources of information, through our organization, that are not always available to chartered banks.

That is my experience for 25 years in the fishing countries of Gaspesia, Magdalen, and the North Shore district. When we organized this system of loaning we placed special inspectors in various places to supervise the loans. We have for 25 years, millions and millions of dollars out in loans and with the cooperation of the province of Quebec we have loans not over \$800 on which the province pay 4 per cent interest and the fishermen pay the balance. We have in Quebec central organizations and all the loans are directed to our central organizations if necessary. For the last 25 years our losses were practically not more than one fortieth of one per cent. That is our experience.

The first investigation we do is into the moral character of the man. That is the first and the best guarantee.

The CHAIRMAN: Members of the committee have a brief on the subject. If there are no questions I will thank Senator Vaillancourt.

Hon. Mr. SINCLAIR: Is that last rate of one fortieth of one per cent that you spoke of for fishermen, or for everybody?

Hon. Mr. VAILLANCOURT: For fishermen.

The CHAIRMAN: The next witness is Mr. Bérubé. I will ask Mr. Melvin, National Secretary of the Cooperative Union of Canada, to introduce him.

Mr. W. B. MELVIN: Mr. Chairman and members of the committee, it is a pleasure for me to introduce Mr. Louis Berube who is appearing before you this morning as chairman of the National Cooperative Fishermen Association of Ste-Anne de la Pocatière, Province of Quebec, which is a group of fisheries cooperatives of this country in every province except one, with the assistance of the Cooperative Union of Canada. Mr. Bérubé has for a long while been associated with fisheries development in the Gaspé and Quebec generally, and in the Martimes as well.

Mr. BÉRUBÉ: I am glad to be able to address the committee for a few minutes on behalf of this cause and I thank you, Mr. Chairman and members of the committee, for this opportunity to put the National Cooperative Fishermen's Association behind the *Caisse Populaire* and Credit Unions on this occasion.

To summarize the brief which you have had, let me say that the need of credit has always been there for the fishermen. It was served very largely by the old fishing companies in the good old times, but during that period the old fishing companies could afford it because they were enjoying a monopolistic price for their fish and for the goods they sold to the fishermen. These conditions no longer exist, and the fishing companies, the fish processors and merchants, have to face competition and it is no longer possible for them to carry on in the old way. Besides, we are facing the problem of mechanizing and modernizing the fisheries which calls for more credit. The banks are good lending institutions and I would not like anything in the brief which we offer

to be considered as a fight with the banks or anything like that. But the banks were never very interested in fishing communities nor would they lend to the fishermen because it was not a sound business proposition for them to do so. Left to themselves the fishermen did organize their own Credit Unions. In fact, the first Credit Union in a fishing community was organized in 1905 at Maria in the County of Bonaventure, and in 1932 in the full tide of the big depression we had 14 credit unions in the fishing communities of the Gaspé coast. Now, in the province of Quebec, we have only 37 Credit Unions in the fishing communities on account of the fact that we have only 37 fishing communities.

The situation is the same in New Brunswick and the representative of New Brunswick will give you similar figures. So at the present time there are Credit Unions and *Caisses Populaires* in the big majority of the fishing communities of Canada. These were created, built and operated by the fishermen themselves on their own behalf. This contemplated legislation will go to benefit the Credit Unions and the *Caisses Populaires* and assist them in helping the fisheries. We have nothing against the banks, but as representing the fishermen I would like to see the Credit Unions and the *Caisses Populaires* enjoying the same privileges as they do. I am not against competition, but I am very much in favour of equality of opportunity. Now one of the biggest handicaps would be that some of these Credit Unions or *Caisses Populaires* are small, but as Senator Vaillancourt has said they have proved their worth as lending agencies. I have the official record with me for 1951—taken from the Department of Fisheries—and in 11 years of operation they have lent \$1,300,000 to fishermen of the province of Quebec and out of this the exact figure of losses written off—Senator Vaillancourt gave it out of his memory, but I have it from the books—is \$710.99, or 5 cents per \$100 loaned. It may appear that in giving those figures I am speaking without due respect for modesty, but I have no reason to believe that the fishermen of the other provinces would not show as good a record if you inquired into it.

The CHAIRMAN: If there are any questions to be asked of the witness, this is the opportunity. I have never met the gentleman before, but I am told he is very knowledgeable on this subject.

Mr. APPLEWHAITE: Has it been the practice of the Credit Unions to which you refer when making loans to fishermen, to insure their floating assets as protection against the loss?

Mr. BÉRUBÉ: Perhaps Senator Vaillancourt could answer that question—he is a much bigger man than myself in the *Caisse Populaire*.

Hon. Mr. VAILLANCOURT: Would you please repeat the question?

Mr. APPLEWHAITE: I asked whether it has been the practice of the Credit Unions to insure the floating assets of fishermen to whom they make loans?

Hon. Mr. VAILLANCOURT: Every borrower has to have life insurance, fire insurance and so on—I know that in Quebec the control is made by the central organization.

Mr. APPLEWHAITE: I was asking whether you insure the fishermen's boats and gear—floating gear—which is subject to loss by storm?

Hon. Mr. VAILLANCOURT: Yes, it is all insured against any loss.

The CHAIRMAN: If there are no further questions—

Mr. TUCKER: I have read the statement and it seems to me that the Credit Unions have done a marvellous job in financing the fishermen. I have the impression that there is a need for greater credit and larger quantities of credit in order to provide the fishermen with bigger and better equipment. Is that correct—that the fishermen now really need credit in order to modernize their industry?

Mr. BÉRUBÉ: That is what I believe.

Mr. TUCKER: I take it it would assist the Credit Unions in meeting that need if they got the guarantee which the banks are supposed to get in this bill?

Mr. BÉRUBÉ: I am sorry, I did not get that.

Mr. TUCKER: As I understand your representations you would like to get a partial government guarantee under this bill so that you could do a better job in meeting that increased demand for credit.

Mr. BÉRUBÉ: Yes.

Mr. TUCKER: You cannot meet the need to the extent you would like to meet it without this partial government guarantee is that correct? Can you meet it without the guarantee?

Mr. BÉRUBÉ: What I understand is that the government guarantee would have many effects, one of which would be to encourage depositors so that the Credit Unions would get enough capital to lend.

Mr. TUCKER: Would you feel that this government guarantee would enable the Credit Unions to do a much better job than they would otherwise be able to do in continuing to meet the requirements of the fishermen?

Mr. BÉRUBÉ: That is my belief.

Mr. TUCKER: It would put the Credit Unions in a better position to meet the demand for credit?

Mr. BÉRUBÉ: Yes.

Mr. CAMERON (*Nanaimo*): I wonder if you could give us any idea of the proportion of the banking business done by the Credit Union with fishermen as opposed to the business done with other interests in your area?

Mr. BÉRUBÉ: I could not give you any figure on that. Maybe Senator Vaillancourt could, but he would have to risk a figure.

Mr. CAMERON (*Nanaimo*): Could I put it this way: have you any idea of the proportion of fishermen who deal exclusively with Credit Unions for their financing at the present time?

Mr. BÉRUBÉ: Maybe an example will help. On the Gaspé coast there is a stretch of close to 100 miles with no banks at all and there are credit unions in all the fishing communities. Draw your own conclusions.

Mr. ROBICHAUD: Mr. Chairman, my question is pretty much in line with that asked by Mr. Cameron. The purpose of this bill is to enable fishermen to obtain loans. Under the present terms of the bill it is a loan from a bank under terms and conditions which will make it easier to finance the purchase, construction and repair of specified capital items and improvements for use by such fishermen in the pursuit of their occupation. As Mr. Bérubé has just indicated there are a lot of communities where fishermen have never been in contact with a bank. Is that not true?

Mr. BÉRUBÉ: They might have some contact. For instance I suppose they have signed a note and the note finishes in the bank, but it does not mean that they are customers of the bank.

Mr. ROBICHAUD: Is it not true that in many fishing centers whether on the Gaspé coast or in New Brunswick that in the last 20 years, it happened?

Mr. BÉRUBÉ: They did not deal with the banks.

Mr. ROBICHAUD: Yes, and they dealt with credit unions?

Mr. BÉRUBÉ: That is right.

Mr. ROBICHAUD: And the credit unions have been helping the fishermen in periods of need?

Mr. BÉRUBÉ: Yes.

Mr. ROBICHAUD: And it would only seem logical that if facilities are made available to the fishermen to obtain loans that the credit unions should be given the same guarantee as the bank?

Mr. BÉRUBÉ: That is fully agreed.

Mr. ROBICHAUD: Is it not also true that in every province the credit unions have either a central office or a federation?

Mr. BÉRUBÉ: That is true.

Mr. ROBICHAUD: By which those loans could be dealt with?

Mr. BÉRUBÉ: Could be channelled.

Mr. ROBICHAUD: Yes, and the inspection that is required could be done through this federation?

Mr. BÉRUBÉ: Yes.

The CHAIRMAN: There is just one question which arises in my mind and perhaps you could answer it. I understood Senator Vaillancourt to say that the province of Quebec already guarantees loans. Is that correct? Did you say that to the committee, Senator?

Hon. Mr. VAILLANCOURT: No. Some loans are guaranteed but not all loans. They guarantee four per cent interest.

The CHAIRMAN: The interest?

Hon. Mr. VAILLANCOURT: Yes.

Mr. CROLL: Mr. MacEachen?

Mr. MACÉACHEN: Mr. Bérubé, what is the average period of repayment for loans given to fishermen?

Mr. BÉRUBÉ: In my estimation it takes two or three years to repay the loans.

Hon. Mr. VAILLANCOURT: Three years.

Mr. BÉRUBÉ: That is your answer.

Mr. MACÉACHEN: If the credit unions were brought under this bill, Mr. Bérubé, would they give the maximum period of eight years that is indicated in this bill?

Mr. BÉRUBÉ: Personally I do not see any harm in that since the loans on land or homes in some cases are for much longer periods than that, am I right? It could be decided if and when it arises, but I personally do not see any objection.

Hon. Mr. VAILLANCOURT: In some cases.

Mr. BÉRUBÉ: The honourable member of the committee asks that if this bill were passed would the *Caisses Populaires* be willing to lend for the full extent of the time mentioned in the bill which is eight years?

The CHAIRMAN: Was the answer "yes", senator?

Hon. Mr. VAILLANCOURT: Yes.

Mr. ROBICHAUD: I have another question, Mr. Bérubé. If loans were guaranteed as an additional security would it not be possible for the fishermen to take advantage of the insurance scheme which is already in effect through the Department of Fisheries?

Mr. BÉRUBÉ: That would be a nice compliment and in all cases it would be necessary, I am sure.

Mr. ROBICHAUD: The reason I asked is that this instrument is only available up to a maximum of \$7,500, if I remember correctly. These loans would help to fill in a gap which already exists on loans being made by fishermen's loan boards. In the last few years I have noticed that the Fishermen's Loan

Board of Nova Scotia has been rather reluctant to make small loans to shore fishermen while they have been extending their larger loans to druggers so these small loans would certainly be of advantage to the small fishermen who at the present time are not in a position to obtain small loans from the fishermen's loan boards?

Mr. BÉRUBÉ: Yes. If I understand your question, that would be the case. It should be referred to the Minister of Fisheries. As far as the maximum of the insurance on the boat is concerned, it is \$7,500. Is this an absolute ceiling or could it be extended?

Hon. Mr. SINCLAIR: It is the present ceiling.

Mr. BÉRUBÉ: Does that answer your question?

Mr. ROBICHAUD: Yes.

Mr. MACEachen: Mr. Bérubé, does the credit union movement in Quebec now have ample funds to provide loans to the fishermen and connected with that question is the comment you made yourself that the provision of this guarantee would encourage depositors to provide funds for greater service to the fishermen?

Mr. BÉRUBÉ: I was speaking generally for all across Canada. As far as the *Caisses Populaires* is concerned, would you have funds available in the *Caisses Populaires* in Quebec to meet the demand?

Hon. Mr. VAILLANCOURT: Yes.

Mr. BÉRUBÉ: The answer is yes, Mr. MacEachen.

Hon. Mr. Vaillancourt: The *Caisse Populaire* in Quebec has total assets of \$375,000,000 and total assets of \$450,000,000 for all of Canada.

The CHAIRMAN: Does that answer your question?

Mr. MACEachen: Yes. I wonder if Mr. Bérubé would follow up his line of thinking when he suggested the provision of this guarantee to the credit union would encourage depositors to put more funds in?

Mr. BÉRUBÉ: I was speaking as chairman of the national federation, and I think that in some parts of Canada there would be a need of funds—or at least there might be—and this would be the answer. I hope they would claim the least physical support possible, but the moral support thus given would encourage the depositors. That is my belief.

Mr. MACEachen: That would be a very excellent by-product.

Mr. BÉRUBÉ: Yes, first class—as good as the main product sometimes.

The CHAIRMAN: Thank you very much, Mr. Bérubé. Mr. Gordon Smith, Canadian manager, Credit Unions National Association.

Mr. SMITH: Mr. Chairman and honourable members. I am here representing credit unions across the ten provinces of our country totalling 2,400 in number who are affiliated with the credit union national association. The headquarters of operations are in Hamilton, Ontario. We have representatives here of the credit union leagues in Nova Scotia and British Columbia who are associated with me in this presentation before your committee. We also have with us a representative from *La Fédération des Caisses Populaires Acadiennes* in New Brunswick, and we have by mutual agreement determined to support the presentation which will be made to you in brief form by Mr. McMaster the agent and solicitor for the British Columbia Credit Union League as well as Mr. R. J. MacMullin of Nova Scotia the managing director of the credit union league in that area and Mr. Euclide Legère, director of the *La Fédération des Caisses Populaires Acadiennes* of Caraquet, New Brunswick.

It is not my province to suggest to the committee that perhaps for the purpose of brevity you would like to hear from these representatives of the Credit Union Movement in this country and that questions be asked at the completion because all the presentations are similar in intent and differ only in broad principle.

The CHAIRMAN: The next gentleman who will address us will be Mr. R. J. MacMullin, managing director of the Credit Union League of Antigonish, Nova Scotia.

Mr. MACMULLIN: Mr. Chairman and gentlemen, you all have a copy of the brief that is to be presented on behalf of the Nova Scotia Credit Union League. I am not going to read it, I am merely going to make a few comments upon it. I think you will all recall that credit unions were started in eastern Canada, especially in the maritime provinces, in the early thirties. They were started there as a result of the inauguration of a program which we called a total program for the rehabilitation of the people generally in the maritime provinces. That included our fishermen, our farmers and our industrial workers of various kinds. Shortly after the inauguration of this total program for the rehabilitation of our people one of the basic needs that was first discovered was the need for credit facilities. In talking on this question we are interested primarily in our fishermen. It is safe to say that in no occupational group in the Maritime provinces was there a greater need for credit facilities than among fishermen. Hon. members have pointed out in the House and have stated, and it is a fact, that the primary source of credit to our fishermen was their local fish buyer, or supply company, and after 1932 and 1933 the local credit union which established itself in those fishing communities.

In twenty years these credit unions have been providing to the fishermen a source of credit comparable to the means and ability of the credit unions to supply that need. It is interesting to note that one of the very first credit unions organized in Nova Scotia was in May, 1933, at Canso, from whence it has spread along the coast so that today there are credit unions in practically every fishing community along the shores of our province.

Today we have approximately 220 credit unions and in savings, approximately \$8 million, and they have loaned to themselves about \$40 million.

I think it is important to say that in 90 per cent of the cases those savings were credited by people who ordinarily would not have accumulated any savings. Likewise, in 90 per cent of the cases the \$40 million of loans has been lent out to people who ordinarily would not have had a comparable source of credit, so there has been a significant contribution by the credit unions to our whole economy and especially in our fishing communities.

Of our total credit unions we have approximately sixty which are operating in fishing villages, and more than half of these can be classified as exclusively fishermen's credit unions, and are operated in communities where fishing is the only industry and where everybody in that community depends on fishing for his livelihood. The remainder, probably another 30, would be located in communities where there are various occupations and industries but where fishing nevertheless is an important part of the economy of that community. In all our operations the losses which have been sustained in our credit unions—we have to admit that there are losses the same as in any business—but the losses which have been sustained have been for practical purposes very, very minor. We have written off about \$37,000 on a loan value of something over \$40 million. All of that has not been written off because of dishonesty on the part of the people borrowing. In the intervening years, as you well realize, we had a war, when many young people left our communities

and went overseas. It is reasonable to expect that many of them, when they left, would leave unpaid loan balances in our credit unions. Since many of them did not come back, the credit unions, being the type of institution they are, decided to write them off out of their reserves rather than to go out and collect from widows, mothers, and people like that. That accounts to a large extent for the actual amount of money written off as against the reserves in our credit unions.

From the point of view of stability, business soundness, and actuarial competency, we can say from experience that our credit unions qualify in all those different aspects. The other important thing I want to point out is something that we do not want to repeat too much, but our credit unions have been located in areas where other credit facilities were not available. Even in those areas, where other credit facilities might have been available, the credit unions pioneered and took on the risk of financing our fishermen with little more than character as a security, when no other financial institution could see fit to advance credit to them.

Their success has justified the faith which they placed in the fishermen along our shores. I do not think there is much more I need to add in my remarks, because it is all here in this brief. I think it is self-explanatory; but I would just like to say that we commend the government for its initiative in introducing legislation which is going to help fishermen, and wherein credit unions are included. We can assure you that we will continue as credit unions and provide the same type of service to our fishermen as we have done in the past, whether there are government guarantees or not. If these are, then so much the better. It will encourage us and it will give our fishermen more encouragement to get further into debt in order to get the tools whereby they can increase their production and living standards and general livelihood. We will continue to do that. But with your assistance, by giving us legislation which we feel we deserve—which the credit union movement is deserving of—we can do a better job as credit unions along with the banks in long measure, with regard to the production of the fishing industry in our Maritime provinces and in Canada.

Mr. TUCKER: I wonder if the witness would care to comment on the last sentence in his brief, which reads as follows:

Our contribution, along with that of the banks, should go a long way to rehabilitating the fishing industry, especially in Nova Scotia.

What do you envision as the necessity in the way of rehabilitating the industry?

Mr. MACMULLIN: There are those who can speak with more authority on this particular topic than I can. I think we all recognize that in the Maritime provinces especially—and I speak for the Maritimes, because I know it better—the fishing industry there is undergoing what might be called an industrial revolution. The necessity is that of bigger boats, small draggers, long liners, and more mechanization. These are necessities which they will have to get if they are going to make a livelihood in fishing. That means money, and it means the kind of money that the average fisherman has not got. We are assuming, in this last statement, that this legislation is definitely going to apply to the banks, and that the banks will make contributions towards financing the fishermen. If we can also come under this legislation, we can make a contribution too, and that contribution should be significant enough to help our fishermen in large measure in obtaining the gear and equipment which they need in order to get into this bigger operation which they must have if they are going to make a decent livelihood.

Mr. MONTEITH: Do these credit unions in Nova Scotia come under a provincial charter?

Mr. MACMULLIN: Yes sir.

Mr. MONTEITH: Under what department? Is there any periodical inspection as to their financial position, set-up, and so on?

Mr. MACMULLIN: In Nova Scotia the Credit Union Act is administered by the Department of the Provincial Secretary. That department is responsible for the administration of the act. The registrar of credit unions at the present time is Mr. C. L. Beazley, and working under Mr. Beazley there are inspectors whose duty it is to examine into the affairs of every credit union annually, and more often if they deem it necessary. So each year each credit union is inspected and if the inspector feels it should be inspected more often he is free to do so. The important thing is that it is done and along with these inspections the Credit Union League has two men continually in the field doing comparable work but without any legal authority to do it. They are continuously sitting in with the boards of directors of the credit unions and discussing procedures and helping them frame adequate policies and adequate procedure to promote their credit unions soundly and in a businesslike way.

Between the government and the league we feel we are taking every reasonable precaution to safeguard the growth of our credit unions.

Mr. MONTEITH: Have you had any failures since 1932-33 when you commenced operations?

Mr. MACMULLIN: The only failures we have had in Nova Scotia have been failures which have been due to the fact that in the early days many of our credit unions were established in small rural communities. Mr. MacEachen who is sitting just a few seats from me knows the situation in his particular county where a few years ago we organized credit unions in many small communities. At that time they were flourishing communities with a church, a school, and possibly one or two grocery stores and so on. Today many of those communities are isolated. The people have left. The war years drew them away to the towns and cities. Just because of the drying up of the population in those areas, credit unions have ceased operations. But we have had no failures as far as bankruptcy or anything of that kind is concerned. Of those credit unions which have closed up I do not know of any case where they have not paid back to the investors dollar for dollar.

Mr. BALCOM: Mr. C. L. Beazley is a provincial government officer?

Mr. MACMULLIN: Yes. He is the deputy provincial secretary and registrar of credit unions.

Mr. BALCOM: Are the savings accumulated by these fishermen generally reinvested in the credit unions?

Mr. MACMULLIN: Those savings which the members accumulate in the credit union are invested back in the members by way of loans to the members. In the credit unions we feel that the best investment a credit union can make is in productive or provident loans to the members concerned and we encourage our credit unions to invest as much as they are able in that kind of operation.

Mr. RICHARDSON: They have been operating for about 20 years. What is the average loan say in the last ten years?

Mr. MACMULLIN: I would say it would probably work out between \$300 and \$500.

Mr. RICHARDSON: In the last ten years, what if anything have the chartered banks done in these communities to help the fishermen?

Mr. MACMULLIN: Well, as far as the fishing communities would be concerned—I say this without prejudice.

Mr. RICHARDSON: Just say it anyway.

Mr. MACMULLIN: My personal opinion is that the chartered banks have not done a great deal as far as the fishing communities are concerned. I say that for the simple reason that by and large it is almost physically impossible for the banks to provide the type of service. They just are not there. An individual is not going to travel 40 or 50 or 100 miles to negotiate a loan if he can do it locally through a local credit union.

Mr. MACDONNELL (*Greenwood*): The witness spoke about the increase in the size of business, the greater financial requirements. What in your opinion would be the size of loans in the case of larger businesses which would be required? You have told us the small average up to date but from what you say about the increase in the size of business I wonder whether it would be larger?

Mr. MACMULLIN: A few days before coming to Ottawa we handled an application from a fisherman in Cheticamp. He was one of the fishermen I referred to as being anxious to get into more mechanized operation. He required a loan of \$3,000 to handle such a program. We advanced him that from our central organization because a \$3,000 loan was a little bit too large for his local credit union to handle. They referred it to us and we took care of it from our central organization.

Mr. MACDONNELL (*Greenwood*): You spoke about the provincial organization which I understand supervises to some extent the locals. What is the relationship between the provincial organization and the over-all dominion organization?

Mr. MACMULLIN: There is an over-all dominion organization. Actually the relationship there is not too clear as yet because the national organization—and I presume you are referring to the National Cooperative Credit Society—is a very new organization which is getting started and the future is more or less indefinite as to that. It will take a few years before that will grow. We do hope that as it grows it will provide an added source of credit facilities to put back into the credit unions. In other words, in certain seasons, funds can be taken from one part of the country and made available to another part of the country where there is an opposite season.

Mr. MACDONNELL (*Greenwood*): If you were included in the ambit of this bill would the procedures outlined here be easy for the local credit unions to carry out, or would you need some different procedures?

Mr. MACMULLIN: Generally speaking, yes. We would expect, if we come under this bill, that we would have to meet certain requirements. I have faith that the government is going to make those requirements as reasonable as possible. If they are reasonable then certainly there is no reason why we would not accept them. As they are now, I do not think there is any great difficulty in the credit unions coming under them.

Mr. FRASER (*Peterborough*): What is the interest paid on loans? What do the fishermen have to pay?

Mr. MACMULLIN: In our fishing communities I would suggest that the ordinary rate of interest that would be charged would be 6 per cent.

Mr. FRASER (*Peterborough*): That is the average rate?

Mr. MACMULLIN: Yes.

Mr. FRASER (*Peterborough*): What do you pay on deposits?

Mr. MACMULLIN: This is a technical one. In the credit unions the big source of our funds is what we refer to as share capital. A dividend is paid at the end of the year and it varies from credit union to credit union from 2 to 3 per cent. On deposit money that is deposited with the intention the member withdrawing it next week or next month the interest rate probably varies from $1\frac{1}{2}$ to 2 per cent.

Mr. FRASER (*Peterborough*): Then you also have shares?

Mr. MACMULLIN: Yes.

Mr. FRASER (*Peterborough*): What do they pay?

Mr. MACMULLIN: Probably from 2 to 3 per cent.

Mr. FRASER (*Peterborough*): On the shares?

Mr. MACMULLIN: Yes.

Mr. FRASER (*Peterborough*): What is the capital of these unions?

Mr. MACMULLIN: The capital is unlimited as far as law is concerned. It varies with the size of the credit union.

Mr. FRASER (*Peterborough*): What would be the average?

Mr. MACMULLIN: We have approximately \$8 million in the total assets in the province and about 200 credit unions. Let us say, \$40,000.

Mr. FRASER (*Peterborough*): Do all the small credit unions pay into the central association?

Mr. MACMULLIN: They invest in the central only those funds which they do not have a ready demand for by way of loans. If they have surplus funds which they are not using today for their own members, and which they feel they will not use for the next month or so, they will invest those funds in the league which will in turn invest the funds in some other credit union so that credit union will have the benefit of earning on what would otherwise be idle money.

Mr. HENDERSON: You say that your rate of interest averages 6 per cent. How high does it go?

Mr. MACMULLIN: In our urban credit unions where the repayment plan is usually different, our credit unions will probably charge three quarters of one per cent per month, or a maximum of one per cent.

Mr. HENDERSON: Under this bill I notice that the rate of interest will be five per cent. How are you going to choose the ones who will get the five per cent and the ones who will pay the twelve per cent?

Mr. MACMULLIN: We will have to make the distinction on the basis of the security, giving the preferential rate to those who qualify as coming under this piece of legislation.

Mr. HENDERSON: In that event only those with good security would be able to take advantage of this bill?

Mr. MACMULLIN: That is right.

Mr. HENDERSON: And that fits in with your program for helping to provide better equipment for fishermen?

Mr. RICHARDSON: I would like to follow up the question asked by Mr. Fraser. Mr. MacMullin, you spoke about the average rate of interest being six per cent. Is that the simple rate of interest or is it a discount rate?

Mr. MACMULLIN: It is a simple rate of interest. Not discounted.

Mr. BALCOM: The Nova Scotia government has lent about \$2 million to fishermen. I suppose that would be for the larger boats and engines. I take it most of your loans would be to the smaller fishermen—the inshore fishermen.

Mr. MACMULLIN: That is right. The type of loans made by the provincial government—the type of loans you refer to—is on a larger scale at a preferred rate of interest and with many other advantages which the average lending institution could not afford.

Mr. QUELCH: On page 4, at the bottom of the page, it says:

Through this organization all their loans are insured against death or disability and their life savings are complemented by insurance of their savings.

Has the fisherman to take out insurance on the equipment he purchases? You do not mention that in the brief.

Mr. MACMULLIN: That is a matter for the internal policy of each Credit Union. Under the Credit Union Act the Credit Committee is given the sole responsibility of deciding whether or not a loan should be granted to an individual, whether he is a fisherman, a farmer, a steel worker, a miner, or whatever he may be, and one of the duties prescribed for members of the Credit Committee is that they must be satisfied that there is security for the loan in each case either with the Credit Union or with the local Credit Committee. It is within the committee's own discretion to determine what they will take as security, whether, in taking certain types of security, they should have further insurance and so on. So I would say that in cases where they take as security something of the nature of real estate they would in their prudence have that protected against fire and other hazards.

Mr. RICHARDSON: I was going to ask a question on another point: it is my understanding that in all of these Credit Unions no salaries are paid—that is, in the local unions.

Mr. MACMULLIN: The larger percentage of our Credit Unions are operating with part-time help and the treasurers and the officials voluntarily do the work. There is no remuneration, excepting that at the end of the year if a small Credit Union has a fair balance left in the "kitty" after they have paid a dividend it may make a grant to the treasurer purely as an honorarium. That would vary from, say, ten dollars in the case of some of the smaller Credit Unions to perhaps a couple of hundred dollars in a bigger union. As these unions grow and as more time is required to be spent in their management, then, of course, salaries are paid.

Mr. RICHARDSON: I do not complain about what you have said, but of course it gives the Credit Union a very clear advantage over other institutions such as the chartered banks in making loans. Do any of the Credit Unions in Nova Scotia pay any taxes?

Mr. MACMULLIN: They pay local taxes.

Mr. RICHARDSON: But not income tax or profits tax as the chartered banks have to do.

Mr. MACMULLIN: No.

Mr. MACEachen: I think the answers the witness has given are leaving a wrong impression about the growth of certain Credit Unions in the province. Maybe, Mr. MacMullin, you could tell the committee about the New Waterford Credit Union where you have a full time salaried manager and staff.

Mr. MACMULLIN: We have several Credit Unions such as the one Mr. MacEachen has mentioned at New Waterford. We have two in fishing communities at Cheticamp and West Pubnico where operations have grown to such an extent that somebody has to be in the office every day and many nights. It is of course unreasonable to expect that anybody could afford to devote such

a large amount of time to the operations without getting paid for it and in these cases people are paid what is considered to be a reasonable salary commensurate with the ability of the Credit Union to pay and the job they are doing. In New Waterford there are probably four employees in the office on full time salaries, working a regular day and often at night, and you would expect them to get paid for that.

Mr. FRASER (*Peterborough*): With regard to this figure you have mentioned of three-quarters of one per cent per month—is that compounded monthly?

Mr. MACMULLIN: No. It is purely and simply on the unpaid balance.

Mr. FRASER (*Peterborough*): At the end of what time?

Mr. MACMULLIN: At the end of the previous payment.

Mr. MACEachen: Mr. MacMullin, in your opening remarks you referred to the fact that the development of the Credit Union movement in the province of Nova Scotia and in the other Maritime provinces was part of a definite program for the rehabilitation of the Maritimes, and in particular for the rehabilitation of the fishing industry.

I do not know whether the present witness wishes to speak to that, or whether another witness will do so, but I think it is of some importance to give the committee full knowledge of the fact that the development of the Credit Union in these fishing communities is only a part of a general program which is being followed in marketing, production and so on, and I think that in order to get a better view of the relationship between the extension of credit facilities and the other marketing and producing development that we should have some information on what this total program is.

The CHAIRMAN: You have not done too badly yourself. You have pretty well answered the question. Later, as a member of the committee, you will be able to put us in the picture more completely.

Mr. MACEachen: I wanted to know whether Mr. MacMullin has any intention of doing this, or whether any other witness is going to do so.

Mr. MACMULLIN: The answer to that question I think is this: In the late twenties the government—I think it was this government—took the initiative in appointing a Royal Commission to investigate the fishing industry of the Maritimes which at that time was in the doldrums and the report of that commission suggested that the most scientific method of rehabilitating the fishing industry in the Maritimes was to organize the fishermen for production and for marketing. It was that recommendation of the committee which to a large extent brought about our expansion program. When the promoters of this total program went out into the communities they found there was not a lot of understanding on the part of the people. They did not have a knowledge of conditions or the facilities to market or process their fish, and they did not have the credit facilities to “oil the wheels” of the financial operation of the scheme. The first thing, therefore, was credit, and they started these Credit Unions which to some extent provided credit facilities, and as they conquered that particular problem they were able to tackle those other problems I have spoken of, and other developments followed on logically. One, of course, was the organization of small groups for the marketing of the catch so that fishermen could become independent of the local fish buyers and be able to pool their catch and obtain the best possible price for their product.

That was the second phase in the program. Gradually it developed in other areas. We got into housing, consumer cooperation of various kinds and different services and the total of that effort is the total program we refer to—not just Credit Union loans but a total program which applies to all the different occupational groups.

Mr. MACEachen: Mr. Chairman, may I beg your indulgence for another question. On page 2, paragraph 3 in the brief mention is made of some of the larger Credit Unions being located in typical fishing communities such as Cheticamp, Grand Etang and West Pubnico. Can you give the committee any picture of how your total program is operating in those fishing communities?

Mr. MACMULLIN: To be brief, to take the position of Cheticamp today, we have a Credit Union in full time operation and providing complete services to the membership. It is also comparable in membership to the population of the community because practically everybody is in the union, including the children, and members of the committee may be encouraged to know that many of the family allowance cheques that go out from the Department of Finance, which is also interested in this bill, go directly into this credit union as savings for those children. Along with the development of the credit union they have also developed a consumer cooperative store which they have organized themselves for their own merchandising needs. Coupled with that they have their own fishermen's organization where all their fish are processed or are assembled for marketing as a group through a provincial or maritime organization. In that way, of course, they get the benefit of organized marketing and grading and of course they obtain the best possible price their market pays for their produce. Their vocational supplies likewise go through cooperative channels and they are able to obtain whatever little savings might be available by group purchasing and things of that nature. The general community itself has reflected that progress. Their homes are painted and they have an appreciation for beauty and around their homes can be found flowers and grass and things of that nature. They have a greater appreciation for preserving their fisheries as a national resource. All those things have come in large measure as a result of this total program which was, of course, based on total education.

Mr. RICHARDSON: May I ask one last question. Mr. MacMullin, what are your facilities for the auditing of all the credit unions?

Mr. MACMULLIN: Our auditing is actually done by our provincial inspection department which has taken the attitude that they cannot make an adequate inspection and satisfy themselves that the credit union is such and such unless they probe so deeply into it that their inspection practically constitutes an audit. It is compulsory for credit unions with assets in excess of \$200,000 to submit to an external audit conducted by an outside auditor who must be a chartered accountant or some person approved by the registrar of credit unions who will only approve someone who is on the list as a municipal or broker's auditor. This, along with the internal inspection that is provided by the local supervisor, gives a pretty fair guarantee that there will not be too many things which could happen in the credit unions.

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

Our next witness is Mr. Euclide M. Lèger. You have his brief which is that of *La Federation des Caisses Populaires Acadiennes*.

Mr. EUCLIDE M. LÈGER: Mr. Chairman, and gentlemen:

On behalf of *La Federation des Caisses Populaires Acadiennes* for New Brunswick, I should like to associate myself with the statement given by the Nova Scotia Credit Union League, since the situation in my province is much the same as in Nova Scotia.

However, I might add a few statistics concerning our credit unions in New Brunswick which will be valuable to the committee in considering our request. There are 163 credit unions in the province, with approximately 67,000 members and over \$8,000,000 in savings. Total loans recorded for the 19 year period (1935-1955) is over \$37,000,000.

We have 55 credit unions operating in fishing communities, and as a matter of fact the largest credit union in our federation is in a fishing community—Caraquet. As in Nova Scotia we have insurance coverage on loans and savings, provided by our own insurance company organized through the credit unions. Our record in uncollected or delinquent loans is worth noting: in total loans of \$37,000,000 the amount written off to date is about \$12,000. This is equivalent to a loss of one dollar for every \$2,800 loaned from the beginning.

It might be well to point out that of 118 community credit unions in New Brunswick, 102 are operating in rural communities, whereas only 16 are in towns and villages, the place where we find chartered banks.

The provincial government inspection system is much the same in New Brunswick as in Nova Scotia. We have a Registrar of Credit Unions and two inspectors for the province.

We also feel that if this legislation, Bill 452, is intended as a service to fishermen, it should be provided for the fisherman whether he has his credit established in a chartered bank or in a credit union.

We feel that, if the credit unions are excluded from this legislation, it will mean that the fisherman is being penalized for the efforts he has made for the past 17 years in organizing credit unions which have enabled him to build up his own credit facilities. We assume that the Government of Canada would want to give better recognition of the work that credit unions have done in building good Canadian communities.

We wish to assure you that *La Federation des Caisses Populaires Aca-diennes* will co-operate in every possible way to ensure the success of any plan whereby credit unions can avail themselves of government guarantees for loans to fishermen.

The CHAIRMAN: Mr. Macdonnell.

Mr. MACDONNELL: The witness has said that there is over \$8 million in savings, and that the total loans are over \$37 million. What would be the total amount of loans outstanding at the moment?

Mr. EUCLIDE LÈGER: It would be approximately 75 per cent of the total capital, which would mean about \$6 million.

The CHAIRMAN: Mr. Applewhaite.

Mr. APPLEWHAITE: I wonder if the witness would explain the difference between the 163 credit unions referred to in the second paragraph of his brief and the 118 referred to in the fourth paragraph?

Mr. EUCLIDE LÈGER: The balance of the number of credit unions is comprised of such credit union groups as the Canadian National Railways credit unions and similar organizations.

The CHAIRMAN: Mr. Michener.

Mr. MICHENER: Would the witness tell us how much of the \$6 million now outstanding is on loans of the type which would be authorized under this bill, approximately?

Mr. EUCLIDE LÈGER: We feel that there is approximately some \$2 million to \$2½ million in savings by the fishermen, and we would have about 75 per cent of that \$2 million to \$2½ million.

Mr. MICHENER: Something less than \$2 million on loans to fishermen; and are those loans which are made to fishermen for the same purposes as are provided for in this bill?

Mr. EUCLIDE LÈGER: Well, maybe not. Maybe not the entire total, but a good proportion of it.

Mr. MICHENER: Thank you.

The CHAIRMAN: Mr. Balcom.

Mr. BALCOM: Does the insurance cover only those loans which the credit unions make?

Mr. EUCLIDE LÈGER: That is right.

Mr. BALCOM: And nothing outside.

The CHAIRMAN: Mr. Fraser.

Mr. FRASER (*Peterborough*): In insuring the people who make the loans, do you keep a separate account of that, and of the profit which you make on them, that is on the insured? I understand you insure the life and you also give them disability insurance as well as property insurance.

Mr. EUCLIDE LÈGER: Would your question apply to loan coverage?

Mr. FRASER (*Peterborough*): Yes.

Mr. EUCLIDE LÈGER: As far as local coverage is concerned, the local credit union is the one which has insured the membership as a whole with the insurance society. At the present time out of 84 credit unions that are coming in our federation, I think we have around 78 or 80 which are covered by insurance.

Mr. FRASER (*Peterborough*): What are your average losses on that?

Mr. EUCLIDE LÈGER: On the coverage?

Mr. FRASER (*Peterborough*): Yes on the total coverage?

Mr. EUCLIDE LÈGER: Well, it is never the same every year. I think the insurance society has made good progress yearly.

Mr. FRASER (*Peterborough*): They would make a good profit on that end of the loan, do you mean?

Mr. EUCLIDE LÈGER: On the loan insurance.

Mr. FRASER (*Peterborough*): Yes.

Mr. EUCLIDE LÈGER: Yes.

The CHAIRMAN: Mr. Macdonnell.

Mr. MACDONNELL: When I asked the witness about the amount of loans outstanding he said \$6 million and 75 per cent of the capital. Did he not mean 75 per cent of the deposits?

Mr. EUCLIDE LÈGER: That would be 75 per cent of the amount mentioned, \$8 million.

Mr. MACDONNELL: Is that fixed in any way? Have you got a limit?

Mr. EUCLIDE LÈGER: A limit?

The CHAIRMAN: Could you have more than \$8 million?

Mr. EUCLIDE LÈGER: Absolutely. We are progressing from year to year about \$500,000.

Mr. MACDONNELL: I mean either by your own regulations or by law; are you limited in the amount of loans which you may have outstanding?

Mr. EUCLIDE LÈGER: Yes.

Mr. MACDONNELL: It is fixed in relation to your deposits, or how?

Mr. EUCLIDE LÈGER: It is fixed in relation to the share capital which we must keep at least 15 per cent liquid, and 10 per cent of the deposits; but we recommend that a credit union should never lend out more than from 75 per cent to 80 per cent of its whole capital, its total capital.

Mr. CAMERON (*Nanaimo*): On deposit, plus share capital?

The CHAIRMAN: Are you clear Mr. Macdonnell?

Mr. MACDONNELL: Not quite!

The CHAIRMAN: Well then, please make it clear because I think it is important.

Mr. MACDONNELL: I am not quite clear yet as to how the limit on your loans is arrived at. I think you said that you had 75 per cent of your deposits, and then you mentioned capital and that is confusing.

Mr. EUCLIDE LÉGER: As far as capital is concerned, this includes deposits, shares, and the reserve fund.

The CHAIRMAN: I see!

Mr. MACDONNELL: I think that makes it clear, that there are three things which are included.

The CHAIRMAN: Very well. Thank you very much, Mr. Léger.

We have with us Mr. Alexander Laidlaw, associate director of the extension department of St. Francis Xavier University, and co-author with Mr. Bérubé of the brief and he would like to say a few words. I now call on Mr. Laidlaw.

Mr. ALEXANDER LAIDLAW: Thank you, Mr. Chairman and hon. members of the committee. I do not wish to add unduly to the evidence which has already been presented. As the chairman has indicated, I have associated myself with the brief presented by Mr. Bérubé. Perhaps I might explain that in addition to representing the extension department of St. Francis Xavier University, which for some years has been privileged to work very closely with the fishermen of the Maritime provinces, by virtue of an education grant from the government of Canada, I have also been asked to represent the United Maritime Fishermen which is a federation of fishermen's co-operatives in the Maritime provinces. So much has already been said about the past history of the fishing industry and the transition through which it is going at the present time that I do not want to add any more except to say that if any hon. members of the committee want additional information I would be glad to supply it.

I might illustrate the possible application of this legislation as it applies to a typical fisherman today in the Maritime provinces who is changing from the form of fishing that was all too general in the Maritimes in days gone by, to a more advanced and mechanized form of fishing at the present time. I think it was Mr. Balcom who referred to the Fisherman's Loan Board in Nova Scotia. Let us imagine a fisherman today who wants to purchase one of the long liners described in this brief, of which today we have some 43 as against none of that type at the end of World War I. Boats of that kind will cost approximately—that is with diesel engine—about \$27,000. I do not think any mention has been made of it yet, but the federal government here provides a subsidy for a boat of that kind based on the tonnage of the boat. I think it is \$165 a ton. On a boat of that type the subsidy would probably run about \$6,000, leaving the balance of \$21,000 to be financed by the fisherman. His first approach would be to the Fisherman's Loan Board. I am speaking of the Nova Scotia Fisherman's Loan Board; and it requires a down-payment of one-third which, in this case, would be \$7,000; and the Fisherman's Loan Board would loan the rest for a ten year period, \$14,000, 75 per cent of which has to be repaid in five years, and the remaining 25 per cent in five years. Therefore, the fisherman has to find \$7,000, and I suppose the members of the committee will appreciate the difficulty of the average fisherman putting his hand on \$7,000. He probably has a boat right now that is valued at or which he can sell for \$2, 3 or \$4,000 or probably a little more. But the fisherman is in very much the same position as the householder or the citizen today in Ottawa who wants to build a house that is probably worth \$20,000. He cannot lay his hands, perhaps, on too much cash. So I would visualize that the application of this legislation would go very far to assist that fisherman to raise the balance of that money, that is the \$7,000.

Now, as to the other details of the operation of the credit unions all of that has been so well covered that I do not want to repeat anything in the way of evidence which has already been given. All I want to say, Mr. Chairman, is this, that in many of our maritime communities the program as outlined by Mr. MacMullin is proving itself. It is a long process, as the process of education always is. Credit is a very important part of that rehabilitation program. The credit unions have performed an admirable task in meeting the credit needs in days gone by. They have made an excellent contribution to the rehabilitation of the fishing industry and I think the credit union members and fishermen's credit unions feel a little put out that, having performed yeoman service in the communities for about 2 years, they have been disregarded in the first draft of this legislation.

In order to save the time of the committee, Mr. Chairman, I would like to stop there and I shall be very pleased to answer any questions which you think will help to clear up the brief with which I have associated myself.

Mr. MACDONNELL (*Greenwood*): Might I ask one question? Earlier I asked about the size of the loans required and was told that approximately \$3,000, if I remember rightly, would be the largest amount required. In the illustration which you gave it would seem to me that considerably more was needed and I wondered how the \$4,000 figure in the bill would affect the case you mentioned.

Mr. LAIDLAW: Many fishermen are skilled fishermen who already have been fishing for some years and have something in the way of a boat which perhaps they can sell and move into a bigger craft. That is the first source of funds he will have. Personally, I think in time after some experience has been gained in the operation of this bill that the limit of \$4,000 will have to be raised if the bill is going to do very much in the way of helping the fishermen to better mechanize the industry.

Mr. MICHENER: If the bill provided for the guaranteeing of loans by the cooperatives would that make any more money available through the cooperatives for loaning or are they limited to the amount of savings they have on hand?

Mr. LAIDLAW: The credit unions are unlimited in their capitalization. I would not venture to predict how much more money would be attracted to the credit unions because of this legislation. Personally, I feel that the amount of money for some years would not be great. But as I see it the credit unions would like to be in the position that as they grow they will be able more and more to avail themselves of the benefit of this legislation.

Mr. MICHENER: The loss record in the credit unions has been so good that while they may like to be put in the same position as the banks loaning money it does not seem to be a case of necessity as over a period, as indicated in both these briefs, the losses have been practically negligible. I wonder whether it would be any real benefit to the credit unions to have this guarantee which the bill contemplates and whether it would attract any more money to the credit unions and increase their size and importance in business, which one could appreciate as a desirable objective, or whether they will likely do just about the same as they are doing now.

Hon. Mr. SINCLAIR: Is not the main purpose to allow the credit unions to lend money at 5 per cent on loans whereas now they have to loan at 6 per cent, and they could do that because of the extra security given by the government guarantee. Is not that the reason that you welcome the guarantee?

Mr. LAIDLAW: That is one of the reasons. Also the credit unions, having performed this service over the years for the fishermen, would be very dis-

appointed in the future to see some of their fishermen go to the banks to get their credit guaranteed by the government, and possibly the credit unions would be left with the tail end of the credit business for fishermen.

Mr. MICHENER: There would be the advantage, as I understand the minister's question, of a reduction in the rate of interest which the credit unions could charge. Am I correct in that? It would come down from 6 per cent to the 5 per cent rate?

The CHAIRMAN: That is what the minister said.

Mr. LAIDLAW: I might point out that that rate of 6 per cent is an arbitrary figure which Mr. MacMullin selected and it is a good average figure, but the credit unions are not limited as to the floor, as it were, on their interest rate. They are limited as to the ceiling but not on the floor of their interest rate.

Mr. MICHENER: That 6 per cent includes the insurance premium?

Mr. LAIDLAW: Yes.

Mr. MICHENER: Would you cease to insure if you had the guarantees under the bill?

Mr. LAIDLAW: My understanding is that they would not cease to insure the loans. I think probably Mr. MacMullin could answer that, but my understanding is they would continue the insurance feature.

Mr. MICHENER: What I am getting at is, if your request were accepted how would it work out in practice. If you have anything further to add for the information of the committee I am sure we would appreciate it.

The CHAIRMAN: Is he not saying in effect that they have laid the groundwork for this business and that it is a matter of prestige for them not to be left out. They would like to be associated with the government.

Mr. CAMERON (*Nanaimo*): Mr. Laidlaw, would you agree, if the legislation is passed as it is now and this type of loan is confined to the chartered banks, that there would be a great danger of an actual drain of funds from the credit unions to the chartered banks?

Mr. LAIDLAW: To some extent there would be but we must remember that a credit union lives on the interest on the loans made to members, and while fishermen might leave their funds in the credit union but go elsewhere for the credit, it would leave the credit unions without the source of revenue by which it lives.

Mr. APPLEWHAITE: The witness said that there was no legal floor below which credit unions could charge for interest. But can you tell us whether there has been from the provincial inspectors any suggestion or any influence brought to bear on credit unions not to reduce their interest rate to a lower level than what was considered sound, in other words, what is being done indirectly even though it was in the statute?

Mr. LAIDLAW: Perhaps not by the inspectors but perhaps by the officers of the credit union themselves because they would presumably see it would be policy to try to operate soundly: I think the influence would largely come from the credit union league and the officers of the credit union themselves.

Mr. PHILPOTT: Apart from the question of prestige—if you were excluded from the provisions of the bill some of your business might go to the large banks—what about the category of the prospective loans? Would the borrowers who will want to borrow from you be as good a risk as the ones who would go to bank?

Mr. LAIDLAW: Knowing the lending policy of the chartered banks, I imagine that they would very easily get the better risks.

Mr. PHILPOTT: So that if you were left out of this provision, the tendency would be that you would be left with the risks which were not so good.

Mr. LAIDLAW: I would say so.

Mr. CAMERON (*Nanaimo*): I imagine that they would tend to handle the more important loans and that you would be left with a large number of quite small loans requiring relatively heavy operational expenditure while, as I say, leaving them with the large loans on which the operative expenditure would be comparatively less.

Mr. LAIDLAW: Yes, I would think so.

Mr. MACEACHEN: It has been suggested here that the credit unions are already lending to the full capacity of their share capital, and that the inclusion of the credit unions under this legislation would not provide additional funds for the fishing industry. I think this suggestion arose out of the Nova Scotia brief and the New Brunswick brief, but at the same time Senator Vaillancourt suggested there were ample funds available for loans in the province of Quebec. My question is this: in 1953 the Cooperative Credit Associations Act was passed by this government and provided a means by which funds could be taken from one part of Canada, or from one central organization in one part of Canada, and given or allocated to other parts of the country. Do you think that if funds were not available in Nova Scotia, for instance, that this provision under the Act passed in 1953 would permit the credit unions to draw on funds in other parts of Canada?

Mr. LAIDLAW: In time, very definitely yes.

Mr. MACEACHEN: So the fact is that even though there may be a scarcity of available funds in Nova Scotia where the need is very great, through this legislation it could be channelled in from other parts of Canada, so really the argument as to the restriction of availability of funds is not valid in view of this possibility.

Mr. LAIDLAW: Yes, that is the case, although we realize it is going to take some while to organize this operation.

Mr. MACDONNELL (*Greenwood*): Can you tell us what percentage of the business of the credit unions in Nova Scotia would be concerned with fishermen? What percentage of your loans would be fishing loans? And secondly can you tell us what would be the percentage in the fishing villages, where obviously it it would be greater?

Mr. LAIDLAW: I cannot give you those figures. In Nova Scotia, as Mr. MacMullin indicated, some 60 of the unions are in communities which are either fishing communities or fishing and farming communities, and about half of them are in communities which are exclusively concerned with fishing. Taking that as a rough percentage, that is one seventh of the total credit union business in Nova Scotia would be in exclusively fishing areas. With regard to the second question—how much of the business in a fishing community would be for fishing equipment—again I cannot answer that, but I would be inclined to think that in a typical fishing community, I will take for example Grand Etang, which happens to be in the constituency of one of the hon. members of the committee, where they have an excellent credit union, that fully half of the loans would be for productive purposes in the fishing industry.

The CHAIRMAN: Gentlemen, we have one more witness. We shall have to hear him this afternoon. After that we shall give consideration to the bill.

We shall adjourn now until 3.00 o'clock.

AFTERNOON SESSION

June 22nd, 1955.

3:00 p.m.

The CHAIRMAN: Gentlemen, I see a quorum. Our next witness is Mr. R. J. McMaster, representing the British Columbia Credit Union League.

Mr. R. J. McMASTER: Mr. Chairman, and hon. members of the House of Commons: the chairman has warned me that the shorter I am, the more chance I have of success. So I shall be extremely careful.

I think you have already had this morning a fairly good picture of the excellent job which the credit unions have done in pioneering this kind of lending.

If you will be good enough to refer to my brief—I won't go through it in detail—you will find outlined in the first two pages in some detail the size of the credit union movement in British Columbia, and you will see that the fishermen's credit unions in British Columbia present a slightly different picture from that given to you from the Maritimes.

The total assets of the credit unions in British Columbia are \$35 million and of that sum \$27 million represents share capital. I think that is significant when we are dealing with the question of stability.

Secondly, I draw to your attention that in the last two years the total assets of the credit unions of the province of British Columbia have increased by 50 per cent so we are dealing with a growing thing, and a thing in which more money should be available for the kind of lending with which we are concerned here today.

You will observe that instead of the 30 odd fishing credit unions on the east coast, there are only about 8 substantially engaged in fishermen's loans. One of them has close to \$2,000,000 in assets, and in the last fifteen years it has loaned \$8,500,000 to fishermen for various needs. You will find also that one of these eight has close to \$1,000,000 in assets and has loaned \$2,500,000. You will get some indication there at the top of page 2 of the lending of that organization in the last five months; that approximately 31 per cent of their loans were on the very type of security and for the purposes that this Act was defined. You will see that picture in British Columbia is different from Nova Scotia as we are doing a great deal of lending through a smaller number of credit unions, and larger ones have the very type of security contemplated by the Bill. These loans are referred to at the top of page 2 and are loans not exceeding \$4,000. There are other loans for fishing vessels which are in substantial sums and with which some of the large credit unions deal, but the large bulk of that type of loan is a type of loan with which this kind of legislation would be useful.

Further down on page 2 you will see that 6 per cent is the uniform rate in British Columbia charged on this type of loan. Out of that 6 per cent insurance on life and against disability is paid. My understanding is that the rate is about three-quarters of one per cent for insurance with the Cuna Mutual, so that, in other words, the interest on the loan is really at a 5¼ per cent rate which is not substantially different from the provisions which are in the proposed Act.

The fishermen on the west coast feel, along with the fishermen in other parts of the country, that the credit unions have pioneered in this field, and that having pioneered it for fifteen years, and having shown a remarkably small loss ratio, and having regard to the sort of neighbourly nature of the organization, that they have demonstrated on the one hand their stability,

and further that they deserve the consideration of this House and should be placed in exactly as favourable a position as the banks in trying to accomplish the purpose of this legislation which I take to be to help the fishermen. It is not a case of helping the credit unions or helping the banks, it is legislation directed to helping the fishermen, and the fishermen's credit unions feel that they have demonstrated their ability in the past to do this job.

One of the problems raised this morning was the question of insurance and I would like to refer to it as to British Columbia. First of all, I would be hopeful that this personal insurance on a man's life, which at the present time is included in his interest charge, would be possible to continue under the provisions of the Act as they now are. I think legitimately, that the fishermen should be required to carry that kind of insurance to provide protection to the Dominion government itself. In addition to that, the fishermen on the west coast have organized their own mutual marine insurance company and they make good use of it. We see to it that our loans are insured and the vessels and gear and so on which are taken as security.

One of the basic problems I suppose with which this committee is concerned, as was indicated by the minister's speech in the House, was the question of the stability of credit unions, having regard to the fact that public funds would be behind them to some extent. In the first place, I think that a high percentage, 80 per cent of the investment in the credit unions being in shares, speaks very well for their stability. In other words, that is risk capital, and looking at any other financial institution in Canada I have been unable to find any which compares in that respect. Generally speaking, it runs from 10 to 20 per cent. Secondly, there is the history of the losses or the lack of losses perhaps, I ought to say—and I think there is a real reason for that which would be of interest to this committee—and it is that fishermen generally live in communities together. It might be that a fisherman has some of the characteristics of human nature which other people have. There are those, who if they can, avoid their liabilities, and will endeavour to do so. But a fisherman living in a community who avoids his liability to the credit union in respect to the money he is using, knows it is his neighbour's money, and his neighbour knows it too, so there is a certain measure of social pressure to see that there are not too many losses arising by way of bad debts. So I think that the government would have that element of stability and security which is back of the credit union movement.

There is in British Columbia substantially similar provisions as in Nova Scotia by way of Government inspection and statements, with voluntary supervision and assistance from the League organization of the credit unions. I think I am correct in saying that all of the eight fishermen's credit unions which would come under the category of legislation of this type in British Columbia have chartered accountants as their auditors, so you are dealing with a stable organization.

The second question which I suppose arises is how can the Dominion government be sure of financial stability, as one must be sure, when they guarantee somebody else's loan? I suggest to you that there is machinery within the provinces through the inspector of credit unions. I talked this over with the inspector of credit unions and with our Attorney General before I came down here to this meeting, and they said they would make available to you certificates of some kind from the inspector that in his opinion an applicant credit union is a stable organization with which the dominion government could deal, and the government could have a financial history say for three or five years if it had been in existence for the previous five years,

and financial statements would be submitted and regular quarterly statements through the inspector of credit unions. His certificates could deal with the stability of the organization and the management of the organization. So that in that respect I think that it can be met.

There is another problem, one which has been raised as a jurisdictional problem in the sense that the dominion government I think quite properly does not want to interfere in the field served by the provinces who have assumed and done a very excellent job of which we are all proud and pleased in the establishment and supervision of these credit unions. I would like to go on record on behalf of the credit union league of British Columbia—and I think it is true of all credit unions in Canada—that we want to continue the exercise of that jurisdiction. We do not want it interfered with.

My feeling, Mr. Chairman, is that a method can be devised whereby the government in Ottawa can be properly protected as to its interest in this matter without interfering with the jurisdiction of the provinces. I have made in my brief several concrete suggestions. I do not put these forward as being the end-all but as suggestions by which these problems may be met.

Before dealing with that there has been some question as to whether the credit unions will have enough funds to do this job. If you examine my brief you will find in British Columbia the credit unions at the present time have surplus funds at most times of the year and when they do not have surpluses they can borrow from British Columbia Central. They are growing and I do not worry about there being sufficient funds. At the present time they must have a million or a million and a half out on these types of loans. I have set out at page 7 the figures of the size of the fishing fleet in British Columbia and the amount invested in fishing fleets and gears. Roughly it was \$45 million on vessels and \$7 million on gears. So there is a definite area to be developed. In British Columbia the credit unions are in a position within their own organization and through their central organization to meet a fair share along with the banks of what may be required if this legislation is used for the benefit of the fishermen in that province.

Now, turning to the specific suggestions which I have to make at page 9, in the middle of the page, I have suggested there that there be added to the definition section of the Act the following words:

Lending institution includes a bank or any other lending institution designated by the minister.

And that the phrase "lending institutions" be substituted for the word "bank" throughout the legislation except in section 8 which deals with the Bank's power and would not be applicable.

Now, basically that suggestion is that in other words we are now towards the end of a parliamentary sitting—

Mr. FLEMING: It may be close to the end of the parliament too we are thinking.

Mr. McMASTER: The thing is that it is towards the end of the session of parliament and there are problems to be ironed out with respect to the inclusion of credit unions. The credit unions have every confidence in the Minister of Fisheries and the Minister of Finance and between them and their departments we think we can sit down and work out the practical requirements to ensure to the dominion government the kind of security which they legitimately ask for with respect to this kind of loan. Although a lot of us do not like this kind of legislation which is left to the minister to make rules and regulations I think if it were to be left to the ministers that the credit unions be happy in working with them to see what the problems are and try to devise means whereby the credit unions could receive proper recognition as a lending institution and be of service.

At the top of page 8 there is a second problem. As I remember the Act there is a guarantee of 15% up to \$½ million for the bank and as I see it the bank is the whole bank and not a branch down on Hastings and Main in Vancouver. It would be only fair to say that as we see it the whole Royal Bank of Canada gets a 15 per cent guarantee up to half a million and then goes to 10 per cent, and even a big credit union like Prince Rupert gets the whole thing, and we would be happy if you decided on 10 per cent, that is if you wanted to limit the guarantee to 10 per cent as far as institutions other than banks are concerned in this legislation. I think that that would be a fair thing to do. We can say that we are not afraid of the future. We have had a good experience in the past. If we had a 10 per cent guarantee I think it would give the fishermen that stimulation they require and that the credit unions and banks working together are anxious to assist them in their development.

The suggestion has been made of the possibility of doing this through the central credit unions. If it is possible to do it through the credit unions we think it is a preferable thing to do but if not we would suggest we explore the possibility of doing it through the centrals. There are a lot of difficulties in that. In the first place the credit unions I think quite rightly feel they should be entitled to do it, having done a job like this for 15 years they should be permitted to continue. Any further step you put in the process will cost money. There will be another administrative step. Also I think it brings some difficulty even in the control. It will be a second hand control because in some provinces the central credit unions do not lend money to individuals but only to other institutions. In Nova Scotia they do lend money to individuals. In British Columbia they do not. A further thing was mentioned this morning that all credit unions are not in the position that we are happily in in British Columbia, to take advantage of the Cooperative Credit Association Act, and you run into another series of problems there.

I think the amendment I have suggested would leave open the possibility of the officials of the department discussing this in order to try to work out which would be the best way to deal with the problem.

Mr. Chairman, I hope I did not go over my ten minutes. I very much appreciate this opportunity to meet this body and speak to it.

The CHAIRMAN: Gentlemen if there are no other questions and there appear to be none—I believe Mr. Cameron has a question.

Mr. CAMERON (Nanaimo): Mr. McMaster, what effect do you think the legislation as prepared at present would have on the deposit funds of credit unions—fishermen's credit unions—if the legislation were confined to guaranteeing the loans in the banks.

Mr. McMASTER: It is hard to predict but I do know from practical experience in dealing with primary producers—and I think businessmen are very much the same—that there is a difference between 6 per cent and 5 per cent and except for those who have a strong loyalty toward the credit union there would be a very strong temptation to say "we will take the lesser of the two evils."

Mr. FRASER (Peterborough): In regard to this amendment "lending institution including banks or any other institutions, designated by the minister"—that might mean finance companies, trust companies, or anything. It does not mention credit unions here. Do you not think that the lending companies should be set forth in your amendment so that it would not be left entirely to the minister?

Mr. McMASTER: That might, I would think Mr. Chairman, be one of the considerations of your committee. The only hesitation I would have with regard to it is whether it would raise some suggestion of trying to legislate credit

unions. I think that is probably on some people's minds, though on the other hand I think Quebec would like to see it there. I leave that, as I say, for the consideration of the committee.

Mr. FRASER (*Peterborough*): Would the words "credit union" cover the organizations you have in mind?

Mr. McMASTER: I suppose you would have to look at the National Credit Association Act—you get some little variation in the name—Credit Union, or *Caisse Populaire* or, in some places, Credit Society, but I think your legal people would be able to think out some way of dealing with that.

Mr. RICHARDSON: Perhaps the words "lending institution" might tie it down.

Mr. McMASTER: I think the minister would probably take direction from this group on that.

Mr. MACDONNELL (*Greenwood*): What is the nature of the security usually taken by credit union? Is it uniform and would you have any difficulty in complying with the terms of the bill as it now stands?

Mr. McMASTER: I do not think it is uniform. Fundamentally credit union lending policy is based on the character of the man who wishes to borrow, and I think that is true of any institution. However, it might be more true of the credit unions. In British Columbia they will take mortgages on this type of equipment. I understand that in the eastern part of the country they do not, but I feel there would be no difficulty if they wanted to benefit from this legislation—about taking the kind of security which the Dominion Government felt was reasonable security. They would be willing in other words to cooperate with a view to getting the benefit of the legislation.

Mr. MACDONNELL (*Greenwood*): Have you had to turn away applications for loans because of want of resources?

Mr. McMASTER: It depends upon the size of the loans we are dealing with. In the small loans bracket I think most of the credit unions have lent purely on the character of the borrower, but obviously when you get into the three or four thousand dollar loan bracket there is a greater tendency to say "there must be some security for this."

Mr. MACDONNELL (*Greenwood*): Have the large loans—the loans above \$4,000—been innumerable?

Mr. McMASTER: No, not too numerous. In the large credit unions—in the Prince Rupert one for instance—you could find a fair number of large loans, say up to \$10,000 on the books but in relation to the total operation the number is very small.

Mr. FLEMING: Mr. Chairman, I can appreciate Mr. McMaster's wish to make it as easy as possible for the government to accept the type of amendment he is proposing, but I do not see why he should go as far as to suggest a reduction on the guarantee from 15 per cent to 10 per cent. It seems to me, if I might suggest it to him for his comment, that he might approach this question from the point of view of some limit on the aggregate amount rather than a reduction in the percentage. In clause 6 of the bill you have got two maxima. You have got 15 per cent of the total aggregate loans and the additional maximum of \$500,000. Beyond that, of course, you run into the lower percentage. There might be some reason for reducing the fixed amount to something less than \$500,000 if you are going to compare the size of the business done by the credit unions with that done by the banks, but I do not see why you should not have the 15 per cent guarantee as well as the bank. This is not a problem in percentage, it seems to me, so much as a problem of setting your agreed maximum. All I am suggesting is that you should not give something away to the committee or to the government unless you have to.

Mr. McMASTER: I am not urging it. I have only referred to it as an indication that we are quite desirous of being fair. We do not want to have any advantage from the legislation beyond that which anyone else will get. If the government feels that 15 per cent is appropriate in the light of the services which the credit union have done, then certainly we shall be happy about it.

Mr. FLEMING: There are, of course, other credit unions besides yourselves, but I understand that no other union has made the same proposal. It strikes me that the percentage should be uniform in all cases for qualifying institutions and if there is some reason for establishing a lower maximum in the amount, that could be considered in the case of institutions that are doing smaller business than the large chartered banks.

Mr. McMASTER: I should have said that the others who have represented the other credit unions are associating themselves with my brief. That provision was suggested only with a view to showing a fairness of mind, not with the view of trying to take anything away from the credit unions. If you have a limit in mind, I suggest it should be related to total assets. You have in British Columbia, for example, a \$2 million fishermen's credit union and you might have in the Maritimes a \$200,000 union. That is the sort of thing which the minister might work out—how much the guarantee would be lower in relation to the size and stability of the organization, and that sort of thing.

Mr. FLEMING: I think that if that suggestion is taken up we would have to put something in the bill on it—if we are going to relate the guarantee to the assets of the organization involved.

Mr. HUNTER: Don't you feel that in view of the past record of the credit unions with regard to losses that whether it is 10 per cent or 15 per cent is largely an academic question?

Mr. McMASTER: That is my feeling. I think it is a matter, in a sense, of prestige and of knowing that you are on the same footing as other institutions, but we are not really concerned whether it is 10 per cent or 15 per cent. That is about the size of it.

The CHAIRMAN: Thank you, Mr. McMaster. We have now heard all the people who have expressed a desire to be heard on this bill. We have heard the representations, and the Bill is now in the hands of the committee. The first member who has asked to be heard is Mr. Applewhaite.

Mr. MACDONNELL (*Greenwood*): Are we not to hear from the minister at all?

Hon. Mr. SINCLAIR: I may say, of course, that I am not the minister who is sponsoring the bill. I am the Minister of Fisheries and I am here mainly because of our great interest in the credit union movement because we know what has been done in the last 25 years in rehabilitating the industry and in recent years in modernizing the industry. I think every fishing member has indicated the same interest.

The CHAIRMAN: Is Mr. Fleming a fishing member?

Hon. Mr. SINCLAIR: All the fishing members of the House, I meant, not fishing members of the Banking and Commerce Committee.

Mr. MACDONNELL (*Greenwood*): The Minister of Finance is not here but I think we would be glad to hear you in his place.

Hon. Mr. SINCLAIR: The Minister of Finance is represented here by his parliamentary assistant.

The CHAIRMAN: I do not think there is any problem.

Mr. APPLEWAITE: The first thing which occurs to me in connection with our discussion so far is that we have been discussing one thing only in connection with this bill and that is the omission of credit unions. There is some possibility that we may overlook the fact that this is a new bill and a new principle and quite a step forward on behalf of fishermen, and despite the fact that Mr. Sinclair has just said that it is not his bill I think the committee realizes that he is entitled to a fair share of the credit for the fact that it is before us now. The question before us now is whether or not credit unions should come in under this bill. I do not think it is necessary for us to make long speeches about credit unions. Their position in our society is recognized. They are here to stay and they are on the increase. I think this will be accepted by all. I do not think it is necessary either to make any strong plea on behalf of their soundness. Their record as it has been explained to us today and as many of us have encountered it over a period of years indicates how sound they are.

One of the things that perhaps was not stressed as I think it might have been is the amount of local and personal knowledge which the directors and managers of credit unions have of fishing business conditions and the personnel engaged in the fishing industry in their own area. It is because of that local knowledge that I would rather hope that if credit unions do come in under this bill their operation will be kept as far as possible on the local level. There is no one who knows more about the soundness and the ability—about the gear and boats owned by fishermen than does the board of directors of the credit unions in the home community of the fishermen. I think that was perhaps proved by the fact that has been stated here so often that the fishermen's credit unions are now to a large extent doing without government guarantee what they are presently asking to be allowed to do with the same type of guarantee that is going to be given to a bank.

There is no question that the credit unions, at least those in fishing communities, want to come in under this Act. They are all represented here today and are asking to come in. As I understand it, they would not want to come in if it meant they were going to become subject entirely to federal distribution in so far as charters, licenses and so forth are concerned. However, I do understand that if they do come in they are willing to be subject to such form of federal audit as to their assets and liabilities, profit and loss statements and so forth on very much the same basis as do banks and insurance companies and other bodies of a financial nature dealing under a federal Act.

I might also mention that one of the difficulties that they and other lending institutions might encounter in connection with possible losses has largely been taken care of now by the introduction and passing of the Fishermen's Loan Act.

I propose, Mr. Chairman, to move an amendment a copy of which I shall send up to you and I am going to read it to the committee at this stage because I do not know at what stage I should move it and because it will affect eight out of the 14 clauses in the Act. I should like to say in advance that I am not wedded to the actual wording of the amendment I am going to move, but I am wedded to the objective that I am trying to accomplish. I should like to say in my own defence that I had this amendment typed last evening before I had the privilege of reading Mr. McMaster's brief, particularly page 9 thereof. The amendment I propose to move is: *That Clause 2 of the Fishermen's Improvement Loans Act be amended by adding thereto as Section (i) 1 "lending institution" means a loan, insurance, trust or other company or corporation, trustee of trust funds, building society, credit union, or other cooperative credit society, authorized to lend money on the security of real or immovable property, which shall be designated by the Governor-in-Council as a lending institution authorized to make loans under this Act. That there be inserted after the word "bank" wherever it appears in Sections 3, 4, 6, 7, 9, 10, and 11 of the said Act, the words "or lending institution".*

The CHAIRMAN: Mr. Applewhaite, do you mind reading the amendment again slowly for the benefit of the committee?

Mr. APPLEWHAITE: If I might put the lead in in my own words, it is that the definition section be amended by adding thereto the following definition—"lending institution" means a loan, insurance, trust or other company or corporation, trustee of trust funds, building society, credit union, or other cooperative credit society, authorized to lend money on the security of real or immovable property, which shall be designated by the Governor in Council as a lending institution authorized to make loans under this Act. The rest of my amendment would simply have the effect of inserting the words "or lending institution" wherever "bank" appears in the Act except in section 8.

If I may speak to this amendment for a moment I would like to explain first that this lengthy definition I have given of "lending institution" I took from the old National Housing Act as a precedent because I thought it advisable that if we were going to extend the Act at all it should be extended in the same form as the other financial loan Acts in our own statutes. All I have added to that definition are the words, "which shall be designated by the Governor in Council as a lending institution authorized to make loans under this Act."

I have put in the words "Governor in Council" rather than "the minister", which I see appears in Mr. McMaster's brief, not only because the minister as defined under this Act is not the Minister of Fisheries but because under section 7 of the Act it is the Governor in Council who has the authority to make regulations under the Act. I have not left the word "bank" included in my definition because I do believe that banks are in a class apart in so far as financial institutions in Canada are concerned as is very much evidenced by section 8 of this bill which indicates that certain legislation has to be passed to straighten up an Act of this kind viz. the banking legislation. The reason for doing this was explained in words which were almost taken out of my mouth—first we do not want to delay this bill and it is possible that drafting and so on will result in a delay if we insist on giving the credit unions the same authority we are offering to the banks as of now, and second we do not necessarily want to wait to bring credit unions in until sometime when it is decided to reopen the Act on the floor of the House of Commons. That can only be done of course when parliament is in session and it is not done every year in any event. By making the provision whereby the governmental authorities can look into this question and investigate the credit unions either individually or by classes and then come to a conclusion they can at such time as they see fit take action to bring the credit unions in under the Act and if they read the minutes of this committee meeting as they doubtless will I think they will find that there is a pretty general demand that this be done. Some objections might be taken to this action. One of them, of course, would be the old argument, "Well, it has not been done before; it does not appear in the Farm Improvement Loans Act or the National Housing Act," or something to that effect. It does, as a matter of fact, appear in the National Housing Act.

However, Mr. Chairman, I would like to say that there was a Farm Improvement Loans Act and other legislation of that kind on the statute books for years before anything was done for fishermen and if for once in the history of Canada the fishermen should be a step ahead why on earth should they not be? From a practical point of view surely the experience which might be gained under an experiment of this kind might prove very useful and people might wish to open the possibility of extending similar privileges to farmers and other credit unions. The result will be to enable a certain amount

of financing for the benefit of fishermen to be done with the fishermen's own money. The result will also be to enable the fishermen's own money to be loaned to fishermen at a rate not exceeding 5 per cent on major long-term loans, and the following sentence from the Prince Rupert Credit Union's letter to the Minister of Fisheries is, I think, worth reading into the record at this point: "We also feel that if there are any special privileges that are going to be granted to the banks in making such loans, the same privileges should be granted to the credit unions". I think that is legitimate but I do not think it is enough in itself apart from prestige and the desire to rank with banks. There is the practical argument in favour of this measure that the fishermen's credit union people are those who know the credit needs and the credit liability of everybody in their area who is engaged in fishing as the best bank branch manager could not possibly know them. They have pioneered in this work and they have experience in this type of work far ahead of any chartered bank. Therefore they should be given an opportunity to continue the work they have done so well, but to continue it with the same type of government guarantee which we are now offering to the banks. Therefore, either now or at such time as you decide is in order, Mr. Chairman, I wish to move the amendment which I have read.

The CHAIRMAN: Mr. Macdonnell.

Mr. MACDONNELL (*Greenwood*): Mr. Chairman, I think we have all had a useful experience today in hearing about the very interesting type of business which has been carried on by credit unions and which has impressed us for two reasons: first of all, because it has been carried on so efficiently, and secondly because it met such an urgent need, in what seems to be such a natural and effective manner. I think probably everyone in this room hoped this morning that there might be some way found to grant the request which the credit unions have made and that they be included in the legislation. I know that was my own feeling certainly and while I realized that there was some constitutional difficulty, nevertheless I hoped that it might be got over.

I am very happy indeed at the thought of an amendment which would include the credit unions, but I find myself greatly surprised at the scope of this amendment which includes trustees and trust funds. I take it that whatever these loans will be it is not at all clear that they will come within the definition of trustee funds. There is a reference to insurance companies, to trust companies, to building societies. Indeed almost all of those referred to here in addition to the credit unions surprise me and at first flush seem to me to be unnecessary. So far as I know, these people have not asked for it. My initial impression is: why do we need to clutter it up in that way? I am not overlooking the fact that there is a qualifying phrase later on which would permit the governor in council to designate what is a lending institution, but I still raise the question whether it is natural to take in this wide range and include all these people.

I have one further comment: if in fact the minister has had no chance to survey this, and if it comes to him as it did to me as an entire surprise, I mean the wording of it, I would suggest that we take some little time on it, even if it has been considered, and if we are not going to get a definite recommendation from the government on it, that we should wait in order to give a chance to the department concerned to consider this important matter.

Let me repeat: every man in this room, so far as I could judge at this morning's meeting hoped some way could be found to grant the request of the credit unions, I strongly urge that we consider carefully whether we are doing it in the most sensible way in relation to the amendment. I hope we may hear an expression of opinion from the government.

Mr. ASHBOURNE: Mr. Chairman, I do not want to take up the time of the committee, but in view of the fact there was no representation from Newfoundland, and no brief from Newfoundland presented to the committee either this morning or this afternoon, I would like to say, although I have not received any representation whatsoever from any fishermen or credit union body in Newfoundland, or from any cooperative—yet I would like to go on record as saying that I support the representations which have been made today to this committee. These people have made out a good case and the briefs have been well prepared and are very informative. And I want to go on record as being in favour of the amendment as presented by Mr. Applewhaite.

We have heard from the Maritime areas both in the Pacific area as well as in the Atlantic provinces, and I think the fact itself that these credit unions, as already pointed out, have pioneered this field, and have been of such good service and benefit to the fishermen in hard times and also in these more prosperous times that they should have accorded to them the opportunity so that their funds can be invested. Of course I know that the resources and the financial standing of these credit unions have to be investigated in order to ascertain if they are in a sound financial condition and in good standing. But having ascertained their stability after due examination regarding their reserves and so on, I think that the amendment is a good one, particularly so because in the Maritimes and in the Atlantic provinces while we have banks down there, Canadian chartered banks, yet there are not banks in every locality, and in a good many localities there are groups of fishermen who would be put to certain expense if they had to go to the bank in order to put their case and in order to get these necessary loans. I think that the credit unions having been in the field so long should be extended this privilege as has been moved in the amendment. I realize, in view of the need, the great effort put forth to provide the necessary funds to finance the requirements of the fishermen, and that this extension to the credit unions is a way of doing it and I heartily support the amendment.

The CHAIRMAN: Mr. Arsenault.

Mr. ARSENAULT: Mr. Chairman, I just wish to say that I share the views expressed in this amendment and I want to support it very heartily, but at the same time I do not know whether I would be in order at this moment in mentioning the fact that I intend to move a very slight sub-amendment. Perhaps my sub-amendment might be brought about through the sponsor of the main amendment and with your permission, Mr. Chairman, and with the agreement of the committee. I am much afraid that the words "credit union" do not give the right definition for perhaps the right legal translation of *Caisse Populaire*. A broad translation of *Caisse Populaire* would be "popular banks", and even at that popular banks is a phrase which is not to be found in the charter of the *Caisse Populaire* or in any of their documents. They simply use the words "*Caisse Populaire*" which are not translatable, because the *Caisse Populaire* works on a different basis than credit unions, and they are functioning under a different type of legislation. While their aim is the same, the *Caisse Populaire* stands towards a credit union in a similar position that a Christian church of one denomination would stand towards another Christian church of another denomination. The aim is the same, but they are not working under the same basis. Therefore I would like to move a sub-amendment on the fifth line right after "credit union", that the words "*Caisse Populaire*" be inserted.

Mr. APPLEWHAITE: I would be very agreeable.

The CHAIRMAN: I think that is all right.

Mr. CAMERON (*Nanaimo*): Mr. Chairman like all the other members who have spoken, I express my support and I know the support of my group in the House for this proposed amendment to include credit unions. But like Mr.

Macdonnell I find myself a little puzzled as to the necessity for including quite such a variety. I gathered from what Mr. Applewhaite said that he had taken the wording from another piece of legislation. I can understand the motive or idea that if you have a precedent, you are more likely to get your way. But I think it is likely to cause some unnecessary confusion to have all these other institutions mentioned, and my chief objection to it is this: that it cuts the ground from under the most powerful argument which Mr. Applewhaite raised with regard to the desirability of including credit unions, that the local people in a cooperative organization know better than any branch manager or any manager of a loan company or of a trust company or of an insurance company could know, what are the relative risks.

So I would like to ask Mr. Applewhaite to consider eliminating this wide variety of lending institutions he has listed here and to reduce it to the credit union, *caisse populaire* or other cooperative credit societies. I think that that would cover all the types of things we have in mind.

Mr. MICHENER: Mr. Chairman, in agreeing with what has been said about the merits of this case, I should like to make some comment on the amendment which is proposed. I am sure we all want to do nothing which would in any way discourage the fishermen's credit unions or cooperatives in the work they are doing. That is the case we have heard before us and it seems to me if the amendment were limited to its real purpose it would be unobjectionable and I hope the minister who is responsible and his parliamentary assistant will find the appropriate words. I would like to add to the objections already made that the definition has been taken from a Housing Act and limits the loaning societies to those which have power to loan on real and removable property which is not the principle of fisheries loaning; we are speaking of loaning on ships and gears and I am not sure whether they would be removable property. If the amendment were simplified to lending institutions, the lending institution means, I would say, a fishermen's credit union. I do not know why we need say more than we intend. It seems to me in regard to the argument of Mr. Cameron and Mr. Applewhaite that these credit unions are in a position to know what loans can be made to advantage and if it were limited to fishermen's credit unions, *caisse populaire* or credit societies, which may be designated by the minister, it seems to me we would then have what the committee as a whole seems to desire without doing any harm.

In fact I think there would be some harm in inviting trust companies and others who have no experience with fishermen and their habits to get into this business. It would be perhaps destroying on the one hand what we are trying to help the credit unions do.

Hon. Mr. SINCLAIR: Mr. Chairman, I do not want to influence the members of the Banking and Commerce Committee, but I must say that I join in the observations of Mr. Cameron, Mr. Macdonnell and Mr. Michener. As you remember this meeting was held because it was announced we would have these hearings before the Banking and Commerce Committee so that all groups interested could come here and say what they wished about the bill. There are no loan companies or trust companies here but there are the credit unions.

The second point is that to clutter up the Act with these other companies is not really of any importance because I think it is highly unlikely that any trustee of a trust fund would put those funds on a loan as risky as a fisherman's small boat or weir or trap. Building societies are specifically barred because the Fisheries Improvement Act restricts loans to fishing and boats and fishing gear either at sea or on the shore. It may be that three years from now when this first stage of the Act expires and the Act is renewed it will be possible

to extend this Act as the Farm Improvement Act was extended from farm equipment to farmers' homes. But at the moment the only group who are concerned in the field and who want to be included are credit unions.

As far as Mr. Michener's point about fishermen's credit unions is concerned, I think that would be rather hard to define because while there are some credit unions composed completely of fishermen yet there are others that are not.

I must confess I was very impressed by Mr. McMaster's suggestion that the amendment just be: lending institution means bank as defined by the Bank Act or other lending institution designated by the minister and approved by the Governor in Council. It may be true that there are members who do not like to give powers like that to a minister but the first three years of this Act will be like the first three years of the Farm Improvement Loan Act, a time of testing and experience. I think we can rely on the fact that the Minister of Finance is not going to expand this field in the first three years very much beyond either banks or credit unions. For this reason I would suggest that the amendment of Mr. McMaster, or words like that, would be more helpful.

I think it is important if the members do want the government to consider the inclusion of the credit unions to have some amendment here. If the bill goes forward as it is, obviously the Minister of Finance is going to have to restrict his loans to banks. I would suggest a more general amendment along the lines proposed by Mr. McMaster could serve the proposal advocated by the credit unions better than a long amendment such as this is which is after all modelled on housing legislation and not on fishermen's loan legislation.

The CHAIRMAN: Gentlemen, will you follow me for a moment on what is suggested following the discussion and following some guidance from an official of the Department of Finance. Lending institution means a credit union, *caisse populaire*, or other cooperative credit society authorized to lend money on the security of real or removable property which shall be defined in the regulations referred to in section 7. Section 7 provides for the regulations.

Mr. PHILPOTT: You have not mentioned banks in there.

The CHAIRMAN: The banks are under supervision now.

Mr. MICHENER: You missed my point there, leaving in that "real and removable". I do not think that any credit union has that power at all.

The CHAIRMAN: I will read the amendment:

Lending institution means credit union, *caisse populaire* or other cooperative credit society which shall be defined in the regulations referred to in section 7.

That should meet everybody's views.

Mr. BENIDICKSON: It would be most awkward to have an order in council for approving every individual union.

Mr. MACDONNELL (*Greenwood*): Would it not be natural to have the banks in there?

The CHAIRMAN: The banks are dealt with separately. Have you any objection to that, Mr. Applewhaite?

Mr. APPLEWHAITE: No. As I said I was not wedded to the wording but was wedded to the principle. If we are going to do it by legislation it is fine with me.

Mr. FLEMING: Mr. Chairman, I think the suggestion you made now meets the needs of the situation but there is one condition which Mr. Macdonnell draws attention to. What you have proposed is a definition of lending institution. If you are going to define it in that form and not include the bank in the lending institution then you must insert some of the wording which Mr.

Applewhaite has suggested, that there be inserted after the word "bank" the words "lending institutions" and so on. Would it not be simpler simply to take out the word "bank" wherever it appears in the Act and include bank within the scope of the definition of lending institution that is now proposed and then use the expression "lending institution" throughout the Act. Otherwise, I think we will have to take another look at this because the word "bank" appears throughout the Act in about 20 different places in a rough count. I would suggest that the draftsmen should have a better look at this. I take it we are in agreement as to the way we are going to go about it. In other words we are eliminating all these various types of lending institutions which have not asked to be brought in and it would only clutter up the Act if they were brought in and you are taking out the expression Mr. Michener took exception to. You are meeting I think what would be the objection some of us might have had to the proposal of leaving it too wide open in specifying that the *caisse populaire* and other cooperative credit societies are to have a status accorded to them by the words of the Act. I think we ought to insist those words should be in. I take it, we are pretty much all in agreement on what shall be the scope and the purpose of the amendment. The question is whether "bank" should be included in the definition of lending institution and simply use that throughout the Act in lieu of the present expression "bank" or leave the word "bank" out of the words "lending institution" and say "bank or lending institution." It seems to me that that is a thing for the draftsmen to take a look at because it will make necessary several amendments in the bill.

Mr. APPLEWHAITE: We want the Act to go into effect at the earliest possible date. The minute the Act is given royal assent the banks are authorized to go ahead and it may take some little time for the Governor-in-Council to say what classes of credit unions and lending institutions he will prescribe. I also think that banks being a different type, in being chartered banks, that it should be "banks and/or lending institutions".

Mr. QUELCH: Mr. Chairman, I think the credit unions made an excellent case this morning and I will certainly support it. I think that the suggestion you made respecting this agreement would be quite satisfactory. I would certainly not think it wise to clutter up the Act with all the different institutions.

The CHAIRMAN: The question of making the amendment in Mr. McMaster's terms was canvassed and found unacceptable, since it presented some new problems. Mr. Applewhaite made reference to it and felt this was the better way and more likely to find acceptance by the Department of Finance than the other one. For that reason it is being done this way.

Mr. HENDERSON: Would you read that amendment again, please?

The CHAIRMAN: "Lending institution means the credit union, *caisse populaire*, or other cooperative credit society which shall be defined in the regulations referred to in section 7 as a lending institution authorized to make loans under the Act," and then there follows that there should be inserted after the word "bank" in the various sections the words "or lending institution".

Mr. MACDONNELL (*Greenwood*): Mr. Chairman, we are in the happy position of being, it would seem, unanimous. Now all we have to do is to draft this section, but 40 people cannot draft a section. It should be turned back to the expert draftsmen. If we try to do this here in a hurry we are sure to make some mistake. It is a job for one or two people sitting down and going over the matter quietly, and surely the world is not going to end if we adjourn until tomorrow morning and have something which we can all accept.

The CHAIRMAN: Let us put it this way; we have agreed to that in principle. Let us deal with the Act, and when we come in tomorrow morning we will deal with that particular section after having it redrafted.

Mr. FLEMING: The important thing is that we are agreed in principle, and the amendment will have to be reviewed—

The CHAIRMAN: There is no reason why we should not deal with the bill in the interval.

Mr. MACDONNELL: (*Greenwood*): Is that the most sensible thing? We cannot if things are to be changed.

The CHAIRMAN: The estimates of the Department of Fisheries are on tomorrow—

Mr. FLEMING: Let us meet at 10 o'clock.

The CHAIRMAN: I do not wish to have a debate in here and then another in the House.

Mr. FLEMING: There is a problem there. How long would it take for the law officers to redraft this section? We could meet at 8 o'clock if they could do it in the meantime.

An hon. MEMBER: It is Wednesday night.

Mr. FLEMING: I am prepared to come back here.

Mr. CAMERON (*Nanaimo*): I think Mr. Fleming's point is well taken. If we pass all those sections we might pass one that is going to be amended.

Hon. Mr. SINCLAIR: I think the suggestion to leave this to the Department of Justice to redraft is an excellent one because there will have to be changes in the section on the amount of the guarantees. I do not know why we have to hurry this on tomorrow. I understand that the session is going to last two weeks more, according to prominent conservatives.

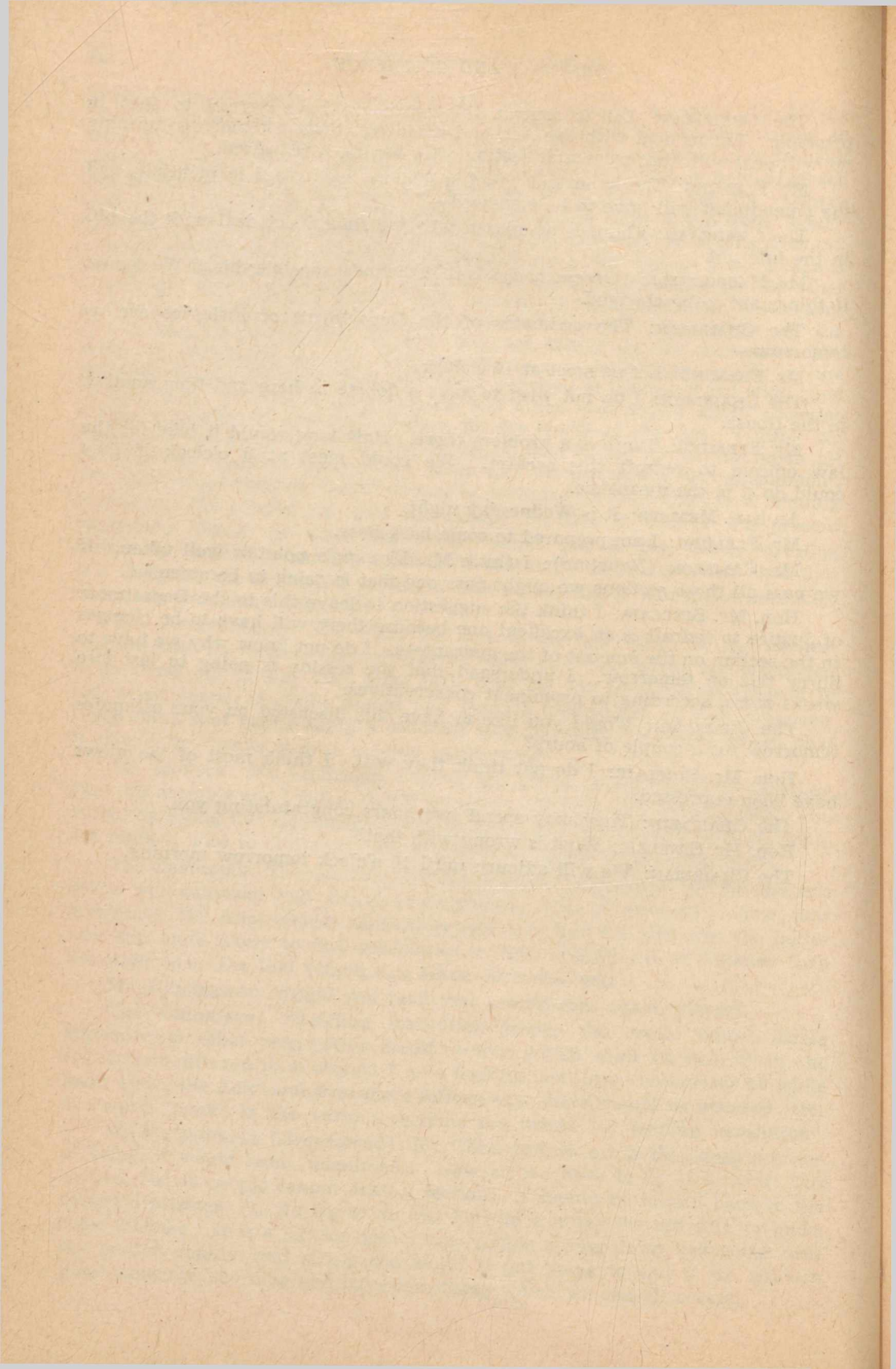
The CHAIRMAN: Would you like to have this discussed on your estimates tomorrow for a couple of hours?

Hon. Mr. SINCLAIR: I do not think they will. I think most of the views have been expressed.

The CHAIRMAN: They may spend two hours congratulating you.

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

The CHAIRMAN: We will adjourn until 10 o'clock tomorrow morning.



EVIDENCE

THURSDAY, June 23, 1955.

10.00 A.M.

The CHAIRMAN: I see a quorum, gentlemen. You have before you the suggested amendment:

"SUGGESTED AMENDMENT TO:

Bill No. 452, *An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise.*

(1) by adding immediately after subclause (i) of Clause 2 the following new subclause (j):

(j) "lender" means

(i) a bank, and

(ii) a credit union, *caisse populaire*, or other co-operative credit society designated by the Minister as a lender for the purposes of this Act;

(2) By relettering subclauses (j), (k), (l) and (m) as (k), (l), (m) and (n) respectively.

(3) By deleting the word "bank" wherever it appears in clauses 3, 4, 6, 7, 9, 10 and 11 and substituting therefor the word "lender".

(4) By deleting the word "banks" where it appears in subclause (b) of Clause 6 and substituting therefor the word "lenders".

You also have before you the further suggested amendment to clause 6 of the bill. The purpose of that, of course, is to increase the amount from 15 to 20 but to make \$10 million available for each group. As we come to the clause we will deal with it.

We are now at clause 1 and if there is no objection it will carry.

Carried.

Clause 2.

Mr. APPLEWHAITE: I will move the amendment.

The CHAIRMAN: Mr. Applewhaite moves the amendment. You have the amendment before you. Shall it carry?

Carried.

Mr. APPLEWHAITE: I will move the amendment in each case.

The CHAIRMAN: Clause 3. There is an amendment to clause 3 which you are moving, Mr. Applewhaite?

Mr. APPLEWHAITE: Yes.

The CHAIRMAN: There is an amendment to clause 4.

Mr. APPLEWHAITE: Yes.

The CHAIRMAN: There is no amendment to clause 5. There is an amendment to clause 6 and may I read it for those who do not have a copy:

"By substituting for subclause (b) of clause 6 the following:

(b) to make any payment

- (i) to a bank in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate loans made by all banks exceeds \$10 million or
- (ii) to any other lender in respect of loss sustained by it as a result of a guaranteed loan made after the aggregate principal amount of the guaranteed loans made by all such lenders exceeds \$10 million."

Mr. APPLEWHAITE: First of all, Mr. Chairman, that means that subclause (4) of the first amendment is withdrawn?

The CHAIRMAN: Yes. Subclause (4) of the first amendment is out.

Mr. FLEMING: Mr. Chairman, I gather that the effect of this is to reduce the over-all amount available for the banks from \$15 million as in the bill to \$10 million as proposed in the amendment.

The CHAIRMAN: Would you repeat that please?

Mr. FLEMING: The effect of the proposed amendment is to reduce the total loans made by all banks having loans under this Act from \$15 million to \$10 million?

The CHAIRMAN: That is quite right.

Mr. FLEMING: At the same time on the other side of the scale you have provision for making up to \$10 million available for the other lenders. I gather from what was said yesterday they are not so likely to use up the full \$10 million in the second group, but I am wondering whether the net effect of the amount might be to reduce the over-all sum proposed in the bill; namely \$15 million.

The CHAIRMAN: I am informed that the banks think that is adequate. The \$15 million was a pretty high figure and the \$10 million meets the view of the banks.

Mr. FLEMING: Having regard to the fact that this is remedial legislation and need was made out for it, I think we would not want to see any step taken now which is going to impair the efficacy of the bill.

The CHAIRMAN: The departmental view is that the \$10 million is adequate. That view is shared by the banks. The department will raise the amount if the need is there. That is my information.

Mr. MACDONNELL (*Greenwood*): Have you before you clause 6 as it will read?

The CHAIRMAN: When you reach the word "and" (b) will read:

To make any payment (i) to a bank in respect of loss sustained by it as a result of a guaranteed loan made. . . ."

I just added the word "made" in there.

Mr. MACDONNELL (*Greenwood*): clause (a) remains as it is?

The CHAIRMAN: Yes. (b) is the one we are changing.

Mr. MACDONNELL (*Greenwood*): Does clause (a) remain as it is or does "bank" become "lender"?

The CHAIRMAN: "bank" becomes lender."

Mr. APPLEWHAITE: In so far as the over-all sum is concerned it is still in the nature of a revolving fund.

The CHAIRMAN: Yes.

Mr. APPLEWHAITE: If the loans the banks made were at the maximum they could have 2,500 \$4,000 loans outstanding at one time and as they were paid off the funds would continue to be available. I do not want to be too technical, but can we carry clause 6?

The CHAIRMAN: It is a recommendation. That is all we can do.

Mr. FLEMING: I have a question on clause 5. The power is given by clause 5 of the bill to the Governor in Council to terminate the Crown liability in respect to these loans in any locality on proclamation, and then there is power given in subclause (2) to revise the lending powers by a further proclamation. What is the type of situation that is envisaged which has given rise to that?

The CHAIRMAN: This section was taken from the Farm Improvement Loan Act. They have in mind the suspending of loans on one coast or the other where they may be overloaned.

Mr. FLEMING: If that is the case it strikes me that it is not a good enough reason. After all, what we are dealing with here is a need and the bill is intended to provide measures to meet a need of credit for fishermen. Just because the lending might become heavy on one coast and not so heavy on the other does not seem to be any reason for suspending the lending provisions of the Act in either place. I think that if the lending is heavy on one coast it points to the fact that the need is great and the benefits of the Act are great accordingly. If the lending is light on the other coast it seems to indicate the need is not so great. That is no reason for suspending the provisions of the Act in either case. I am not suggesting there would be an attempt to take discriminatory action on power of this kind but it would put power in the hands of the cabinet if it chose to single out some particular area and say there will be no more loans in that area. I question whether that type of provision is going to commend itself to the members of the committee who are already persuaded that the need exists and are anxious to make this matter effective to meet the need.

The CHAIRMAN: May I say to the committee that that same section is in the Farm Improvements Act and in the Housing Act. It gives the Governor in Council a certain amount of flexibility in the early experimental stages. At this stage we would be wise to leave it in and give the department the opportunity to experiment a bit with it.

Mr. FLEMING: On clause 5 if there is no better explanation to be given than we have heard, I want to say that I am against clause 5.

The CHAIRMAN: I will draw the minister's attention to what has been said here and ask him to say something about it when it reaches the floor of the House. Does clause 5 carry?

Mr. FLEMING: On division.

Subclause 6 (a), as amended, is carried and we will make a recommendation with respect to 6 (b).

Clause 7—Regulations—carried with the amendment. There is an amendment to clause 7.

Clause 8.

Mr. MACDONNELL: There is a question with regard to section 8. Has the Department of Justice considered carefully whether there is anything in that section which would be needed for the use of the other lenders? Is the chairman quite clear that if this is confined to the banks there will be nothing wanting in the power of the other lenders?

The CHAIRMAN: This bill has come from the Department of Justice.

Mr. MACDONNELL: I appreciate that this is to meet the deficiency in the bank powers, and maybe it is the complete answer.

The CHAIRMAN: That is what the officials tell me.

Mr. APPLEWHAITE: I think the incorporation of other lenders is all under provincial statutes and therefore the federal statute has not put any restriction on their powers.

Mr. FLEMING: I take it that section 8 is after all an empowering section. This does not add something to the powers of the banks, nor does it take anything away and as far as the credit unions, the *Caisse Populaires* and credit societies are concerned; they will have to find their powers under provincial letters patent and the provincial statute under which they receive their letters patent and the minister in deciding whether they qualify under the Act to be designated as lenders under our new definition of lenders in clause 2 will have to look at the powers of each of these.

The CHAIRMAN: The department agrees with your views.

Clause 9 with amendment is carried.

Clause 10 with amendment is carried

Clause 11 with amendment is carried.

Clause 12.

Mr. FLEMING: Mr. Chairman, I have one question with regard to the report in clause 12. Will three months be required to complete that report? That would mean that in an ordinary session of parliament the report would not be available until July 1st with the consequence that it would not come before parliament until the following session, by which time it would be at least 10 months stale.

The CHAIRMAN: That is the same as the Farm Improvement Act, and the same as the Veterans Business Loans Act.

Mr. FLEMING: That is not a good enough reason, because here you are in a smaller field. We are plagued so often with reports which are too stale to be very much help to us and under the provisions of clause 12 that the report shall be made within 3 months of the end of the fiscal year, it means the 30th of June. We are not always going to be here on the 30th of June.

Mr. MACDONNELL (*Greenwood*): The point is, can they without too great an inconvenience present it within a shorter time?

The CHAIRMAN: The department points out that this really is a scattered field which makes it more difficult and that this is the normal term which they have used in the other Acts. For that reason they believe it is applicable here. There is something to be said for that view.

Mr. FLEMING: Will you ask the minister if he would take a look at this and reconsider it before the bill goes to the House?

The CHAIRMAN: That is two matters which the minister will have to look at.

Clause 12 carried.

Clause 13 carried.

Clause 14 carried.

Mr. APPLEWHAITE: On clause 14 I would just like to mention, Mr. Chairman, that the fact that fishing starts in most areas in the Spring should be borne in mind. The minister and his advisers should also bear in mind the fact that if fishermen and others are to benefit from this Act in the coming fishing

season it should be proclaimed in time for them to get their improvements under way during the late Fall and early winter. A delay in the proclamation of this Act for a few months could delay its coming into effect for a year and a half.

The CHAIRMAN: That is one of the things I have in mind and when the estimates are up today you will have the opportunity to make those observations to the Minister of Fisheries, and through him to the Minister of Finance.

Mr. FLEMING: Would not those remarks be more properly be made on the bill when it comes up?

The CHAIRMAN: In any event I intend to bring to the minister's notice the observations which Mr. Fleming made on clause 5 and clause 12, and also the observation made by Mr. Applewhaite on clause 14.

Shall the title carry?

Carried.

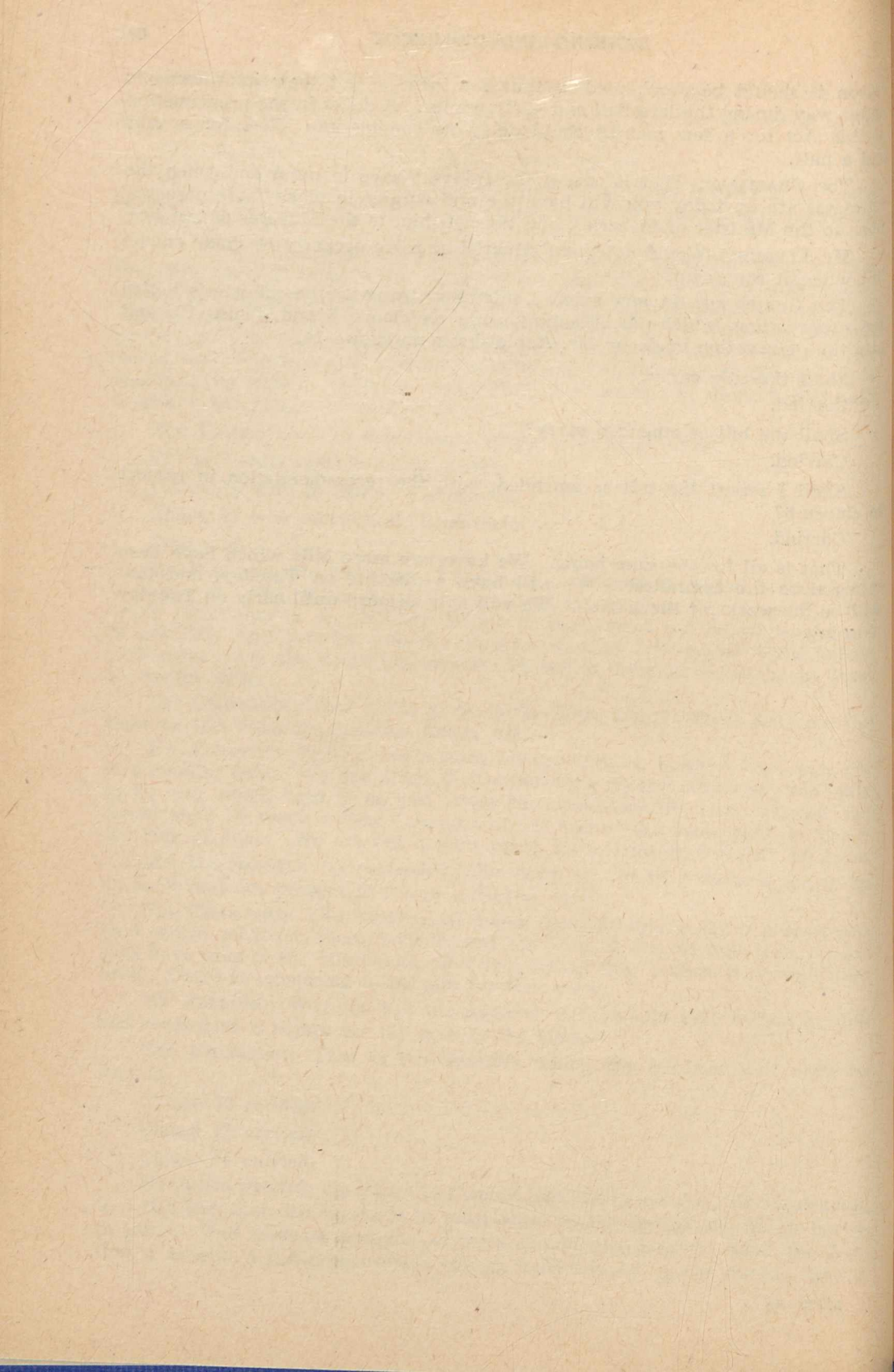
Shall the bill as amended carry?

Carried.

Shall I report the bill as amended, with the recommendation in respect to clause 6?

Carried.

That is all for the time being. We have two more bills which have been referred to the committee. We will have a meeting on Tuesday, and that will be the work for the session. We will now adjourn until early on Tuesday morning.



APPENDIX "A"

Representations from

1. Prince Rupert Fishermen's Co-operative Association,
Prince Rupert, B.C.
2. Gulf and Fraser Fishermen's Credit Union, Vancouver, B.C.
3. Prince Rupert Fishermen's Credit Union, Cow Bay, B.C.
and Prince Rupert, B.C.

APPENDIX "A"

PRINCE RUPERT FISHERMEN'S CO-OPERATIVE ASSOCIATION

P.O. Box 340
Prince Rupert, B.C.
JUNE 17TH, 1955.

The Honourable James Sinclair,
Minister of Fisheries,
Ottawa, Canada.

Dear Mr. Sinclair:

We understand that a bill has been introduced in the House of Commons to provide for an Act respecting loans to assist fishermen engaged in a primary fishing enterprise. This Act seems to be similar to the one already in effect to assist people engaged in an agricultural enterprise.

Our association wishes to express its great satisfaction with the intent of this bill and to add its wholehearted support to it. Considering the importance of the fishing industry to the whole Canadian economy we feel that the time is indeed opportune for the initiation of such legislation.

However, there appears to us to be one serious omission in this bill. That is in the failure to include fishermen's credit unions, together with the chartered banks, as recognized financial institutions to which the government is prepared to extend the guarantee for loans provided in the proposed Act. We would most strongly urge that the government consider an amendment to the bill, providing that the same guarantee can be given to fishermen's credit unions as given to the chartered banks under the terms of the proposed Act.

We realize that it has been argued that the credit unions do not come under federal control and are possibly not as rigorously controlled as are the chartered banks. Experience has shown, however, that credit unions have had a very good record and their losses have been minor. In this regard it is well to point out the record of fishermen's credit unions in British Columbia that were closely allied in their operations with the Fishermen's Co-operative Association. As you know, this association is in dire straits at the present time and indeed it is likely that it will wind up its affairs during the next year or two with a considerable loss resulting therefrom to the shareholders of the co-operative.

The Gulf and Fraser Fishermen's Credit Union of Vancouver and the West Coast Credit Union of Victoria have both been very closely connected with the Fishermen's Co-operative Association and were continuously making loans to members of the co-op, with payment in many cases being based on final payments to be received from the co-op. As you probably know, the co-op was unable to make any financial payments for its 1951 and 1952 production, and this posed a serious problem for the two credit unions in question. However, we are happy to report that both credit unions have survived this situation, and have not only survived it but have come through it with what could be termed "flying colours". Statistics show that the loss of the credit unions of B.C. have not exceeded 1 per cent.

If the type of control that is presently available through the provincial government does not seem to be sufficient to meet with the requirements of the legislation in question we feel sure that the credit unions would be glad to co-operate in any way possible with the federal government and the provincial government in removing such objections.

Again may we most strongly urge and respectively request your full support for an amendment to this bill that will make it possible for the fishermen's credit unions to have the same guarantee as will be available to the chartered banks.

Prince Rupert Fishermen's Co-operative Association
(Sgd.) K. F. Harding, Secretary for the Board of Directors.

No. 2

Charter No. 35

GULF AND FRASER FISHERMEN'S CREDIT UNION

FORD BUILDING, 193 EAST HASTINGS STREET,
VANCOUVER 4 B.C.

JUNE 16th, 1955.

The Hon. James Sinclair, M.P.,
Minister of Fisheries,
House of Commons,
Ottawa.

Dear Sir:

It is with great interest that we read of your intention to introduce legislation to assist fishermen to obtain money for fishing operations.

Our credit union was organized for this express purpose and for the past fourteen years we have made a large number of loans, most of them to fishermen. The main purpose was to enable these fishermen to obtain their own boat and gear and become independent.

We have had very good experience in dealing with fishermen and have every reason to believe that we can continue to serve them well. We hope, therefore, that it will be possible for you to include credit unions under this legislation.

Since our credit union was incorporated in December of 1940, we have made loans totalling over \$2,500,000. In that time, despite some very serious setbacks in the industry, we have written off less than \$5,000, which is slightly less than two-tenths of one per cent of our money loaned.

During the past year, we have made loans amounting to \$485,000. Of this amount, approximately \$150,000 was loaned to fishermen for the purpose of purchasing or repairing boats or obtaining gear. Up to the end of May of this year, we have loaned a further \$254,000. \$86,000 of this amount was used for the purpose of repairing or re-financing of boats, installation of new engines, etc., or the purchase of gear. In other words, approximately one-third of our money is being loaned out for the purposes your legislation is designed to cover. So far this year, only two of our loans to fishermen have been in excess of \$4,000.

From these figures you will readily understand how interested we are in your proposed legislation.

At the present time, all our money is loaned out at a straight 6 per cent per annum on the unpaid balance. We insure all our loans at a cost of .08 per cent to us. This charge is absorbed by our credit union, so that the net return on all our money is very slightly over 5 per cent.

It would be possible, therefore, for us to make loans to fishermen at a straight 5 per cent interest and allow the fishermen the option of carrying the insurance on his own loan, if he so desires, at an additional cost to himself.

Representations will be made on behalf of the credit union movement as a whole, asking that credit unions be brought into the picture as approved lending institutions. We hope that you will give every consideration to these representations and do your utmost to make it possible for credit unions, such as ours, to take advantage of the legislation and thus increase the service that we are able to give to our members.

Yours very truly,

GULF AND FRASER FISHERMEN'S CREDIT UNION

(SGD) Jos. H. Corsbie, Treasurer.

No. 3

PRINCE RUPERT FISHERMEN'S CREDIT UNION

COW BAY, B.C., PRINCE RUPERT, B.C.

JUNE 17, 1955.

The Hon. James Sinclair,
Minister of Fisheries,
Parliament Buildings,
Ottawa, Canada.

Dear Mr. Sinclair:

There has been a considerable amount of publicity on the proposed guaranteed loans for fishermen in the local press and elsewhere during the past two weeks. This naturally interests us a great deal as our group consists almost entirely of fishermen and members of their immediate family.

- We have about two thousand members in our credit union who have accumulated savings that at times reach a total of over two million dollars. These savings of course fluctuate up or down according to the period of the year when earnings are made by our members.

Since our credit union was organized in 1940 we have made over 6,500 loans to our members for a total of about \$8,500,000. A fairly large percentage of these loans were made to fishermen for financing boats, gear, engines, etc., or loans of the type the government is proposing to guarantee on behalf of the chartered banks. Our total loans written off since incorporation amounts to a little over \$7,000. This we feel is an enviable record, especially when one stops to consider our inexperience in the early years.

We feel that our fishermen's credit unions in B.C. and in the maritime provinces really pioneered the field of loans to fishermen for purposes described in the proposed changes in the Bank Act. We also feel that if there are any special privileges that are going to be granted to the banks in making such loans the same privileges should be granted to the credit unions.

We realize that the banks come under federal supervision while credit unions come under the various provincial governments but do not consider this an insurmountable difficulty.

I have read an excerpt from a speech delivered by yourself in the House of Commons on June 6, 1955 and am very much impressed with the knowledge you have of the credit union movement.

Anything that you can do on our behalf will be very much appreciated.

Yours truly,

PRINCE RUPERT FISHERMEN'S CREDIT UNION

(SGD) George Viereck, Secretary-Treasurer

c.c. Mr. E. T. Applewhaite, M.P.

Mr. Gordon Smith, Mgr. Credit Union National Ass'n.

Mr. Breen Melvin, Sec. Co-op Union of Canada

APPENDIX "B"

BRIEF OF
CREDIT UNION LEAGUE OF THE PROVINCE OF BRITISH COLUMBIA

APPENDIX "B"

BRIEF TO THE COMMITTEE ON BANKING AND COMMERCE,
PARLIAMENT OF CANADA

RE

FISHERIES LOAN IMPROVEMENT ACT—BILL NO. 452

These representations are made on behalf of the *Credit Union League of the Province of British Columbia* which represents all but 4 of the 307 credit unions incorporated in that Province. The last financial and statistical report of the Inspector of Credit Unions for British Columbia shows that the total assets of credit unions in the Province at December 31st, 1954 were \$35,428,-619.64, \$27,226,469.89 of this amount represented paid up share capital. This may give the Committee some picture of the size of the Credit Union Movement in B.C. If you compare the present assets with the total assets of credit unions in British Columbia in 1952 as shown in the 1954 Canada Year Book you will observe the growth of credit unions in B.C. In that year the total assets of credit unions in B.C. was approximately \$22,000,000.00, this represents a better than fifty percent increase in assets in two years.

Of these credit unions there are approximately eight on the West Coast of British Columbia which are predominantly fishermen's and which from time to time lend money on the security of fishing vessels and gear. Of these eight there are four of considerable size, the largest is Prince Rupert Fishermen's Credit Union which at the end of May had total assets of \$1,750,000.00, \$930,000.00 of which was represented by shares and \$650,000.00 by deposits, the balance being made up of reserves of various kinds. This Credit Union has since its incorporation in or about 1940 lent a total of \$8,500,000.00 to fishermen and their families. In total over 6500 loans have been made and of that number only 35 have been written off, in a total sum of \$7,337.59. At present it has \$1,470,637.00 out on loan. Of that sum only 2% are 3 months or more delinquent in repayment and all loans are secured. None of the loans of this Credit Union are secured on real property and a very large percentage are secured by vessels and fishing gear.

The next in size is Gulf & Fraser Fishermen's Credit Union in Vancouver which has total assets of \$959,925.00 of which shares total \$556,701.00. Since December 1941 this Credit Union has loaned \$2,520,000.00 of which only \$4,079.98 has had to be written off as bad debts. I am advised by the inspector of Credit Unions that of the \$803,000.00 they now have out on loan at most 1 to 1½% could be considered doubtful accounts. In the first 5 months of this year 31% of its loans were for the purposes of financing the purchase of boats, gear etc. and repairs and only 2 of these loans exceeded \$4,000.00.

There are two smaller fishermen's Credit Unions on which I have some figures available and which are engaged in this type of loaning. Ladner Credit Union at the mouth of the Fraser River has total assets of \$131,000.00 of which \$122,000.00 is share capital. It has loaned since 1946, a total of \$376,000.00 and has only written off \$1,352.69. Its present loans outstanding are \$121,000.00. West Coast Credit Union which services the fishermen on the isolated West Coast of Vancouver Island has \$259,000.00 total assets of which \$155,825.00 represents shares. It has lent \$1,300,293 since its incorporation in 1944. While its actual write offs have only been \$20.74 I am informed by the Inspector that approximately 5 to 7 thousand may be doubtful accounts. Its present loans are \$234,239.00.

These credit unions lend money on this type of security at the present time at 6%. All of them, out of the 6% pay for insuring the loan for the benefit of the member. In other words, if the member dies or becomes permanently incapacitated the loan is paid off out of this insurance.

It will be apparent from the above figures that for many years when other financial institutions were hesitant or in the case of the banks, unable to grant loans on this type of security, the Credit Unions have provided fishermen on the West Coast with loaning facilities. They have done so in large measure on the security of fishing vessels and gear at very reasonable rates of interest considering the fact that out of this low rate of interest they insured the loan for the benefit of the member. They have suffered negligible losses.

It is therefore naturally with some concern that the credit unions in B.C. have observed that Bill 452 fails to recognize the service which fishermen's credit unions have heretofore provided in this field and fails to give to them an equal opportunity with the banks to continue to serve the fishermen of this Province in just as favourable a position as the banks would be under the Bill. If, as indicated in previous debates in this House and in the speeches recently made in the H. of C. the members of this House have great admiration for the amazing pioneering work which the credit unions have done, we of the Credit Union Movement in British Columbia find it extremely difficult to reconcile this expressed admiration with the proposal not to include credit unions as authorized agencies under the Bill.

I am informed that in the House the Honourable the Minister of Fisheries in speaking with respect to the resolution stated:

Therefore in guaranteeing loans to the chartered banks we have the knowledge that we have very close control over the uses we are making of the taxpayers' monies. On the other hand there are many hundreds of credit unions across the country which are not under Federal control but under varying types of Provincial Legislation. We have no way, without intruding in the Provincial field of inspecting the facilities and management of these credit unions. I do not think it is reflecting on the Credit Union Movement at all to say credit unions are not quite as stable as chartered banks. Occasionally credit unions do get into financial trouble.

This was one of the reasons advanced by the Minister as to why credit unions were not included in the Bill. With the greatest respect to the Minister, and I might say in the Province of British Columbia particularly in the fishing industry, the Honourable the Minister of Fisheries is held in high respect, no one surely would suggest that just any credit union at all would be entitled to make loans guaranteed by the Government for the limited purposes of this Act and certainly there are thousands of credit unions who would have no opportunity to or interest in making such loans. The credit unions which are interested are those which have in their membership fishermen. Hence the number of credit unions with which the House would be concerned, if appropriate amendments were made to the legislation to permit loans to fishermen's credit unions, would be a relatively small number.

In the Province of British Columbia, and I am sure in all of the other Provinces, the Provincial Governments maintain efficient inspection services whose primary concern is to obtain constant reports on the financial position of credit unions and to exercise supervision and control over them. I have conferred with the Attorney General for British Columbia and the Inspector of Credit Unions concerning the matter of this Bill and the representations which I am making here today and I am assured that the Inspector would both be authorized to and willing to provide the Minister, or such official of

the Federal Government as he or the Act might designate, first of all with a statement of his opinion as to the stability of any credit union desiring to be an authorized agency under the Act, and secondly with quarterly financial information concerning such credit unions.

It is true, as the Minister says, that Parliament must be concerned with the uses which are made of the taxpayers' monies. However, I would point out to the Committee that of the total amount of money loaned by the Credit Union to Fishermen under the Bill at most the Dominion Government would be liable for only 15% and the remaining 85% would be the monies of a large body of the fishermen themselves in their credit unions. These being the monies of hundreds of fishermen it is equally in the public interest that the Provincial Government be responsible to supervise and to make certain that these funds are protected.

Therefore to protect its interests we see no necessity whatsoever for the Dominion Government, if it is prepared to co-operate with the Inspectors of Credit Unions in the various Provinces, intruding into the Provincial field of inspecting the facilities and management of these credit unions. The Dominion Government could in the manner which I suggest satisfy itself as to the stability of the lending agency; place such limits as it sees fit on the use of the powers extended as to the guarantee; and exercise reasonable controls as to the extent of its liability without interfering with the full exercise of jurisdiction by the Provinces over credit unions.

As to the comment of the Minister concerning the stability of credit unions in relation to the Banks I would be less than frank if I did not acknowledge that there may be a small number of credit unions which are not as stable as we might like to see them but surely a certificate of the opinion of the Inspector of Credit Unions for the Province, together with a financial history and current financial statements would provide the Minister with reasonable and proper information upon which he could allow or discontinue the authority to a credit union to act as an authorized agency under the Bill.

Having regard to the history of the fishermen's credit unions for the past 15 years in the Province of British Columbia; to the service which they have performed, to their present stable condition and to the remarkable absence of losses it appears somewhat unfair because of the possible instability of a few of the 4,000 credit unions in Canada to question their stability. I have given you the figures with regard to the major fishermen's Credit Unions and can assure you that the total picture of credit unions in British Columbia shows a similarly stable situation. I feel certain that you will be impressed by them as I am.

I have already referred to the very light percentage of the total assets of Credit Unions made up of share investment in British Columbia 27 million out of 35 million. There is no greater evidence of stability of a corporate body than its risk capital. I do not hesitate to say that no other lending institutions in Canada have such a high proportion of risk capital employed i.e. 80%. Most of them have only 10 to 20% invested in shares and reserves and the balance represents borrowed money. This again is cogent evidence of the Credit Unions' stability.

The minister then proceeded with respect to the resolution to state:—

The second reason I recall was the fact that the type of security which must be taken to protect the taxpayers' money under this kind of legislation is in general a little different from that required by the credit union associations themselves. There is perhaps one point which we have missed. When the Government encourages the banks to go

into what is the riskiest part of fishermen's credit, that is loans based on their fishing gear and their fishing vessels they are taking on the most difficult borrowing and the borrowing on which there is the highest expectancy of loss off the shoulders of the credit unions.

I am sure that if the Minister had been provided with the figures which I have quoted to this Committee and had been informed of the full history of the fishermen's credit unions on the West Coast of British Columbia he would not have made that statement. As I have indicated from thirty to forty percent of the ten or fifteen million dollars which these credit unions have loaned to fishermen and their families in the past fifteen years have been on the very securities to which the Minister referred i.e. fishing vessels and gear. I have also indicated in the figures which I have given to the Committee that there has been written off against such loans a very small percentage of losses and there are an equally small percent of doubtful accounts. Unfortunately the figures which I have, include write-offs for all types of loans and not just for this type, but manifestly it is clear from these figures that the percentage of loss on this type of loan by the credit unions has been negligible—less than 2% on bad and doubtful accounts. I suggest to the Honourable Members of this Committee that these figures not only show that the fishermen's credit unions on the West Coast of this country are stable organizations but also show that they are organizations well adapted to loaning money on the basis proposed to be loaned under the Bill.

If I might be permitted to say so, I respectfully suggest that the reason that the losses of the fishermen's credit unions have been so low is because credit unions by their very nature are in the best position of any financial institution to determine the wisdom of making such loans and to enforce the payment thereof. The fishermen in a sense belong to a community of their own and they mostly live along side other fishermen. Like other human beings, fishermen might be prepared to avoid their liabilities to any other type of financial institution but they know that if they avoid their liabilities to the credit union that they are accountable to their fishermen neighbors who belong to the same organization and whose money they have had the use of. For this reason I suggest that if what this House is looking for is stability of administration and an assurance that the guarantee which it proposes to give not be called upon even to the full extent provided in the Statute, they should have greater regard to the actual loss history of credit unions and not to control. They could exercise no greater wisdom than to use the fishermen's credit unions to make such loans with reasonable safeguards through regular periodic reports from the Inspector of Credit Unions in the Province.

Now the Minister further suggested that if the banks took over this area of services to fishermen, which the credit unions have for the past fifteen years so efficiently provided, the credit unions would be free to devote their funds to other credit needs of the fishermen. The suggestion contained in the statement by the minister is that the fishermen's credit unions do not have sufficient funds to finance the needs of their members. I have to point out to this body that the fishermen's credit unions to which I have referred in the Province of British Columbia all have surplus funds during most, if not all, of the fiscal year. If they do not have surplus funds in the way of shares or deposits on hand they have the authority to and do in fact borrow money from B.C. Central Credit Union, a credit union owned and controlled by the credit unions of the Province of British Columbia. Rarely, if ever, have they felt the necessity to borrow to the limit of this statutory power. Whatever may be the situation with fishermen's credit unions elsewhere, in British Columbia,

Fishermen's Credit Unions do not lack of funds from which to meet the needs of fishermen who are their members. Having regard to the tremendous growth in assets in the credit unions in British Columbia in the last two years it appears most unlikely that that problem will become a serious one.

However, I am informed that in 1953 the value of the capital equipment in primary fishing operations on the West Coast of British Columbia amounted to some forty-five million dollars in ships and boats and seven million dollars in nets and other gear. The fishing fleet on the West Coast was composed of 897 vessels over ten tons and 7,584 smaller vessels.

It is clear from these figures that there is still a great area of service to the fishermen in providing reasonable loans for the purposes of their vessels, repairs, equipment and gear. Possibly with the impetus which will be given by the passage of the Bill much greater demands may be made upon the credit unions for loans of this type. This possibility I have discussed with our Attorney General and our Inspector of Credit Unions before coming to appear before this Committee and I have reasonable assurance from them that in the event that the stable fishing credit unions of the West Coast are recognized as agents for loaning under this legislation, the Provincial Statute of British Columbia would be amended to permit much wider borrowing powers with respect to loans guaranteed under this Act. Hence, in addition to the present assets of the fishermen's credit unions, they will be able to borrow monies from B.C. Central Credit Union to enable them to meet such increased demand. Therefore with respect I suggest that this Honourable Committee need not be concerned that by inciting the need for this type of loan, fishermen on the West Coast will be deprived of the opportunity of using their credit unions to meet their other financial needs.

There are many credit unions in Canada in provinces which have no direct interest in the fishing industry who may not appreciate the benefit and wisdom of the kind of legislation represented by Bill 452. In the Maritime Provinces of Canada, and I speak particularly for the Province of British Columbia, however, the concern of the Federal Government for the welfare of fishermen and of the fishing industry demonstrated by this legislation is greatly appreciated. At a time when most other industries in Canada were still sharing the post-war prosperity between 1950 and 1952, the fishing industry suffered a tremendous set-back in low prices and the inability to dispose of the canned salmon pack. The returns to fishermen in those years were exceptionally low and have never returned to the previous high level. Accordingly, the making of credit more readily available to fishermen through the guarantee of the Dominion Government will be of great assistance in the Maritime Provinces. The credit unions in those provinces appreciate this situation and are anxious that the fishermen through their credit unions may have the benefit of this legislation.

Some credit unions, particularly those who have no vital interest in the fishing industry, such as we have in British Columbia, and having regard to the statement of the Minister of Fisheries in speaking to the Resolution where he referred to the control which the Federal Government exercises over the banks may have become alarmed that the inclusion of credit unions as a loaning agency under the Act might result in some federal control of credit unions, which they naturally and properly recognize to be matters of provincial jurisdiction. The Credit Union Movement has enjoyed its rapid development under the friendly and encouraging supervision of the Provinces and are jealous to maintain that relationship.

I wish to be quite clear that it is the attitude both of the Provincial Government of the province of British Columbia and of the credit unions that credit unions are properly under the jurisdiction of the Provincial Govern-

ments and neither the Provincial Government or the credit unions are inviting this House or are they desirous of having the Federal Government encroach upon that jurisdiction. The Minister in his speech in the House of Commons indicated that he had no desire to intrude into the Provincial field. It is our submission, however, that, recognizing credit unions as institutions created by Provincial Legislation, the Government of Canada could if it wished to do so, recognize those credit unions operated by the fishermen as agents of the Dominion Government for the purpose of guaranteeing loans made by them in the exercise of their provincial authority without in any way encroaching upon the jurisdiction of the Provincial Governments and the autonomy of the credit unions as Provincial institutions.

I therefore am instructed to suggest to this Committee that there be added to the definition section of the Act the following:

“Lending institution” includes a bank or any other lending institution designated by the Minister

and that the phrase “lending institution” be substituted for the word “bank” throughout the legislation wherever the same is appropriate exclusive of Section 8. If this suggestion were adopted by the Committee it would allay any alarm as to the Federal control of Credit Unions and it would be possible for the Minister to satisfy himself in such manner as he thought proper that any credit union seeking to be designated was a stable organization and that proper safeguards might be provided for the protection of the public funds represented by the guarantee. Further it would eliminate the necessity of this House at this late date in the session trying to work out just what credit unions should be recognized and the safeguards to be applied. We are prepared to rely on the good judgement of the Minister when the facts are before him.

The Act presents another problem, if I interpret it correctly in that a guarantee to a bank is 15% for the first half million dollars and then 10% on additional funds loaned. If, as I take it, this refers to the Bank as an institution incorporated under the Bank Act and not to each branch of the Bank I can readily recognize that it would be unfair that a number of credit unions in the province of British Columbia should have a 15% guarantee on half a million dollars each when the whole of the Royal Bank of Canada, for instance, would have to guarantee 15% on half a million dollars and only 10% on additional amounts. There is no practical way that I see of pooling the loans advanced by credit unions under the Bill and, accordingly, my suggestion would be that in the event of the Minister designating any institution other than a bank as a lending agency under the Act the guarantee would be 10% in all cases irrespective of the aggregate amount of the loans. This could be simply remedied by an appropriate addition to Section 6 of the Bill.

Having regard to the excellent history of the fisherman's credit unions in the province of British Columbia they would not be greatly concerned about the loss of the additional 5% guarantee.

If, notwithstanding the facts which I have presented to this Committee relative to the stability, the loss history and the desire to be of service to the fishermen of the fishermen's credit unions in British Columbia, the Committee consider that it would not be possible for the Minister under the proposals which I have made to reasonably protect the public funds represented by the proposed guarantee, then as an alternative we in British Columbia would propose that some means be devised to make use of the Central credit unions which have registered under the Co-operative Credit Associations Act and have thereby come under the jurisdiction of the Superintendent of Insurance for Canada. These Central organizations are limited both by their consti-

tutions and under the Act to having only corporate members and making loans only to their members. Accordingly, it would not be possible for them to make loans directly to fishermen as is contemplated by the legislation as drawn. It appears to us that it would be feasible for the Federal Government to exercise satisfactory control over loans made through credit unions if the loaning credit unions, in order to benefit by their guarantee were required to re-finance such loans in whole or in part with a Central organization registered under the Co-operative Credit Associations Act. Through its control over the Central Credit Union the Dominion Government could thereby indirectly and within the proper exercise of its constitutional jurisdiction have a reasonable and effective control over the loans granted by the credit unions.

I would like it clearly understood that I put forward this last proposal definitely as an alternative. Although it might appear to be the simpler answer to the question of controlling losses made to Credit Unions if in the Bill the reasons I put it forward as an alternative only are as follows: Firstly the Fishermen's credit unions themselves over a period of fifteen years have shown sufficient stability and efficiency as lending institutions to justify their recognition in their own right under the conditions which I have submitted and, secondly providing for such loans through a Central credit union would add to the overhead expense of providing the service to the fishermen at the low rate of interest of 5%. To that extent credit unions would be at a disadvantage in giving as full service as they ought to be able to give in carrying out the purposes of the Federal Government expresses in the Bill.

I mention the fact that on the long coast line of British Columbia, over which some 12,000 fishermen are scattered there are not handling facilities readily available in many areas. The fishermen in these areas can only receive the benefit of this beneficial legislation if these credit unions are available as lending institutions.

I therefore respectfully urge upon the Committee that with the facts concerning the fishermen's credit unions having now been placed before them they recognize the significant contribution at very low cost which the credit unions have made in meeting the very problem which this Bill is directed to assist, by giving to them an equal opportunity with the banks to continue to serve the fishermen of the Maritime Provinces of Canada with respect to their vessels and gear and to be at all times in as favourable a position as the banks would be under the proposed legislation.

Respectfully submitted by

B.C. Credit Union League

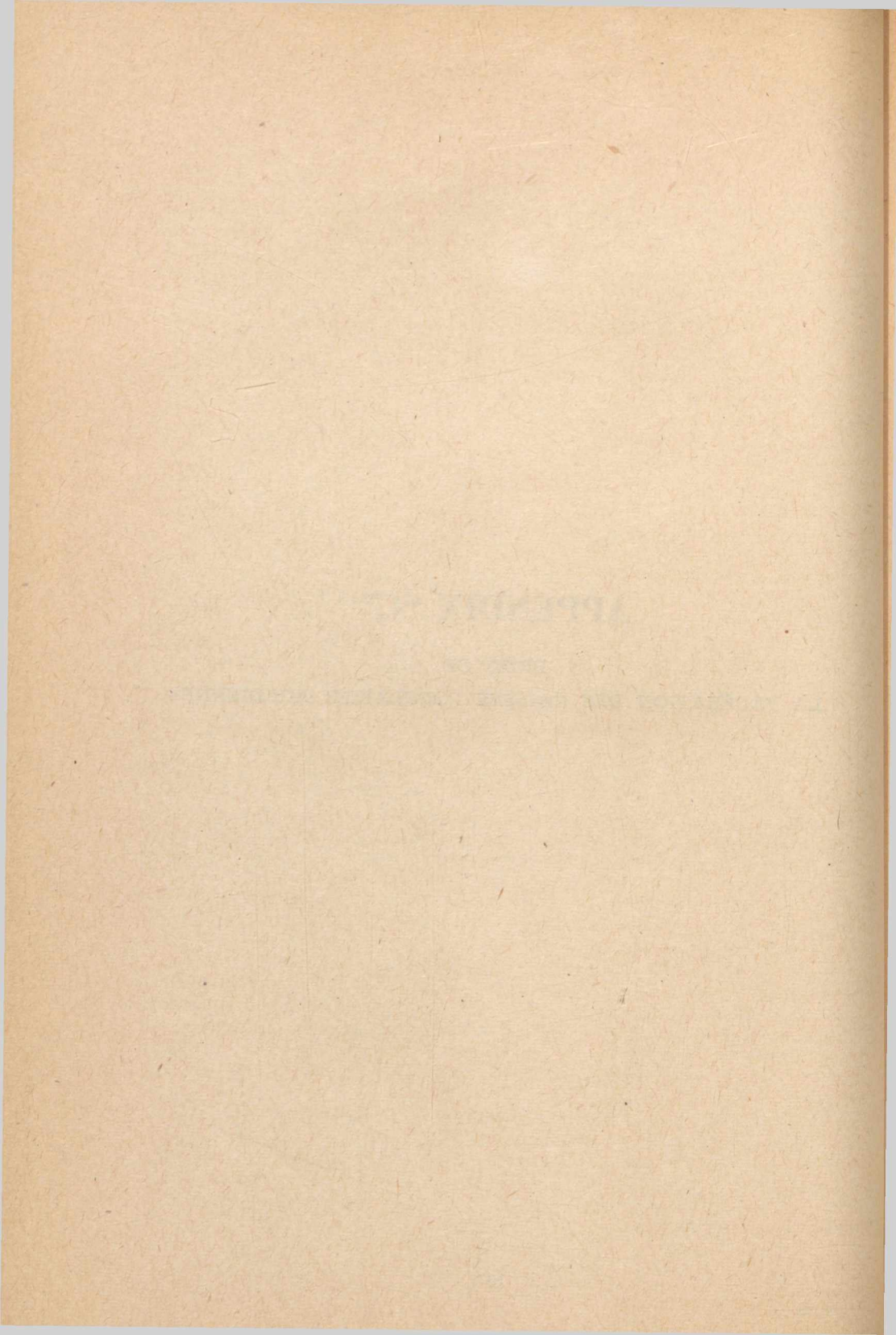
R. J. McMASTER

Its authorized agent in that behalf.

APPENDIX "C"

BRIEF OF

LA FÉDÉRATION DES CAISSES POPULAIRES ACADIENNES



APPENDIX "C"

Presentation made by

LA FÉDÉRATION DES CAISSES POPULAIRES ACADIENNES

New Brunswick

On behalf of *La Fédération des Caisses Populaires Acadiennes* for New Brunswick, I should like to associate myself with the statement given by the Nova Scotia Credit Union League, since the situation in my province is much the same as in Nova Scotia.

However, I might add a few statistics concerning our credit unions in New Brunswick which will be valuable to the committee in considering our request. There are 163 credit unions in the province, with approximately 67,000 members and over \$8,000,000 in savings. Total loans recorded for the 19 year period (1935-1955) is over \$37,000,000.

We have 55 credit unions operating in fishing communities, and as a matter of fact the largest credit union in our federation is in a fishing community—Caraquet. As in Nova Scotia we have insurance coverage on loans and savings, provided by our own insurance company organized through the credit unions. Our record in uncollected or delinquent loans is worth noting: in total loans of \$37,000,000 the amount written off to date is about \$12,000. This is equivalent to a loss of one dollar for every \$2,800 loaned from the beginning.

It might be well to point out that of 118 community credit unions in New Brunswick, 102 are operating in rural communities, whereas only 16 are in towns and villages, the place where we find chartered banks.

The provincial government inspection system is much the same in New Brunswick as in Nova Scotia. We have a Registrar of Credit Unions and two inspectors for the province.

We also feel that if this legislation, Bill 452, is intended as a service to fishermen, it should be provided for the fishermen whether he has his credit established in chartered bank or in a credit union.

We feel that, if the credit unions are excluded from this legislation, it will mean that the fisherman is being penalized for the efforts he has made for the past 17 years in organizing credit unions which have enabled him to build up his own credit facilities. We assume that the Government of Canada would want to give better recognition of the work that credit unions have done in building good Canadian communities.

We wish to assure you that *La Fédération des Caisses Populaires Acadiennes* will co-operate in every possible way to ensure the success of any plan whereby credit unions can avail themselves of government guarantees for loans to fishermen.

Respectfully submitted on behalf of

La Fédération des Caisses Populaires Acadiennes

EUCLIDE M. LÉGER
Director

Ottawa, June 22, 1955

APPENDIX "D"

BRIEF OF
NATIONAL CO-OPERATIVE FISHERIES ASSOCIATION.

APPENDIX "D"

BRIEF

presented to

THE BANKING AND COMMERCE COMMITTEE
HOUSE OF COMMONS

on

BILL 452—THE FISHERIES IMPROVEMENT LOANS ACT

by the

NATIONAL CO-OPERATIVE FISHERIES ASSOCIATION

of the

CO-OPERATIVE UNION OF CANADA

WEDNESDAY, JUNE 22, 1955

INTRODUCTION

This brief is presented by the National Co-operative Fisheries Association, a division of the Co-operative Union of Canada which brings together the various co-operative organizations of fishermen in Canada. It includes federations of fishermen in every province except Alberta.

We are particularly interested in the provisions of the Fisheries Improvement Loans Act because it will be used very largely by the fishermen who are represented in the membership of our Association; and rather than burden you with a number of briefs we thought it best to combine our views into one presentation.

1. The Economy of the Fishing Communities

The condition of many fishing communities in days gone by is too well known to be described here. In general the standard of living of fishermen was not as good as that of other occupational groups in Canada. The typical fishing village was often a scene of poverty which bore small relation to the great wealth of the waters along our coast-line. The capital investment of the individual fisherman was low, and as a result the fisheries have not been developed as well as they might have. Briefly it can be said that the fishing industry has been characterized by retarded development and a much lower standard of living than the available resources could have supported.

Of course, from Newfoundland on the east coast to British Columbia on the west there is great variety in the industry, but certain underlying characteristics tend to be the same. For one thing, it has always been more or less a struggle for fishermen to get independent ownership of boats and equipment. In earlier times boats and gear were frequently owned by companies and, unlike the farmers of this country, fishermen had to gradually work their way out of a sort of feudal economy, in which they were share-croppers of the sea rather than independent operators. Fortunately this condition remains in only a few areas.

Closely associated with the economic condition of fishermen has been the whole question of credit. Until recent times there was no financial institution offering credit to fishermen and they had to rely to a great extent

on the fish buyers or companies which bought their catch. So the emancipation of fishermen is intimately linked with new sources of credit, and for this reason Bill 452 may be regarded as another step towards a better economic system for the fishermen of this country.

2. *Changes in the Fishing Industry*

The fishing industry is undergoing great changes today. The general trend is towards greater mechanization and larger investment. More capital is required now to be a successful and productive fisherman. This change towards larger boats and bigger capital outlay has been greatly speeded up since the end of the war.

As example of this, we may take the construction of a large number of draggers and long-liners in the Maritimes. Since 1945 the number of these larger boats has increased from 18 to 237. In the past ten years, mostly in Nova Scotia, 43 modern long-liners have been put into operation. In contrast with the low capital investment of earlier times, a long-liner costs from \$22,000 to \$28,000; and of course this means that new sources of credit must be found to finance them. In all parts of the Atlantic coast, this trend towards bigger boats and better equipment is evident and reflects the general expansion and improvement of the whole industry in recent years.

It should be our aim, of course, to make sure that, in this change to greater capital investment, the fisherman does not lose ownership of the means of production. The importance of keeping fishermen independent owners and free producers should be obvious to everyone. We want our Canadian fishermen to be like our Canadian farmers, free and independent citizens owning the equipment and gear of their occupation.

Much of the improvement in boats and gear referred to here has been the result of fishermen's loan boards, set up in the Maritimes by the provincial governments to assist fishermen to get equipment of this kind. These boards have filled a great need, providing credit where it was not available before, except through credit unions, as will be explained in the next section. But even with provincial loan boards there still remains a gap to be filled in providing credit to fishermen, and it is to fill this gap that Bill 452 is designed.

3. *Credit Unions in fishing communities*

Credit unions first appeared in fishing communities as "caisses populaires" on the Gaspé Coast, the first one being organized in 1908 in the farming and fishing community of Maria. By 1932 there were fourteen credit unions with over 3,000 members on the Gaspé, and in that year too the first credit union was begun in Nova Scotia.

These credit unions fitted in admirably in the fishing communities, in answer to the problem of credit already described. There were relatively few banks serving fishing communities, for the isolation and economic level of these places made it unprofitable for banks to carry on business there. Moreover, where banks did carry on in the larger fishing places, their business was largely with fish companies, merchants and people in other occupations rather than with fishermen. And so, in response to a great need, the credit unions among fishermen grew and developed. As a result, the credit union movement is today inseparably interwoven into the way of life of tens of thousands of fishermen in Canada.

On the Gaspé Coast there are 37 credit unions, in fact no fishing community without one; similarly in the Magdalens. The story of credit unions in Nova Scotia is covered at this sitting by a brief of the Credit Union League. In New Brunswick there are some fifty credit unions in fishing

communities with savings over \$2,000,000 and these are part of the *Federation des Caisses Populaires Acadiennes*, which also has its own life insurance company for the protection of members. In British Columbia an example is provided by the Prince Rupert Fishermen's Credit Union. Organized in 1939, it has built up savings to over \$2,000,000; and up to 1954 it had made loans to members of over \$9,000,000. The loss in uncollected loans during all these years was about \$7,000, or eight cents in every \$100 loaned. The record of credit unions among the fishermen of Canada is an open story for all to read. It is a thrilling story of which all Canadians should be proud.

4. *Credit Unions in the proposed Act*

Bill 452, "An Act respecting Loans to assist Fishermen engaged in a Primary Fishing Enterprise," makes no mention of credit unions. They are ruled out as lending agencies under the Act, and the privileges and benefits of the new legislation apply only to the chartered banks. We contend that this is unfair. The organization that has stood by the fishermen in good days and bad for many years is disregarded in favor of an institution that failed to provide service in the past. The new Act, in effect, says that all the good work and the admirable record of credit unions are to go unrewarded. We hate to think of it!

In the actual operation of this legislation, assuming for the moment that credit unions are included, we ask you to consider who is better qualified to approve a loan to a fisherman, the credit committee of his credit union, made up of other fishermen who know both him and the industry intimately, or the manager in a bank a hundred miles away who knows little of the fisherman and perhaps less of the fishing industry? We would bet on the credit union committee to make the right decision.

Objections have been raised about the suitability of credit unions for the provisions of Bill 452. We submit that it rests with the officers of Government to find the way in which credit unions can be included in this Act, for the performance of credit unions in the past among fishermen has earned for them first consideration in any benefits that will be provided by this legislation.

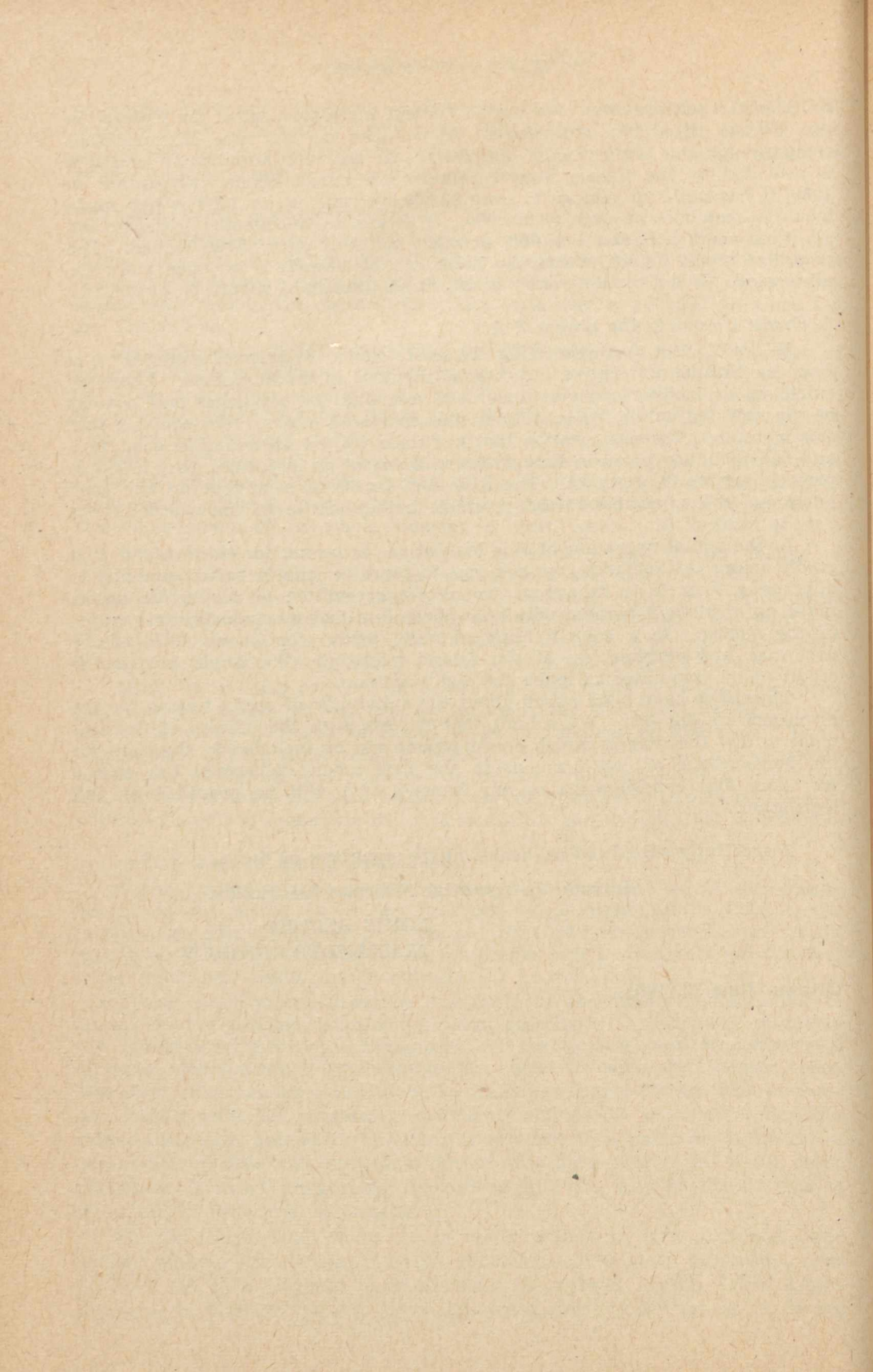
Respectfully submitted on behalf of the members of the

National Co-operative Fisheries Association.

LOUIS BERUBE

ALEXANDER LAIDLAW

Ottawa, June 22, 1955.



APPENDIX "E"

BRIEF OF
NOVA SCOTIA CREDIT UNION LEAGUE.

APPENDIX "E"

INCLUSION OF CREDIT UNIONS IN BILL 452—
"FISHERIES IMPROVEMENT LOANS ACT"

Presented to

COMMITTEE ON BANKING AND COMMERCE
HOUSE OF COMMONS

On behalf of

NOVA SCOTIA CREDIT UNION LEAGUE

Antigonish, N.B.

WEDNESDAY, JUNE 22, 1955

INCLUSION OF CREDIT UNIONS IN BILL 452—

"Fisheries Improvement Loans Act"

The Nova Scotia Credit Union League is a Federation of the credit unions of Nova Scotia. It is on behalf of these credit unions, and especially those located in our fishing communities, that we present these comments. We hope that our presentation will help you decide to include credit unions in Bill 452—The "Fisheries Improvement Loans Act".

The first credit unions were organized in Nova Scotia in late 1932 and early 1933. Canada in those years was in the depths of the great economic depression. Probably no group suffered so much from that depression as Maritime fishermen. To help solve the problems of all groups the Extension Department of St. Francis Xavier University promoted a program of study and group action. Very early after the launching of this program, the need for credit facilities became evident. Thus the organization of credit unions was fostered.

We think it is safe to state that the need for credit facilities was as great among our Maritime fishermen as in any other occupational group. Not only were prices extremely low, but the fishermen had to avail themselves of the only source of credit, namely the local fish buyer. Banks were not interested in providing this much-needed credit. There were no finance companies as we know them today. The result was that the fisherman lost control over his catch and the freedom to market it as he wished, because economic circumstances forced him to sell to the party that supplied him with credit. By the organization of his own credit union, he created for himself and his fellow fishermen a source of credit that was friendly and inexpensive. He was thus able to pay cash for his supplies and, more important, he could participate in the organization of his own marketing facilities through which he would obtain the best prices possible for his catch.

Starting as they did in the depression years, credit unions in Nova Scotia have shown steady and sound progress. There are now 222 credit unions in the province, with approximately 52,000 members and almost \$8 millions in savings. They have loaned to themselves about \$40 million and they have a loss experience that would be envied by many finance companies operating with more facilities and more highly trained personnel.

It is significant to note that one of the first credit unions in Nova Scotia was organized in the fishing village of Canso. It is still operating and doing a good job. We have about 60 credit unions that are operating at present in

similar communities. More than half of these can be classified as fishermen's credit unions, where the only industry is fishing. There is also a number where other occupational groups are involved but where fishing is still an important factor in the economy of the community.

Some of our larger credit unions are located in typical fishing communities such as Cheticamp, Grand Etang and West Pubnico. In these communities the credit union is a full-time operation providing the members with complete credit facilities. In other communities, credit unions are reaching the stage where the demands for service are increasing to the point where it will be necessary for them to open on a full-time basis.

It is important to point out, too, that in all these credit unions the officers are serving without remuneration. In the larger credit unions the Treasurer is paid a salary within the means of the credit union. It is not uncommon to find individuals who have served faithfully as officers of the credit union for fifteen years or more without more than a "thank you" at the annual membership meeting. Their service is a dedicated one.

At this session of the Parliament of Canada, you are to consider legislation designed to help the fishermen obtain credit facilities comparable to what is now provided for the farmers. The Government is to be commended for this move, which, we are sure, will meet with popular approval. However, we are concerned inasmuch as the proposed legislation intends to provide government guarantees only to the chartered banks for loans made to fishermen under the Act. We do believe that consideration should be given to the inclusion of credit unions under the provisions of the Act. We say this not because of any selfish interest, but rather because we feel that the credit unions movement has earned for itself by its past record a consideration equal to any other financial institution in the field of credit for fishermen.

For many years the fishermen of the Maritimes have been in need of credit. As pointed out by several Honourable members of Government, the only source of credit in many fishing communities has been the local fish merchant or supply company and the credit unions. Banks have been reluctant to provide the necessary credit because of the risk involved. In view of the fact that these credit unions have been willing to take the risk and provide credit according to their ability, we feel that it would not be fair for the government now to ignore them and ask the banks to provide this much-needed credit with government guarantees to offset the risk involved. Credit unions, for twenty years, have made loans with little more than the character of the borrower as security, and the experience has been good. Our credit unions will continue to make such loans whether the proposed legislation applies or not to credit unions.

There are other things that these credit unions have accomplished. Fishermen who never before in their lives accumulated any savings, today have some savings. They have developed the habit of thrift; they have learned through their credit unions how to borrow wisely; by their co-operative efforts they have taken a vital interest in the welfare of their fellow man. The result of all this, in conjunction with other ventures, often sparked by the credit union, has given fishermen something they would not have otherwise. They have a much better standard of living; they are more interested in preserving the fisheries as a national resource; and above all they have become better citizens, free from the slavery of the thirties.

Credit union members in Nova Scotia in affiliation with members in other Canadian Provinces and the States of the United States have set up their own insurance company. Through this organization, all their loans are insured against death or disability and their life savings are complemented by insurance

on their savings. As a result of this, fishermen's families have been protected and their estates increased. We feel this to be important inasmuch as it protects the credit union as a lender and would protect the government as a guarantor where it might be liable for a possible loss due to death or total and permanent disability.

Along with our credit unions we also have the Nova Scotia Credit Union League, which is a federation of all the credit unions in the province. This organization does the educational and promotional work in connection with credit unions. It also provides a field service to advise credit unions in matters of policy and operating procedures, as well as to act as a supervisor, although without any particular legal authority. A department of the League acts as a credit union for credit unions. Through this department loans are made available to credit unions to meet the seasonal and other demands for loans from the members that the credit union cannot handle by itself. In other words, it is an additional source of funds for credit unions in the peak of their borrowing periods. As a rule, the League does not make loans to individual members except by way of first mortgage. However, we do make these in fairly large sums. Just a few days ago we made such a loan to a fisherman to help him procure a new boat. To secure the loan it was necessary for us to take a first mortgage on his home. We point this out as one of many cases that come to us. The fisherman came to us because the amount he wanted was larger than his local credit union could handle.

We are aware that there are some problems in granting our request for the inclusion of credit unions under the proposed Fisheries Loans Act. Some, no doubt, are afraid that credit unions are not as safe as they would like them to be. Others feel that, since credit unions are provincially incorporated, the Federal government would be at a disadvantage in supervising loans that come under this Act. Others probably feel that credit unions do not have facilities to provide the necessary services under the Act.

As for the safeness of credit unions, we feel that the record speaks for itself. In twenty years of operation we do not know of a credit union going in bankruptcy or closing out that did not pay back to its depositors a dollar for every dollar deposited. Actually no credit union in Nova Scotia has gone into bankruptcy. Some have been closed out and no doubt that will continue as long as the present trend continues whereby our farming and fishing villages are depleted of population by those seeking better living standards in the towns and cities. That has been the major reason for the closing of any of our credit unions. True, too, there have been losses in credit unions because of the failure of borrowers to repay their loans. But these are anticipated in any business and the necessary reserves are set aside. Only about \$37,000 has been charged to reserves in Nova Scotia during the past twenty two years of credit union operations where a loan business of \$40 millions has been done. All of this \$37,000 cannot be charged to dishonesty or neglect on the part of officers. A considerable sum of it was written off during the war years. Many young men with unpaid loans went into the services and many did not return. Rather than collect from the widow or mother, the credit union charged the unpaid loan to its reserves.

To add to the soundness of credit unions, our Provincial Government has a Registrar of Credit Unions and two inspectors. Every credit union is inspected annually and sometimes more often and reports of these inspections are filed with the Registrar and the League. Irregularities and bad practices are noted and the necessary corrective action is taken. Bonding for the faithful performance of duties is a requirement of the Credit Union Act to guard against defalcations and losses because of neglect.

The League, likewise, is in continuous contact with the credit unions and every effort is made to see to it that each credit union is operating according to the spirit and the letter of the Credit Union Act. Therefore, we feel that our credit unions are safe and our experience would substantiate that statement.

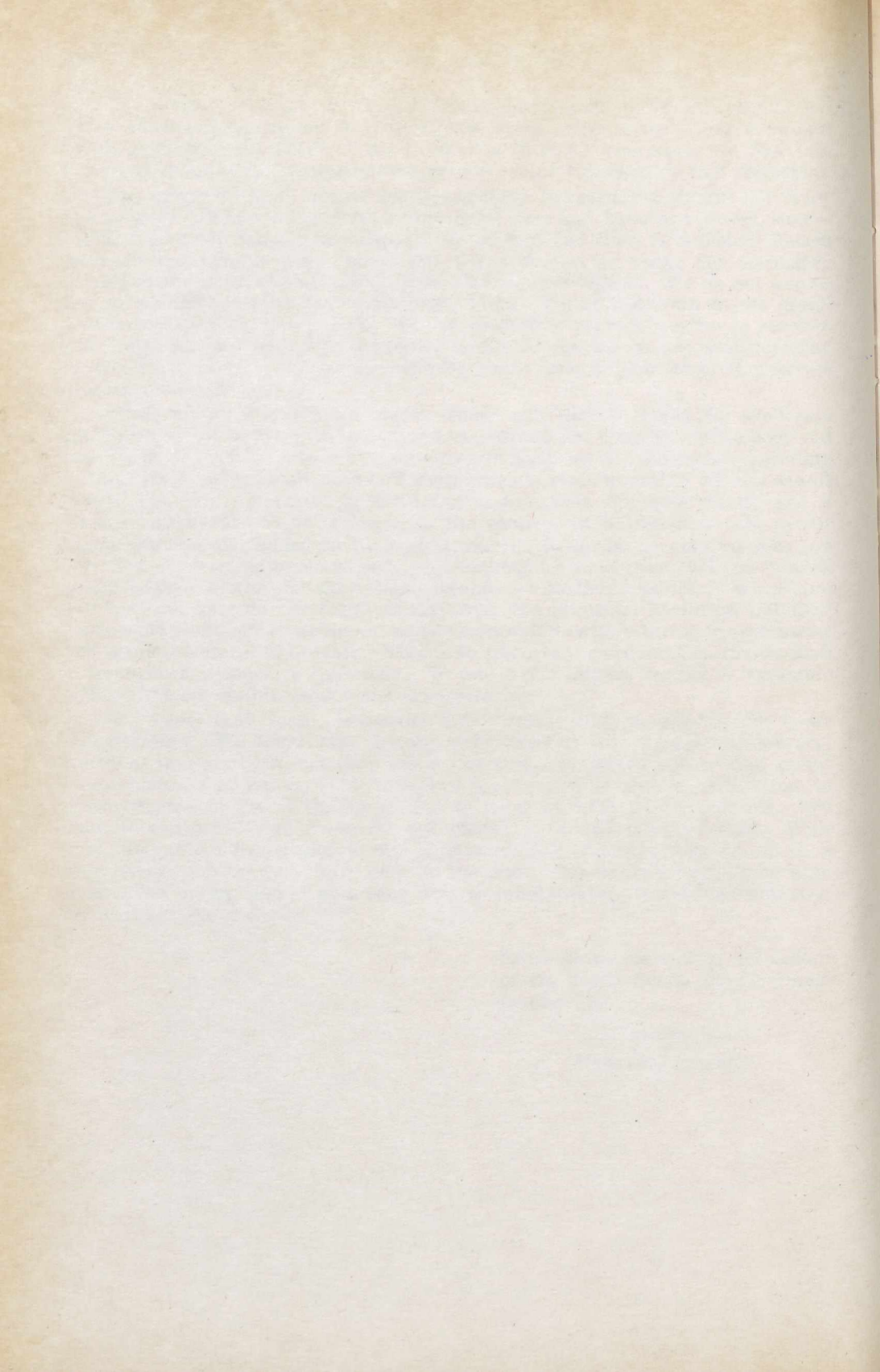
The fact that credit unions are provincially incorporated should not cause any anxiety. While the federal government does not have any direct supervision over credit unions, nevertheless we do feel that there is sufficient liaison between the federal government and the provinces to make the necessary arrangements to offset the lack of direct federal supervision. We do not expect the government to take any unnecessary risks. We do not want to see credit unions receive a privilege under the Act that they are not worthy to receive. The Nova Scotia Credit Union League would co-operate in any possible way to insure the success of any plan whereby credit unions could avail themselves of government guarantees.

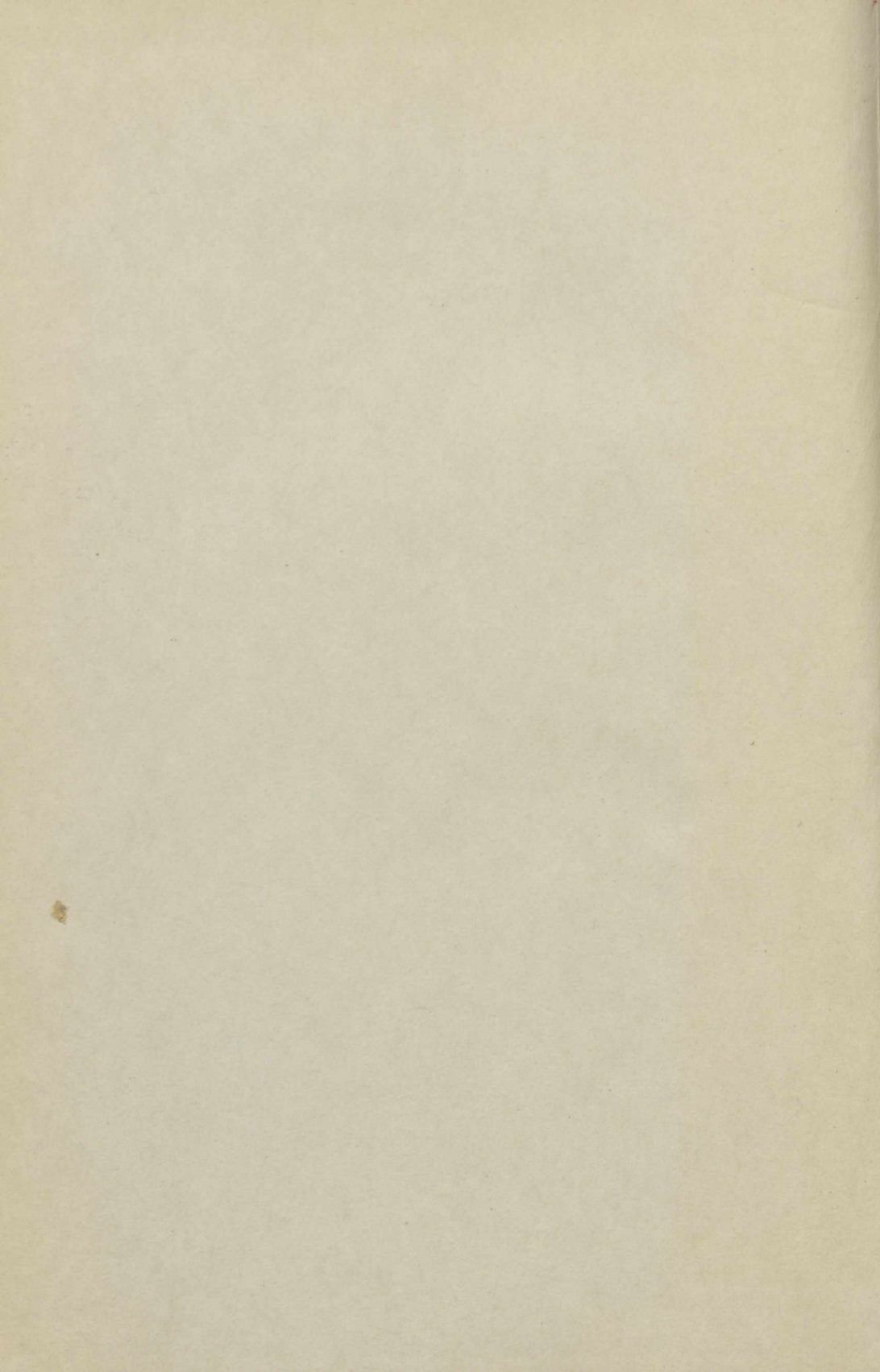
While many of our small credit unions may not be noted for elaborate facilities for the carrying on of business, we would not want you to be deceived into thinking that they do not have adequate facilities for the proper handling of their business. Certain standard requirements must be met in all our credit unions, such as a standard bookkeeping system with approved forms and a standard procedure to be followed in the conduct of its business. As credit unions grow in size, added facilities are acquired. In our larger credit unions you will find modern equipment such as bookkeeping machines, walk-in vaults, safety deposit boxes and the other demands of modern business. We assure you that not only do our credit unions have the necessary facilities, but they are located along our coast line in small communities where the chartered banks find it uneconomical to operate. This is an important consideration in any plan of financial assistance to fishermen. In our credit unions, service is available right in the community where the fishermen live.

We hope that these comments have contributed something for your consideration. We know that you are interested in our request and we feel confident that you will find solutions to the problems facing you so that credit unions can be included. We hope too that you will give consideration to those Leagues of Credit Unions similar to what we have in Nova Scotia. We want to continue doing a job for our fishermen in the financial field. With your favorable consideration to our request we feel confident that we can do a much better job than we have done in the past. Our contribution, along with that of the banks, should go a long way to rehabilitating the fishing industry, especially in Nova Scotia.

Respectfully submitted on behalf
of the Nova Scotia Credit Union
League.

R. MacMullin
Managing Director.





Bound by
Harpell's Press Co-operative
Gardenvale

